

**TOWN OF TROUTMAN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

**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, 2013

Mayor:	Elbert Richardson
Town Alderpersons:	Mike Spath, Mayor Pro Tem
	Curtis M. Rogers
	Betty Jean Troutman
	J.T. Jablonski
	Jason Major
Town Manager:	Ann Bailie
Finance Director:	Steven H. Shealy

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**TOWN OF TROUTMAN, NORTH CAROLINA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Town Alderpersons
Town of Troutman, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, 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, 2013, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Troutman, North Carolina. The 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 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of the Town of Troutman's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Troutman's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 22, 2013

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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, 2013. 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

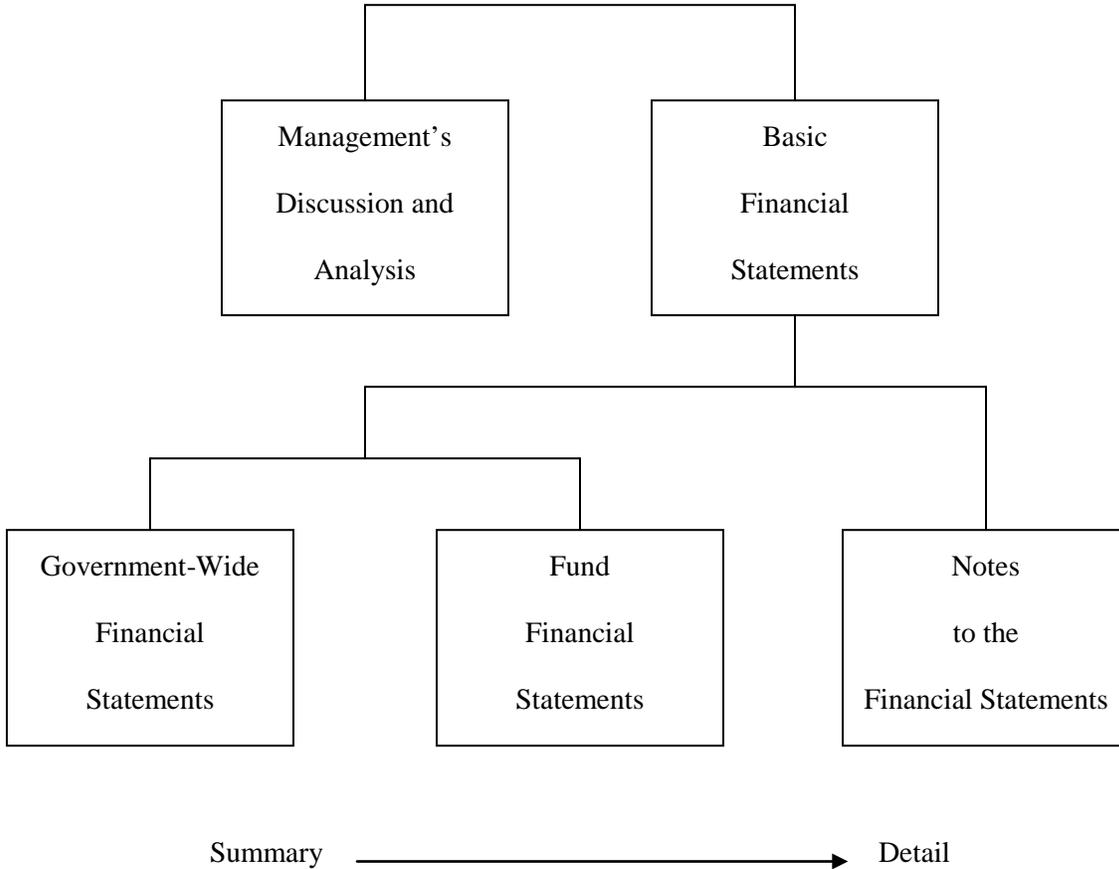
- The assets of the Town of Troutman exceeded its liabilities and deferred inflows at the close of the fiscal year by \$17,986,051 (*net position*).
- The government's total net position increased by \$1,860,271.
- As of the close of the current fiscal year, the Town of Troutman's governmental funds reported combined ending fund balances of \$1,165,826, an increase of \$10,483 in comparison with the prior year. Approximately 20 percent of this total amount, or \$237,193, is restricted and non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$947,070, or 37.8% of total General Fund expenditures 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 position and how it has changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position 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 Position 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 Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements follow Exhibit I of this report.

