

CITY OF TRINITY, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2013

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June 30, 2013

**CITY OF TRINITY, NORTH CAROLINA
JUNE 30, 2013**

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Linda Gantt, Mayor Pro-Tem
Barry Lambeth
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Kristen Varner
Karen Bridges
Debbie Frazier
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Chester Ayers

ADMINISTRATIVE AND FINANCIAL STAFF

Debbie Hinson, City Manager/Finance Director

City of Trinity, North Carolina
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June 30, 2013

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FINANCIAL SECTION



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Trinity, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinity, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinity, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Trinity, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of City of Trinity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Trinity's internal control over financial reporting and compliance.



November 15, 2013

Management Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Trinity, we offer readers of the City of Trinity's financial statements this narrative overview and analysis of the financial activities of the City of Trinity for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

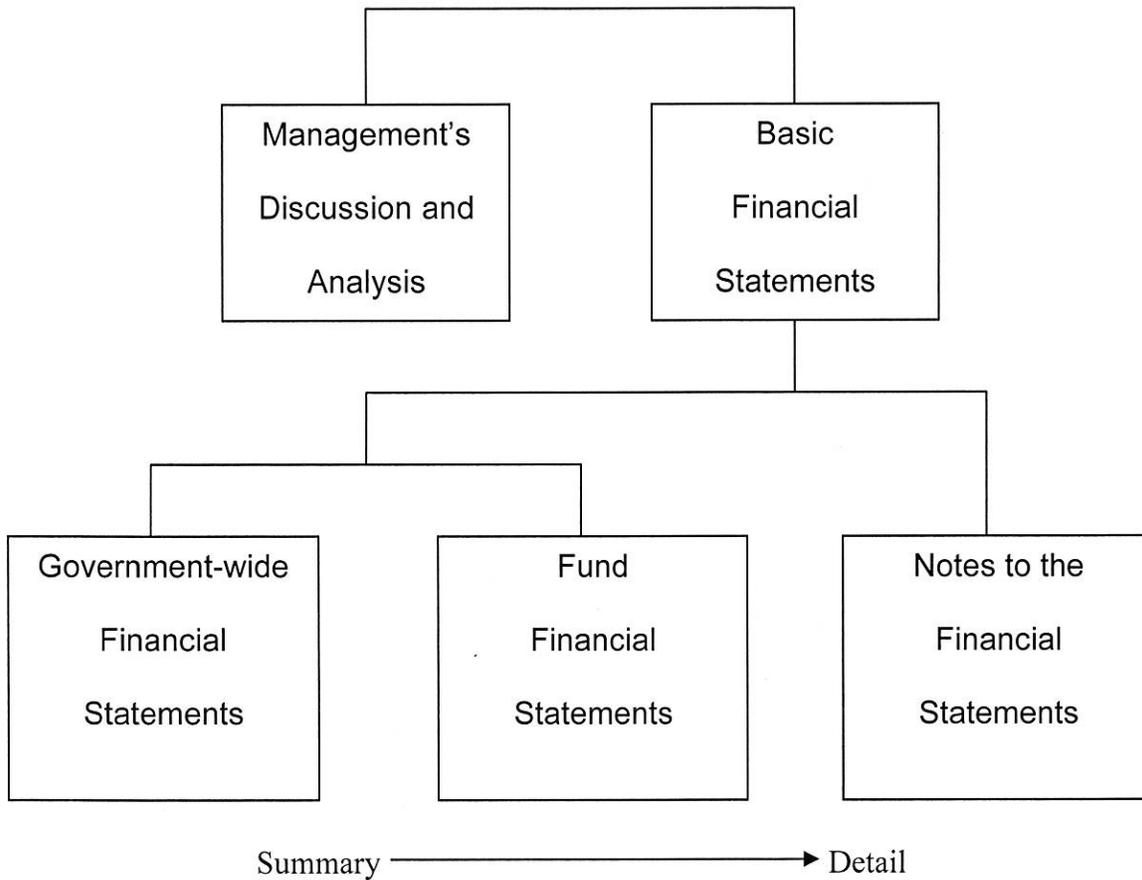
- The assets and deferred outflows of resources of the City of Trinity exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,676,055 (*net position*).
- The government's total net position decreased by \$69,682, primarily due to a decrease in the governmental activities net position.
- As of the close of the current fiscal year, the City of Trinity's governmental funds reported combined ending fund balances of \$7,595,287 with a net change of \$2,569,513 in fund balance. Approximately 37.75 percent of this total amount or 2,866,937 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,728,350, or 91.65 percent of total general fund expenditures for the fiscal year.
- The City of Trinity's total debt increased by \$3,166,437 during the current fiscal year. The key factor in this increase was the issuance of general obligation bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Trinity's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Trinity.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Management Discussion and Analysis
City of Trinity

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works (streets, sanitation and stormwater), code enforcement, parks and recreation, and general administration. Sales and property taxes and state and federal grant funds finance most of these activities. The business-type activities are generally those that the City charges customers to provide. These include the sewer services offered by the City of Trinity.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Trinity, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Trinity can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management Discussion and Analysis
City of Trinity

The City of Trinity adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Fund – The City of Trinity has a proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Trinity uses the enterprise fund to account for its sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Management Discussion and Analysis
City of Trinity

Government-Wide Financial Analysis

The City of Trinity's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,674,430	\$ 10,246,521	\$ 3,150,161	\$ (452,395)	\$ 10,824,591	\$ 9,794,126
Capital assets	1,993,640	2,050,504	24,606,490	22,629,235	26,600,130	24,679,739
Total assets	9,668,070	12,297,025	27,756,651	22,176,840	37,424,721	34,473,865
Long-term liabilities outstanding	-	-	12,372,698	7,560,269	12,372,698	7,560,269
Other liabilities	81,837	89,826	294,131	2,078,033	375,968	2,167,859
Total liabilities	81,837	89,826	12,666,829	9,638,302	12,748,666	9,728,128
Net position:						
Net investment in capital assets	1,993,640	2,050,504	14,331,754	13,286,395	16,325,394	15,336,899
Restricted	2,615,964	4,645,469	-	-	2,615,964	4,645,469
Unrestricted	4,976,629	5,511,226	758,068	(747,857)	5,734,697	4,763,369
Total net position	\$ 9,586,233	\$ 12,207,199	\$ 15,089,822	\$ 12,538,538	\$ 24,676,055	\$ 24,745,737

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Trinity exceeded liabilities and deferred inflows by \$24,676,055 as of June 30, 2013. The City's net position decreased by \$69,682 for the fiscal year ended June 30, 2013. However, the largest portion (66.16%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Trinity uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Trinity's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Trinity's net position, \$2,615,964 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,734,697 is unrestricted.

