

CITY OF TRINITY, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2014

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**CITY OF TRINITY, NORTH CAROLINA
JUNE 30, 2014**

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ADMINISTRATIVE AND FINANCIAL STAFF

Debbie Hinson, City Manager/Finance Director

City of Trinity, North Carolina
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June 30, 2014

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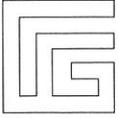
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FINANCIAL SECTION



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, 2014, 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 to 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, 2014, 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 4 through 13 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, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, 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, other schedules, and the Schedule of Expenditures of Federal and State Awards 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, Schedule of Expenditures of Federal and State Awards, 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 24, 2014 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.

A handwritten signature in black ink that reads "Johnson + Company, P.A.". The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina

November 24, 2014

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, 2014. 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

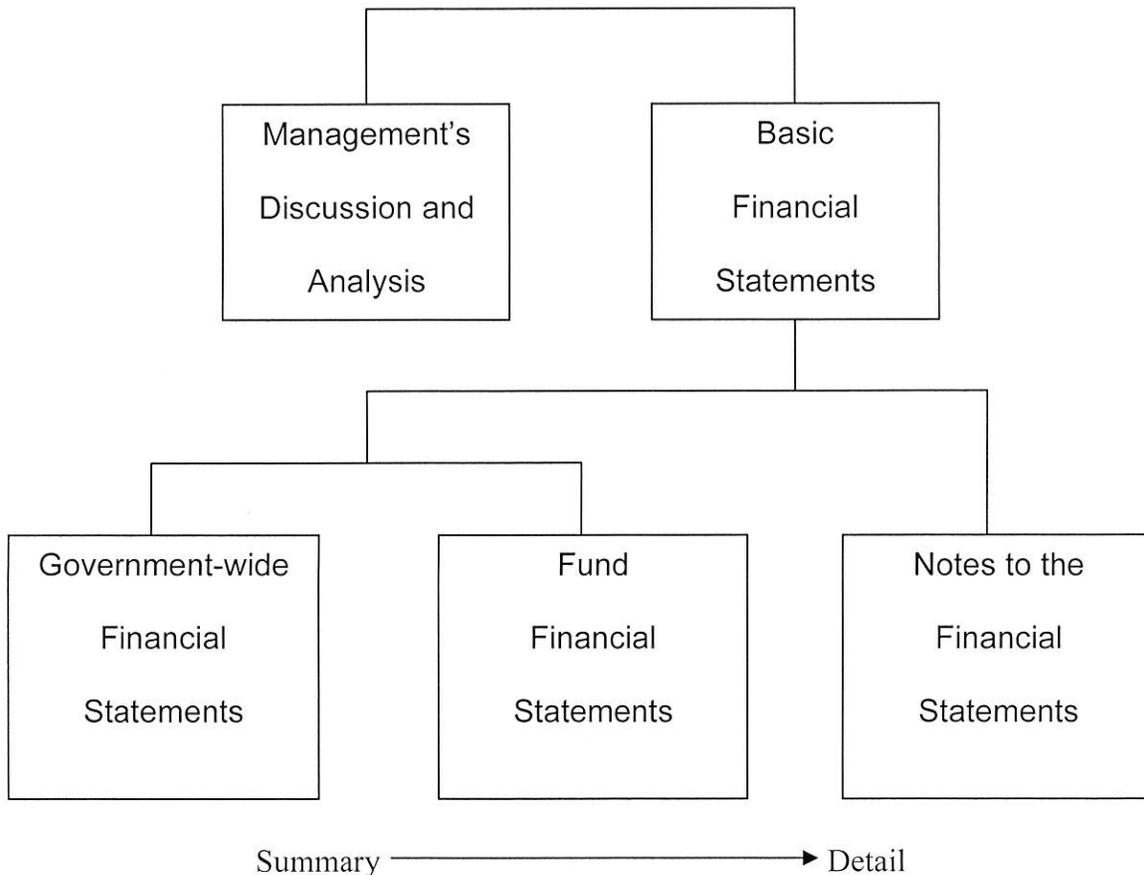
- The assets and deferred outflows of resources of the City of Trinity exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,279,548 (*net position*).
- The government's total net position decreased by \$396,507, primarily due to a decrease in the governmental 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 \$7,177,041 with a net change of \$418,246 in fund balance. Approximately 43.97 percent of this total amount or \$3,155,687 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,767,634, or 121.32 percent of total general fund expenditures for the fiscal year.
- The City of Trinity's total debt increased by \$2,245,499 during the current fiscal year. The key factor in this increase was the issuance of a bond anticipation note.

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 North Carolina 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 24 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,254,780	\$ 7,674,430	\$ 4,336,099	\$ 3,150,161	\$ 11,590,879	\$ 10,824,591
Capital assets	1,941,165	1,993,640	25,959,446	24,606,490	27,900,611	26,600,130
Total assets	9,195,945	9,668,070	30,295,545	27,756,651	39,491,490	37,424,721
Long-term liabilities outstanding	-	-	11,438,210	12,372,698	11,438,210	12,372,698
Other liabilities	88,591	81,837	3,685,141	294,131	3,773,732	375,968
Total liabilities	88,591	81,837	15,123,351	12,666,829	15,211,942	12,748,666
Net position:						
Net investment in capital assets	1,941,165	1,993,640	12,131,210	14,331,754	14,072,375	16,325,394
Restricted	3,155,687	2,615,964	-	-	3,155,687	2,615,964
Unrestricted	4,010,502	4,976,629	3,040,984	758,068	7,051,486	5,734,697
Total net position	\$ 9,107,354	\$ 9,586,233	\$ 15,172,194	\$ 15,089,822	\$ 24,279,548	\$ 24,676,055

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 \$24,279,548 as of June 30, 2014. The City's net position decreased by \$396,507 for the fiscal year ended June 30, 2014. However, the largest portion (57.96%) 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, \$3,155,687 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,051,486 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 98.66% in 13-14, which was better than the statewide average of 97.70%.
- Continued diligence in monitoring and evaluating options for reducing expenditures without adversely affecting services.

