

*CITY OF TRINITY, NORTH CAROLINA*

*FINANCIAL STATEMENTS*

*JUNE 30, 2021*

CITY OF TRINITY, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2021

**CITY OF TRINITY, NORTH CAROLINA  
JUNE 30, 2021**

**MEMBERS OF CITY COUNCIL**

Richard McNabb, Mayor  
Don Payne, Mayor Pro Tem  
Bob Hicks  
Stephen Lawing  
Tommy Johnson  
Jack Carico

**ADMINISTRATIVE AND FINANCIAL STAFF**

Debbie Hinson, City Manager/Finance Director

**City of Trinity, North Carolina**  
**Table of Contents**  
**June 30, 2021**

<u>Exhibit</u>		<u>Page</u>
<b>Financial Section:</b>		
	<b>Independent Auditor’s Report</b>	1-3
	<b>Management’s Discussion and Analysis</b>	4-13
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
1	Statement of Net Position	14
2	Statement of Activities	15
Fund Financial Statements:		
3	Balance Sheet – Governmental Funds	16
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17-18
5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Annual Budget and Actual – General Fund	19
6	Statement of Fund Net Position – Proprietary Fund	20
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	21
8	Statement of Cash Flows – Proprietary Fund	22-23
	Notes to the Financial Statements	24-46
<b>Required Supplemental Financial Data:</b>		
	Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Local Government Employees’ Retirement System	47
	Schedule of Contributions – Local Government Employees’ Retirement System	48

**Individual Fund Schedules:**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund 49-51

Balance Sheet for Non-Major Governmental Fund 52

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Non-Major Governmental Fund 53

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):

Sewer Fund 54

Sewer Capital Projects Fund 55

**Other Schedules:**

Schedule of Ad Valorem Taxes Receivable 56

Analysis of Current Tax Levy – City-Wide Levy 57

**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* 58-59

**FINANCIAL SECTION**



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinity, North Carolina, as of and for the year ended June 30, 2021, 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, 2021, 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 and Analysis on pages 4 through 13 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 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." in a cursive, professional script.

Winston-Salem, North Carolina  
December 17, 2021

## **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, 2021. 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

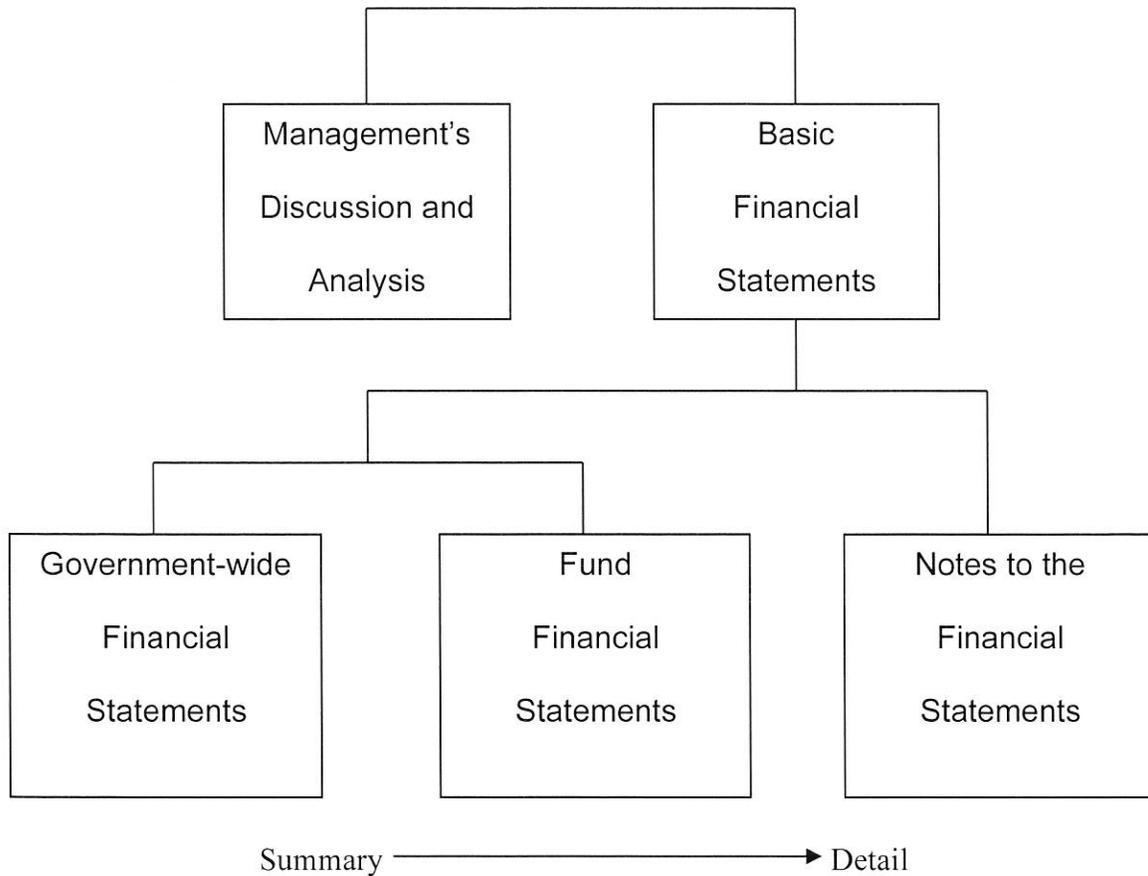
- The assets and deferred outflows of resources of the City of Trinity exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,472,982 (*net position*).
- The government's total net position increased by \$495,396, primarily due to an increase in the governmental type 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 \$10,084,142 with a net increase of \$1,147,213 in fund balance. Approximately 28.41% of this total amount or \$2,864,357 is non-spendable or restricted and committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,219,785, or 279.98% of total general fund expenditures for the fiscal year.
- The City of Trinity's total debt decreased by \$284,578 (2.23%) during the current fiscal year. The key factor in this decrease was the payments on the debt.