Several particular aspects of the City of Trinity's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by Randolph County in maintaining a tax collection rate of 97.84% in 12-13, which was better than the statewide average of 97.48%.
- Continued diligence on the part of city staff in monitoring and evaluating options for reducing expenditures without adversely affecting services. Examples include excluding a vacant position in public works that had previously been frozen, combining salary positions that resulted in a decrease of overall salary expense, and continued reduction in the duration of City HAUL, the City's biannual citywide cleanup program.

Management Discussion and Analysis
City of Trinity

City of Trinity's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 447,867	\$ 460,054	\$ 479,620	\$ 437,836	\$ 927,487	\$ 897,890
Operating grants and contributions	194,947	182,235	-	-	194,947	182,235
Capital grants and contributions	-	-	-	1,234,876	-	1,234,876
General revenues:						
Property taxes	530,611	529,280	-	-	530,611	529,280
Other taxes	7,262	9,769	-	-	7,262	9,769
Grants and contributions not restricted to specific programs	1,393,160	1,359,330	-	-	1,393,160	1,359,330
Other	17,790	31,001	7,579	1,055,926	25,369	1,086,927
Total revenues	<u>2,591,637</u>	<u>2,571,669</u>	<u>487,199</u>	<u>2,728,638</u>	<u>3,078,836</u>	<u>5,300,307</u>
Expenses:						
General government	467,929	732,780	-	-	467,929	732,780
Public safety	68,676	69,459	-	-	68,676	69,459
Public works	804,620	749,112	-	-	804,620	749,112
Economic development	5,500	5,500	-	-	5,500	5,500
Special appropriations	56,460	42,495	-	-	56,460	42,495
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	1,745,333	1,514,609	1,745,333	1,514,609
Total expenses	<u>1,403,185</u>	<u>1,599,346</u>	<u>1,745,333</u>	<u>1,514,609</u>	<u>3,148,518</u>	<u>3,113,955</u>
Increase (decrease) in net position before transfers	1,188,452	972,323	(1,258,134)	1,214,029	(69,682)	2,186,352
Transfers	(3,809,418)	(805,097)	3,809,418	805,097	-	-
Increase (decrease) in net position	(2,620,966)	167,226	2,551,284	2,019,126	(69,682)	2,186,352
Net position, July 1	12,207,199	12,039,973	12,538,538	10,519,412	24,745,737	22,559,385
Net position, June 30	<u>\$ 9,586,233</u>	<u>\$ 12,207,199</u>	<u>\$ 15,089,822</u>	<u>\$ 12,538,538</u>	<u>\$ 24,676,055</u>	<u>\$ 24,745,737</u>

Governmental activities. Governmental activities decreased the City's net position by \$2,620,966. Key elements of this decrease are as follows:

- Governmental activities reflect a net increase of \$1,188,452 prior to transfers to Capital Sewer Projects. The net decrease is a direct result of these transfers representing repayment to the general fund for dollars loaned to the sewer fund during the installation of sewer infrastructure in excess of over 3 million dollars.
- Overall city-wide unrestricted balances (available for use) increased from \$4,763,369 to \$ 5,734,697 and restricted (not available for use) decreased from \$4,645,469 to \$2,615,964.

Management Discussion and Analysis
City of Trinity

Business-type activities: Business-type activities increased the City of Trinity's net position by \$2,551,284. Key elements of this increase are as follows:

- Transfers from the general fund in excess of 3 million dollars.
- Continued expansion of the City's sewer system including completion of Phase 4, and the beginning of the Braxton-Craven and final Phase 5 sewer projects.

Financial Analysis of the City's Funds

As noted earlier, the City of Trinity uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Trinity's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Trinity's financing requirements.

The general fund is the chief operating fund of the City of Trinity. At the end of the current fiscal year, the City of Trinity's fund balance available in the General Fund was \$4,728,350, while total fund balance reached \$7,344,314. The City currently has an available fund balance of 91.65% of general fund expenditures, while total fund balance represents 142.36% of the same amount.

At June 30, 2013, the governmental funds of the City of Trinity reported a combined fund balance of \$7,595,287 with a net decrease in fund balance of \$2,569,513. Included in this change in fund balance is a decrease in fund balance in the General Fund of \$2,572,675 and an increase in the Parks and Recreation Fund of \$3,162.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The City of Trinity's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sewer Fund at the end of the fiscal year amounted to \$758,068. The total change in net position for the fund was \$2,551,284. The change in net position in the Sewer Fund is primarily a result of transfers from the General Fund.

Management Discussion and Analysis
City of Trinity

Capital Asset and Debt Administration

Capital assets. The City of Trinity’s investment in capital assets for its governmental and business–type activities as of June 30, 2013, totals \$26,600,130 (net of accumulated depreciation). These assets include land, construction in progress, buildings, sewer lines, land, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Construction in progress for sewer capital assets.

City of Trinity’s Capital Assets

(net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 610,000	\$ 610,000	\$ 14,186	\$ 14,186	\$ 624,186	\$ 624,186
Building and improvements	407,071	422,851	-	-	407,071	422,851
Land improvements	3,154	3,273	-	-	3,154	3,273
Furniture and equipment	21,690	35,319	12,999	18,776	34,689	54,095
Sewer system	-	-	18,827,183	11,950,214	18,827,183	11,950,214
Construction in progress	13,665	13,665	5,742,050	10,634,715	5,755,715	10,648,380
Vehicles	10,072	11,344	10,072	11,344	20,144	22,688
Infrastructure	927,988	954,052	-	-	927,988	954,052
Total	\$ 1,993,640	\$ 2,050,504	\$ 24,606,490	\$ 22,629,235	\$ 26,600,130	\$ 24,679,739

Additional information on the City’s capital assets can be found in note II.A.3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2013, the City of Trinity had total debt outstanding of \$20,318 for compensated absences, \$11,567,000 for general obligation bonds, and \$946,269 for a Sewer AARA note payable. These are backed by the full faith and credit of the City.

City of Trinity's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Compensated absences	\$ 20,318	\$ 24,310	\$ -	\$ -	\$ 20,318	\$ 24,310
Sewer AARA note payable	-	-	946,269	998,840	946,269	998,840
General obligation bond	-	-	1,734,000	1,758,000	1,734,000	1,758,000
General obligation bond	-	-	4,880,000	4,941,000	4,880,000	4,941,000
General obligation bond	-	-	4,953,000	-	4,953,000	-
Bond anticipation note	-	-	-	1,645,000	-	1,645,000
	<u>\$ 20,318</u>	<u>\$ 24,310</u>	<u>\$ 12,513,269</u>	<u>\$ 9,342,840</u>	<u>\$ 12,533,587</u>	<u>\$ 9,367,150</u>

City of Trinity's Outstanding Debt

The City of Trinity's total debt increased by \$3,166,437 during the past fiscal year, primarily due to the issuance of general obligation bonds.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Trinity is \$41,812,771.