Management Discussion and Analysis
City of Trinity

City of Trinity's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 462,082	\$ 447,867	\$ 561,956	\$ 479,620	\$ 1,024,038	\$ 927,487
Operating grants and contributions	218,075	194,947	-	-	218,075	194,947
Capital grants and contributions	-	-	28,300	-	28,300	-
General revenues:						
Property taxes	552,390	530,611	-	-	552,390	530,611
Other taxes	12,161	7,262	-	-	12,161	7,262
Grants and contributions not restricted to specific programs	1,422,234	1,393,160	-	-	1,422,234	1,393,160
Other	18,447	17,790	5,433	7,579	23,880	25,369
Total revenues	<u>2,685,389</u>	<u>2,591,637</u>	<u>595,689</u>	<u>487,199</u>	<u>3,281,078</u>	<u>3,078,836</u>
Expenses:						
General government	531,678	467,929	-	-	531,678	467,929
Public safety	70,749	68,676	-	-	70,749	68,676
Public works	957,343	804,620	-	-	957,343	804,620
Economic development	5,000	5,500	-	-	5,000	5,500
Special appropriations	47,832	56,460	-	-	47,832	56,460
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	2,064,983	1,745,333	2,064,983	1,745,333
Total expenses	<u>1,612,602</u>	<u>1,403,185</u>	<u>2,064,983</u>	<u>1,745,333</u>	<u>3,677,585</u>	<u>3,148,518</u>
Increase (decrease) in net position before transfers	1,072,787	1,188,452	(1,469,294)	(1,258,134)	(396,507)	(69,682)
Transfers	(1,551,666)	(3,809,418)	1,551,666	3,809,418	-	-
Increase (decrease) in net position	(478,879)	(2,620,966)	82,372	2,551,284	(396,507)	(69,682)
Net position, July 1	9,586,233	12,207,199	15,089,822	12,538,538	24,676,055	24,745,737
Net position, June 30	<u>\$ 9,107,354</u>	<u>\$ 9,586,233</u>	<u>\$ 15,172,194</u>	<u>\$ 15,089,822</u>	<u>\$ 24,279,548</u>	<u>\$ 24,676,055</u>

Governmental activities. Governmental activities decreased the City's net position by \$478,879. Key elements of this decrease are as follows:

- Governmental activities reflect a net increase of \$1,072,787 prior to transfers to the Sewer Fund. The net decrease of \$478,879 is a direct result of these transfers.
- Overall city-wide unrestricted net position increased from \$5,734,697 to \$7,051,486.

Management Discussion and Analysis
City of Trinity

Business-type activities: Business-type activities increased the City of Trinity's net position by \$82,372. Key elements of this increase are as follows:

- Transfers from the general fund totaled \$1,551,666.
- Continued expansion of the City's sewer system Phase 5.

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 \$3,767,634, while total fund balance reached \$6,923,321. The City currently has an available fund balance of 121.32% of general fund expenditures, while total fund balance represents 222.93% of the same amount.

At June 30, 2014, the governmental funds of the City of Trinity reported a combined fund balance of \$7,177,041 with a net decrease in fund balance of \$418,246. Included in this change in fund balance is a decrease in fund balance in the General Fund of \$420,993 and an increase in the Parks and Recreation Fund of \$2,747.

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 \$3,040,984. The total change in net position for the fund was \$82,372. 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, 2014, totals \$27,900,611 (net of accumulated depreciation). These assets include land, construction in progress, buildings, sewer lines, 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 610,000	\$ 610,000	\$ 14,186	\$ 14,186	\$ 624,186	\$ 624,186
Building and improvements	391,292	407,071	-	-	391,292	407,071
Land improvements	3,034	3,154	-	-	3,034	3,154
Furniture and equipment	12,450	21,690	7,222	12,999	19,672	34,689
Sewer system	-	-	23,725,414	18,827,183	23,725,414	18,827,183
Construction in progress	13,665	13,665	2,203,824	5,742,050	2,217,489	5,755,715
Vehicles	8,800	10,072	8,800	10,072	17,600	20,144
Infrastructure	901,924	927,988	-	-	901,924	927,988
Total	\$ 1,941,165	\$ 1,993,640	\$ 25,959,446	\$ 24,606,490	\$ 27,900,611	\$ 26,600,130

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, 2014, the City of Trinity had total debt outstanding of \$25,305 for compensated absences, \$10,760,083 for general obligation bond, \$893,698 for a Sewer AARA note payable, and \$3,100,000 for a bond anticipation note. 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	
	2014	2013	2014	2013	2014	2013
Compensated absences	\$ 25,305	\$ 20,318	\$ -	\$ -	\$ 25,305	\$ 20,318
Sewer AARA note payable	-	-	893,698	946,269	893,698	946,269
General obligation bond	-	-	1,709,000	1,734,000	1,709,000	1,734,000
General obligation bond	-	-	4,098,083	4,880,000	4,098,083	4,880,000
General obligation bond	-	-	4,953,000	4,953,000	4,953,000	4,953,000
Bond anticipation note	-	-	3,100,000	-	3,100,000	-
	<u>\$ 25,305</u>	<u>\$ 20,318</u>	<u>\$ 14,753,781</u>	<u>\$ 12,513,269</u>	<u>\$ 14,779,086</u>	<u>\$ 12,533,587</u>

City of Trinity’s Outstanding Debt

The City of Trinity’s total debt increased by \$2,245,499 (17.92%) during the past fiscal year, primarily due to the issuance of a bond anticipation note.

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 \$43,183,902.

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 2015, the City will have completed Phase 5 sewer construction. The completion of this final phase will serve about one 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.
- The City of Trinity’s participation with three (3) businesses to obtain grants that will enable industry growth and bring additional jobs to the City.
- 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, 2015

Governmental Activities: For the eighth 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 \$1,027,850.

For the tenth consecutive year, 75% of sales tax revenue, or about \$778,200, will be restricted to pay costs and debt service on sewer projects funded in part by GO bonds.

