

**TOWN OF TROUTMAN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

**TOWN OF TROUTMAN
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Mayor:	Elbert Richardson
Town Alderpersons:	Mike Spath, Mayor Pro Tem Amanda M. Weiser Jenny Blevins Curtis M. Rogers Betty Jean Troutman
Town Manager:	David Saleeby
Finance Director:	Steven H. Shealy

**TOWN OF TROUTMAN, NORTH CAROLINA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Town Alderpersons
Troutman, North Carolina

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 Town of Troutman, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Troutman's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Town of Troutman, North Carolina, as of June 30, 2011, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011 on our consideration of the Town of Troutman's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's *Discussion and Analysis and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 assurance. Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employers Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the Town of Troutman, North Carolina as a whole. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
September 23, 2011

Management's Discussion and Analysis

As management of the Town of Troutman, we offer readers of the Town of Troutman's financial statements this narrative overview and analysis of the financial activities of the Town of Troutman for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

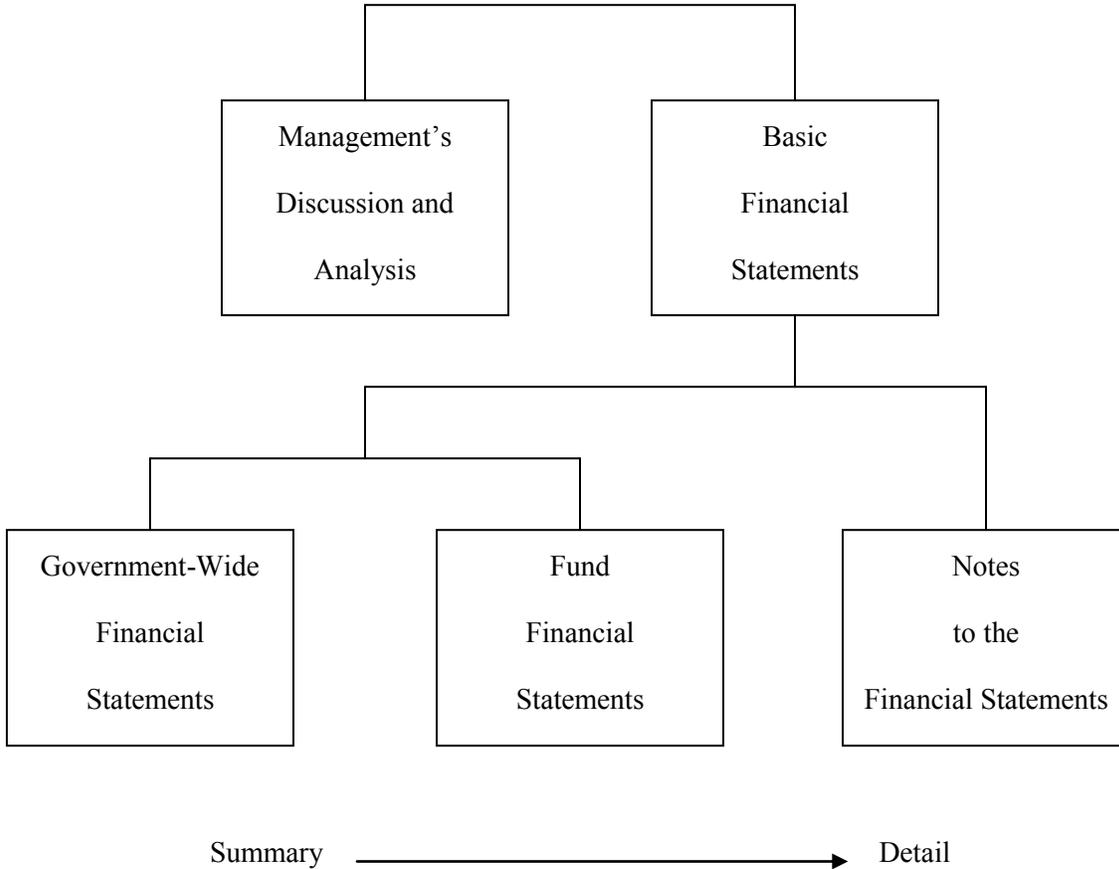
- The assets of the Town of Troutman exceeded its liabilities at the close of the fiscal year by \$16,794,735 (*net assets*).
- The government's total net assets decreased by \$115,813.
- As of the close of the current fiscal year, the Town of Troutman's governmental funds reported combined ending fund balances of \$990,188, a decrease of \$190,234 in comparison with the prior year. Approximately 61 percent of this total amount, or \$601,354, is restricted and non-spendable.
- At the end of the current fiscal year, fund balance available for the General Fund was \$685,255, or 27% of total General Fund expenditures and transfers out for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Troutman's basic financial statements. The Town'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 Town 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 Town of Troutman.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental fund 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 Town's individual funds. Budgetary information required by the 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 Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town'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 Town's basic services such as public safety, economic and physical development, streets and public works, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide services. These include the water and sewer services offered by the Town of Troutman.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town'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 Town of Troutman, 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 Town's budget ordinance. All of the funds of the Town of Troutman 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 Town'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*. This method also has a current financial resources 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 Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Troutman 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 Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 Board; 2) the final budget as amended by the Board; 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 Funds. The Town of Troutman has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Troutman uses an enterprise fund to account for its water and sewer operations. This fund is the same as the separate activity shown in the business-type activities in the Statement of Net Assets 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 follow Exhibit I of this report.

Government-Wide Financial Analysis

Town of Troutman's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Assets:						
Current and other assets	\$ 1,404,000	\$ 1,354,322	\$ 532,936	\$ (24,884)	\$ 1,936,936	\$ 1,329,438
Capital assets, net	6,640,076	7,049,912	14,930,116	14,527,220	21,570,192	21,577,132
Total assets	<u>8,044,076</u>	<u>8,404,234</u>	<u>15,463,052</u>	<u>14,502,336</u>	<u>23,507,128</u>	<u>22,906,570</u>
Liabilities:						
Current liabilities	356,240	574,376	496,703	280,145	852,943	854,521
Other liabilities	2,334,146	2,756,858	3,409,491	3,354,977	5,743,637	6,111,835
Total liabilities	<u>2,690,386</u>	<u>3,331,234</u>	<u>3,906,194</u>	<u>3,635,122</u>	<u>6,596,580</u>	<u>6,966,356</u>
Net Assets:						
Invested in capital assets, net of related debt	4,193,725	4,701,484	11,186,662	11,104,871	15,380,387	15,806,355
Restricted	137,824	477,110	-	-	137,824	477,110
Unrestricted	1,022,141	468,782	370,196	42,488	1,392,337	511,270
Total net assets	<u>\$ 5,353,690</u>	<u>\$ 5,647,376</u>	<u>\$ 11,556,858</u>	<u>\$ 11,147,359</u>	<u>\$ 16,910,548</u>	<u>\$ 16,794,735</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Troutman exceeded liabilities by \$16,794,735 as of June 30, 2011. The Town's net assets decreased by \$115,813 for the fiscal year ended June 30, 2011. However, the largest portion (95%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Troutman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Troutman investment in its 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 Town of Troutman's net assets \$477,110 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$511,270 is unrestricted.