Additional information regarding the City of Trinity's long-term debt can be found in Note II.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City:

- By 2014, the City will have completed sewer construction to serve about half of the City's existing residents. Other public utilities already available include water, electric, natural gas, telephone and cable.
- Two exits on Interstate 85. A Competitive Assessment and Target Industry Study identified the I-85 corridor through Trinity as holding significant potential for economic development. The Study was initiated by the Randolph County Economic Development Corporation in 2010 to identify growing industries that match the locational strengths of Randolph County.
- Wheatmore High School was constructed and opened in 2009. Trinity provides sewer service to this school as well as Trinity Senior High School, Braxton Craven Elementary, and Trinity Elementary.
- The estimated median household income for Trinity (latest figures available) was \$42,538, which is just slightly less than the statewide median of \$43,646 according to the North Carolina 2011 Median Household Income.
- Trinity's tax rate is only \$0.10/\$100 valuation, the lowest tax rate in Randolph County.

Management Discussion and Analysis
City of Trinity

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: For the seventh consecutive year, the property tax rate will remain at \$.10/\$100 property valuation. The greatest source of revenue comes from sales tax which is expected to total \$1,020,670.

For the ninth consecutive year, 75% of sales tax revenue, or about \$765,503, will be restricted to pay costs and debt service on sewer projects funded in part by GO bonds.

HB 998 approved by the General Assembly does make some significant changes to the structure of municipal revenue sources for FY 2014-2015. The State and local franchise taxes on electricity and piped natural gas will be eliminated and replaced with a State sales tax on these items, from which cities and towns will receive a portion of the revenue.

State motor fuel tax will be capped at 37.5 cents per gallon through June 30, 2015. The rate was originally projected to be 38 cents so the effect on FY 13-14 affecting Powell Bill distributions will be minimal.

Business-type activities: The net increase on this budget will show an increase of approximately 5%. This is due to:

- 1) Increase in billing receipts as sewer projects continue to expand
- 2) Increase in tap fee payments from residents located in Phase 4, Braxton Craven, and Phase 5 Sewer projects.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Debbie Hinson, City Manager/Finance Director, City of Trinity, PO Box 50, 6701 NC Highway 62, Trinity, NC 27370; (336) 431-2841; cityhall-trinity@triad.rr.com; www.trinity-nc.gov.

Basic Financial Statements

City of Trinity, North Carolina
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,499,450	\$ 1,384,531	\$ 6,883,981
Taxes receivables (net)	17,624	-	17,624
Accounts receivable (net)	-	47,343	47,343
Due from other governments	329,412	4,164	333,576
Internal balances	524,410	(524,410)	-
Restricted cash and cash equivalents	1,303,534	2,238,533	3,542,067
Total current assets	<u>7,674,430</u>	<u>3,150,161</u>	<u>10,824,591</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	623,665	5,756,236	6,379,901
Other capital assets, net of depreciation	1,369,975	18,850,254	20,220,229
Total capital assets	<u>1,993,640</u>	<u>24,606,490</u>	<u>26,600,130</u>
Total assets	<u>9,668,070</u>	<u>27,756,651</u>	<u>37,424,721</u>
LIABILITIES			
Current liabilities:			
Accounts payable	61,519	153,560	215,079
Current portion of long-term liabilities	20,318	140,571	160,889
Long-term liabilities:			
Due in more than one year	-	12,372,698	12,372,698
Total liabilities	<u>81,837</u>	<u>12,666,829</u>	<u>12,748,666</u>
NET POSITION			
Net investment in capital assets	1,993,640	14,331,754	16,325,394
Restricted for:			
Stabilization by State Statute	1,312,430	-	1,312,430
Streets	1,303,534	-	1,303,534
Unrestricted	4,976,629	758,068	5,734,697
Total net position	<u>\$ 9,586,233</u>	<u>\$ 15,089,822</u>	<u>\$ 24,676,055</u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 467,929	\$ -	\$ -	\$ -
Public safety	68,676	-	-	-
Public works	804,620	444,267	194,947	-
Economic development	5,500	3,600	-	-
Special appropriations	56,460	-	-	-
Total governmental activities	1,403,185	447,867	194,947	-
Business-type activities:				
Sewer	1,745,333	479,620	-	-
Total business-type activities	1,745,333	479,620	-	-
Total government	\$ 3,148,518	\$ 927,487	\$ 194,947	\$ -

General revenues:

- Taxes:
 - Property taxes, levied for general purpose
 - Other taxes
- Unrestricted intergovernmental revenues
- Unrestricted investment earnings
- Miscellaneous

Total general revenues not including transfers

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (467,929)	\$ -	\$ (467,929)
(68,676)	-	(68,676)
(165,406)	-	(165,406)
(1,900)	-	(1,900)
(56,460)	-	(56,460)
<u>(760,371)</u>	<u>-</u>	<u>(760,371)</u>
-	(1,265,713)	(1,265,713)
-	(1,265,713)	(1,265,713)
<u>(760,371)</u>	<u>(1,265,713)</u>	<u>(2,026,084)</u>
530,611	-	530,611
7,262	-	7,262
1,393,160	-	1,393,160
14,637	7,579	22,216
3,153	-	3,153
<u>1,948,823</u>	<u>7,579</u>	<u>1,956,402</u>
<u>(3,809,418)</u>	<u>3,809,418</u>	<u>-</u>
<u>(1,860,595)</u>	<u>3,816,997</u>	<u>1,956,402</u>
<u>(2,620,966)</u>	<u>2,551,284</u>	<u>(69,682)</u>
<u>12,207,199</u>	<u>12,538,538</u>	<u>24,745,737</u>
<u>\$ 9,586,233</u>	<u>\$ 15,089,822</u>	<u>\$ 24,676,055</u>

**City of Trinity, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013**

	Major Fund		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 5,201,488	\$ 297,962	\$ 5,499,450
Restricted cash	1,303,534	-	1,303,534
Receivables, net:			
Taxes	17,624	-	17,624
Due from other governments	329,412	-	329,412
Due from other funds	983,018	-	983,018
Total assets	<u>7,835,076</u>	<u>297,962</u>	<u>8,133,038</u>
LIABILITIES			
Accounts payable and accrued liabilities	61,519	-	61,519
Due to other funds	411,619	46,989	458,608
Total liabilities	<u>473,138</u>	<u>46,989</u>	<u>520,127</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	17,624	-	17,624
Total deferred inflows of resources	<u>17,624</u>	<u>-</u>	<u>17,624</u>
FUND BALANCES			
Restricted			
Stabilization by State statute	1,312,430	-	1,312,430
Streets	1,303,534	-	1,303,534
Committed			
Parks and Recreation	-	250,973	250,973
Unassigned	4,728,350	-	4,728,350
Total fund balances	<u>7,344,314</u>	<u>250,973</u>	<u>7,595,287</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,835,076</u>	<u>\$ 297,962</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 2,351,833	
Accumulated depreciation	<u>(358,193)</u>	1,993,640