Government-Wide Financial Analysis

Town of Troutman's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 1,383,746	\$ 1,399,474	\$ (100,281)	\$ 446,233	\$ 1,283,465	\$ 1,845,707
Capital assets, net	5,051,978	5,939,871	15,372,709	15,528,976	20,424,687	21,468,847
Total assets	<u>6,435,724</u>	<u>7,339,345</u>	<u>15,272,428</u>	<u>15,975,209</u>	<u>21,708,152</u>	<u>23,314,554</u>
Liabilities:						
Current liabilities	442,216	435,007	515,356	548,507	957,572	983,514
Other liabilities	1,949,126	1,904,268	2,673,381	2,440,502	4,622,507	4,344,770
Total liabilities	<u>2,391,342</u>	<u>2,339,275</u>	<u>3,188,737</u>	<u>2,989,009</u>	<u>5,580,079</u>	<u>5,328,284</u>
Deferred inflows						
of resources	<u>2,293</u>	<u>219</u>	<u>-</u>	<u>-</u>	<u>2,293</u>	<u>219</u>
Total liabilities and deferred inflows						
	<u>2,393,635</u>	<u>2,339,494</u>	<u>3,188,737</u>	<u>2,989,009</u>	<u>5,582,372</u>	<u>5,328,503</u>
Net Position:						
Net investment in capital assets	2,948,280	3,865,357	12,345,160	12,821,162	15,293,440	16,686,519
Restricted	506,411	209,628	-	-	506,411	209,628
Unrestricted	<u>587,398</u>	<u>924,866</u>	<u>(261,469)</u>	<u>165,038</u>	<u>325,929</u>	<u>1,089,904</u>
Total net position	<u>\$ 4,042,089</u>	<u>\$ 4,999,851</u>	<u>\$ 12,083,691</u>	<u>\$ 12,986,200</u>	<u>\$ 16,125,780</u>	<u>\$ 17,986,051</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Troutman exceeded liabilities and deferred inflows by \$17,986,051 as of June 30, 2013. The Town's net position increased by \$1,860,271 for the fiscal year ended June 30, 2013. However, the largest portion \$16,686,519 (92.8%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Troutman's net position \$209,628 (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,089,904 is unrestricted.

Town of Troutman's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$ 51,935	\$ 50,223	\$ 1,469,039	\$ 1,524,867	\$ 1,520,974	\$ 1,575,090
Operating grants and contributions	90,792	75,946	-	-	90,792	75,946
Capital grants and contributions	370,330	876,565	73,105	983,337	443,435	1,859,902
General revenues:						
Property taxes	1,487,399	1,537,884	-	-	1,487,399	1,537,884
Other taxes	503,607	537,139	-	-	503,607	537,139
Unrestricted intergovernmental	182,443	199,542	-	-	182,443	199,542
Miscellaneous	185,028	154,605	-	17,254	185,028	171,859
Investment earnings unrestricted	824	1,007	7	14	831	1,021
Total revenues	2,872,358	3,432,911	1,542,151	2,525,472	4,414,509	5,958,383
Expenses:						
General government	668,666	744,921	-	-	668,666	744,921
Public safety	1,079,990	1,066,126	-	-	1,079,990	1,066,126
Streets and public works	541,228	539,587	-	-	541,228	539,587
Recreation	-	17,360	-	-	-	17,360
Environmental protection	39,480	3,019	-	-	39,480	3,019
Economic and physical development	137,262	15,161	-	-	137,262	15,161
Interest on long-term debt	98,859	88,975	-	-	98,859	88,975
Water and sewer	-	-	1,550,113	1,622,963	1,550,113	1,622,963
Total expenses	2,565,485	2,475,149	1,550,113	1,622,963	4,115,598	4,098,112
Transfer from (to) other funds	223,267	-	(223,267)	-	-	-
Increase (decrease) in net position	530,140	957,762	(231,229)	902,509	298,911	1,860,271
Net Position:						
Beginning of year - July 1	3,511,949	4,042,089	12,314,920	12,083,691	15,826,869	16,125,780
End of year - June 30	\$ 4,042,089	\$ 4,999,851	\$ 12,083,691	\$ 12,986,200	\$ 16,125,780	\$ 17,986,051

Governmental Activities. Governmental activities increased the Town's net position by \$957,762.