### 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.

## **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 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 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* which 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.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Trinity's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 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**

**City of Trinity's Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 10,166,666	\$ 9,005,215	\$ 431,568	\$ 584,963	\$ 10,598,234	\$ 9,590,178
Capital assets	2,947,172	3,045,041	23,433,723	24,104,943	26,380,895	27,149,984
Deferred outflows of resources	74,701	74,061	19,476	22,122	94,177	96,183
Total assets and deferred outflows of resources	13,188,539	12,124,317	23,884,767	24,712,028	37,073,306	36,836,345
Long-term liabilities outstanding	120,180	110,377	12,003,558	12,316,977	12,123,738	12,427,354
Other liabilities	103,537	79,429	361,956	350,521	465,493	429,950
Deferred inflows of resources	8,799	1,103	2,294	352	11,093	1,455
Total liabilities and deferred inflows of resources	232,516	190,909	12,367,808	12,667,850	12,600,324	12,858,759
Net position:						
Net investment in capital assets	2,947,172	3,045,041	11,151,927	11,524,576	14,099,099	14,569,617
Restricted	2,791,392	2,456,634	-	-	2,791,392	2,456,634
Unrestricted	7,217,459	6,431,733	365,032	519,602	7,582,491	6,951,335
Total net position	\$ 12,956,023	\$ 11,933,408	\$ 11,516,959	\$ 12,044,178	\$ 24,472,982	\$ 23,977,586

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 \$24,472,982 as of June 30, 2021. The City's net position increased by \$495,396 for the fiscal year ended June 30, 2021. However, the largest portion (57.61%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Trinity uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Trinity's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Trinity's net position, \$2,791,392 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,582,491 is unrestricted.

Some 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 99.34% in 20-21, which was better than the statewide average of 98.26%.
- 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	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 500,230	\$ 484,384	\$ 950,086	\$ 867,889	\$ 1,450,316	\$ 1,352,273
Operating grants and contributions	299,095	182,238	62,061	86,428	361,156	268,666
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	658,672	630,297	-	-	658,672	630,297
Other taxes	23,935	22,725	-	-	23,935	22,725
Grants and contributions not restricted to specific programs	2,241,195	1,979,575	-	-	2,241,195	1,979,575
Other	4,581	30,527	546	7,397	5,127	37,924
<b>Total revenues</b>	<b>3,727,708</b>	<b>3,329,746</b>	<b>1,012,693</b>	<b>961,714</b>	<b>4,740,401</b>	<b>4,291,460</b>
<b>Expenses:</b>						
General government	677,887	665,087	-	-	677,887	665,087
Public safety	166,271	142,268	-	-	166,271	142,268
Public works	733,995	668,929	-	-	733,995	668,929
Economic development	6,000	6,000	-	-	6,000	6,000
Special appropriations	23,165	26,806	-	-	23,165	26,806
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	2,637,687	2,747,257	2,637,687	2,747,257
<b>Total expenses</b>	<b>1,607,318</b>	<b>1,509,090</b>	<b>2,637,687</b>	<b>2,747,257</b>	<b>4,245,005</b>	<b>4,256,347</b>
Increase (decrease) in net position before transfers	2,120,390	1,820,656	(1,624,994)	(1,785,543)	495,396	35,113
Transfers	(1,097,775)	(1,255,355)	1,097,775	1,255,355	-	-
Increase (decrease) in net position	1,022,615	565,301	(527,219)	(530,188)	495,396	35,113
Net position, beginning	11,933,408	11,368,107	12,044,178	12,574,366	23,977,586	23,942,473
Net position, June 30	\$ 12,956,023	\$ 11,933,408	\$ 11,516,959	\$ 12,044,178	\$ 24,472,982	\$ 23,977,586

**Governmental activities.** Governmental activities increased the City's net position by \$1,022,615. Key elements of this increase are as follows:

- Governmental activities reflect a net increase of \$2,120,390 prior to transfers to the Sewer Fund. The net increase of \$1,022,615 is a result of General Fund savings of revenues collected over expenditures after transfers as well as Cares funding received.

**Business-type activities.** Business-type activities decreased the City of Trinity's net position by \$527,219. Key elements of this decrease are as follows:

- Repair and replacement to equipment at the City's pump stations; operational costs associated with City's sewer system, increasing treatment costs, purchase of equipment as needed, and sewer debt payments.

### 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 \$7,219,785, while total fund balance reached \$10,011,177. The City currently has an available fund balance of 279.98% of general fund expenditures, and total fund balance represents 387.95% of the same amount.

At June 30, 2021, the governmental funds of the City of Trinity reported a combined fund balance of \$10,084,142 with a net increase in fund balance of \$1,147,213. Included in this change in fund balance is an increase in fund balance in the General Fund of \$1,145,500 and an increase in the Parks and Recreation Fund of \$1,713.

**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 \$365,032. The total decrease in net position for the fund was \$527,219. The major changes in net position in the Sewer Fund are a result of interest paid on sewer debt and depreciation expense.

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, 2021, totals \$26,380,895 (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:

- New video and audio equipment purchased for City Hall and Annex.
- Steeplegate Forcemain Project and sewer pumps.

**City of Trinity’s Capital Assets  
(net of depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 680,672	\$ 680,672	\$ 14,186	\$ 14,186	\$ 694,858	\$ 694,858
Building and improvements	996,894	1,037,563	3,638	3,784	1,000,532	1,041,347
Land improvements	58,546	60,188	-	-	58,546	60,188
Furniture and equipment	87,256	98,584	15,808	30,347	103,064	128,931
Sewer system	-	-	23,301,390	24,010,915	23,301,390	24,010,915
Construction in progress	13,665	13,665	85,358	29,369	99,023	43,034
Vehicles	35,124	43,131	13,343	16,342	48,467	59,473
Infrastructure	1,075,015	1,111,238	-	-	1,075,015	1,111,238
<b>Total</b>	<b>\$ 2,947,172</b>	<b>\$ 3,045,041</b>	<b>\$ 23,433,723</b>	<b>\$ 24,104,943</b>	<b>\$ 26,380,895</b>	<b>\$ 27,149,984</b>

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, 2021, the City of Trinity had total debt outstanding of \$36,549 for compensated absences, \$11,756,093 for general obligation bonds, \$525,703 for a Sewer AARA note payable, and \$151,513 of net pension liability. 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	
	2021	2020	2021	2020	2021	2020
Compensated absences	\$ 36,549	\$ 28,511	\$ -	\$ -	\$ 36,549	\$ 28,511
Sewer AARA note payable	-	-	525,703	578,274	525,703	578,274
General obligation bond	-	-	1,503,000	1,536,000	1,503,000	1,536,000
General obligation bond	-	-	3,438,919	3,521,919	3,438,919	3,521,919
General obligation bond	-	-	4,114,609	4,198,609	4,114,609	4,198,609
General obligation bond	-	-	2,699,565	2,745,565	2,699,565	2,745,565
Net pension liability	120,180	110,377	31,333	35,181	151,513	145,558
Total	\$ 156,729	\$ 138,888	\$ 12,313,129	\$ 12,615,548	\$ 12,469,858	\$ 12,754,436

**City of Trinity’s Outstanding Debt**

The City of Trinity’s total debt decreased by \$284,578 (2.23%) during the past fiscal year, primarily due to the payment of bonds.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for City of Trinity is \$52,059,417.