Town of Troutman's Changes in Net Assets

Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 42,504	\$ 42,976	\$ 1,263,326	\$ 1,412,336	\$ 1,305,830	\$ 1,455,312
Operating grants and contributions	86,765	100,987	-	-	86,765	100,987
Capital grants and contributions	30,304	269,582	2,000	-	32,304	269,582
General revenues:						
Property taxes	1,585,455	1,553,468	-	-	1,585,455	1,553,468
Other taxes	428,807	445,253	-	-	428,807	445,253
Unrestricted						
intergovernmental	165,221	179,288	-	-	165,221	179,288
Miscellaneous	202,176	196,688	-	-	202,176	196,688
Investment earnings, unrestricted	10,391	1,277	492	12	10,883	1,289
Total revenues	<u>2,551,623</u>	<u>2,789,519</u>	<u>1,265,818</u>	<u>1,412,348</u>	<u>3,817,441</u>	<u>4,201,867</u>
Expenses:						
General government	628,852	615,059	-	-	628,852	615,059
Public safety	953,050	1,063,435	-	-	953,050	1,063,435
Streets and public works	481,966	578,370	-	-	481,966	578,370
Environmental protection	47,308	65,472	-	-	47,308	65,472
Economic and physical development	34,150	298,963	-	-	34,150	298,963
Interest on long-term debt	113,728	107,278	-	-	113,728	107,278
Water and sewer	-	-	1,625,303	1,589,103	1,625,303	1,589,103
Total expenses	<u>2,259,054</u>	<u>2,728,577</u>	<u>1,625,303</u>	<u>1,589,103</u>	<u>3,884,357</u>	<u>4,317,680</u>
Transfer from (to) other funds	<u>357,566</u>	<u>232,744</u>	<u>(357,566)</u>	<u>(232,744)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 650,135</u>	<u>\$ 293,686</u>	<u>\$ (717,051)</u>	<u>\$ (409,499)</u>	<u>\$ (66,916)</u>	<u>\$ (115,813)</u>

Governmental Activities. Governmental activities increased the Town’s net assets by \$293,686.

- Increase in capital grants during the current year, primarily CDBG funds

Business-Type Activities. Business-type activities decreased Town of Troutman’s net assets by \$409,499.

- Depreciation expense resulted in a decrease in net assets of \$407,029.
- Operating expenses exceeded operating revenues by \$114,103.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Troutman's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Troutman's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Troutman. At the end of the current fiscal year, fund balance available in the General Fund was \$685,255, while total fund balance reached \$1,200,953.

At June 30, 2011, the governmental funds of the Town of Troutman reported a combined fund balance of \$990,188, a 16% percent decrease over last year. Included in this change in fund balance is an increase in the General Fund of \$11,808, a decrease in the Inglewood Street Capital Project Fund of \$208,063, and a net increase in other nonmajor funds of \$6,021.

General Fund Budgetary Highlights. During the fiscal year, the Town 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.

Revenues were lower than the budgeted amounts primarily because local option sales tax revenue was lower than originally expected. Also, expenditures were held below the budgeted amounts, and the Town was able to increase its fund balance.

Proprietary Funds. The Town of Troutman's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$42,488. The change in net assets was a decrease of \$409,499. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Troutman's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Troutman's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totals \$21,577,132 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction and capital spending on the following capital projects:

Inglewood Street Improvement Capital Project Fund
ARRA Sewer Rehab Capital Project Fund

Town of Troutman's Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	\$ 76,372	\$ 76,372	\$ 126,564	\$ 126,564	\$ 202,936	\$ 202,936
Buildings	1,451,955	1,451,955	901,025	901,025	2,352,980	2,352,980
Equipment	220,008	283,976	246,884	246,885	466,892	530,861
Vehicles	465,481	592,568	115,240	115,240	580,721	707,808
Infrastructure	5,292,148	5,732,966	-	-	5,292,148	5,732,966
Water/Sewer distributions system	-	-	17,660,486	17,664,619	17,660,486	17,664,619
Construction in progress	-	-	237,474	237,473	237,474	237,473
Total	7,505,964	8,137,837	19,287,673	19,291,806	26,793,637	27,429,643
Accumulated depreciation	(865,888)	(1,087,925)	(4,357,557)	(4,764,586)	(5,223,445)	(5,852,511)
Capital assets, net	<u>\$ 6,640,076</u>	<u>\$ 7,049,912</u>	<u>\$ 14,930,116</u>	<u>\$ 14,527,220</u>	<u>\$ 21,570,192</u>	<u>\$ 21,577,132</u>

Additional information on the Town's capital assets can be found in the notes of the basic financial statements.

Long-Term Debt, As of June 30, 2011, the Town of Troutman had total notes payable outstanding of \$5,770,777 all of which is secured by assets of the Town.

Town of Troutman's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Notes payable	<u>\$ 2,446,351</u>	<u>\$ 2,348,428</u>	<u>\$ 3,743,454</u>	<u>\$ 3,422,349</u>	<u>\$ 6,189,805</u>	<u>\$ 5,770,777</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Troutman is \$22,992,594.

Additional information regarding the Town of Troutman's long-term debt can be found in the notes of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following are economic indicators affecting the Town:

- The Town continues to experience the severe effects of the sustained recession.
- Sales tax revenues remain stagnant.
- Appraised valuation decreased for the 2012 fiscal year.
- Residential development remains in a "wait and see" pattern.

Budget Highlights for the Year Ending June 30, 2012

Governmental Activities. Overall, General Fund revenues are budgeted to be 5.02% less than 2011 actual amounts. This is attributed to the economic downturn.

Business-Type Activities: Overall, water and sewer revenues are budgeted to be approximately 3.29% greater than 2011.

Requests for Information

This report is designed to provide an overview of the Town'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 the Town Manager, 400 N. Eastway Drive, Troutman, North Carolina 28166.