Liabilities for earned revenues considered deferred inflows of resources in fund statements. 17,624

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Compensated absences		<u>(20,318)</u>
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Net position of governmental activities \$ 9,586,233

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 529,192	\$ -	\$ 529,192
Other taxes and licenses	7,262	-	7,262
Unrestricted intergovernmental	1,393,160	-	1,393,160
Restricted intergovernmental	194,947	-	194,947
Sales and services	444,267	-	444,267
Investment earnings	14,218	419	14,637
Miscellaneous	3,153	3,600	6,753
Total revenues	<u>2,586,199</u>	<u>4,019</u>	<u>2,590,218</u>
EXPENDITURES			
Current:			
General government	440,264	857	441,121
Public safety	68,676	-	68,676
Public works	778,556	-	778,556
Economic development	5,500	-	5,500
Special appropriations	56,460	-	56,460
Total expenditures	<u>1,349,456</u>	<u>857</u>	<u>1,350,313</u>
Excess (deficiency) of revenues over expenditures	<u>1,236,743</u>	<u>3,162</u>	<u>1,239,905</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(3,809,418)	-	(3,809,418)
Total other financing sources (uses)	<u>(3,809,418)</u>	<u>-</u>	<u>(3,809,418)</u>
Net change in fund balance	(2,572,675)	3,162	(2,569,513)
Fund balances, beginning	9,916,989	247,811	10,164,800
Fund balances, ending	<u>\$ 7,344,314</u>	<u>\$ 250,973</u>	<u>\$ 7,595,287</u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds		\$ (2,569,513)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ -	
Depreciation expense for governmental assets	<u>(56,864)</u>	(56,864)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		1,419
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		<u>3,992</u>
Total changes in net position of governmental activities		<u><u>\$ (2,620,966)</u></u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 496,100	\$ 496,100	\$ 529,192	\$ 33,092
Other taxes and licenses	9,000	9,000	7,262	(1,738)
Unrestricted intergovernmental	1,366,500	1,366,500	1,393,160	26,660
Restricted intergovernmental	181,000	181,000	194,947	13,947
Sales and services	446,000	446,000	444,267	(1,733)
Investment earnings	19,200	19,200	14,218	(4,982)
Miscellaneous	1,000	1,000	3,153	2,153
Total revenues	<u>2,518,800</u>	<u>2,518,800</u>	<u>2,586,199</u>	<u>67,399</u>
Expenditures:				
Current:				
General government	590,088	590,088	440,264	149,824
Public safety	75,155	75,155	68,676	6,479
Public works	939,608	939,608	778,556	161,052
Economic development	20,500	20,500	5,500	15,000
Special appropriations	132,182	132,182	56,460	75,722
Total expenditures	<u>1,757,533</u>	<u>1,757,533</u>	<u>1,349,456</u>	<u>408,077</u>
Revenues over expenditures	<u>761,267</u>	<u>761,267</u>	<u>1,236,743</u>	<u>475,476</u>
Other financing sources (uses):				
Transfers to other funds	(966,521)	(3,991,521)	(3,809,418)	182,103
Total other financing sources (uses)	<u>(966,521)</u>	<u>(3,991,521)</u>	<u>(3,809,418)</u>	<u>182,103</u>
Fund balance appropriated	205,254	3,230,254	-	(3,230,254)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(2,572,675)	<u>\$ (2,572,675)</u>
Fund balances, beginning			<u>9,916,989</u>	
Fund balances, ending			<u>\$ 7,344,314</u>	

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	Major Enterprise Fund	
	Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,384,531	\$ 1,384,531
Accounts receivable, net	47,343	47,343
Due from other governments	4,164	4,164
Due from other funds	545,843	545,843
Restricted cash and cash equivalents	2,238,533	2,238,533
Total current assets	4,220,414	4,220,414
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	5,756,236	5,756,236
Other capital assets, net of depreciation	18,850,254	18,850,254
Total capital assets	24,606,490	24,606,490
Total noncurrent assets	24,606,490	24,606,490
Total assets	\$ 28,826,904	\$ 28,826,904
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	153,560	153,560
Due to other funds	1,070,253	1,070,253
Sewer AARA note payable - current	52,571	52,571
General obligation bonds payable - current	88,000	88,000
Total current liabilities	1,364,384	1,364,384
Noncurrent liabilities:		
Other noncurrent liabilities:		
Sewer AARA note payable - noncurrent	893,698	893,698
General obligation bonds payable - noncurrent	11,479,000	11,479,000
Total noncurrent liabilities	12,372,698	12,372,698
Total liabilities	13,737,082	13,737,082
NET POSITION		
Net investment in capital assets	14,331,754	14,331,754
Unrestricted	758,068	758,068
Total net position	\$ 15,089,822	\$ 15,089,822

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Major Enterprise Fund	
	Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 418,398	\$ 418,398
Tap fees	61,222	61,222
Miscellaneous	-	-
Total operating revenues	<u>479,620</u>	<u>479,620</u>
OPERATING EXPENSES		
Other operating expenses	983,768	983,768
Depreciation	487,012	487,012
Total operating expenses	<u>1,470,780</u>	<u>1,470,780</u>
Operating income (loss)	<u>(991,160)</u>	<u>(991,160)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	7,579	7,579
Interest and other charges	(274,553)	(274,553)
Total nonoperating revenue (expenses)	<u>(266,974)</u>	<u>(266,974)</u>
Income (loss) before contributions and transfers	<u>(1,258,134)</u>	<u>(1,258,134)</u>
Capital contributions	-	-
Transfers from other funds	3,809,418	3,809,418
Change in net position	<u>2,551,284</u>	<u>2,551,284</u>
Total net position, beginning	<u>12,538,538</u>	<u>12,538,538</u>
Total net position, ending	<u>\$ 15,089,822</u>	<u>\$ 15,089,822</u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	<u>Major Enterprise Fund</u>	
	<u>Sewer</u>	
	<u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 482,212	\$ 482,212
Cash paid to suppliers	<u>(984,491)</u>	<u>(984,491)</u>
Net cash provided (used) by operating activities	<u>(502,279)</u>	<u>(502,279)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to (from) other funds	(2,018,852)	(2,018,852)
Transfers from other funds	<u>3,809,418</u>	<u>3,809,418</u>
Total cash flows from (used) noncapital financing activities	<u>1,790,566</u>	<u>1,790,566</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,605,446)	(2,605,446)
Principal paid on bond maturities	(85,000)	(85,000)
Principal paid on Sewer AARA note payable	(52,571)	(52,571)
Proceeds from issuance of bonds	4,953,000	4,953,000
Proceeds from bond anticipation note	3,031,000	3,031,000
Principal paid on bond anticipation note	(4,676,000)	(4,676,000)
Capital contributions	750,000	750,000
Interest paid on bonds	<u>(274,553)</u>	<u>(274,553)</u>
Net cash provided (used) by capital and related financing activities	<u>1,040,430</u>	<u>1,040,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>7,579</u>	<u>7,579</u>
Net increase (decrease) in cash and cash equivalents	2,336,296	2,336,296
Balance, beginning	<u>1,286,768</u>	<u>1,286,768</u>
Balance, ending	<u>\$ 3,623,064</u>	<u>\$ 3,623,064</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets by accounts payable	<u>\$ 123,370</u>	<u>\$ 123,370</u>