Additional information regarding the City of Trinity’s long-term debt can be found in Note III.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.

- Continued residential growth in the City of Trinity.

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities:** For the seventeenth 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 \$1,836,550.

For the sixteenth consecutive year, 75% of sales tax revenue, or about \$1,377,413 will be restricted to pay costs and debt service on sewer projects funded in part by GO bonds.

Management Discussion and Analysis  
**City of Trinity**

**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](http://www.trinity-nc.gov).

## **Basic Financial Statements**

City of Trinity, North Carolina  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 7,911,227	\$ 1,348,107	\$ 9,259,334
Taxes receivables (net)	15,536	-	15,536
Accounts receivable (net)	-	105,885	105,885
Due from other governments	500,475	69,587	570,062
Internal balances	1,092,011	(1,092,011)	-
Restricted cash and cash equivalents	647,417	-	647,417
Total current assets	<u>10,166,666</u>	<u>431,568</u>	<u>10,598,234</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	694,337	99,544	793,881
Other capital assets, net of depreciation	2,252,835	23,334,179	25,587,014
Total capital assets	<u>2,947,172</u>	<u>23,433,723</u>	<u>26,380,895</u>
Total assets	<u>13,113,838</u>	<u>23,865,291</u>	<u>36,979,129</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	74,701	19,476	94,177
Total deferred outflows of resources	<u>74,701</u>	<u>19,476</u>	<u>94,177</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	66,988	52,385	119,373
Current portion of long-term liabilities	36,549	309,571	346,120
Total current liabilities	<u>103,537</u>	<u>361,956</u>	<u>465,493</u>
Long-term liabilities:			
Net pension liability	120,180	31,333	151,513
Due in more than one year	-	11,972,225	11,972,225
Total liabilities	<u>223,717</u>	<u>12,365,514</u>	<u>12,589,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	8,799	2,294	11,093
Total deferred inflows of resources	<u>8,799</u>	<u>2,294</u>	<u>11,093</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,947,172	11,151,927	14,099,099
Restricted for:			
Stabilization by State Statute	2,143,975	-	2,143,975
Streets	647,417	-	647,417
Unrestricted	7,217,459	365,032	7,582,491
Total net position	<u>\$ 12,956,023</u>	<u>\$ 11,516,959</u>	<u>\$ 24,472,982</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, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 677,887	\$ -	\$ -	\$ -	\$ (677,887)	\$ -	\$ (677,887)
Public safety	166,271	-	-	-	(166,271)	-	(166,271)
Public works	733,995	496,930	299,095	-	62,030	-	62,030
Economic development	6,000	3,300	-	-	(2,700)	-	(2,700)
Special appropriations	23,165	-	-	-	(23,165)	-	(23,165)
<b>Total governmental activities</b>	<b>1,607,318</b>	<b>500,230</b>	<b>299,095</b>	<b>-</b>	<b>(807,993)</b>	<b>-</b>	<b>(807,993)</b>
<b>Business-type activities:</b>							
Sewer	2,637,687	950,086	62,061	-	-	(1,625,540)	(1,625,540)
<b>Total business-type activities</b>	<b>2,637,687</b>	<b>950,086</b>	<b>62,061</b>	<b>-</b>	<b>-</b>	<b>(1,625,540)</b>	<b>(1,625,540)</b>
<b>Total government</b>	<b>\$ 4,245,005</b>	<b>\$ 1,450,316</b>	<b>\$ 361,156</b>	<b>\$ -</b>	<b>(807,993)</b>	<b>(1,625,540)</b>	<b>(2,433,533)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purpose					658,672	-	658,672
Other taxes					23,935	-	23,935
Unrestricted intergovernmental revenues					2,241,195	-	2,241,195
Unrestricted investment earnings					3,765	546	4,311
Miscellaneous					816	-	816
<b>Total general revenues not including transfers</b>					<b>2,928,383</b>	<b>546</b>	<b>2,928,929</b>
<b>Transfers</b>					<b>(1,097,775)</b>	<b>1,097,775</b>	<b>-</b>
<b>Total general revenues and transfers</b>					<b>1,830,608</b>	<b>1,098,321</b>	<b>2,928,929</b>
<b>Change in net position</b>					<b>1,022,615</b>	<b>(527,219)</b>	<b>495,396</b>
Net position, beginning					11,933,408	12,044,178	23,977,586
<b>Net position, ending</b>					<b>\$ 12,956,023</b>	<b>\$ 11,516,959</b>	<b>\$ 24,472,982</b>

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

City of Trinity, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2021

	Major Fund		
	General	Total Non-Major Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,791,259	\$ 119,968	\$ 7,911,227
Restricted cash and cash equivalents	647,417	-	647,417
Receivables, net:			
Taxes	15,536	-	15,536
Due from other governments	500,475	-	500,475
Due from other funds	1,643,500	-	1,643,500
Total assets	<u>10,598,187</u>	<u>119,968</u>	<u>10,718,155</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	66,974	14	66,988
Due to other funds	504,500	46,989	551,489
Total liabilities	<u>571,474</u>	<u>47,003</u>	<u>618,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	15,536	-	15,536
Total deferred inflows of resources	<u>15,536</u>	<u>-</u>	<u>15,536</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State statute	2,143,975	-	2,143,975
Streets	647,417	-	647,417
Committed			
Parks and Recreation	-	72,965	72,965
Unassigned	7,219,785	-	7,219,785
Total fund balances	<u>10,011,177</u>	<u>72,965</u>	<u>10,084,142</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,598,187</u>	<u>\$ 119,968</u>	

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

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

Gross capital assets at historical cost	\$ 3,987,178	
Accumulated depreciation	<u>(1,040,006)</u>	2,947,172

Deferred outflows of resources related to pensions are not reported in the funds		74,701
--	--	--------

Earned revenues considered deferred inflows of resources in fund statements.		15,536
--	--	--------