TOWN OF TROUTMAN, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 658,342	\$ -	\$ 658,342
Taxes receivable, net	94,626	-	94,626
Accounts receivable, net	-	232,709	232,709
Internal balance	45,049	(45,049)	-
Due from other governments	128,250	7,456	135,706
Prepaid items	124,244	-	124,244
Cash restricted	83,811	-	83,811
Total current assets	<u>1,134,322</u>	<u>195,116</u>	<u>1,329,438</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	76,372	364,037	440,409
Other capital assets, net of depreciation	<u>6,973,540</u>	<u>14,163,183</u>	<u>21,136,723</u>
Total capital assets	<u>7,049,912</u>	<u>14,527,220</u>	<u>21,577,132</u>
Total assets	<u>8,184,234</u>	<u>14,722,336</u>	<u>22,906,570</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	45,878	31,457	77,335
Customer deposits	-	88,843	88,843
Unearned revenues	3,630	-	3,630
Current portion of compensated absences	60,149	22,515	82,664
Current portion of long-term debt	<u>244,719</u>	<u>357,330</u>	<u>602,049</u>
Total current liabilities	<u>354,376</u>	<u>500,145</u>	<u>854,521</u>
Long-term liabilities:			
Non-current compensated absences	24,533	9,813	34,346
Non-current portion of long-term debt	<u>2,157,949</u>	<u>3,065,019</u>	<u>5,222,968</u>
Total liabilities	<u>2,536,858</u>	<u>3,574,977</u>	<u>6,111,835</u>
Net Assets:			
Invested in capital assets, net of related debt	4,701,484	11,104,871	15,806,355
Restricted for:			
Stabilization by State statute	393,299	-	393,299
Streets	83,811	-	83,811
Unrestricted	<u>468,782</u>	<u>42,488</u>	<u>511,270</u>
Total net assets	<u>\$ 5,647,376</u>	<u>\$ 11,147,359</u>	<u>\$ 16,794,735</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 615,059	\$ 3,360	\$ -	\$ -
Public safety	1,063,435	6,515	-	-
Streets and public works	578,370	29,068	86,077	-
Culture and recreation	-	-	14,910	-
Environmental protection	65,472	4,033	-	-
Economic and physical development	298,963	-	-	269,582
Interest and fees	107,278	-	-	-
Total governmental activities	<u>2,728,577</u>	<u>42,976</u>	<u>100,987</u>	<u>269,582</u>
Business-Type Activities:				
Water and Sewer	<u>1,589,103</u>	<u>1,412,336</u>	-	-
Total primary government	<u>\$ 4,317,680</u>	<u>\$ 1,455,312</u>	<u>\$ 100,987</u>	<u>\$ 269,582</u>

General Revenues:

Ad valorem taxes
Local option sales taxes
Unrestricted intergovernmental
Miscellaneous
Investment earnings
Transfer (to) from other funds

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

The accompanying notes are an integral part of the financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (611,699)	\$ -	\$ (611,699)
(1,056,920)	-	(1,056,920)
(463,225)	-	(463,225)
14,910	-	14,910
(61,439)	-	(61,439)
(29,381)	-	(29,381)
(107,278)	-	(107,278)
(2,315,032)	-	(2,315,032)
-	(176,767)	(176,767)
(2,315,032)	(176,767)	(2,491,799)
1,553,468	-	1,553,468
445,253	-	445,253
179,288	-	179,288
196,688	-	196,688
1,277	12	1,289
232,744	(232,744)	-
2,608,718	(232,732)	2,375,986
293,686	(409,499)	(115,813)
5,353,690	11,556,858	16,910,548
\$ 5,647,376	\$ 11,147,359	\$ 16,794,735

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Inglewood Street Project</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 650,806	\$ 1,408	\$ 6,128	\$ 658,342
Taxes receivable, net	94,626	-	-	94,626
Due from other governments	126,405	1,806	39	128,250
Due from other funds	265,049	-	-	265,049
Prepaid items	124,244	-	-	124,244
Cash restricted	83,811	-	-	83,811
Total assets	<u>\$ 1,344,941</u>	<u>\$ 3,214</u>	<u>\$ 6,167</u>	<u>\$ 1,354,322</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 45,732	\$ -	\$ 146	\$ 45,878
Due to other funds	-	220,000	-	220,000
Deferred revenues	98,256	-	-	98,256
Total liabilities	<u>143,988</u>	<u>220,000</u>	<u>146</u>	<u>364,134</u>
Fund Balances:				
Non-spendable:				
Prepaid items	124,244	-	-	124,244
Restricted:				
Stabilization by State statute	391,454	1,806	39	393,299
Streets	83,811	-	-	83,811
Assigned:				
Cultural and recreational	-	-	5,982	5,982
Unassigned	601,444	(218,592)	-	382,852
Total fund balances	<u>1,200,953</u>	<u>(216,786)</u>	<u>6,021</u>	<u>990,188</u>
Total liabilities and fund balances	<u>\$ 1,344,941</u>	<u>\$ 3,214</u>	<u>\$ 6,167</u>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				7,049,912
Long-term liabilities, compensated absences, and OPEB are not due and payable in the current period and, therefore, not reported in the funds.				(2,487,350)
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.				<u>94,626</u>
Net assets of governmental activities				<u>\$ 5,647,376</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Inglewood Street Project</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 1,548,820	\$ -	\$ -	\$ 1,548,820
Other taxes and licenses	445,253	-	-	445,253
Unrestricted intergovernmental	179,288	-	-	179,288
Restricted intergovernmental	104,405	-	251,254	355,659
Permits and fees	42,976	-	-	42,976
Investment earnings	1,266	11	-	1,277
Donations	-	-	14,910	14,910
Miscellaneous	197,043	-	-	197,043
Total revenues	<u>2,519,051</u>	<u>11</u>	<u>266,164</u>	<u>2,785,226</u>
Expenditures:				
Current:				
General government	615,484	-	-	615,484
Public safety	981,632	-	-	981,632
Streets and public works	517,975	-	-	517,975
Economic and physical development	13,820	-	285,143	298,963
Capital outlay	148,131	440,818	-	588,949
Debt service:				
Principal retirement	200,819	-	-	200,819
Interest and fees	107,278	-	-	107,278
Total expenditures	<u>2,585,139</u>	<u>440,818</u>	<u>285,143</u>	<u>3,311,100</u>
Revenues over (under) expenditures	<u>(66,088)</u>	<u>(440,807)</u>	<u>(18,979)</u>	<u>(525,874)</u>
Other Financing Sources (Uses):				
Transfer in (out)	(25,000)	232,744	25,000	232,744
Long-term debt issued	102,896	-	-	102,896
Total other financing sources (uses)	<u>77,896</u>	<u>232,744</u>	<u>25,000</u>	<u>335,640</u>
Net change in fund balances	11,808	(208,063)	6,021	(190,234)
Fund Balances:				
Beginning of year - July 1	<u>1,189,145</u>	<u>(8,723)</u>	<u>-</u>	<u>1,180,422</u>
End of year - June 30	<u>\$ 1,200,953</u>	<u>\$ (216,786)</u>	<u>\$ 6,021</u>	<u>\$ 990,188</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ (190,234)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	4,293
Proceeds from issuance of debt are reported as revenues in the governmental funds fund statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(102,896)
Expenses related to compensated absences and OPEB that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(28,132)
Gain/(loss) on trade-in of capital assets is reported in the Statement of Activities. However, in the governmental fund statement, it is not reported as an expense.	24,190
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	607,683
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(222,037)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are an increase in liabilities.	<u>200,819</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 293,686</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,522,608	\$ 1,522,608	\$ 1,548,820	\$ 26,212
Other taxes and licenses	400,500	400,500	445,253	44,753
Unrestricted intergovernmental	156,100	156,100	179,288	23,188
Restricted intergovernmental	80,700	99,028	104,405	5,377
Permits and fees	68,400	68,400	42,976	(25,424)
Investment earnings	7,550	7,550	1,266	(6,284)
Miscellaneous	121,556	194,827	197,043	2,216
Total revenues	<u>2,357,414</u>	<u>2,449,013</u>	<u>2,519,051</u>	<u>70,038</u>
Expenditures:				
Current:				
General government	619,463	645,963	615,484	30,479
Public safety	916,164	995,318	981,632	13,686
Streets and public works	499,870	533,345	517,975	15,370
Economic and physical development	13,820	13,820	13,820	-
Capital outlay	-	148,416	148,131	285
Debt service:				
Principal retirement	200,742	200,742	200,819	(77)
Interest and fees	107,355	107,355	107,278	77
Total expenditures	<u>2,357,414</u>	<u>2,644,959</u>	<u>2,585,139</u>	<u>59,820</u>
Revenues over (under) expenditures	<u>-</u>	<u>(195,946)</u>	<u>(66,088)</u>	<u>129,858</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	(25,000)	(25,000)	-
Long-term debt issued	-	102,896	102,896	-
Appropriated fund balance	-	118,050	-	(118,050)
Total other financing sources (uses)	<u>-</u>	<u>195,946</u>	<u>77,896</u>	<u>(118,050)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	11,808	<u>\$ 11,808</u>
Fund Balance:				
Beginning of year - July 1			<u>1,189,145</u>	
End of year - June 30			<u>\$ 1,200,953</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Accounts receivable, net	\$ 232,709
Due from other funds	220,000
Intergovernmental taxes receivable	<u>7,456</u>
Total current assets	<u>460,165</u>
Non-current assets:	
Capital assets:	
Land, non-depreciable improvements, and construction in progress	364,037
Other capital assets, net of depreciation	<u>14,163,183</u>
Total non-current assets	<u>14,527,220</u>
Total assets	<u>14,987,385</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	31,457
Customer deposits	88,843
Due to other funds	265,049
Current portion of accrued compensated absences	22,515
Current portion of notes payable	<u>357,330</u>
Total current liabilities	<u>765,194</u>
Non-current liabilities:	
Non-current compensated absences	9,813
Non-current portion of notes payable	<u>3,065,019</u>
Total non-current liabilities	<u>3,074,832</u>
Total liabilities	<u>3,840,026</u>
Net Assets:	
Invested in capital assets, net of related debt	11,104,871
Unrestricted	<u>42,488</u>
Total net assets	<u>\$ 11,147,359</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 1,387,799
Other operating revenues	<u>24,537</u>
Total operating revenues	<u>1,412,336</u>
Operating Expenses:	
Salaries and benefits	375,005
Water purchases	219,918
Sewer treatment	223,422
Other operating expenses	301,065
Depreciation	<u>407,029</u>
Total operating expenses	<u>1,526,439</u>
Operating income (loss)	<u>(114,103)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	12
Interest and fees	<u>(62,664)</u>
Total non-operating revenues (expenses)	<u>(62,652)</u>
Net income (loss) before contributions and transfers	(176,755)
Transfers to (from) other fund	<u>(232,744)</u>
Change in net assets	(409,499)
Net Assets:	
Beginning of year - July 1	<u>11,556,858</u>
End of year - June 30	<u>\$ 11,147,359</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,387,200
Cash paid for goods and services	(752,831)
Cash paid to employees	(373,814)
Customer deposits received	(2,877)
Net cash provided (used) by operating activities	257,678
 Cash Flows from Non-Capital Financing Activities:	
Due to (from) other funds	45,049
Transfers in (out)	(232,744)
Net cash provided (used) by operating activities	(187,695)
 Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(4,133)
Principal paid on long-term debt	(321,105)
Interest paid on debt	(62,664)
Net cash provided (used) by capital and related financing activities	(387,902)
 Cash Flows from Investing Activities:	
Interest on investments	12
(Increase) decrease in cash and cash equivalents	(317,907)
 Cash and Cash Equivalents:	
Beginning of year - July 1	317,907
End of year - June 30	\$ -