City of Trinity, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	<u>Major Enterprise Fund</u>	
	<u>Sewer</u>	
	<u>Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	<u>\$ (991,160)</u>	<u>\$ (991,160)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	487,012	487,012
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	2,592	2,592
Increase (decrease) in accounts payable and accrued liabilities	<u>(723)</u>	<u>(723)</u>
Total adjustments	<u>488,881</u>	<u>488,881</u>
Net cash provided (used) by operating activities	<u>\$ (502,279)</u>	<u>\$ (502,279)</u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies

The accounting policies of the City of Trinity conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Trinity is a municipal corporation that is governed by an elected mayor and an eight-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, planning and engineering services.

The City reports the following non-major governmental funds:

Parks and Recreation Capital Projects Fund. This fund is used to account for funds to be used for the construction of a city park.

The City reports the following major enterprise fund:

Sewer Fund. This fund is used to account for the City's sewer operations. For financial reporting purposes, a Sewer Capital Projects Fund has been consolidated with the Sewer Fund.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Randolph County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Trinity. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Randolph County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the sewer capital projects fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended bond proceeds of the Sewer Fund sanitary sewer bonds issued by the City are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2012. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

<u>Asset Class</u>	<u>Cost</u>
Land	\$ 1
Sewer easements, lines and improvements	1
General buildings and improvements	2,500
Computers and equipment	1,500
Furnishings and vehicles	2,000
Sewer buildings and equipment	5,000
Streets and infrastructure	20,000

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Sewer lines and improvements	40
General buildings and improvements	30
Computers and equipment	4
Furnishings and vehicles	10
Sewer buildings and equipment	40
Streets and infrastructure	40

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. . Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only one item that meets the criterion for this category - property taxes receivable.

9. Compensated Absences

The vacation policy of the City provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. For the City's government-wide fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Trinity's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Parks and Recreation – portion of fund balance committed by the Board for parks and recreation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

The City of Trinity has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city fund, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the City's deposits had a carrying amount of \$7,869,227 and a bank balance of \$7,918,709. Of the bank balance, \$854,146 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the City's petty cash fund totaled \$125.

2. Investments

At June 30, 2013 the City of Trinity had \$2,556,696 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 610,000	\$ -	\$ -	\$ 610,000
Construction in progress	13,665	-	-	13,665
Total capital assets not being depreciated	623,665	-	-	623,665
Capital assets being depreciated:				
Buildings and improvements	497,904	-	-	497,904
Land improvements	4,781	-	-	4,781
Furniture and equipment	153,831	-	-	153,831
Vehicles	29,088	-	-	29,088
Infrastructure	1,042,564	-	-	1,042,564
Total capital assets being depreciated	1,728,168	-	-	1,728,168
Less accumulated depreciation for:				
Buildings and improvements	75,053	15,780	-	90,833
Land improvements	1,508	119	-	1,627
Furniture and equipment	118,512	13,629	-	132,141
Vehicles	17,744	1,272	-	19,016
Infrastructure	88,512	26,064	-	114,576
Total accumulated depreciation	301,329	56,864	-	358,193
Total capital assets being depreciated, net	1,426,839			1,369,975
Governmental activity capital assets, net	\$ 2,050,504			\$ 1,993,640

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 30,800
Public Works	26,064
Total depreciation expense	\$ 56,864

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 14,186	\$ -	\$ -	\$ 14,186
Construction in progress	10,634,715	2,464,267	7,356,932	5,742,050
Total capital assets not being depreciated	10,648,901	2,464,267	7,356,932	5,756,236
Capital assets being depreciated:				
Sewer system	13,233,706	7,356,932	-	20,590,638
Equipment	23,109	-	-	23,109
Vehicles	12,722	-	-	12,722
Total capital assets being depreciated	13,269,537	7,356,932	-	20,626,469
Less accumulated depreciation for:				
Sewer system	1,283,492	479,963	-	1,763,455
Equipment	4,333	5,777	-	10,110
Vehicles	1,378	1,272	-	2,650
Total accumulated depreciation	1,289,203	487,012	-	1,776,215
Total capital assets being depreciated, net	11,980,334			18,850,254
Sewer Fund capital assets, net	\$ 22,629,235			\$ 24,606,490

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Trinity contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees is 6.74% of annual covered payroll. The contribution requirements of members and of the City of Trinity is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$17,515, \$25,256, and \$20,851, respectively. The contributions made by the City equaled the required contributions for each year.

2. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

	Unavailable
	<u>Revenue</u>
Taxes receivable (General Fund), less penalties	<u>\$ 17,624</u>

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City is eligible to and has purchased limited commercial flood insurance for \$5,000,000 of maximum coverage.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$125,000.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

4. Commitments

The City has entered into an agreement with the City of Thomasville which operates their wastewater system to pay for the cost of a wastewater treatment plant upgrade. The City of Trinity's payment (which is approximately 29.3% of the total debt service cost) began in May 2009 and will be approximately \$500,000 annually for 20 years. Total payments to the City of Thomasville for the year were \$498,168.

The City has entered into an agreement for solid waste collection expiring in December 2015 for approximately \$315,000 per year.