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.

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, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,570,840	\$ 4,530,576	\$ 9,101,416
Taxes receivables (net)	14,453	-	14,453
Accounts receivable (net)	-	56,991	56,991
Due from other governments	368,172	1,145	369,317
Internal balances	1,178,158	(1,178,158)	-
Restricted cash and cash equivalents	1,123,157	925,545	2,048,702
Total current assets	<u>7,254,780</u>	<u>4,336,099</u>	<u>11,590,879</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	623,665	2,218,010	2,841,675
Other capital assets, net of depreciation	1,317,500	23,741,436	25,058,936
Total capital assets	<u>1,941,165</u>	<u>25,959,446</u>	<u>27,900,611</u>
Total assets	<u>9,195,945</u>	<u>30,295,545</u>	<u>39,491,490</u>
LIABILITIES			
Current liabilities:			
Accounts payable	63,286	369,570	432,856
Current portion of long-term liabilities	25,305	3,315,571	3,340,876
Total current liabilities	<u>88,591</u>	<u>3,685,141</u>	<u>3,773,732</u>
Long-term liabilities:			
Due in more than one year	-	11,438,210	11,438,210
Total liabilities	<u>88,591</u>	<u>15,123,351</u>	<u>15,211,942</u>
NET POSITION			
Net investment in capital assets	1,941,165	12,131,210	14,072,375
Restricted for:			
Stabilization by State Statute	2,032,530	-	2,032,530
Streets	1,123,157	-	1,123,157
Unrestricted	4,010,502	3,040,984	7,051,486
Total net position	<u>\$ 9,107,354</u>	<u>\$ 15,172,194</u>	<u>\$ 24,279,548</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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 531,678	\$ -	\$ -	\$ -
Public safety	70,749	-	-	-
Public works	957,343	458,482	218,075	-
Economic development	5,000	3,600	-	-
Special appropriations	47,832	-	-	-
Total governmental activities	1,612,602	462,082	218,075	-
Business-type activities:				
Sewer	2,064,983	561,956	-	28,300
Total business-type activities	2,064,983	561,956	-	28,300
Total government	\$ 3,677,585	\$ 1,024,038	\$ 218,075	\$ 28,300

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
\$ (531,678)	\$ -	\$ (531,678)
(70,749)	-	(70,749)
(280,786)	-	(280,786)
(1,400)	-	(1,400)
(47,832)	-	(47,832)
(932,445)	-	(932,445)
-	(1,474,727)	(1,474,727)
-	(1,474,727)	(1,474,727)
(932,445)	(1,474,727)	(2,407,172)
552,390	-	552,390
12,161	-	12,161
1,422,234	-	1,422,234
12,628	5,433	18,061
5,819	-	5,819
2,005,232	5,433	2,010,665
(1,551,666)	1,551,666	-
453,566	1,557,099	2,010,665
(478,879)	82,372	(396,507)
9,586,233	15,089,822	24,676,055
\$ 9,107,354	\$ 15,172,194	\$ 24,279,548

City of Trinity, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major Fund		Total Governmental Funds
	General	Total Non-Major Funds	
ASSETS			
Cash and cash equivalents	\$ 4,270,131	\$ 300,709	\$ 4,570,840
Restricted cash	1,123,157	-	1,123,157
Receivables, net:			
Taxes	14,453	-	14,453
Due from other governments	368,172	-	368,172
Due from other funds	1,664,358	-	1,664,358
Total assets	7,440,271	300,709	7,740,980
LIABILITIES			
Accounts payable and accrued liabilities	63,286	-	63,286
Due to other funds	439,211	46,989	486,200
Total liabilities	502,497	46,989	549,486
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	14,453	-	14,453
Total deferred inflows of resources	14,453	-	14,453
FUND BALANCES			
Restricted			
Stabilization by State statute	2,032,530	-	2,032,530
Streets	1,123,157	-	1,123,157
Committed			
Parks and Recreation	-	253,720	253,720
Unassigned	3,767,634	-	3,767,634
Total fund balances	6,923,321	253,720	7,177,041
Total liabilities, deferred inflows of resources and fund balances	\$ 7,440,271	\$ 300,709	

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	(410,668)	1,941,165

Liabilities for earned revenues considered deferred inflows of resources in fund statements.	14,453
--	--------

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

Compensated absences	(25,305)
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Net position of governmental activities	\$ 9,107,354
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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, 2014

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 555,561	\$ -	\$ 555,561
Other taxes and licenses	12,161	-	12,161
Unrestricted intergovernmental	1,422,234	-	1,422,234
Restricted intergovernmental	218,075	-	218,075
Sales and services	458,482	-	458,482
Investment earnings	12,283	345	12,628
Miscellaneous	5,819	3,600	9,419
Total revenues	2,684,615	3,945	2,688,560
EXPENDITURES			
Current:			
General government	499,082	1,198	500,280
Public safety	70,749	-	70,749
Public works	931,279	-	931,279
Economic development	5,000	-	5,000
Special appropriations	47,832	-	47,832
Total expenditures	1,553,942	1,198	1,555,140
Excess (deficiency) of revenues over expenditures	1,130,673	2,747	1,133,420
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(1,551,666)	-	(1,551,666)
Total other financing sources (uses)	(1,551,666)	-	(1,551,666)
Net change in fund balance	(420,993)	2,747	(418,246)
Fund balances, beginning	7,344,314	250,973	7,595,287
Fund balances, ending	\$ 6,923,321	\$ 253,720	\$ 7,177,041

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, 2014

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

Net changes in fund balances - total governmental funds	\$ (418,246)
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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.

Capital outlay expenditures which were capitalized	\$ -	
Depreciation expense for governmental assets	<u>(52,475)</u>	(52,475)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(3,171)
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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.