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Water and Sewer Fund</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	\$ (114,103)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	407,029
(Increase) decrease in accounts receivable	(25,136)
Increase (decrease) in accounts payable and accrued expenses	(7,235)
Increase (decrease) in customer deposits	<u>(2,877)</u>
Net cash provided (used) by operating activities	<u>\$ 257,678</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Troutman (the "Town") 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 Town is a municipal corporation, which is governed by an elected Mayor and a five-member Board of Alderpersons.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government (the Town). 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 Town. 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 Town and for each function of the Town'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 Town'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 nonmajor 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 and investment earnings, result from non-exchange transactions or ancillary activities.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The Town has the following fund categories (further divided by fund type):

Governmental Funds

Governmental funds are used to account for the Town's general governmental activities. Governmental funds include the following fund types:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for public safety, street maintenance and construction, sanitation service, and general governmental services.

Special Revenue Fund. Special revenue funds accounts for financial resources derived from specific special revenue sources. The Town maintains one Special Revenue Fund: the Community Development Block Grant Fund.

Capital Project Funds. Capital projects funds accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town maintains two capital project funds: the Inglewood Street Capital Project Fund and the ESC Park Project Fund.

Proprietary Funds

Enterprise Funds. Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one enterprise fund, the Water and Sewer Fund. The water and sewer capital projects are consolidated with the Water and Sewer Fund for financial reporting purposes. The Town has one water and sewer capital project: the ARRA Sewer Rehab Capital Project.

Major Funds

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and charges for services. The primary expenditures are for general government, economic and physical development, public safety, and streets and public works.

The Inglewood Street Capital Project Fund accounts for various multi-year capital improvements projects. The major expenditures for this fund are for construction and capital spending.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The Enterprise Fund is used to account for its water and sewer operations. The major revenues for this fund are from charges for services. The major expenditures are salaries and benefits, water purchases, and sewer treatment.

Nonmajor Funds

The ESC Park Capital Project Fund accounts for the multi-year ESC Park Capital Improvements Project. The major expenditures for this fund are for construction and capital spending.

The Community Development Block Grant Fund is used to account for financial resources derived from Community Development Block Grant revenue.

C. Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town 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 and 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 Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and certain 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 Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Iredell County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Iredell County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred revenues.

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

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund, capital project funds, and the enterprise fund capital project funds, which are consolidated with the enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and the object level for all multi-year funds. The Town Manager is authorized to transfer any amount within a department without amendment. Any revision that alters the total expenditures of any department or fund requires approval of the Town Alderpersons. During the year, several immaterial amendments to the original budget were necessary. Such amendments were approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 Town 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 Town's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Cash and Cash Equivalents

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

Restricted Assets

In accordance with State law [G.S. 136-41.1 through 136-41.4], Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of local streets.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010.

Allowance 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

The Town's capital assets are recorded at original cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Certain items acquired before July 1, 1981 are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when capital assets are considered as a whole. 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. Minimum capitalization costs are \$5,000.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold will be reported as capital assets in the Statement of Net Assets. General governmental infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Assets only include assets purchased after July 1, 2003.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Capital assets of the Town are depreciated using the straight-line method over the assets' estimated useful lives. These assets are reported in the Town's basic financial statements net of accumulated depreciation.

The estimated useful lives for the Town's capital assets are as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Water distribution system	50 years
Sewer distribution system	50 years
Equipment	5-10 years
Buildings	50 years
Vehicles	5-10 years
Infrastructure	50 years

Long-Term Obligations

In the government-wide financial statements and in the 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 Assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through State statutes.

Fund Balances

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

Restricted Fund Balance

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

Stabilization by State statute – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

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

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Troutman's governing body (highest level of decision making authority, the Board of Aldermen). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town of Troutman intends to use for specific purpose.