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

Compensated absences		(36,549)
Net pension liability		(120,180)

Deferred inflows of resources related to pensions are not reported in the funds		(8,799)
---	--	---------

Net position of governmental activities		<u>\$ 12,956,023</u>
---	--	----------------------

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

City of Trinity, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2021

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 660,504	\$ -	\$ 660,504
Other taxes and licenses	23,935	-	23,935
Unrestricted intergovernmental	2,241,195	-	2,241,195
Restricted intergovernmental	299,095	-	299,095
Sales and services	496,930	-	496,930
Investment earnings	3,592	173	3,765
Miscellaneous	816	3,300	4,116
Total revenues	<u>3,726,067</u>	<u>3,473</u>	<u>3,729,540</u>
<b>EXPENDITURES</b>			
Current:			
General government	589,583	1,760	591,343
Public safety	166,271	-	166,271
Public works	697,773	-	697,773
Economic development	6,000	-	6,000
Special appropriations	23,165	-	23,165
Total expenditures	<u>1,482,792</u>	<u>1,760</u>	<u>1,484,552</u>
Excess (deficiency) of revenues over expenditures	<u>2,243,275</u>	<u>1,713</u>	<u>2,244,988</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(1,097,775)	-	(1,097,775)
Total other financing sources (uses)	<u>(1,097,775)</u>	<u>-</u>	<u>(1,097,775)</u>
Net change in fund balance	1,145,500	1,713	1,147,213
Fund balances, beginning	8,865,677	71,252	
Fund balances, ending	<u>\$ 10,011,177</u>	<u>\$ 72,965</u>	

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

(cont)

**City of Trinity, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds		\$ 1,147,213
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 15,684	
Depreciation expense for governmental assets	<u>(113,553)</u>	(97,869)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		25,791
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(1,832)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(8,038)
Pension expense		<u>(42,650)</u>
Total changes in net position of governmental activities		<u>\$ 1,022,615</u>

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

City of Trinity, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 583,225	\$ 583,225	\$ 660,504	\$ 77,279
Other taxes and licenses	15,000	15,000	23,935	8,935
Unrestricted intergovernmental	1,714,900	1,714,900	2,241,195	526,295
Restricted intergovernmental	151,500	313,137	299,095	(14,042)
Sales and services	480,000	480,000	496,930	16,930
Investment earnings	9,600	9,600	3,592	(6,008)
Miscellaneous	-	-	816	816
Total revenues	<u>2,954,225</u>	<u>3,115,862</u>	<u>3,726,067</u>	<u>610,205</u>
Expenditures:				
Current:				
General government	680,465	840,996	589,583	251,413
Public safety	166,271	167,377	166,271	1,106
Public works	896,285	896,285	697,773	198,512
Economic development	11,000	11,000	6,000	5,000
Special appropriations	116,429	116,429	23,165	93,264
Total expenditures	<u>1,870,450</u>	<u>2,032,087</u>	<u>1,482,792</u>	<u>549,295</u>
Revenues over expenditures	<u>1,083,775</u>	<u>1,083,775</u>	<u>2,243,275</u>	<u>1,159,500</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(1,097,775)	(1,097,775)	(1,097,775)	-
Total other financing sources (uses)	<u>(1,097,775)</u>	<u>(1,097,775)</u>	<u>(1,097,775)</u>	<u>-</u>
Fund balance appropriated	14,000	14,000	-	(14,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,145,500</u>	<u>\$ 1,145,500</u>
Fund balances, beginning			8,865,677	
Fund balances, ending			<u>\$ 10,011,177</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, 2021

	<u>Major Enterprise Fund</u>	
	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,348,107	\$ 1,348,107
Accounts receivable, net	105,885	105,885
Due from other governments	69,587	69,587
Due from other funds	566,807	566,807
Restricted cash and cash equivalents	-	-
Total current assets	<u>2,090,386</u>	<u>2,090,386</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	99,544	99,544
Other capital assets, net of depreciation	23,334,179	23,334,179
Total capital assets	<u>23,433,723</u>	<u>23,433,723</u>
Total noncurrent assets	<u>23,433,723</u>	<u>23,433,723</u>
Total assets	<u>25,524,109</u>	<u>25,524,109</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	19,476	19,476
Total deferred outflows of resources	<u>19,476</u>	<u>19,476</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	52,385	52,385
Due to other funds	1,658,818	1,658,818
Sewer AARA note payable - current	52,571	52,571
General obligation bonds payable - current	257,000	257,000
Total current liabilities	<u>2,020,774</u>	<u>2,020,774</u>
Noncurrent liabilities:		
Net pension liability	31,333	31,333
Sewer AARA note payable - noncurrent	473,132	473,132
General obligation bonds payable - noncurrent	11,499,093	11,499,093
Total noncurrent liabilities	<u>12,003,558</u>	<u>12,003,558</u>
Total liabilities	<u>14,024,332</u>	<u>14,024,332</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	2,294	2,294
Total deferred inflows of resources	<u>2,294</u>	<u>2,294</u>
<b>NET POSITION</b>		
Net investment in capital assets	11,151,927	11,151,927
Unrestricted	365,032	365,032
Total net position	<u>\$ 11,516,959</u>	<u>\$ 11,516,959</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, 2021

	Major Enterprise Fund	
	Sewer Fund	Total
<b>OPERATING REVENUES</b>		
Charges for services	\$ 883,162	\$ 883,162
Tap fees	66,924	66,924
Miscellaneous	-	-
<b>Total operating revenues</b>	<u>950,086</u>	<u>950,086</u>
<b>OPERATING EXPENSES</b>		
Other operating expenses	1,415,324	1,415,324
Depreciation	786,985	786,985
<b>Total operating expenses</b>	<u>2,202,309</u>	<u>2,202,309</u>
<b>Operating income (loss)</b>	<u>(1,252,223)</u>	<u>(1,252,223)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	546	546
Interest and other charges	(435,378)	(435,378)
<b>Total nonoperating revenue (expenses)</b>	<u>(434,832)</u>	<u>(434,832)</u>
<b>Income (loss) before contributions and transfers</b>	<u>(1,687,055)</u>	<u>(1,687,055)</u>
Capital contributions	62,061	62,061
Transfers from other funds	1,097,775	1,097,775
<b>Change in net position</b>	<u>(527,219)</u>	<u>(527,219)</u>
<b>Total net position, beginning</b>	12,044,178	12,044,178
<b>Total net position, ending</b>	<u>\$ 11,516,959</u>	<u>\$ 11,516,959</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 Year Ended June 30, 2021