Compensated absences	<u>(4,987)</u>
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Total changes in net position of governmental activities	<u><u>\$ (478,879)</u></u>
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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, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 519,313	\$ 519,313	\$ 555,561	\$ 36,248
Other taxes and licenses	7,700	7,700	12,161	4,461
Unrestricted intergovernmental	1,107,670	1,107,670	1,422,234	314,564
Restricted intergovernmental	173,500	183,500	218,075	34,575
Sales and services	439,500	439,500	458,482	18,982
Investment earnings	19,015	19,015	12,283	(6,732)
Miscellaneous	1,000	1,000	5,819	4,819
Total revenues	<u>2,267,698</u>	<u>2,277,698</u>	<u>2,684,615</u>	<u>406,917</u>
Expenditures:				
Current:				
General government	557,815	557,815	499,082	58,733
Public safety	76,361	76,361	70,749	5,612
Public works	844,590	1,004,526	931,279	73,247
Economic development	10,000	10,000	5,000	5,000
Special appropriations	73,589	73,589	47,832	25,757
Total expenditures	<u>1,562,355</u>	<u>1,722,291</u>	<u>1,553,942</u>	<u>168,349</u>
Revenues over expenditures	<u>705,343</u>	<u>555,407</u>	<u>1,130,673</u>	<u>575,266</u>
Other financing sources (uses):				
Transfers to other funds	(822,058)	(1,640,976)	(1,551,666)	89,310
Total other financing sources (uses)	<u>(822,058)</u>	<u>(1,640,976)</u>	<u>(1,551,666)</u>	<u>89,310</u>
Fund balance appropriated	116,715	1,085,569	-	(1,085,569)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(420,993)	<u>\$ (420,993)</u>
Fund balances, beginning			7,344,314	
Fund balances, ending			<u>\$ 6,923,321</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, 2014

	<u>Major Enterprise Fund</u>	
	<u>Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,530,576	\$ 4,530,576
Accounts receivable, net	56,991	56,991
Due from other governments	1,145	1,145
Due from other funds	563,435	563,435
Restricted cash and cash equivalents	925,545	925,545
Total current assets	<u>6,077,692</u>	<u>6,077,692</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	2,218,010	2,218,010
Other capital assets, net of depreciation	23,741,436	23,741,436
Total capital assets	<u>25,959,446</u>	<u>25,959,446</u>
Total noncurrent assets	<u>25,959,446</u>	<u>25,959,446</u>
Total assets	<u>\$ 32,037,138</u>	<u>\$ 32,037,138</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	369,570	369,570
Due to other funds	1,741,593	1,741,593
Sewer AARA note payable - current	52,571	52,571
General obligation bonds payable - current	163,000	163,000
Bond anticipation note payable	3,100,000	3,100,000
Total current liabilities	<u>5,426,734</u>	<u>5,426,734</u>
Noncurrent liabilities:		
Other noncurrent liabilities:		
Sewer AARA note payable - noncurrent	841,127	841,127
General obligation bonds payable - noncurrent	10,597,083	10,597,083
Total noncurrent liabilities	<u>11,438,210</u>	<u>11,438,210</u>
Total liabilities	<u>16,864,944</u>	<u>16,864,944</u>
NET POSITION		
Net investment in capital assets	12,131,210	12,131,210
Unrestricted	3,040,984	3,040,984
Total net position	<u>\$ 15,172,194</u>	<u>\$ 15,172,194</u>

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, 2014

	<u>Major Enterprise Fund</u>	
	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES		
Charges for services	\$ 465,577	\$ 465,577
Tap fees	96,379	96,379
Miscellaneous	-	-
Total operating revenues	<u>561,956</u>	<u>561,956</u>
OPERATING EXPENSES		
Other operating expenses	1,078,305	1,078,305
Depreciation	560,835	560,835
Total operating expenses	<u>1,639,140</u>	<u>1,639,140</u>
Operating income (loss)	<u>(1,077,184)</u>	<u>(1,077,184)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	5,433	5,433
Interest and other charges	(425,843)	(425,843)
Total nonoperating revenue (expenses)	<u>(420,410)</u>	<u>(420,410)</u>
Income (loss) before contributions and transfers	<u>(1,497,594)</u>	<u>(1,497,594)</u>
Capital contributions	28,300	28,300
Transfers from other funds	1,551,666	1,551,666
Change in net position	<u>82,372</u>	<u>82,372</u>
Total net position, beginning	<u>15,089,822</u>	<u>15,089,822</u>
Total net position, ending	<u>\$ 15,172,194</u>	<u>\$ 15,172,194</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, 2014

	<u>Major Enterprise Fund</u>	
	<u>Sewer</u>	
	<u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 555,327	\$ 555,327
Cash paid to suppliers	<u>(1,078,599)</u>	<u>(1,078,599)</u>
Net cash provided (used) by operating activities	<u>(523,272)</u>	<u>(523,272)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to (from) other funds	653,748	653,748
Transfers from other funds	<u>1,551,666</u>	<u>1,551,666</u>
Total cash flows from (used) noncapital financing activities	<u>2,205,414</u>	<u>2,205,414</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,697,487)	(1,697,487)
Principal paid on bond maturities	(806,917)	(806,917)
Principal paid on Sewer AARA note payable	(52,571)	(52,571)
Proceeds from bond anticipation note	3,100,000	3,100,000
Capital contributions	28,300	28,300
Interest paid on bonds	<u>(425,843)</u>	<u>(425,843)</u>
Net cash provided (used) by capital and related financing activities	<u>145,482</u>	<u>145,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>5,433</u>	<u>5,433</u>
Net increase (decrease) in cash and cash equivalents	1,833,057	1,833,057
Balance, beginning	<u>3,623,064</u>	<u>3,623,064</u>
Balance, ending	<u>\$ 5,456,121</u>	<u>\$ 5,456,121</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets by accounts payable	<u>\$ 339,674</u>	<u>\$ 339,674</u>

cont.