Assigned for Cultural and Recreation – portion of fund balance that has been budgeted by the board for future expenditures within the ESC Capital Project Fund.

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund or other funds.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The Town of Troutman has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local funds, and Town 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 Town or when required by grant or other contractual agreements.

The Town has not officially adopted a fund balance policy.

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	\$ 1,200,953
Less:	
Prepays	124,244
Stabilization by State statute	<u>391,454</u>
Total available fund balance	<u>\$ 685,255</u>

F. Revenues, Expenditures, and Expenses

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policy of the Town 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 Town has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the Town.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts and depreciation lives.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

H. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in the accompanying financial statement in order to provide an understanding of changes in the Town's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provided enhanced understanding of the Town's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance or Net Assets of Individual Funds

Excess of Expenditures Over Appropriation

Expenditures to date for the Inglewood Capital Project Fund exceeded its revenues by \$216,786 (deficit fund balance).

Management will more closely review the budget reports and will exercise greater care to ensure that budget amendments are properly and timely approved and posted as approved.

3. Detail Notes on All Funds

A. Assets

Deposits

All of the Town's deposits are either insured or collateralized by using the Pooling Method. 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 Town, these deposits are considered to be held by its agent in the entity's 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 Town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and 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 Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

At June 30, 2011, the Town's deposits had a carrying amount of \$729,368, and a bank balance of \$784,336. Of the bank balance, \$583,810 was covered by federal depository insurance, and \$200,526 in interest-bearing deposits was covered by collateral held under the Pooling Method.

Investments

At June 30, 2011, the Town had \$12,785 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables

Receivables at Exhibit A at June 30, 2011 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ -	\$ 114,626	\$ 126,405	\$ 241,031
Nonmajor and other funds	-	-	1,845	1,845
Allowance for doubtful accounts	-	(20,000)	-	(20,000)
Total governmental activities	<u>-</u>	<u>94,626</u>	<u>128,250</u>	<u>222,876</u>
Business-Type Activities:				
Water and Sewer	<u>232,709</u>	<u>-</u>	<u>7,456</u>	<u>240,165</u>
Total receivables	<u>\$ 232,709</u>	<u>\$ 94,626</u>	<u>\$ 135,706</u>	<u>\$ 463,041</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 109,204
Sales tax refund	<u>19,046</u>
Total	<u>\$ 128,250</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Capital Assets

A summary of changes in the Town's governmental capital assets follows:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Capital Assets Non-Depreciable:				
Land	\$ 76,372	\$ -	\$ -	\$ 76,372
Total non-depreciable capital assets	<u>76,372</u>	<u>-</u>	<u>-</u>	<u>76,372</u>
Capital Assets Depreciable:				
Buildings	1,451,955	-	-	1,451,955
Equipment	220,008	63,968	-	283,976
Vehicles	465,481	102,896	24,191	592,568
Infrastructure	5,292,148	440,818	-	5,732,966
Total depreciable capital assets	<u>7,429,592</u>	<u>607,682</u>	<u>24,191</u>	<u>8,061,465</u>
Less Accumulated Depreciation:				
Buildings	190,909	62,207	-	253,116
Equipment	83,120	28,141	-	111,261
Vehicles	324,822	40,243	-	365,065
Infrastructure	267,037	91,446	-	358,483
Total accumulated depreciation	<u>865,888</u>	<u>\$ 222,037</u>	<u>\$ -</u>	<u>1,087,925</u>
Total depreciable capital assets, net	<u>6,563,704</u>			<u>6,973,540</u>
Governmental activity capital assets, net	<u>\$ 6,640,076</u>			<u>\$ 7,049,912</u>

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

Governmental Activities:	
General government	\$ 14,367
Public safety	81,803
Streets and public works	60,395
Environmental protection	65,472
Total	\$ 222,037

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Summary of Proprietary Capital Assets

Capital assets for the proprietary funds of the Town at June 30, 2011 are as follows:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Construction in progress	\$ 237,473	\$ -	\$ -	\$ 237,473
Land	126,564	-	-	126,564
Total non-depreciable capital assets	<u>364,037</u>	<u>-</u>	<u>-</u>	<u>364,037</u>
Depreciable Capital Assets:				
Distribution system	17,660,486	4,133	-	17,664,619
Equipment	246,885	-	-	246,885
Buildings	901,025	-	-	901,025
Vehicles	115,240	-	-	115,240
Total depreciable capital assets	<u>18,923,636</u>	<u>4,133</u>	<u>-</u>	<u>18,927,769</u>
Less Accumulated Depreciation:				
Distribution system	3,318,762	348,148	-	3,666,910
Equipment	210,218	21,511	-	231,729
Buildings	730,466	24,960	-	755,426
Vehicles	98,111	12,410	-	110,521
Total accumulated depreciation	<u>4,357,557</u>	<u>\$ 407,029</u>	<u>\$ -</u>	<u>4,764,586</u>
Total depreciable capital assets	<u>14,566,079</u>			<u>14,163,183</u>
Water and Sewer Fund capital assets, net	<u>\$ 14,930,116</u>			<u>\$ 14,527,220</u>

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2011 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 7,049,912	\$ 14,527,220
Long-term debt	(2,348,428)	(3,422,349)
Invested in capital assets, net of related debt	<u>\$ 4,701,484</u>	<u>\$ 11,104,871</u>

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2011 were as follows:

	Vendors	Salaries and Benefits	Customer Deposits	Total
Governmental Activities:				
General	\$ 19,410	\$ 26,468	\$ -	\$ 45,878
Business-Type Activities:				
Water and Sewer	21,307	10,150	88,843	120,300
Total	\$ 40,717	\$ 36,618	\$ 88,843	\$ 166,178

Pension Plan Obligations

North Carolina Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.49% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$133,507, \$112,515, and \$111,497, respectively. The contributions made by the Town equaled the required contributions for each year.

Town employees not engaged in law enforcement became eligible to participate in the plan effective January 1, 2007.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town of Troutman administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance.

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year end June 30, 2011 were \$59,515, which consisted of \$50,783 from the Town and \$8,732 from the employees.

Other Post-Employment Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town's members pay 70% of the actual cost for dependent coverage, with the Town paying 30%. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2011, the Town had no contributions.

Annual OPEB Cost and Net OPEB Obligation.

The Towns' annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the post-employment healthcare benefits:

Annual required contribution	\$	27,046
Interest on net OPEB obligation		1,082
Adjustment to annual required contribution		<u>(934)</u>
Annual OPEB cost (expense)		27,194
Contributions made		<u>-</u>
Increase in net OPEB obligation		27,194
Net OPEB Obligation:		
Beginning of year - July 1		<u>27,046</u>
End of year - June 30	\$	<u>54,240</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 27,194	0.00%	\$ 54,240
2010	27,046	0.00%	27,046

Funded Status and Funding Progress

As of June 30, 2011, the actuarial accrued liability for benefits was \$76,012, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,058,899, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.18 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The Following Simplifying Assumptions Were Made:

Retirement Age for Active Employees. Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital Status. Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality. Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover. Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate. The expected rate of increase in healthcare insurance premiums was based on recent experience. A rate of 3 percent was used.