	<u>Major Enterprise Fund</u>	
	<u>Sewer</u>	
	Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 933,568	\$ 933,568
Cash paid to suppliers	<u>(1,414,149)</u>	<u>(1,414,149)</u>
Net cash provided (used) by operating activities	<u>(480,581)</u>	<u>(480,581)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Decrease in due to (from) other funds	173,321	173,321
Transfers from other funds	<u>1,097,775</u>	<u>1,097,775</u>
Net cash flows provided (used) by noncapital financing activities	<u>1,271,096</u>	<u>1,271,096</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(115,765)	(115,765)
Principal paid on bond maturities	(246,000)	(246,000)
Principal paid on Sewer AARA note payable	(52,571)	(52,571)
Capital contributions	36,429	36,429
Interest paid on bonds	<u>(435,378)</u>	<u>(435,378)</u>
Net cash provided (used) by capital and related financing activities	<u>(813,285)</u>	<u>(813,285)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest	<u>546</u>	<u>546</u>
Net increase (decrease) in cash and cash equivalents	(22,224)	(22,224)
Balance, beginning	1,370,331	1,370,331
Balance, ending	<u>\$ 1,348,107</u>	<u>\$ 1,348,107</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions by accounts receivable	<u>\$ 62,061</u>	<u>\$ 62,061</u>

cont.

City of Trinity, North Carolina  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2021

	<u>Major Enterprise Fund</u>	
	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (1,252,223)	\$ (1,252,223)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	786,985	786,985
Changes in assets and liabilities:		
(Increase) in accounts receivable	(16,518)	(16,518)
Decrease in deferred outflows of resources - pensions	2,646	2,646
(Decrease) in net pension liability	(3,848)	(3,848)
Increase in deferred inflows of resources - pensions	1,942	1,942
Increase in accounts payable and accrued liabilities	435	435
Total adjustments	<u>771,642</u>	<u>771,642</u>
Net cash provided (used) by operating activities	<u>\$ (480,581)</u>	<u>\$ (480,581)</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, 2021

#### **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 a five-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, 2021

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. A sewer capital projects fund has been consolidated into the sewer fund for financial reporting purposes. The budgetary comparison for the sewer capital projects fund has been included in the supplemental information.

#### 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.

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2021

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 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 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 sales tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Trinity because the tax is levied by Randolph County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 general revenues.

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2021

##### 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, parks and recreation 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value.

###### 2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

City of Trinity Restricted Cash

Governmental Activities

General Fund

	Streets	\$ 647,417
Total governmental activities		<u>\$ 647,417</u>
Business-type Activities		
Water and Sewer Fund		<u>-</u>
Total Business-type Activities		<u>-</u>
Total Restricted Cash		<u>\$ 647,417</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's general fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

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

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

Minimum capitalization costs are as follows:

Asset Class	Cost
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

Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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:

Asset Class	Estimated Useful Lives
Sewer easements, 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. 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 one item that meets this criterion, pension deferrals in the 2021 fiscal year. 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 two items that meet the criterion for this category - property taxes receivable and pension deferrals.

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2021

##### 8. 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.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### 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, 2021

##### 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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

Restricted for Economic Development – portion of fund balance that is restricted by revenue source for economic development. This amount represents the balance of the total unexpended revitalization grant proceeds.

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Parks and Recreation – portion of fund balance that has been budgeted by the Board for parks and recreation.

# City of Trinity, North Carolina

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2021

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 funds, 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.

#### 11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Trinity's employer contributions are recognized when due and the City of Trinity has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## 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 agent 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 agent 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

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the City's deposits had a carrying amount of \$8,268,226 and a bank balance of \$8,276,372. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the City's petty cash fund totaled \$125.

**2. Investments**

At June 30, 2021, the City of Trinity had \$1,638,400 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

**3. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 680,672	\$ -	\$ -	\$ 680,672
Construction in progress	13,665	-	-	13,665
Total capital assets not being depreciated	694,337	-	-	694,337
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,308,854	-	-	1,308,854
Land improvements	65,698	-	-	65,698
Furniture and equipment	356,211	15,684	-	371,895
Vehicles	97,499	-	-	97,499
Infrastructure	1,448,895	-	-	1,448,895
Total capital assets being depreciated	3,277,157	15,684	-	3,292,841
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	271,291	40,669	-	311,960
Land improvements	5,510	1,642	-	7,152
Furniture and equipment	257,627	27,012	-	284,639
Vehicles	54,368	8,007	-	62,375
Infrastructure	337,657	36,223	-	373,880
Total accumulated depreciation	926,453	113,553	-	1,040,006
Total capital assets being depreciated, net	2,350,704			2,252,835
<b>Governmental activity capital assets, net</b>	<b>\$ 3,045,041</b>			<b>\$ 2,947,172</b>

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

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

General government	\$	77,331
Public Works		36,222
Total depreciation expense	\$	113,553

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 14,186	\$ -	\$ -	\$ 14,186
Construction in progress	29,369	55,989	-	85,358
Total capital assets not being depreciated	43,555	55,989	-	99,544
<b>Capital assets being depreciated:</b>				
Sewer system	30,740,175	59,776	-	30,799,951
Buildings	4,367	-	-	4,367
Equipment	117,980	-	-	117,980
Vehicles	31,057	-	-	31,057
Total capital assets being depreciated	30,893,579	59,776	-	30,953,355
<b>Less accumulated depreciation for:</b>				
Sewer system	6,729,260	769,301	-	7,498,561
Buildings	583	146	-	729
Equipment	87,633	14,539	-	102,172
Vehicles	14,715	2,999	-	17,714
Total accumulated depreciation	6,832,191	786,985	-	7,619,176
Total capital assets being depreciated, net	24,061,388			23,334,179
<b>Sewer Fund capital assets, net</b>	<b>\$ 24,104,943</b>			<b>\$ 23,433,723</b>

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The City of Trinity is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2021

Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Trinity employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Trinity's contractually required contribution rate for the year ended June 30, 2021, was 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Trinity were \$35,519 for the year ended June 30, 2021.