- Decrease in economic development expenditures, primarily related to CDBG funding
- Overall increases in capital grants and contributions to pay for capital related activities for full accrual purposes these expenditures are capitalized

Business-Type Activities. Business-type activities increased the Town of Troutman's net position by \$902,509.

- Developer contributions toward capital projects, along with a water rate increase helped increase the Utility Fund's net position.

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, fund balance available for appropriation 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 \$947,070, while total fund balance reached \$1,170,062. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 37.8 percent of total General Fund expenditures, while total fund balance represents 46.4 percent of that same amount.

At June 30, 2013, the governmental funds of the Town of Troutman reported a combined fund balance of \$1,165,826, a less than 1% increase over last year. Included in this change in fund balance are a decrease in the General Fund of \$(25,882) and a net increase in other funds of \$36,365.

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 higher than the budgeted amounts primarily because local option sales tax revenue was slightly more than originally expected. Also, miscellaneous revenues came in at a higher level than originally budgeted, allowing the Town to make some additional appropriations primarily in its public safety departments.

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 position of the Water and Sewer Fund at the end of the fiscal year amounted to \$165,038. The change in net position was an increase of \$902,509. 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, 2013 totals \$21,468,847 (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:

ESC Park Capital Project

Goodman Road Sewer Capital Project

Town of Troutman’s Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	\$ 76,372	\$ 573,172	\$ 126,564	\$ 126,564	\$ 202,936	\$ 699,736
Buildings	1,451,955	1,451,955	901,025	865,814	2,352,980	2,317,769
Equipment	275,935	310,693	341,034	341,034	616,969	651,727
Vehicles	526,464	473,833	111,840	96,899	638,304	570,732
Infrastructure	3,431,947	3,431,947	-	-	3,431,947	3,431,947
Water/Sewer distributions system	-	-	19,029,748	19,094,248	19,029,748	19,094,248
Construction in progress	296,056	877,911	73,105	505,982	369,161	1,383,893
Total	6,058,729	7,119,511	20,583,316	21,030,541	26,642,045	28,150,052
Accumulated depreciation	<u>(1,006,751)</u>	<u>(1,179,640)</u>	<u>(5,210,607)</u>	<u>(5,501,565)</u>	<u>(6,217,358)</u>	<u>(6,681,205)</u>
Capital assets, net	<u>\$ 5,051,978</u>	<u>\$ 5,939,871</u>	<u>\$ 15,372,709</u>	<u>\$ 15,528,976</u>	<u>\$ 20,424,687</u>	<u>\$ 21,468,847</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, 2013, the Town of Troutman had total notes payable outstanding of \$4,782,328, all of which is secured by assets of the Town.

Town of Troutman's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Notes payable	<u>\$ 2,103,698</u>	<u>\$ 2,074,514</u>	<u>\$ 3,027,549</u>	<u>\$ 2,707,814</u>	<u>\$ 5,131,247</u>	<u>\$ 4,782,328</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Troutman is \$22,166,523.

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 sees the effects of the recession lessening.
- Sales tax revenues increased moderately.
- Appraised valuation increased for the 2013 fiscal year by 3.9%.
- Interest in residential development is increasing as former projects re-activate.

Budget Highlights for the Year Ending June 30, 2014

Governmental Activities. Overall, General Fund revenues are budgeted to be .28% greater than 2013 actual amounts. There are no new programs or salary increases included.

Business-Type Activities: Overall, water and sewer revenues are budgeted to be approximately 4.7% greater than 2013. This is attributed to increased customer base and equipment needs.

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.