City of Trinity, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Major Enterprise Fund	
	Sewer	
	Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	<u>\$ (1,077,184)</u>	<u>\$ (1,077,184)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	560,835	560,835
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,629)	(6,629)
Increase (decrease) in accounts payable and accrued liabilities	<u>(294)</u>	<u>(294)</u>
Total adjustments	<u>553,912</u>	<u>553,912</u>
Net cash provided (used) by operating activities	<u>\$ (523,272)</u>	<u>\$ (523,272)</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, 2014

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, 2014

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 fund:

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, 2014

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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, 2014

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, 2014

City of Trinity Restricted Cash

Governmental Activities		
General Fund		
	Streets	\$ 1,123,157
Total governmental activities		<u>\$ 1,123,157</u>
Business-type Activities		
Water and Sewer Fund		
	Unexpended bond proceeds	925,545
Total Business-type Activities		<u>\$ 925,545</u>
Total Restricted Cash		<u>\$ 2,048,702</u>

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, 2013. 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.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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.

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.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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.

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.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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, 2014, the City's deposits had a carrying amount of \$6,760,190 and a bank balance of \$6,780,778. Of the bank balance, \$855,373 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the City's petty cash fund totaled \$125.

2. Investments

At June 30, 2014 the City of Trinity had \$4,389,803 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, 2014

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, 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	<u>623,665</u>	-	-	<u>623,665</u>
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	<u>1,728,168</u>	-	-	<u>1,728,168</u>
Less accumulated depreciation for:				
Buildings and improvements	90,833	15,779	-	106,612
Land improvements	1,627	120	-	1,747
Furniture and equipment	132,141	9,240	-	141,381
Vehicles	19,016	1,272	-	20,288
Infrastructure	114,576	26,064	-	140,640
Total accumulated depreciation	<u>358,193</u>	<u>52,475</u>	-	<u>410,668</u>
Total capital assets being depreciated, net	<u>1,369,975</u>			<u>1,317,500</u>
Governmental activity capital assets, net	<u>\$ 1,993,640</u>			<u>\$ 1,941,165</u>

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

General government	\$ 26,411
Public Works	<u>26,064</u>
Total depreciation expense	<u>\$ 52,475</u>

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 14,186	\$ -	\$ -	\$ 14,186
Construction in progress	5,742,050	1,913,791	(5,452,017)	2,203,824
Total capital assets not being depreciated	<u>5,756,236</u>	<u>1,913,791</u>	<u>(5,452,017)</u>	<u>2,218,010</u>
Capital assets being depreciated:				
Sewer system	20,590,638	5,452,017	-	26,042,655
Equipment	23,109	-	-	23,109
Vehicles	12,722	-	-	12,722
Total capital assets being depreciated	<u>20,626,469</u>	<u>5,452,017</u>	<u>-</u>	<u>26,078,486</u>
Less accumulated depreciation for:				
Sewer system	1,763,455	553,786	-	2,317,241
Equipment	10,110	5,777	-	15,887
Vehicles	2,650	1,272	-	3,922
Total accumulated depreciation	<u>1,776,215</u>	<u>560,835</u>	<u>-</u>	<u>2,337,050</u>
Total capital assets being depreciated, net	<u>18,850,254</u>			<u>23,741,436</u>
Sewer Fund capital assets, net	<u><u>\$ 24,606,490</u></u>			<u><u>\$ 25,959,446</u></u>

Construction commitments

The government has active construction projects as of June 30, 2014. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Sewer Capital Projects Fund	<u>\$ 1,456,743</u>	<u>\$ 1,440,490</u>
	<u><u>\$ 1,456,743</u></u>	<u><u>\$ 1,440,490</u></u>

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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.

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 7.07% 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, 2014, 2013, and 2012 were \$19,758, \$17,515, and \$25,256, 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>\$ 14,453</u>

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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 insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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.

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.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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. \$893,698

	Year Ending June 30	Principal	Interest
Total	2015	\$ 52,571	\$ -
	2016	52,571	-
	2017	52,571	-
	2018	52,571	-
	2019	52,571	-
	2020-2024	262,852	-
	2025-2029	262,852	-
	2030-2031	105,139	-
		<u>\$ 893,698</u>	<u>\$ -</u>

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, 2014

General Obligation Bonds outstanding at June 30, 2014

\$1,824,000 2008 USDA Sanitary Sewer Bond issued April 21, 2008, and due in annual installments plus interest at 4.375%. \$1,709,000

Year Ending June 30	Principal	Interest
2015	\$ 26,000	\$ 74,768
2016	27,000	73,631
2017	28,000	72,450
2018	29,000	71,225
2019	31,000	69,956
2020-2024	174,000	328,431
2025-2029	216,000	286,825
2030-2034	267,000	235,331
2035-2039	331,000	171,544
2040-2044	403,000	92,663
2045-2047	177,000	12,206
Total	<u>\$ 1,709,000</u>	<u>\$ 1,489,030</u>

\$5,000,000 2010 USDA Sanitary Sewer Bond issued February 22, 2010, and due in annual installments plus interest at 4.00%. \$4,098,083

Year Ending June 30	Principal	Interest
2015	\$ 66,000	\$ 192,680
2016	68,000	190,040
2017	71,000	187,320
2018	74,000	184,480
2019	77,000	181,520
2020-2024	434,000	858,880
2025-2029	527,000	764,960
2030-2034	642,000	650,640
2035-2039	781,000	511,600
2040-2044	949,000	342,480
2045-2046	409,083	81,720
Total	<u>\$ 4,098,083</u>	<u>\$ 4,146,320</u>

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

\$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
2015	\$ 71,000	\$ 154,781
2016	72,000	152,563
2017	74,000	150,313
2018	77,000	148,000
2019	79,000	145,594
2020-2024	435,000	689,250
2025-2029	506,000	617,031
2030-2034	592,000	532,750
2035-2039	691,000	434,219
2040-2044	805,000	319,375
2045-2049	937,000	185,562
2050-2052	614,000	38,062
Total	<u>\$ 4,953,000</u>	<u>\$ 3,567,500</u>

Bond Anticipation Note outstanding at June 30, 2014

\$3,100,000 Sanitary Sewer note issued on February 25, 2014 and due on October 22, 2014; interest at 1.00 percent. The note will be repaid from a \$3,100,000 bond issue expected to be sold in the next fiscal year. \$3,100,000