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

*Refunds of Contributions* – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the City reported a liability of \$151,513 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the City’s proportion was 0.00424%, which was a decrease of 0.00109% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$53,119. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 19,133	\$ -
Changes of assumptions	11,276	-
Net difference between projected and actual earnings on pension plan investments	21,322	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,927	11,093
City contributions subsequent to the measurement date	35,519	-
Total	\$ 94,177	\$ 11,093

\$35,519 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

Year ended June 30:

2022	\$	13,994
2023		17,396
2024		9,864
2025		6,310
2026		-
Thereafter		-

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 307,404	\$ 151,513	\$ 21,957

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

City of Trinity, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

*Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions*

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	Total
Pension Expense	\$ 53,119	\$ 53,119
Pension Liability	151,513	151,513
Proportionate share of the net pension liability	0.00424%	
Deferred of Outflows of Resources		
Differences between expected and actual experience	19,133	19,133
Changes of assumptions	11,276	11,276
Net difference between projected and actual earnings on plan investments	21,322	21,322
Changes in proportion and differences between contributions and proportionate share of contributions	6,927	6,927
Benefit payments and administrative costs paid subsequent to the measurement date	35,519	35,519
Deferred of Inflows of Resources		
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,093	11,093

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

2. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 35,519
Differences between expected and actual experience	19,133
Changes of assumptions	11,276
Net difference between projected and actual	21,322
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,927
Total	\$ 94,177

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 15,536
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,093	-
Total	\$ 11,093	\$ 15,536

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. Excess insurance

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2021

coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical 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 2025 for approximately \$335,000 per year.

#### 5. Long-Term Obligations

##### a. Sewer AARA Note Payable

In November 2009, the City issued a \$2,403,400 promissory note to the Clean Water Revolving Fund as part of the American Recovery and Reinvestment Act of 2009 (AARA) to help with construction of its sanitary sewer project. As part of the AARA, the unpaid principal (total of \$2,102,823) was immediately reduced at the completion of the project by one-half of the loan amount. The amount of principal forgiveness was \$1,051,412 bringing the unpaid amount of the note to \$1,051,411. Interest accrues at the rate of 0% on the unpaid principal. The principal is being repaid in 20 annual installments of \$52,571 beginning May 1, 2012. \$525,703

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

Year Ending June 30	Principal	Interest
2022	\$ 52,571	\$ -
2023	52,571	-
2024	52,571	-
2025	52,571	-
2026	52,571	-
2027-2031	262,848	-
Total	<u>\$ 525,703</u>	<u>\$ -</u>

b. General Obligation Indebtedness

\$14,877,000 of the City's general obligation bonds have been 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 are collateralized by the full faith, credit, and taxing power of the City. Principal and interest payments will be appropriated when due.

General Obligation Bonds outstanding at June 30, 2021

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

\$1,503,000

Year Ending June 30	Principal	Interest
2022	\$ 35,000	\$ 65,756
2023	36,000	64,225
2024	38,000	62,650
2025	40,000	60,988
2026	41,000	59,238
2027-2031	235,000	267,531
2032-2036	291,000	211,444
2037-2041	360,000	141,969
2042-2046	418,000	57,006
2047	9,000	393
Total	<u>\$ 1,503,000</u>	<u>\$ 991,200</u>

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

\$5,000,000 2010 USDA Sanitary Sewer Bond issued February 22, 2010, and due in annual installments plus interest at 4.00% \$3,438,919

	Year Ending June 30	Principal	Interest
	2022	\$ 87,000	\$ 171,920
	2023	90,000	168,440
	2024	94,000	164,840
	2025	97,000	161,080
	2026	101,000	157,200
	2027-2031	571,000	721,920
	2032-2036	694,000	478,955
	2037-2041	844,000	-
	2042-2046	860,919	-
Total		\$ 3,438,919	\$ 2,024,355

\$4,953,000 Sanitary Sewer Bond, Series 2013 issued March 25, 2013, and due in annual installments plus interest at 3.125% \$4,114,609

	Year Ending June 30	Principal	Interest
	2022	\$ 87,000	\$ 137,938
	2023	90,000	135,219
	2024	92,000	132,406
	2025	95,000	129,531
	2026	98,000	126,563
	2027-2031	539,000	584,906
	2032-2036	630,000	495,156
	2037-2041	734,000	390,375
	2042-2046	856,000	113,664
	2047-2051	893,609	-
Total		\$ 4,114,609	\$ 2,245,758

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

\$3,100,000 2014 USDA Sanitary Sewer Bond issued October 20, 2014, and due in annual installments plus interest at 3.50%.

\$2,699,565

Year Ending June 30	Principal	Interest
2022	\$ 48,000	\$ 100,905
2023	50,000	99,225
2024	52,000	97,475
2025	53,000	95,655
2026	55,000	93,800
2027-2031	306,000	438,725
2032-2036	364,000	381,220
2037-2041	431,000	312,935
2042-2046	513,000	185,537
2047-2051	610,000	-
2052-2053	217,565	-
Total	<u>\$ 2,699,565</u>	<u>\$ 1,805,477</u>

c. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the general fund.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 28,511	\$ 8,038	\$ -	\$ 36,549	\$ 36,549
Net pension liability (LGERS)	110,377	9,803		120,180	-
Governmental activity long-term liabilities	<u>\$ 138,888</u>	<u>\$ 17,841</u>	<u>\$ -</u>	<u>\$ 156,729</u>	<u>\$ 36,549</u>
Business-type activities:					
General obligation bond - USDA 2008	\$ 1,536,000	\$ -	\$ 33,000	\$ 1,503,000	\$ 35,000
General obligation bond - USDA 2010	3,521,919	-	83,000	3,438,919	87,000
General obligation bond - Series 2013	4,198,609	-	84,000	4,114,609	87,000
General obligation bond - USDA 2014	2,745,565	-	46,000	2,699,565	48,000
Sewer AARA note payable	578,274	-	52,571	525,703	52,571
Net pension liability (LGERS)	35,181	-	3,848	31,333	-
Business-type activity long-term liabilities	<u>\$ 12,615,548</u>	<u>\$ -</u>	<u>\$ 302,419</u>	<u>\$ 12,313,129</u>	<u>\$ 309,571</u>

At June 30, 2021, the City of Trinity had a legal debt margin of \$52,059,417.