5. Long-Term Obligations

a. Sewer AARA Note Payable

In November 2009, the City issued a \$2,403,400 promissory note to the Clean Water Revolving Fund as part of the American Recovery and Reinvestment Act of 2009 (AARA) to help with construction of its sanitary sewer project. As part of the AARA, the unpaid principal (total of \$2,102,823) was immediately reduced at the completion of the project by one-half of the loan amount. The amount of principal forgiveness was \$1,051,412 bringing the unpaid amount of the note to \$1,051,411. Interest accrues at the rate of 0% on the unpaid principal. The principal is being repaid in 20 annual installments of \$52,571 beginning May 1, 2012. \$946,269

	Year Ending June 30	Principal	Interest
	2014	\$ 52,571	\$ -
	2015	52,571	-
	2016	52,571	-
	2017	52,571	-
	2018	52,571	-
	2019-2023	262,853	-
	2024-2028	262,853	-
	2029-2031	157,708	-
Total		\$ 946,269	\$ -

b. General Obligation Indebtedness

Up to \$15,000,000 of the City's general obligation bonds will be issued to finance the construction of the sewer system and will be retired by its resources and will be reported as long-term debt in the Sewer Fund. All general obligation bonds will be collateralized by the full faith, credit, and taxing power of the City. Principal and interest payments will be appropriated when due.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

General Obligation Bonds outstanding at June 30, 2013

\$1,824,000 2008 USDA Sanitary Sewer Bond issued April 21, 2008, and due in annual installments plus interest at 4.375%. \$1,734,000

Year Ending June 30	Principal	Interest
2014	\$ 25,000	\$ 75,863
2015	26,000	74,768
2016	27,000	73,631
2017	28,000	72,450
2018	29,000	71,225
2019-2023	167,000	335,737
2024-2028	207,000	295,881
2029-2033	256,000	246,531
2034-2038	317,000	185,413
2039-2043	391,000	109,769
2044-2047	261,000	23,625
Total	<u>\$ 1,734,000</u>	<u>\$ 1,564,893</u>

\$5,000,000 2010 USDA Sanitary Sewer Bond issued February 22, 2010, and due in annual installments plus interest at 4.00%. \$4,880,000

Year Ending June 30	Principal	Interest
2014	\$ 63,000	\$ 195,200
2015	66,000	192,680
2016	68,000	190,040
2017	71,000	187,320
2018	74,000	184,480
2019-2023	417,000	875,560
2024-2028	507,000	785,240
2029-2033	617,000	675,320
2034-2038	751,000	541,640
2039-2043	913,000	379,000
2044-2048	1,107,000	181,240
2049	226,000	9,040
Total	<u>\$ 4,880,000</u>	<u>\$ 4,396,760</u>

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

\$4,953,000 Sanitary Sewer Bond, Series 2013 issued March 25, 2013, and due in annual installments plus interest at 3.125%.

\$4,953,000

Year Ending June 30	Principal	Interest
2014	\$ -	\$ 154,781
2015	71,000	154,781
2016	72,000	152,563
2017	74,000	150,313
2018	77,000	148,000
2019-2023	422,000	702,437
2024-2028	490,000	632,344
2029-2033	574,000	550,687
2034-2038	670,000	455,156
2039-2043	781,000	343,781
2044-2048	909,000	213,969
2049-2052	813,000	63,469
Total	<u>\$ 4,953,000</u>	<u>\$ 3,722,281</u>

At June 30, 2013 the City of Trinity had a legal debt margin of \$41,812,771.

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 24,310	\$ -	3,992	\$ 20,318	\$ 20,318
Governmental activity long-term liabilities	\$ 24,310	\$ -	\$ 3,992	\$ 20,318	\$ 20,318
Business-type activities:					
General obligation bond - USDA 2008	\$ 1,758,000	\$ -	\$ 24,000	\$ 1,734,000	\$ 25,000
General obligation bond - USDA 2010	4,941,000	-	61,000	4,880,000	63,000
General obligation bond - Series 2013	-	4,953,000	-	4,953,000	-
Sewer AARA note payable	998,840	-	52,571	946,269	52,571
Bond anticipation note	-	4,676,000	4,676,000	-	-
Bond anticipation note	1,645,000	-	1,645,000	-	-
Business-type activity long-term liabilities	\$ 9,342,840	\$ 9,629,000	\$ 6,458,571	\$ 12,513,269	\$ 140,571

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2013, consist of the following:

Due to the General Fund for expenditures paid on behalf of the Sewer Fund	\$ 524,410
Due to the General Fund for expenditures paid on behalf of the Parks and Recreation Fund	(46,989)
Due from the Parks and Recreation Fund for expenditures paid by the General Fund	46,989
Total	\$ 524,410

Transfers to/from other funds at June 30, 2013, consist of the following:

From the General Fund to the Sewer Fund for operating expenditures	\$ 815,761
From the General Fund to the Sewer Capital Projects Fund for sewer capital outlay	2,993,657
Total	\$ 3,809,418

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 7,344,314
Less:	
Stabilization by State Statute	1,312,430
Streets - Powell Bill	1,303,534
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	4,728,350

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

III. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities, participates in the Piedmont Triad Regional Council of Governments. The participating governments established the Council to coordinate various funding received from federal and State agencies. The City paid membership fees of \$5,236 to the Council during the fiscal year ended June 30, 2013.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Subsequent Events

Subsequent events have been evaluated through November 15, 2013, which is the date the financial statements were available to be issued.

VI. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

Individual Fund Statements and Schedules

City of Trinity, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 532,226	\$
Discount on taxes		(5,858)	
Penalties and interest		2,824	
Total	<u>496,100</u>	<u>529,192</u>	<u>33,092</u>
Other taxes and licenses:			
Permits and fees		7,262	
Total	<u>9,000</u>	<u>7,262</u>	<u>(1,738)</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,087,681	
Telecommunications sales tax		39,387	
Utility franchise tax		217,534	
Video franchise fee		48,558	
Total	<u>1,366,500</u>	<u>1,393,160</u>	<u>26,660</u>
Restricted intergovernmental:			
Powell Bill allocation		151,505	
Powell Bill assessment revenue		39,695	
Solid waste disposal tax		3,747	
Total	<u>181,000</u>	<u>194,947</u>	<u>13,947</u>
Sales and services:			
Solid waste fees		441,890	
Recycling fees		2,377	
Total	<u>446,000</u>	<u>444,267</u>	<u>(1,733)</u>
Investment earnings	<u>19,200</u>	<u>14,218</u>	<u>(4,982)</u>
Miscellaneous:			
Other		3,153	
Total	<u>1,000</u>	<u>3,153</u>	<u>2,153</u>
Total revenues	<u>2,518,800</u>	<u>2,586,199</u>	<u>67,399</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		17,439	
Professional services		18,865	
Travel and training		1,124	
Dues and subscription		8,091	
Insurance		5,551	
Contributions and donations		904	
Elections		-	
Materials and supplies		1,251	
Total	<u>62,900</u>	<u>53,225</u>	<u>9,675</u>

cont.