Health Insurance Premiums. 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate. The expected long-term inflation assumption of 3 percent was based on projected changes in the Consumer Price.

Payroll Growth Rate. The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 1.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was thirty years.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Other Employment Benefits

The Town has elected to provide death benefits to all full-time employees through the Death Trust Plan for Members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Trust Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Trust Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the Town made contributions to the State for death benefits of \$1,502. The Town's required contributions represented .14 percent of covered payroll. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Deferred/Unearned Revenues

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes not yet earned	\$ 3,630	\$ 3,630
Taxes receivable, net	94,626	-
Other receivables, net	-	-
Total	<u>\$ 98,256</u>	<u>\$ 3,630</u>

Risk Management

The Town 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 Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the Town has workers' compensation coverage up to statutory limits and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for up to \$300,000 for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer and Town Clerk are each individually bonded for \$50,000 and \$10,000, respectively.

Long-Term Obligations

Operating Leases

The Town's lease obligations consist of an agreement to lease certain property for a well. This agreement is, in substance, an operating lease. The lease would terminate if the well should run dry or the water is not suitable to drink. Details of the lease agreement are as follows:

Dated June 30, 1999 for 100 years at \$100 a month, the rentals for any renewal period shall not increase beyond the increase provided by the Consumer Price Index.

Lease expense for the lease was \$1,200 for 2011.

Minimum lease payments for the next five years are as follows:

Year Ending		Amount
June 30		
2012	\$	1,200
2013		1,200
2014		1,200
2015		1,200
2016		1,200

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Notes Payable

Governmental Activities:

3.52% note payable in quarterly installments of \$12,442, including interest, with a final payment due July 2013. This note is secured by streets.	\$ 107,209
4.68% note payable in quarterly installments of \$53,285, including interest, with a final payment due December 2023. This note is secured by project.	2,008,323
6% note payable due in yearly installments of \$36,860, including interest, with a final payment due August 2013. This note is secured by police cars.	102,896
3.42% note payable in monthly installments of \$3,333 plus interest, with a final payment due August 2014. This note is secured by the library building.	<u>130,000</u>
Total	<u>\$ 2,348,428</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Business-Type Activities:

3.05% note, payable in quarterly installments of \$21,710, including interest, with a final payment due July 2013. This note is secured by water/sewer lines.	\$ 188,144
2.265% note, payable in annual installments of \$76,888, principal plus semi-annual declining interest payments, with a final payment due May 2029. This note is secured by a pledge of user fees and future State distributions.	1,383,982
2.55% note, payable in annual installments of \$83,699, principal plus semi-annual declining interest payments, with a final payment due May 2021. This note is secured by a pledge of user fees and future State distributions.	836,985
2.265% note, payable in annual installments of \$35,777, including interest, with a final payment due May. 2029. This note is secured by a pledge of user fees and future State distributions.	675,380
Interest free note, payable in annual installments of \$75,000, with a final payment due December 2012. This note is secured by equipment.	225,000
Interest free note, payable in annual installments of \$5,940, with a final payment due May 2030. This note is secured by a pledge of user fees and future State distributions.	<u>112,858</u>
Total	<u>\$ 3,422,349</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Annual debt service requirements to maturity for the Town's notes payable are as follows:

Governmental Activities:

Governmental Funds:

Year Ending June 30	Principal	Interest	Total
2012	\$ 244,719	\$ 221,665	\$ 466,384
2013	252,155	221,148	473,303
2014	214,590	216,413	431,003
2015	149,417	213,198	362,615
2016	146,057	213,141	359,198
2017-2021	841,497	1,065,705	1,907,202
2022-2026	<u>499,993</u>	<u>479,567</u>	<u>979,560</u>
Total governmental funds	<u>\$ 2,348,428</u>	<u>\$ 2,630,837</u>	<u>\$ 4,979,265</u>

Business-Type Activities:

Proprietary Funds:

Year Ending June 30	Principal	Interest	Total
2012	\$ 357,330	\$ 71,265	\$ 428,595
2013	359,861	64,093	423,954
2014	296,842	57,340	354,182
2015	200,296	52,535	252,831
2016	200,296	47,896	248,192
2017-2021	1,001,480	169,865	1,171,345
2022-2026	582,985	75,191	658,176
2027-2031	<u>423,259</u>	<u>15,040</u>	<u>438,299</u>
Total proprietary funds	<u>\$ 3,422,349</u>	<u>\$ 553,225</u>	<u>\$ 3,975,574</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

A summary of changes in long-term obligations follows:

	July 1, 2010	Increases	Decreases	June 30, 2011	Current Portion of Balance
Governmental Activities:					
Notes payable	\$ 2,446,351	\$ 102,896	\$ 200,819	\$ 2,348,428	\$ 244,719
OPEB	27,046	27,194	-	54,240	-
Compensated absences	83,744	61,087	60,149	84,682	60,149
Total governmental activities	\$ 2,557,141	\$ 191,177	\$ 260,968	\$ 2,487,350	\$ 304,868
Business-Type Activities:					
Notes payable	\$ 386,521	\$ -	\$ 85,519	\$ 301,002	\$ 87,974
Revolving loan	2,136,250	-	76,888	2,059,362	110,657
NC Clean Water Revolving Loan	920,683	-	83,698	836,985	83,699
Lowes loan	300,000	-	75,000	225,000	75,000
Compensated absences	31,137	23,706	22,515	32,328	22,515
Total business-type activities	\$ 3,774,591	\$ 23,706	\$ 343,620	\$ 3,454,677	\$ 379,845

Other post-employment benefits and compensated absences typically have been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

At June 30, 2011, the Town had a legal debt margin of \$22,992,594.

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2011, consist of the following:

To ESC Park Capital Fund from the General Fund	
to fund project expenditures	\$ 25,000
To Inglewood Capital Project Fund from Water and Sewer Fund to fund capital project expenditures	232,744

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

4. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The Town 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 monies 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 monies.

TOWN OF TROUTMAN, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2011

 Schedule of Funding Progress

Valuation Date	Value of Assets (a)	Actuarial	Unfunded	Funded	Covered	UAAL as a
		Accrued Liability (AAL) - Projected Unit Credit (b)	AAL (UAAL) (b-a)	Ratio (a/b)	Payroll (c)	% of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 76,012	\$ 76,012	0.00%	\$ 1,058,899	7.18%

 Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount of ARC Contributed By Employer	Percentage of ARC Contributed
2011	\$ 27,046	\$ -	0.00%
2010	27,046	-	0.00%

Notes to the Required Schedules:

The Towns' annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 1.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