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

Due to the general fund for expenditures paid on behalf of the sewer fund	\$ 1,092,011
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	\$ 1,092,011

Transfers to/from other funds at June 30, 2021, consist of the following:

From the General Fund to the Sewer Fund for operating expenditures	\$ 1,097,775
Total	\$ 1,097,775

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	\$ 2,947,172	\$ 23,433,723
less: long-term debt	-	12,281,796
Net investment in capital asset	\$ 2,947,172	\$ 11,151,927

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

**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	\$ 10,011,177
Less:	
Stabilization by State Statute	2,143,975
Streets - Powell Bill	647,417
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	7,219,785

**III. Jointly Governed Organization**

The City, in conjunction with twelve counties and sixty-one 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 \$1,386 to the Council during the fiscal year ended June 30, 2021.

**IV. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**V. Subsequent Events**

Subsequent events have been evaluated through December 17, 2021, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

City of Trinity, North Carolina  
City of Trinity's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Eight Fiscal Years \*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Trinity's proportion of the net pension liability (asset) (%)	0.00424%	0.00533%	0.00440%	0.00516%	0.00439%	0.00320%	0.00410%	0.00330%
Trinity's proportion of the net pension liability (asset) (\$)	\$ 151,513	\$ 145,558	\$ 104,383	\$ 78,831	\$ 93,171	\$ 14,361	\$ (24,180)	\$ 39,778
Trinity's covered payroll	\$ 373,473	\$ 354,525	\$ 345,793	\$ 344,967	\$ 299,753	\$ 226,148	\$ 281,949	\$ 275,839
Trinity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.57%	41.06%	30.19%	22.85%	31.08%	6.35%	( 8.58%)	14.42%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

City of Trinity, North Carolina  
City of Trinity's Contributions  
Required Supplementary Information  
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 35,519	\$ 32,220	\$ 27,411	\$ 25,935	\$ 24,399	\$ 18,909	\$ 15,989	\$ 19,758
Contributions in relation to the contractually required contribution	35,519	32,220	27,411	25,935	24,399	18,909	15,989	19,758
Contribution deficiency (excess)	<u>\$ -</u>							
Trinity's covered-employee payroll	\$ 346,433	\$ 373,473	\$ 354,525	\$ 345,793	\$ 344,967	\$ 299,753	\$ 226,148	\$ 281,949
Contributions as a percentage of covered-employee payroll	10.25%	8.63%	7.73%	7.50%	7.07%	6.31%	7.07%	7.01%

**Individual Fund Schedules**

City of Trinity, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 658,815	\$
Penalties and interest		1,689	
Total	<u>583,225</u>	<u>660,504</u>	<u>77,279</u>
Other taxes and licenses:			
Permits and fees		23,935	
Total	<u>15,000</u>	<u>23,935</u>	<u>8,935</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,922,558	
Beer and wine tax		11,295	
Telecommunications sales tax		17,132	
Utility sales tax		251,921	
Video franchise fee		38,289	
Total	<u>1,714,900</u>	<u>2,241,195</u>	<u>526,295</u>
Restricted intergovernmental:			
Federal grant - Covid 19		150,589	
Powell Bill allocation		142,181	
Powell Bill assessment revenue		1,366	
Solid waste disposal tax		4,959	
Total	<u>313,137</u>	<u>299,095</u>	<u>(14,042)</u>
Sales and services:			
Solid waste fees		496,930	
Total	<u>480,000</u>	<u>496,930</u>	<u>16,930</u>
Investment earnings	<u>9,600</u>	<u>3,592</u>	<u>(6,008)</u>
Miscellaneous:			
Other		816	
Total	<u>-</u>	<u>816</u>	<u>816</u>
Total revenues	<u>3,115,862</u>	<u>3,726,067</u>	<u>610,205</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits		11,303	
Professional services		9,431	
Travel and training		150	
Dues and subscription		9,672	
Insurance		3,822	
Contributions and donations		8,870	
Elections		-	
Materials and supplies		1,072	
Total	<u>55,587</u>	<u>44,320</u>	<u>11,267</u>

cont.

City of Trinity, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		272,909	
Professional services		5,342	
Supplies and materials		16,579	
Telephone and postage		13,441	
Information technology		28,774	
Utilities		18,728	
Travel and training		277	
Leases		11,668	
Newsletter		4,389	
Dues and subscription		839	
Insurance		13,060	
Capital outlay		-	
Total	593,315	386,006	207,309
Governmental buildings:			
Supplies		845	
Professional services		21,758	
Miscellaneous		1,513	
Capital outlay		15,684	
Total	48,764	39,800	8,964
Finance:			
Professional services		23,585	
Tax collection fees		7,273	
Total	39,380	30,858	8,522
Planning and zoning:			
Salaries and employee benefits		59,791	
Supplies		1,092	
Professional services		20,810	
Travel and training		-	
Leases		5,566	
Advertising		1,340	
Capital outlay		-	
Total	103,950	88,599	15,351
Total general government	840,996	589,583	251,413
Public safety:			
Police and animal control:			
Contract services		156,151	
Total	157,257	156,151	1,106
Fire inspection:			
Contract services		10,120	
Total	10,120	10,120	-
Total public safety	167,377	166,271	1,106

cont.

City of Trinity, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Public works:			
Streets			
Salaries and employee benefits		6,982	
Professional services		6,864	
Supplies and materials		127,568	
Capital outlay		-	
Total	292,800	141,414	151,386
Stormwater			
Salaries and employee benefits		37,259	
Supplies and materials		-	
Professional services		22,036	
Contract services		10,077	
Travel and training		600	
Total	82,785	69,972	12,813
Sanitation			
Billing fees		28,451	
Tipping fees		119,983	
Contract services		337,053	
Supplies and materials		900	
Total	520,700	486,387	34,313
Total public works	896,285	697,773	198,512
Economic development	11,000	6,000	5,000
Special appropriations			
Library contributions		5,000	
Archdale/Trinity Chamber		5,000	
RC Seniors		13,165	
Total special appropriations	116,429	23,165	93,264
Total expenditures	2,032,087	1,482,792	549,295
Revenues over (under) expenditures	1,083,775	2,243,275	1,159,500
Other financing sources (uses):			
Transfers from other funds:			
Parks and Recreation fund	-	-	-
Transfers to other funds:			
Parks and Recreation fund	-	-	-
Sewer Capital Projects fund	-	-	-
Sewer fund	(1,097,775)	(1,097,775)	-
Total other financing uses	(1,097,775)	(1,097,775)	-
Fund balance appropriated	14,000	-	(14,000)
Net change in fund balance	\$ -	1,145,500	\$ 1,145,500
Fund balances, beginning		8,865,677	
Fund balances, ending		\$ 10,011,177	