City of Trinity, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		190,856	
Professional services		4,743	
Supplies and materials		16,139	
Telephone and postage		11,480	
Informataion technology		9,889	
Utilities		12,039	
Travel and training		249	
Leases		7,915	
Newsletter		3,915	
Dues and subscription		605	
Insurance		12,289	
Miscellaneous expenses		956	
Capital outlay		-	
Total	353,456	271,075	82,381
Governmental buildings:			
Supplies		8,079	
Facilities rental		13,835	
Professional services		4,809	
Total	44,250	26,723	17,527
Finance:			
Professional services		22,260	
Tax collection fees		128	
Supplies		-	
Total	33,028	22,388	10,640
Planning and zoning:			
Salaries and employee benefits		52,768	
Supplies		973	
Professional services		4,875	
Travel and training		761	
Leases		5,709	
Advertising		1,767	
Total	96,454	66,853	29,601
Total general government	590,088	440,264	149,824
Public safety:			
Police and animal control:			
Contract services		58,500	
Total	64,975	58,500	6,475
Fire inspection:			
Contract services		10,176	
Total	10,180	10,176	4
Total public safety	75,155	68,676	6,479

cont.

City of Trinity, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Public works:			
Streets			
Salaries and employee benefits		7,800	
Professional services		8,679	
Supplies and materials		270,355	
Capital outlay		-	
Total	<u>394,854</u>	<u>286,834</u>	<u>108,020</u>
Stormwater			
Salaries and employee benefits		67,217	
Supplies and materials		-	
Professional services		6,207	
Travel and training		1,374	
Capital outlay		-	
Total	<u>103,254</u>	<u>74,798</u>	<u>28,456</u>
Sanitation			
Billing fees		23,850	
Tipping fees		60,525	
Contract services		331,478	
Supplies and materials		1,071	
Capital outlay		-	
Total	<u>441,500</u>	<u>416,924</u>	<u>24,576</u>
Total public works	<u>939,608</u>	<u>778,556</u>	<u>161,052</u>
Economic development	<u>20,500</u>	<u>5,500</u>	<u>15,000</u>
Special appropriations			
Library contributions		5,000	
Archdale/Trinity YMCA		20,000	
Archdale/Trinity Chamber		5,000	
RC Seniors		25,982	
Miscellaneous		478	
Total special appropriations	<u>132,182</u>	<u>56,460</u>	<u>75,722</u>
Total expenditures	<u>1,757,533</u>	<u>1,349,456</u>	<u>408,077</u>
Revenues over (under) expenditures	<u>761,267</u>	<u>1,236,743</u>	<u>475,476</u>
Other financing sources (uses):			
Transfers to other funds:			
Parks and Recreation fund	-	-	-
Sewer Capital Projects fund	(3,110,000)	(2,993,657)	116,343
Sewer fund	(881,521)	(815,761)	65,760
Total other financing uses	<u>(3,991,521)</u>	<u>(3,809,418)</u>	<u>182,103</u>
Fund balance appropriated	3,230,254	-	(3,230,254)
Net change in fund balance	<u>\$ -</u>	<u>(2,572,675)</u>	<u>\$ (2,572,675)</u>
Fund balances, beginning		<u>9,916,989</u>	
Fund balances, ending		<u>\$ 7,344,314</u>	

City of Trinity, North Carolina
Balance Sheet
Non-Major Governmental Fund
June 30, 2013

	Parks and Recreation Fund	Total Non-Major Governmental Fund
Assets		
Cash and cash equivalents	\$ 297,962	\$ 297,962
Due from other funds	-	-
Total assets	\$ 297,962	\$ 297,962
Liabilities and Fund Balances		
Liabilities:		
Due to other funds	\$ 46,989	\$ 46,989
Total liabilities	46,989	46,989
Fund balances:		
Committed for Parks and Recreation	250,973	250,973
Total liabilities and fund balances	\$ 250,973	\$ 250,973

City of Trinity, North Carolina
Parks and Recreation Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Non-Major Governmental Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Open space fees	\$ 1,000	\$ -	\$ (1,000)
Rental income	3,300	3,600	300
Investment earnings	100	419	319
Total revenues	<u>4,400</u>	<u>4,019</u>	<u>(381)</u>
Expenditures:			
Capital outlay	-	-	-
Other operating expenditures	12,500	857	11,643
Total expenditures	<u>12,500</u>	<u>857</u>	<u>11,643</u>
Revenues over (under) expenditures	<u>(8,100)</u>	<u>3,162</u>	<u>11,262</u>
Other financing sources:			
Transfer from other funds:			
General Fund	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	8,100	-	(8,100)
Net change in fund balance	<u>\$ -</u>	3,162	<u>\$ 3,162</u>
Fund balance, beginning		247,811	
Fund balance, ending		<u>\$ 250,973</u>	

City of Trinity, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 418,398	
Tap fees		61,222	
Miscellaneous		-	
Total	<u>\$ 462,250</u>	<u>479,620</u>	<u>\$ 17,370</u>
Nonoperating revenues:			
Investment earnings	5,550	7,579	2,029
Total revenues	<u>467,800</u>	<u>487,199</u>	<u>19,399</u>
Expenditures:			
Other operating expenditures	1,062,324	983,768	78,556
Capital Outlay	3,050	-	3,050
	<u>1,065,374</u>	<u>983,768</u>	<u>81,606</u>
Debt service:			
Interest and other charges	303,389	274,553	28,836
Principal retirement	137,571	137,571	-
Total Debt service	<u>440,960</u>	<u>412,124</u>	<u>28,836</u>
Total Expenditures	<u>1,506,334</u>	<u>1,395,892</u>	<u>110,442</u>
Revenues over (under) expenditures	(1,038,534)	(908,693)	129,841
Other financing sources (uses):			
Transfers to other funds:			
Water & Sewer capital projects fund	-	-	-
Transfers from other funds:			
General Fund	1,038,534	815,761	(222,773)
Total other financing sources (uses)	<u>1,038,534</u>	<u>815,761</u>	<u>(222,773)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>(92,932)</u>	<u>\$ (92,932)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		-	
Principal retirement		137,571	
Depreciation		(487,012)	
Transfer in from General Fund to Sewer Capital Projects Fund		2,993,657	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Total reconciling items		<u>2,644,216</u>	
Change in net position		<u>\$ 2,551,284</u>	