Year Ending June 30	Principal	Interest
2015	\$ 3,100,000	\$ 20,408
Total	<u>\$ 3,100,000</u>	<u>\$ 20,408</u>

At June 30, 2014 the City of Trinity had a legal debt margin of \$43,183,902.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 20,318	\$ 4,987	\$ -	\$ 25,305	\$ 25,305
Governmental activity long-term liabilities	\$ 20,318	\$ 4,987	\$ -	\$ 25,305	\$ 25,305
Business-type activities:					
General obligation bond - USDA 2008	\$ 1,734,000	\$ -	\$ 25,000	\$ 1,709,000	\$ 26,000
General obligation bond - USDA 2010	4,880,000	-	781,917	4,098,083	66,000
General obligation bond - Series 2013	4,953,000	-	-	4,953,000	71,000
Sewer AARA note payable	946,269	-	52,571	893,698	52,571
Bond anticipation note	-	3,100,000	-	3,100,000	3,100,000
Business-type activity long-term liabilities	\$ 12,513,269	\$ 3,100,000	\$ 859,488	\$ 14,753,781	\$ 3,315,571

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2014, consist of the following:

Due to the General Fund for expenditures paid on behalf of the Sewer Fund	\$ 1,178,158
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	<u>\$ 1,178,158</u>

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the Sewer Fund for operating expenditures	<u>\$ 1,551,666</u>
Total	<u>\$ 1,551,666</u>

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,941,165	\$ 25,959,446
less: long-term debt	-	14,753,781
add: unexpended debt proceeds	-	925,545
Net investment in capital asset	<u>\$ 1,941,165</u>	<u>\$ 12,131,210</u>

E. 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	\$ 6,923,321
Less:	
Stabilization by State Statute	2,032,530
Streets - Powell Bill	1,123,157
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	3,767,634

III. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities, participates in the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. The City paid membership fees of \$5,244 to the Council during the fiscal year ended June 30, 2014.

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.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

V. Subsequent Events

Subsequent events have been evaluated through November 24, 2014, which is the date the financial statements were available to be issued.

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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 557,681	\$
Discount on taxes		(5,577)	
Penalties and interest		3,457	
Total	<u>519,313</u>	<u>555,561</u>	<u>36,248</u>
Other taxes and licenses:			
Permits and fees		12,161	
Total	<u>7,700</u>	<u>12,161</u>	<u>4,461</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,110,330	
Telecommunications sales tax		33,046	
Utility franchise tax		231,761	
Video franchise fee		47,097	
Total	<u>1,107,670</u>	<u>1,422,234</u>	<u>314,564</u>
Restricted intergovernmental:			
Federal grants		16,044	
Powell Bill allocation		151,696	
Powell Bill assessment revenue		46,322	
Solid waste disposal tax		4,013	
Total	<u>183,500</u>	<u>218,075</u>	<u>34,575</u>
Sales and services:			
Solid waste fees		454,561	
Recycling fees		3,921	
Total	<u>439,500</u>	<u>458,482</u>	<u>18,982</u>
Investment earnings	<u>19,015</u>	<u>12,283</u>	<u>(6,732)</u>
Miscellaneous:			
Other		5,819	
Total	<u>1,000</u>	<u>5,819</u>	<u>4,819</u>
Total revenues	<u>2,277,698</u>	<u>2,684,615</u>	<u>406,917</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		18,704	
Professional services		16,800	
Travel and training		5,362	
Dues and subscription		8,613	
Insurance		5,686	
Contributions and donations		671	
Elections		2,624	
Materials and supplies		1,779	
Total	<u>70,350</u>	<u>60,239</u>	<u>10,111</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, 2014

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		204,767	
Professional services		8,421	
Supplies and materials		14,873	
Telephone and postage		12,701	
Informataion technology		11,184	
Utilities		12,842	
Travel and training		624	
Leases		8,102	
Newsletter		2,608	
Dues and subscription		1,244	
Insurance		11,704	
Miscellaneous expenses		-	
Capital outlay		-	
Total	319,500	289,070	30,430
Governmental buildings:			
Supplies		7,504	
Facilities rental		13,300	
Professional services		4,349	
Total	35,328	25,153	10,175
Finance:			
Professional services		22,928	
Tax collection fees		6,452	
Supplies		83	
Total	31,715	29,463	2,252
Planning and zoning:			
Salaries and employee benefits		69,075	
Supplies		1,980	
Professional services		11,967	
Travel and training		1,460	
Leases		5,820	
Advertising		4,855	
Total	100,922	95,157	5,765
Total general government	557,815	499,082	58,733
Public safety:			
Police and animal control:			
Contract services		60,573	
Total	66,181	60,573	5,608
Fire inspection:			
Contract services		10,176	
Total	10,180	10,176	4
Total public safety	76,361	70,749	5,612

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, 2014

	Budget	Actual	Variance Positive (Negative)
Public works:			
Streets			
Salaries and employee benefits		11,836	
Professional services		14,545	
Supplies and materials		445,247	
Capital outlay		-	
Total	490,096	471,628	18,468
Stormwater			
Salaries and employee benefits		67,225	
Supplies and materials		120	
Professional services		14,005	
Travel and training		997	
Capital outlay		-	
Total	85,430	82,347	3,083
Sanitation			
Billing fees		24,116	
Tipping fees		63,442	
Contract services		288,919	
Supplies and materials		827	
Capital outlay		-	
Total	429,000	377,304	51,696
Total public works	1,004,526	931,279	73,247
Economic development	10,000	5,000	5,000
Special appropriations			
Library contributions		5,000	
Archdale/Trinity YMCA		20,000	
Archdale/Trinity Chamber		5,000	
RC Seniors		17,832	
Miscellaneous		-	
Total special appropriations	73,589	47,832	25,757
Total expenditures	1,722,291	1,553,942	168,349
Revenues over (under) expenditures	555,407	1,130,673	575,266
Other financing sources (uses):			
Transfers to other funds:			
Parks and Recreation fund	-	-	-
Sewer Capital Projects fund	-	-	-
Sewer fund	(1,640,976)	(1,551,666)	89,310
Total other financing uses	(1,640,976)	(1,551,666)	89,310
Fund balance appropriated	1,085,569	-	(1,085,569)
Net change in fund balance	\$ -	(420,993)	\$ (420,993)
Fund balances, beginning		7,344,314	
Fund balances, ending		\$ 6,923,321	