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TOWN OF TROUTMAN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 1,034,091	\$ 64,521	\$ 1,098,612
Taxes receivable, net	170,190	-	170,190
Accounts receivable, net	-	274,377	274,377
Internal balance	8,000	(8,000)	-
Due from other governments	156,486	17,394	173,880
Prepaid items	27,565	-	27,565
Cash and investments, restricted	3,142	97,941	101,083
Total current assets	<u>1,399,474</u>	<u>446,233</u>	<u>1,845,707</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,451,083	632,546	2,083,629
Other capital assets, net of depreciation	4,488,788	14,896,430	19,385,218
Total capital assets	<u>5,939,871</u>	<u>15,528,976</u>	<u>21,468,847</u>
Total assets	<u>7,339,345</u>	<u>15,975,209</u>	<u>23,314,554</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	63,239	154,491	217,730
Liabilities payable from restricted assets:			
Customer deposits	-	97,941	97,941
Current portion of compensated absences	67,291	21,573	88,864
Current portion of long-term debt	304,477	274,502	578,979
Total current liabilities	<u>435,007</u>	<u>548,507</u>	<u>983,514</u>
Long-term liabilities:			
Non-current compensated absences	22,431	7,190	29,621
Non-current portion of long-term obligations	1,881,837	2,433,312	4,315,149
Total liabilities	<u>2,339,275</u>	<u>2,989,009</u>	<u>5,328,284</u>
Deferred Inflows of Resources:			
Prepaid taxes	219	-	219
Total deferred inflows of resources	<u>219</u>	<u>-</u>	<u>219</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,339,494</u>	<u>2,989,009</u>	<u>5,328,503</u>
Net Position:			
Net investment in capital assets	3,865,357	12,821,162	16,686,519
Restricted for:			
Stabilization by State statute	206,486	-	206,486
Streets	3,142	-	3,142
Unrestricted	924,866	165,038	1,089,904
Total net position	<u>\$ 4,999,851</u>	<u>\$ 12,986,200</u>	<u>\$ 17,986,051</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, 2013**

	<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	\$ 744,921	\$ 5,755	\$ -	\$ -
Public safety	1,066,126	4,961	-	-
Streets and public works	539,587	29,237	75,946	-
Culture and recreation	17,360	-	-	876,565
Environmental protection	3,019	10,270	-	-
Economic and physical development	15,161	-	-	-
Interest and fees	88,975	-	-	-
Total governmental activities	<u>2,475,149</u>	<u>50,223</u>	<u>75,946</u>	<u>876,565</u>
Business-Type Activities:				
Water and sewer	<u>1,622,963</u>	<u>1,524,867</u>	<u>-</u>	<u>983,337</u>
Total primary government	<u>\$ 4,098,112</u>	<u>\$ 1,575,090</u>	<u>\$ 75,946</u>	<u>\$ 1,859,902</u>

General Revenues:

Ad valorem taxes
Local option sales taxes
Unrestricted intergovernmental
Miscellaneous
Investment earnings
Total general revenues

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (739,166)	\$ -	\$ (739,166)
(1,061,165)	-	(1,061,165)
(434,404)	-	(434,404)
859,205	-	859,205
7,251	-	7,251
(15,161)	-	(15,161)
(88,975)	-	(88,975)
<u>(1,472,415)</u>	<u>-</u>	<u>(1,472,415)</u>
<u>-</u>	<u>885,241</u>	<u>885,241</u>
<u>(1,472,415)</u>	<u>885,241</u>	<u>(587,174)</u>
1,537,884	-	1,537,884
537,139	-	537,139
199,542	-	199,542
154,605	17,254	171,859
1,007	14	1,021
<u>2,430,177</u>	<u>17,268</u>	<u>2,447,445</u>
957,762	902,509	1,860,271
<u>4,042,089</u>	<u>12,083,691</u>	<u>16,125,780</u>
<u>\$ 4,999,851</u>	<u>\$ 12,986,200</u>	<u>\$ 17,986,051</u>