**City of Trinity, North Carolina**  
**Balance Sheet**  
**Non-Major Governmental Fund**  
**June 30, 2021**

	Parks and Recreation Fund	Total Non-Major Governmental Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 119,968	\$ 119,968
Due from other funds	-	-
<b>Total assets</b>	<b>\$ 119,968</b>	<b>\$ 119,968</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 14	\$ 14
Due to other funds	46,989	46,989
<b>Total liabilities</b>	<b>47,003</b>	<b>47,003</b>
Fund balances:		
Committed for Parks and Recreation	72,965	72,965
<b>Total liabilities and fund balances</b>	<b>\$ 119,968</b>	<b>\$ 119,968</b>

**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 Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Open space fees	\$ -	\$ -	\$ -
Rental income	3,300	3,300	-
Investment earnings	100	173	73
Total revenues	<u>3,400</u>	<u>3,473</u>	<u>73</u>
Expenditures:			
Capital outlay	-	-	-
Other operating expenditures	3,400	1,760	1,640
Total expenditures	<u>3,400</u>	<u>1,760</u>	<u>1,640</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,713</u>	<u>1,713</u>
Other financing sources (uses):			
Transfer from other funds:			
General Fund	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	1,713	<u>\$ 1,713</u>
Fund balance, beginning		71,252	
Fund balance, ending		<u>\$ 72,965</u>	

City of Trinity, North Carolina  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Charges for services		\$ 883,162	
Tap fees		66,924	
Total	<u>\$ 949,772</u>	<u>950,086</u>	<u>\$ 314</u>
Nonoperating revenues:			
Interest	6,000	546	(5,454)
Total revenues	<u>955,772</u>	<u>950,632</u>	<u>(5,140)</u>
<b>Expenditures:</b>			
Other operating expenditures	1,585,268	1,414,584	170,684
Capital Outlay	62,000	59,776	2,224
	<u>1,647,268</u>	<u>1,474,360</u>	<u>172,908</u>
Debt service:			
Interest and other charges	485,518	435,378	50,140
Principal retirement	298,571	298,571	-
Total Debt service	<u>784,089</u>	<u>733,949</u>	<u>50,140</u>
Total Expenditures	<u>2,431,357</u>	<u>2,208,309</u>	<u>223,048</u>
Revenues over (under) expenditures	(1,475,585)	(1,257,677)	217,908
Other financing sources (uses):			
Transfers to other funds:			
Sewer capital projects fund	-	-	-
Transfers from other funds:			
General Fund	1,097,775	1,097,775	-
Total other financing sources (uses)	<u>1,097,775</u>	<u>1,097,775</u>	<u>-</u>
Fund balance appropriated	377,810	-	(377,810)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(159,902)</u>	<u>\$ (159,902)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlay		59,776	
Decrease in deferred outflows of resources - pensions		(2,646)	
Decrease in net pension liability		3,848	
Increase in deferred inflows of resources- pensions		(1,942)	
Principal retirement		298,571	
Depreciation		(786,985)	
Capital Contributions		62,061	
Total reconciling items		<u>(367,317)</u>	
Change in net position		<u>\$ (527,219)</u>	

City of Trinity, North Carolina  
Sewer Capital Projects Fund - Steeplegate Lift Station  
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)  
From Inception and for the Year Ended June 30, 2021

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - Sewer Project:					
Restricted intergovernmental:					
ARPA Grant	\$ 3,693,550	\$ -	\$ 55,989	\$ 55,989	\$ (3,637,561)
Total restricted intergovernmental revenues	<u>3,693,550</u>	<u>-</u>	<u>55,989</u>	<u>55,989</u>	<u>(3,637,561)</u>
Expenditures:					
Steeplegate Lift Station					
Construction	3,567,125	-	-	-	3,567,125
Technical and engineering	404,525	-	55,989	55,989	348,536
Administration	308,475	-	-	-	308,475
Construction contingency	713,425	-	-	-	713,425
Total	<u>4,993,550</u>	<u>-</u>	<u>55,989</u>	<u>55,989</u>	<u>4,937,561</u>
Total expenditures	<u>4,993,550</u>	<u>-</u>	<u>55,989</u>	<u>55,989</u>	<u>4,937,561</u>
Excess of revenues over (under) expenditures	<u>(1,300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,300,000</u>
Other financing sources :					
Transfers from other funds:					
From Sewer Fund	-	-	-	-	-
State Revolving Loan	1,300,000	-	-	-	(1,300,000)
Total other sources	<u>1,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,300,000)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Other Schedules**

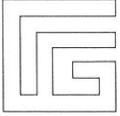
City of Trinity, North Carolina  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 657,314	\$ 652,977	\$ 4,337
2019-2020	6,911		4,528	2,383
2018-2019	2,093		635	1,458
2017-2018	1,188		247	941
2016-2017	1,251		226	1,025
2015-2016	864		77	787
2014-2015	731		32	699
2013-2014	1,393		35	1,358
2012-2013	1,456		35	1,421
2011-2012	1,150		23	1,127
2010-2011	331		331	-
	<u>17,368</u>	<u>657,314</u>	<u>659,146</u>	<u>15,536</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 15,536</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 660,504
Reconciling items:				
Penalties and interest collected				(1,689)
Discounts allowed				-
Taxes written off				331
Adjustments				-
Subtotal				<u>(1,358)</u>
Total collections and credits				<u>\$ 659,146</u>

**City of Trinity, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**June 30, 2021**

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 665,097,000	.10	\$ 665,097	\$ 586,472	\$ 78,625
Discoveries - current and prior years	-	.10	-	-	-
Releases	(7,783,000)		(7,783)	(7,783)	-
Total property valuation	<u>\$ 657,314,000</u>				
Net levy			657,314	578,689	78,625
Unpaid (by taxpayer) taxes at June 30, 2021			<u>(4,337)</u>	<u>(4,337)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 652,977</u>	<u>\$ 574,352</u>	<u>\$ 78,625</u>
Current levy collection percentage			<u>99.34%</u>	<u>99.25%</u>	<u>100.00%</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, 2021, 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 December 17, 2021.

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.

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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Trinity's financial statements are free from 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*.

### 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 results 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.

A handwritten signature in cursive script that reads "Gibson + Company, P.A.".

Winston-Salem, North Carolina  
December 17, 2021