City of Trinity, North Carolina
Balance Sheet
Non-Major Governmental Fund
June 30, 2014

	Parks and Recreation Fund	Total Non-Major Governmental Fund
Assets		
Cash and cash equivalents	\$ 300,709	\$ 300,709
Due from other funds	-	-
Total assets	\$ 300,709	\$ 300,709
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	253,720	253,720
Total liabilities and fund balances	\$ 253,720	\$ 253,720

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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Open space fees	\$ 1,000	\$ -	\$ (1,000)
Rental income	3,600	3,600	-
Investment earnings	15	345	330
Total revenues	<u>4,615</u>	<u>3,945</u>	<u>(670)</u>
Expenditures:			
Capital outlay	-	-	-
Other operating expenditures	5,500	1,198	4,302
Total expenditures	<u>5,500</u>	<u>1,198</u>	<u>4,302</u>
Revenues over (under) expenditures	<u>(885)</u>	<u>2,747</u>	<u>3,632</u>
Other financing sources:			
Transfer from other funds:			
General Fund	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	885	-	(885)
Net change in fund balance	<u>\$ -</u>	<u>2,747</u>	<u>\$ 2,747</u>
Fund balance, beginning		250,973	
Fund balance, ending		<u>\$ 253,720</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 465,577	
Tap fees		96,379	
Miscellaneous		-	
Total	<u>\$ 527,450</u>	<u>561,956</u>	<u>\$ 34,506</u>
Nonoperating revenues:			
Investment earnings	1,050	5,433	4,383
Total revenues	<u>528,500</u>	<u>567,389</u>	<u>38,889</u>
Expenditures:			
Other operating expenditures	1,088,194	1,078,305	9,889
Capital Outlay	-	-	-
	<u>1,088,194</u>	<u>1,078,305</u>	<u>9,889</u>
Debt service:			
Interest and other charges	425,845	425,843	2
Principal retirement	859,489	859,488	1
Total Debt service	<u>1,285,334</u>	<u>1,285,331</u>	<u>3</u>
Total Expenditures	<u>2,373,528</u>	<u>2,363,636</u>	<u>9,892</u>
Revenues over (under) expenditures	(1,845,028)	(1,796,247)	48,781
Other financing sources (uses):			
Transfers to other funds:			
Water & Sewer capital projects fund	(100,000)	-	100,000
Transfers from other funds:			
General Fund	1,640,976	1,551,666	(89,310)
Total other financing sources (uses)	<u>1,540,976</u>	<u>1,551,666</u>	<u>10,690</u>
Fund balance appropriated	304,052	-	(304,052)
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>(244,581)</u>	<u>\$ (244,581)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		-	
Principal retirement		859,488	
Depreciation		(560,835)	
Federal grant from CDBG Hook-Up Sewer Grant			
Project Fund-capital contribution		28,300	
Transfer in from General Fund to Sewer Capital Projects Fund		-	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Total reconciling items		<u>326,953</u>	
Change in net position		<u>\$ 82,372</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, 2014

	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	-
Total restricted intergovernmental revenues	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>
Expenditures:					
Phase IV					
Construction	1,952,105	1,668,411	(50)	1,668,361	283,744
Technical services	432,400	414,998	-	414,998	17,402
Legal and right-of-way	85,230	73,267	75	73,342	11,888
Property and easements	51,456	51,456	-	51,456	-
Grant administration	8,000	8,000	-	8,000	-
Professional services	19,915	19,914	-	19,914	1
Construction loan interest	96,042	88,576	-	88,576	7,466
Construction contingency	46,852	5,799	-	5,799	41,053
Total	<u>2,692,000</u>	<u>2,330,421</u>	<u>25</u>	<u>2,330,446</u>	<u>361,554</u>
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	54,540	-	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	1,387	-	1,387	6,013
Total	<u>705,000</u>	<u>688,243</u>	<u>-</u>	<u>688,243</u>	<u>16,757</u>
Phase IV (B) Sewer Extension					
Construction	2,392,500	2,300,376	232,904	2,533,280	(140,780)
Technical services	431,000	430,874	14,732	445,606	(14,606)
Legal and right-of-way	80,000	75,996	4,001	79,997	3
Property and easements	45,500	44,408	-	44,408	1,092
Professional services	17,500	16,630	350	16,980	520
Construction contingency	157,000	1,299	-	1,299	155,701
Total	<u>3,123,500</u>	<u>2,869,583</u>	<u>251,987</u>	<u>3,121,570</u>	<u>1,930</u>
Phase V					
Construction	2,405,000	1,455	1,523,014	1,524,469	880,531
Technical services	445,800	338,866	125,643	464,509	(18,709)
Legal and right-of-way	160,000	98,880	11,660	110,540	49,460
Property and easements	90,000	73,475	1,136	74,611	15,389
Professional services	5,000	-	-	-	5,000
Construction loan interest	120,000	-	-	-	120,000
Construction contingency	65,200	-	326	326	64,874
Total	<u>3,291,000</u>	<u>512,676</u>	<u>1,661,779</u>	<u>2,174,455</u>	<u>1,116,545</u>
Total expenditures	<u>9,811,500</u>	<u>6,400,923</u>	<u>1,913,791</u>	<u>8,314,714</u>	<u>1,496,786</u>
Excess of revenues over (under) expenditures	<u>(9,061,500)</u>	<u>(5,650,923)</u>	<u>(1,913,791)</u>	<u>(7,564,714)</u>	<u>1,496,786</u>
Other financing sources :					
Proceeds from sale of bonds/notes	8,176,000	4,953,000	3,100,000	8,053,000	(123,000)
Transfers from other funds:					
From Sewer Fund	-	-	-	-	-
From General Fund	885,500	-	-	-	(885,500)
Total other sources	<u>9,061,500</u>	<u>4,953,000</u>	<u>3,100,000</u>	<u>8,053,000</u>	<u>(1,008,500)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (697,923)</u>	<u>\$ 1,186,209</u>	<u>\$ 488,286</u>	<u>\$ 488,286</u>