TOWN OF TROUTMAN, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,516,108	\$ 1,539,832	\$ 23,724	\$ 1,579,075
Penalties and interest	6,500	8,988	2,488	8,249
Total ad valorem taxes	1,522,608	1,548,820	26,212	1,587,324
Other Taxes and Licenses:				
Cable TV franchise tax	3,500	-	(3,500)	3,676
Local option sales tax	397,000	445,253	48,253	425,131
Total other taxes and licenses	400,500	445,253	44,753	428,807
Unrestricted Intergovernmental Revenues:				
Franchise tax	98,000	120,974	22,974	111,002
Video programming	22,000	22,129	129	22,567
Telecommunications	26,000	25,539	(461)	27,888
Beer and wine tax	9,600	10,089	489	3,179
Gasoline tax refunds	500	557	57	585
Total unrestricted intergovernmental revenues	156,100	179,288	23,188	165,221
Restricted Intergovernmental Revenues:				
Powell Bill allocation	63,720	69,097	5,377	67,640
Economic Development Grant	18,328	18,328	-	5,000
Recycling Grant	16,980	16,980	-	-
Total restricted intergovernmental revenues	99,028	104,405	5,377	72,640
Permits and Fees:				
Refuse collection fees	6,100	6,442	342	6,616
Court costs and jail fees	5,500	6,515	1,015	7,330
Sub-division review fees	20,000	4,033	(15,967)	21,185
Zoning permits	6,300	3,360	(2,940)	3,595
Recycling collection fees	30,500	22,626	(7,874)	3,778
Total sales and services	68,400	42,976	(17,550)	42,504
Investment Earnings	7,550	1,266	(6,284)	9,356
Miscellaneous:				
Donations	-	264	264	1,051
Sale of capital assets	-	1,814	1,814	15,600
Other	194,827	194,965	138	197,872
Total miscellaneous	194,827	197,043	2,216	214,523
Total revenues	2,449,013	2,519,051	70,038	2,520,375

TOWN OF TROUTMAN, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing Board:				
Salaries and employee benefits	66,131	66,618	(487)	64,706
Operating expenses	84,101	82,648	1,453	65,693
Total governing board	150,232	149,266	966	130,399
Administration:				
Salaries and employee benefits	162,831	162,968	(137)	153,843
Operating expenses	123,400	121,982	1,418	119,138
Total administration	286,231	284,950	1,281	272,981
Elections				
	-	-	-	1,597
General Insurance				
	121,000	96,616	24,384	66,570
Planning and Zoning				
	88,500	84,652	3,848	96,878
Total general government	645,963	615,484	30,479	568,425
Public Safety:				
Law Enforcement:				
Salaries and employee benefits	827,226	814,871	12,355	770,245
Operating expenses	168,092	166,761	1,331	183,231
Total law enforcement	995,318	981,632	13,686	953,476
Total public safety	995,318	981,632	13,686	953,476
Streets and Public Works:				
Street Maintenance:				
Salaries and employee benefits	197,306	192,940	4,366	140,912
Operating expenses	120,006	114,492	5,514	95,316
Capital outlay	-	-	-	35,020
Total street maintenance	317,312	307,432	9,880	271,248
Sanitation				
	216,033	210,543	5,490	167,078
Total streets and public works	533,345	517,975	15,370	438,326
Economic Development:				
Operating expenses	13,820	13,820	-	21,339

TOWN OF TROUTMAN, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Capital Outlay:				
Administration	2,920	2,635	285	12,738
Police	135,896	135,896	-	26,236
Other	9,600	9,600	-	-
Total capital outlay	<u>148,416</u>	<u>148,131</u>	<u>285</u>	<u>38,974</u>
Debt Service:				
Principal retirement	200,742	200,819	(77)	183,970
Interest and fees	<u>107,355</u>	<u>107,278</u>	<u>77</u>	<u>113,728</u>
Total debt service	<u>308,097</u>	<u>308,097</u>	<u>-</u>	<u>297,698</u>
Total expenditures	<u>2,644,959</u>	<u>2,585,139</u>	<u>59,820</u>	<u>2,318,238</u>
Revenues over (under) expenditures	<u>(195,946)</u>	<u>(66,088)</u>	<u>129,858</u>	<u>202,137</u>
Other Financing Sources (Uses):				
Transfer to Esc Park Capital Project Fund	(25,000)	(25,000)	-	-
Transfers from Capital Projects Fund	-	-	-	29,370
Long-term debt issued	102,896	102,896	-	-
Appropriated fund balance	<u>118,050</u>	<u>-</u>	<u>(118,050)</u>	<u>-</u>
Total other financing sources (uses)	<u>195,946</u>	<u>77,896</u>	<u>(118,050)</u>	<u>29,370</u>
Net change in fund balance	<u>\$ -</u>	<u>11,808</u>	<u>\$ 11,808</u>	<u>231,507</u>
Fund Balance:				
Beginning of year - July 1		<u>1,189,145</u>		<u>957,638</u>
End of year - June 30		<u>\$ 1,200,953</u>		<u>\$ 1,189,145</u>

TOWN OF TROUTMAN, NORTH CAROLINA

INGLEWOOD CAPITAL PROJECT FUND - MAJOR FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment income	\$ -	\$ 3,983	\$ 11	\$ 3,994
Total revenues	<u>-</u>	<u>3,983</u>	<u>11</u>	<u>3,994</u>
Expenditures:				
Construction and capital spending	<u>3,695,599</u>	<u>2,787,332</u>	<u>440,818</u>	<u>3,228,150</u>
Total expenditures	<u>3,695,599</u>	<u>2,787,332</u>	<u>440,818</u>	<u>3,228,150</u>
Revenues over (under) expenditures	<u>(3,695,599)</u>	<u>(2,783,349)</u>	<u>(440,807)</u>	<u>(3,224,156)</u>
Other Financing Sources (Uses):				
Long-term debt issued	2,976,229	2,288,000	-	2,288,000
Transfers from (to) other funds	<u>719,370</u>	<u>486,626</u>	<u>232,744</u>	<u>719,370</u>
Total other financing sources (uses)	<u>3,695,599</u>	<u>2,774,626</u>	<u>232,744</u>	<u>3,007,370</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (8,723)</u>	<u>\$ (208,063)</u>	<u>\$ (216,786)</u>

TOWN OF TROUTMAN, NORTH CAROLINA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Capital Project Fund</u>	<u>Special Revenue Fund</u>	
	<u>ESC Park</u>	<u>Community Development Block Grant Fund</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 6,128	\$ -	\$ 6,128
Other receivables	39	-	39
Total assets	<u>6,167</u>	<u>-</u>	<u>6,167</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	146	-	146
Total liabilities	<u>146</u>	<u>-</u>	<u>146</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	39	-	39
Assigned for cultural and recreation	5,982	-	5,982
Total fund balances	<u>6,021</u>	<u>-</u>	<u>6,021</u>
Total liabilities and fund balances	<u>\$ 6,167</u>	<u>\$ -</u>	<u>\$ 6,167</u>

TOWN OF TROUTMAN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Capital Project Fund</u>	<u>Special Revenue Fund</u>	
	<u>ESC Park</u>	<u>Community Development Block Grant Fund</u>	<u>Total</u>
Revenues:			
Restricted intergovernmental	\$ -	\$ 251,254	\$ 251,254
Donations	14,910	-	14,910
Total revenues	<u>14,910</u>	<u>251,254</u>	<u>266,164</u>
Expenditures:			
Administration	-	21,316	21,316
Rehabilitation	-	229,938	229,938
Cultural and recreation	33,889	-	33,889
Total expenditures	<u>33,889</u>	<u>251,254</u>	<u>285,143</u>
Revenues over (under) expenditures	<u>(18,979)</u>	<u>-</u>	<u>(18,979)</u>
Other Financing Sources (Uses):			
Transfer from the general fund	25,000	-	25,000
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Net change in fund balance	6,021	-	6,021
Fund Balance:			
Beginning of year - July 1	<u>-</u>	<u>-</u>	<u>-</u>
End of year - June 30	<u>\$ 6,021</u>	<u>\$ -</u>	<u>\$ 6,021</u>