City of Trinity, North Carolina
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - Sewer Project:					
Restricted intergovernmental:					
State Grant - Phase IV (A)	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
State Grant - Phase IV (B) Old Town	250,000	250,000	-	250,000	-
Interest earnings	-	66,164	-	66,164	66,164
Total restricted intergovernmental revenues	750,000	816,164	-	816,164	66,164
Expenditures:					
Phase III					
Construction	5,642,476	5,431,672	-	5,431,672	210,804
Technical services	556,050	556,021	-	556,021	29
Legal and right-of-way	139,700	139,629	-	139,629	71
Property and easements	187,050	187,030	-	187,030	20
Professional services	4,638	4,082	-	4,082	556
Construction loan interest	350,000	173,135	-	173,135	176,865
Construction contingency	320,086	21,067	-	21,067	299,019
Total	7,200,000	6,512,636	-	6,512,636	687,364
Phase IV					
Construction	1,977,105	1,667,751	660	1,668,411	308,694
Technical services	442,400	414,998	-	414,998	27,402
Legal and right-of-way	95,230	69,178	26,050	95,228	2
Property and easements	51,456	49,634	1,822	51,456	-
Professional services	27,915	19,914	-	19,914	8,001
Construction loan interest	96,042	8,041	81,834	89,875	6,167
Construction contingency	46,852	719	1,918	2,637	44,215
Total	2,737,000	2,230,235	112,284	2,342,519	394,481
Phase IV (B) Old Town					
Construction	500,500	500,500	-	500,500	-
Technical services	114,500	111,498	-	111,498	3,002
Legal and right-of-way	54,600	53,340	1,200	54,540	60
Property and easements	18,000	16,603	-	16,603	1,397
Professional services	4,000	641	-	641	3,359
Construction interest	6,000	3,074	-	3,074	2,926
Construction contingency	7,400	1,262	125	1,387	6,013
Total	705,000	686,918	1,325	688,243	16,757
Phase IV (B) Sewer Extension					
Construction	2,347,500	318,174	1,982,202	2,300,376	47,124
Technical services	431,000	277,225	153,649	430,874	126
Legal and right-of-way	80,000	62,943	2,253	65,196	14,804
Property and easements	45,500	44,408	-	44,408	1,092
Professional services	17,500	16,630	-	16,630	870
Construction contingency	157,000	-	-	-	157,000
Total	3,078,500	719,380	2,138,104	2,857,484	221,016
Phase V					
Construction	2,405,000	-	1,455	1,455	2,403,545
Technical services	445,800	281,491	57,375	338,866	106,934
Legal and right-of-way	160,000	18,306	80,574	98,880	61,120
Property and easements	90,000	325	73,150	73,475	16,525
Professional services	5,000	-	-	-	5,000
Construction loan interest	120,000	-	-	-	120,000
Construction contingency	65,200	-	-	-	65,200
Total	3,291,000	300,122	212,554	512,676	2,778,324

cont.

City of Trinity, North Carolina
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Turnpike Industrial Park					
Construction	131,865	131,865	-	131,865	-
Technical services	82,135	80,973	-	80,973	1,162
Legal and right-of-way	9,200	9,378	-	9,378	(178)
Total	<u>223,200</u>	<u>222,216</u>	<u>-</u>	<u>222,216</u>	<u>984</u>
Total expenditures	<u>17,234,700</u>	<u>10,671,507</u>	<u>2,464,267</u>	<u>13,135,774</u>	<u>4,098,926</u>
Excess of revenues over (under) expenditures	<u>(16,484,700)</u>	<u>(9,855,343)</u>	<u>(2,464,267)</u>	<u>(12,319,610)</u>	<u>4,165,090</u>
Other financing sources :					
Proceeds from sale of bonds/notes	13,176,000	10,571,823	3,308,000	13,879,823	703,823
Transfers from other funds:					
From Sewer Fund	198,700	198,135	-	198,135	(565)
From General Fund	3,110,000	-	2,993,657	2,993,657	(116,343)
Total other sources	<u>16,484,700</u>	<u>10,769,958</u>	<u>6,301,657</u>	<u>17,071,615</u>	<u>586,915</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 914,615</u>	<u>\$ 3,837,390</u>	<u>\$ 4,752,005</u>	<u>\$ 4,752,005</u>

Other Schedules

City of Trinity, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 479,966	\$ 475,040	\$ 4,926
2011-2012	5,110	-	3,360	1,750
2010-2011	1,007	-	545	462
2009-2010	376	-	97	279
2008-2009	405	-	26	379
2007-2008	117	-	14	103
2006-2007	109	-	7	102
2005-2006	45	-	-	45
2004-2005	13	-	1	12
2003-2004	16	-	-	16
2002-2003	6	-	6	-
	<u>7,204</u>	<u>479,966</u>	<u>479,096</u>	<u>8,074</u>

Plus: uncollected ad valorem taxes receivable
annually registered vehicles:

2012-2013	-	54,522	47,878	6,644
Prior years	9,001	-	6,095	2,906
	<u>9,001</u>	<u>54,522</u>	<u>53,973</u>	<u>9,550</u>

Ad valorem taxes receivable, net	\$ <u>16,205</u>	\$ <u>534,488</u>	\$ <u>533,069</u>	\$ <u>17,624</u>
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Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 529,192
Reconciling items:	
Penalties and interest collected	(2,824)
Discounts allowed	5,858
Adjustments	843
Subtotal	<u>3,877</u>
Total collections and credits	\$ <u>533,069</u>

City of Trinity, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2013

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 540,991,000	.10	\$ 540,991	\$ 485,899	\$ 55,092
Penalties	-		-	-	-
Total	540,991,000		540,991	485,899	55,092
Discoveries:					
Current year taxes	473,000	.10	473	411	62
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	473,000		473	411	62
Abatements	(6,976,000)		(6,976)	(6,344)	(632)
Total property valuation	\$ 534,488,000				
Net levy			534,488	479,966	54,522
Uncollected taxes at June 30, 2013			(11,570)	(4,926)	(6,644)
Current year's taxes collected			\$ 522,918	\$ 475,040	\$ 47,878
Current levy collection percentage			97.84%	98.97%	87.81%

COMPLIANCE SECTION



Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor
and Members of the City Council
City of Trinity, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinity, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the City of Trinity's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Trinity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Trinity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Trinity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Trinity's Response to Findings

The City of Trinity's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Handwritten signature in cursive script that reads "Johnson + Company, P.A.".

November 15, 2013

**CITY OF TRINITY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

Financial Statement Findings

2013-1 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among City personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The City agrees with this finding, but cost-benefit analysis indicates that hiring more personnel to mitigate this issue is not feasible.

Name of contact person: Debbie Hinson, City Manager

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The mayor as a member of the governing board will continue to be involved in providing some of these controls.

Proposed Completion Date: The Board has implemented the above procedures.