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

TOWN OF TROUTMAN, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Major</u>		
	<u>General</u>	<u>ESC Park Capital Project Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 993,542	\$ 40,549	\$ 1,034,091
Taxes receivable, net	170,190	-	170,190
Due from other governments	145,427	11,059	156,486
Due from other funds	50,000	-	50,000
Prepaid items	27,565	-	27,565
Cash restricted	3,142	-	3,142
Total assets	<u>\$ 1,389,866</u>	<u>\$ 51,608</u>	<u>\$ 1,441,474</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 49,395	\$ 13,844	\$ 63,239
Due to other funds	-	42,000	42,000
Total liabilities	<u>49,395</u>	<u>55,844</u>	<u>105,239</u>
Deferred Inflows of Resources:			
Property taxes receivable	170,190	-	170,190
Prepaid taxes	219	-	219
Total deferred inflows of resources	<u>170,409</u>	<u>-</u>	<u>170,409</u>
Fund Balances:			
Non-spendable:			
Prepaid items	27,565	-	27,565
Restricted:			
Stabilization by State statute	195,427	11,059	206,486
Streets	3,142	-	3,142
Unassigned	943,928	(15,295)	928,633
Total fund balances	<u>1,170,062</u>	<u>(4,236)</u>	1,165,826
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,389,866</u>	<u>\$ 51,608</u>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			5,939,871
Long-term liabilities, compensated absences, and OPEB are not due and payable in the current period and, therefore, not reported in the funds.			(2,276,036)
Deferred inflows 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 position in the Statement of Net Position.			<u>170,190</u>
Net position of governmental activities			<u>\$ 4,999,851</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, 2013

	<u>Major</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>ESC Park Capital Project Fund</u>	
Revenues:			
Ad valorem taxes	\$ 1,461,106	\$ -	\$ 1,461,106
Other taxes and licenses	537,139	-	537,139
Unrestricted intergovernmental	199,542	-	199,542
Restricted intergovernmental	75,946	314,123	390,069
Permits and fees	50,223	-	50,223
Investment earnings	952	55	1,007
Donations	-	54,042	54,042
Miscellaneous	154,605	-	154,605
Total revenues	<u>2,479,513</u>	<u>368,220</u>	<u>2,847,733</u>
Expenditures:			
Current:			
General government	592,926	-	592,926
Public safety	1,023,086	-	1,023,086
Streets and public works	470,505	-	470,505
Recreation	-	581,855	581,855
Economic and physical development	15,161	-	15,161
Capital outlay	35,558	-	35,558
Debt service:			
Principal retirement	296,584	-	296,584
Interest and fees	88,975	-	88,975
Total expenditures	<u>2,522,795</u>	<u>581,855</u>	<u>3,104,650</u>
Revenues over (under) expenditures	<u>(43,282)</u>	<u>(213,635)</u>	<u>(256,917)</u>
Other Financing Sources (Uses):			
Long-term debt issued	<u>17,400</u>	<u>250,000</u>	<u>267,400</u>
Total other financing sources (uses)	<u>17,400</u>	<u>250,000</u>	<u>267,400</u>
Net change in fund balances	(25,882)	36,365	10,483
Fund Balances:			
Beginning of year - July 1	<u>1,195,944</u>	<u>(40,601)</u>	<u>1,155,343</u>
End of year - June 30	<u>\$ 1,170,062</u>	<u>\$ (4,236)</u>	<u>\$ 1,165,826</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 TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

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)	\$ 10,483
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.	76,778
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(267,400)
Expenses related to compensated absences and OPEB that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(46,576)
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.	(82,084)
Donated assets are recorded as capital contributions in the statement of activities. However, in the governmental fund statement, no revenue is reported from this transaction.	508,400
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.	649,333
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(187,756)
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>296,584</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 957,762</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,479,462	\$ 1,479,462	\$ 1,461,106	\$ (18,356)
Other taxes and licenses	499,000	499,000	537,139	38,139
Unrestricted intergovernmental	181,800	181,800	199,542	17,742
Restricted intergovernmental	74,206	74,206	75,946	1,740
Permits and fees	48,850	48,850	50,223	1,373
Investment earnings	300	300	952	652
Miscellaneous	150,067	160,067	154,605	(5,462)
Total revenues	<u>2,433,685</u>	<u>2,443,685</u>	<u>2,479,513</u>	<u>35,828</u>
Expenditures:				
Current:				
General government	605,586	615,886	592,926	22,960
Public safety	1,029,840	1,035,740	1,023,086	12,654
Streets and public works	464,536	484,336	470,505	13,831
Economic and physical development	42,661	15,161	15,161	-
Capital outlay	36,900	35,300	35,558	(258)
Debt service:				
Principal retirement	263,641	299,508	296,584	2,924
Interest and fees	90,051	89,042	88,975	67
Total expenditures	<u>2,533,215</u>	<u>2,574,973</u>	<u>2,522,795</u>	<u>52,178</u>
Revenues over (under) expenditures	<u>(99,530)</u>	<u>(131,288)</u>	<u>(43,282)</u>	<u>88,006</u>
Other Financing Sources (Uses):				
Long-term debt issued	29,000	29,000	17,400	(11,600)
Appropriated fund balance	70,530	102,288	-	(102,288)
Total other financing sources (uses)	<u>99,530</u>	<u>131,288</u>	<u>17,400</u>	<u>(113,888)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(25,882)</u>	<u>\$ (25,882)</u>
Fund Balance:				
Beginning of year - July 1			<u>1,195,944</u>	
End of year - June 30			<u>\$ 1,170,062</u>	