TOWN OF TROUTMAN, NORTH CAROLINA

ESC PARK - CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental	\$ 500,000	\$ -	\$ -	\$ -
Donations	<u>652,560</u>	<u>-</u>	<u>14,910</u>	<u>14,910</u>
Total revenues	<u>1,152,560</u>	<u>-</u>	<u>14,910</u>	<u>14,910</u>
Expenditures:				
Construction and capital spending	<u>1,177,560</u>	<u>-</u>	<u>33,889</u>	<u>33,889</u>
Total expenditures	<u>1,177,560</u>	<u>-</u>	<u>33,889</u>	<u>33,889</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>-</u>	<u>(18,979)</u>	<u>(18,979)</u>
Other Financing Sources (Uses):				
Transfers from (to) other funds	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,021</u>	<u>\$ 6,021</u>

TOWN OF TROUTMAN, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental				
CDBG Scattered Site Housing Grant	\$ 400,000	\$ 25,304	\$ 251,254	\$ 276,558
Total revenues	<u>400,000</u>	<u>25,304</u>	<u>251,254</u>	<u>276,558</u>
Expenditures:				
Administration	47,000	20,404	21,316	41,720
Rehabilitation	<u>353,000</u>	<u>4,900</u>	<u>229,938</u>	<u>234,838</u>
Total expenditures	<u>400,000</u>	<u>25,304</u>	<u>251,254</u>	<u>276,558</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF TROUTMAN, NORTH CAROLINA

ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 1,467,702	\$ 1,387,799	\$ (79,903)	\$ 1,138,815
Other operating revenue	15,600	12,952	(2,648)	17,299
Total operating revenues	1,483,302	1,400,751	(82,551)	1,156,114
Non-operating revenues:				
Investment earnings	200	12	(188)	492
Sale of fixed assets	-	-	-	2,000
Total non-operating revenues	200	12	(188)	2,492
Total revenues	1,483,502	1,400,763	(82,739)	1,158,606
Expenditures:				
Current:				
Salaries and benefits	362,395	375,005	(12,610)	374,126
Water purchases	230,000	219,918	10,082	217,053
Sewer treatment	275,000	223,422	51,578	290,597
Other operating expenses	255,000	301,065	(46,065)	240,632
Debt service:				
Principal retirement	281,883	321,105	(39,222)	237,784
Interest and fees	79,224	62,664	16,560	85,878
Total expenditures	1,483,502	1,503,179	(19,677)	1,446,070
Revenues over (under) expenditures	-	(102,416)	(102,416)	(287,464)
Other Financing Sources (Uses):				
Transfer to Capital Projects Fund	-	(232,744)	(232,744)	(361,578)
Total other financing sources (uses)	-	(232,744)	(232,744)	(361,578)
Revenues and other financing sources over (under) expenditures and other financ:	\$ -	\$ (335,160)	\$ (335,160)	\$ (649,042)

TOWN OF TROUTMAN, NORTH CAROLINA

**ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2010**

	2011		2010
	Budget	Actual	Actual
		Variance Over/Under	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues over (under) expenditures	\$	(335,160)	
Revenue, ARRA Sewer Rehab Enterprise Fund - Capital Project Fund		11,585	
Principal retirement		321,105	
Depreciation		<u>(407,029)</u>	
Change in net assets	\$	<u><u>(409,499)</u></u>	

TOWN OF TROUTMAN, NORTH CAROLINA

ARRA SEWER REHAB ENTERPRISE FUND - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental	\$ 118,797	\$ 107,212	\$ 11,585	\$ 118,797
Total revenues	<u>118,797</u>	<u>107,212</u>	<u>11,585</u>	<u>118,797</u>
Expenditures:				
Construction and capital spending	<u>241,607</u>	<u>237,474</u>	<u>4,133</u>	<u>241,607</u>
Total expenditures	<u>241,607</u>	<u>237,474</u>	<u>4,133</u>	<u>241,607</u>
Revenues over (under) expenditures	<u>(122,810)</u>	<u>(130,262)</u>	<u>7,452</u>	<u>(122,810)</u>
Other Financing Sources (Uses):				
Transfers from Enterprise Fund	4,012	4,012	-	4,012
Long-term debt issued	<u>118,798</u>	<u>118,798</u>	<u>-</u>	<u>118,798</u>
Total other financing sources (uses)	<u>122,810</u>	<u>122,810</u>	<u>-</u>	<u>122,810</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (7,452)</u>	<u>\$ 7,452</u>	<u>\$ -</u>

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

<u>Year Ended June 30</u>	<u>Uncollected Balance June 1, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2011	\$ -	\$ 1,546,032	\$ 1,490,055	\$ 55,977
2010	59,128	-	37,723	21,405
2009	16,572	-	5,465	11,107
2008	12,372	-	2,649	9,723
2007	5,567	-	510	5,057
2006	4,615	-	1,103	3,512
2005	3,426	-	780	2,646
2004	2,422	-	667	1,755
2003	1,413	-	23	1,390
2002	2,119	-	65	2,054
2001	2,344	-	2,344	-
Total	<u>\$ 109,978</u>	<u>\$ 1,546,032</u>	<u>\$ 1,541,384</u>	114,626
Less: Allowance for uncollectible accounts				<u>(20,000)</u>
Ad valorem taxes receivable, net				<u>\$ 94,626</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes - General Fund				\$ 1,548,820
Reconciling items:				
Penalties and interest collected				(8,988)
Miscellaneous adjustments				(792)
Taxes written off				<u>2,344</u>
Total collections and credits				<u>\$ 1,541,384</u>

TOWN OF TROUTMAN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2011

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 352,863,605	\$ 0.43	\$ 1,517,314	\$ 1,469,918	\$ 47,396
Property taxed at prior year's rate	6,632,242	0.43	28,519	-	28,519
Penalties	133,323	0.43	573	573	-
Total	<u>359,629,170</u>		<u>1,546,406</u>	<u>1,470,491</u>	<u>75,915</u>
Discoveries:					
Current year taxes	<u>606,039</u>	0.43	<u>2,606</u>	<u>1,124</u>	<u>1,482</u>
Abatements					
	<u>(693,086)</u>	0.43	<u>(2,980)</u>	<u>(1,173)</u>	<u>(1,807)</u>
Total property valuation	<u>\$ 359,542,123</u>				
Net Levy			1,546,032	1,470,442	75,590
Uncollected taxes at June 30, 2011			<u>(55,977)</u>	<u>(44,356)</u>	<u>(11,621)</u>
Current Year's Taxes Collected			<u>\$ 1,490,055</u>	<u>\$ 1,426,086</u>	<u>\$ 63,969</u>
Current Levy Collection Percentage			<u>96.38%</u>	<u>96.98%</u>	<u>84.63%</u>