City of Trinity, North Carolina
CDBG Hook Up Sewer Grant Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2014

	Project Author - ization	Current Year	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental			
Federal grants			
Community development	\$ 75,000	\$ 28,300	\$ (46,700)
Total restricted revenues	<u>75,000</u>	<u>28,300</u>	<u>(46,700)</u>
Expenditures:			
Project expenditures			
Administration and planning	11,250	5,000	6,250
Rehabilitation - Private dwellings	<u>63,750</u>	<u>23,300</u>	<u>40,450</u>
Total expenditures	<u>75,000</u>	<u>28,300</u>	<u>46,700</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:			
Transfers in			
From General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

City of Trinity, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 480,325	\$ 475,576	\$ 4,749
2012-2013	4,926	-	2,999	1,927
2011-2012	1,750	-	557	1,193
2010-2011	462	-	271	191
2009-2010	279	-	168	111
2008-2009	379	-	61	318
2007-2008	103	-	24	79
2006-2007	102	-	12	90
2005-2006	45	-	-	45
2004-2005	12	-	-	12
2003-2004	16	-	16	-
	<u>8,074</u>	<u>480,325</u>	<u>479,684</u>	<u>8,715</u>

Plus: uncollected ad valorem taxes receivable
annually registered vehicles:

2013-2014	-	70,645	67,995	2,650
Prior years	9,550	-	6,462	3,088
	<u>9,550</u>	<u>70,645</u>	<u>74,457</u>	<u>5,738</u>

Ad valorem taxes receivable, net	\$ <u>17,624</u>	\$ <u>550,970</u>	\$ <u>554,141</u>	\$ <u>14,453</u>
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Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 555,561
Reconciling items:	
Penalties and interest collected	(3,457)
Discounts allowed	5,577
Adjustments	<u>(3,540)</u>
Subtotal	<u>(1,420)</u>
Total collections and credits	\$ <u>554,141</u>

City of Trinity, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2014

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 557,359,000	.10	\$ 557,359	\$ 486,376	\$ 70,983
Penalties	-		-	-	-
Total	<u>557,359,000</u>		<u>557,359</u>	<u>486,376</u>	<u>70,983</u>
Discoveries:					
Current year taxes	516,000	.10	516	399	117
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>516,000</u>		<u>516</u>	<u>399</u>	<u>117</u>
Abatements	(6,905,000)		(6,905)	(6,450)	(455)
Total property valuation	<u>\$ 550,970,000</u>				
Net levy			550,970	480,325	70,645
Uncollected taxes at June 30, 2014			<u>(7,399)</u>	<u>(4,749)</u>	<u>(2,650)</u>
Current year's taxes collected			<u>\$ 543,571</u>	<u>\$ 475,576</u>	<u>\$ 67,995</u>
Current levy collection percentage			<u>98.66%</u>	<u>99.01%</u>	<u>96.25%</u>

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***

Independent Auditor's Report

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, 2014, 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 24, 2014.

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 questioned costs, 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 questioned costs as item 2014-1 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 questioned costs. 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



Winston-Salem, North Carolina
November 24, 2014



Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Trinity, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Trinity's major federal programs for the year ended June 30, 2014. The City of Trinity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Trinity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Trinity's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Trinity's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Trinity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Trinity is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Trinity's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Winston-Salem, North Carolina
November 24, 2014

CITY OF TRINITY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
<u>U.S. Dept. of Agriculture</u>				
Direct Program:				
Water and Waste Disposal Systems for Rural Communities (Note 2)	10.760		\$ 4,953,000	\$ -
Water and Waste Disposal Systems for Rural Communities (Note 2)	10.760		<u>3,100,000</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>8,053,000</u>	<u>-</u>
 <u>U.S. Dept. of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant, State's Program and Non-Entitlement Grants in Hawaii	14.228	11-C-2301	<u>28,300</u>	<u>-</u>
 <u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-NC-4167-PW-00107	9,674	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-NC-4167-PW-00006	5,744	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-NC-4167-PW-00016	<u>625</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>16,043</u>	<u>-</u>
Total assistance - federal programs			<u>8,097,343</u>	<u>-</u>
 State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation:</u>				
Powell Bill		32570	-	378,313
Total assistance - State programs			<u>-</u>	<u>378,313</u>
Total assistance			<u>\$ 8,097,343</u>	<u>\$ 378,313</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

- The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Trinity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- Loans Outstanding
The City of Trinity had the following loan balances outstanding at June 30, 2014. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 4,953,000
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 3,100,000

City of Trinity, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified
 that are not considered to be
 material weaknesses? yes X none reported

Noncompliance material to financial
 statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified
 that are not considered to be
 material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are
 required to be reported in accordance
 with Section 510(a) of Circular A-133 yes X no

Identification of major federal programs:

CFDA Number	Names of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish
 between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? yes X no

City of Trinity, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes ___no

- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ___yes ___none reported

Type of auditor's report issued on compliance for major State programs:

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act ___yes ___no

Identification of major State programs:

Program Name

None

City of Trinity, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2014 – 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 and will adhere to the correction action plan on page 61 in this audit report.

Section III - Federal Award Findings & Questioned Costs

None reported.

Section IV – State Award Findings & Questioned Costs

None reported.

City of Trinity, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2014 – 1 Segregation of Duties

Name of contact person: Debbie Hinson, City Manager/Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation.

Proposed Completion Date: The City Manager/Finance Officer will implement the above procedure immediately.

Section III - Federal Award Findings & Questioned Costs

None reported.

Section IV – State Award Findings & Questioned Costs

None reported.

City of Trinity, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

There were no material prior year audit findings.