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

TOWN OF TROUTMAN, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 64,521
Accounts receivable, net	274,377
Intergovernmental taxes receivable	17,394
Restricted cash and investments	<u>97,941</u>
Total current assets	<u>454,233</u>
Non-current assets:	
Capital assets:	
Land, non-depreciable improvements, and construction in progress	632,546
Other capital assets, net of depreciation	<u>14,896,430</u>
Total non-current assets	<u>15,528,976</u>
Total assets	<u>15,983,209</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	154,491
Liabilities payable from restricted assets:	
Customer deposits	97,941
Due to other funds	8,000
Current portion of accrued compensated absences	21,573
Current portion of notes payable	<u>274,502</u>
Total current liabilities	<u>556,507</u>
Non-current liabilities:	
Non-current compensated absences	7,190
Non-current portion of notes payable	<u>2,433,312</u>
Total non-current liabilities	<u>2,440,502</u>
Total liabilities	<u>2,997,009</u>
Net Position:	
Net investment in capital assets	12,821,162
Unrestricted	<u>165,038</u>
Total net position	<u>\$ 12,986,200</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 POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 1,501,344
Other operating revenues	23,523
Total operating revenues	<u>1,524,867</u>
Operating Expenses:	
Salaries and benefits	328,064
Water purchases	302,721
Sewer treatment	294,371
Other operating expenses	240,650
Depreciation	391,534
Total operating expenses	<u>1,557,340</u>
Operating income (loss)	<u>(32,473)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	14
Interest and fees	(65,623)
Gain on sale of assets	17,254
Total non-operating revenues (expenses)	<u>(48,355)</u>
Net income (loss) before contributions	(80,828)
Capital contributions	<u>983,337</u>
Change in net position	902,509
Net Position:	
Beginning of year - July 1	<u>12,083,691</u>
End of year - June 30	<u>\$ 12,986,200</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, 2013

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,465,598
Cash paid for goods and services	(726,632)
Cash paid to employees	(322,079)
Customer deposits received	2,912
Net cash provided (used) by operating activities	419,799
 Cash Flows from Non-Capital Financing Activities:	
Due to (from) other funds	(364,530)
Net cash provided (used) by operating activities	(364,530)
 Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(508,054)
Proceeds from sale of capital assets	17,254
Contributions received	983,337
Long-term debt issued	40,125
Principal paid on long-term debt	(359,860)
Interest paid on debt	(65,623)
Net cash provided (used) by capital and related financing activities	107,179
 Cash Flows from Investing Activities:	
Interest on investments	14
(Increase) decrease in cash and cash equivalents	162,462
 Cash and Cash Equivalents:	
Beginning of year - July 1	-
End of year - June 30	\$ 162,462

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, 2013**

	Water and Sewer Fund
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	\$ (32,473)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	391,534
(Increase) decrease in accounts receivable	(59,269)
Increase (decrease) in accounts payable and accrued expenses	117,095
Increase (decrease) in customer deposits	2,912
Net cash provided (used) by operating activities	\$ 419,799
 Non-cash transactions:	
Donated capital assets	\$ 64,500

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

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TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Position 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, 2013

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.

Capital Project Fund. Capital project funds account 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 one capital project fund: 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 three water and sewer capital projects: the Goodman Road Sewer, Morrison Farm Road Water and Sewer, and the Falls Cove Sewer projects.

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 ESC Park Capital Project Fund is a governmental capital project fund used to account for the multi-year construction for ESC Park capital improvements. The primary revenue sources are NC Parks and Recreation Trust Fund grant monies and long-term debt. The construction and capital expenditures are for the purpose of cultural and recreational development.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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.

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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the 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. 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 is both restricted and unrestricted net position 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.

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 Capital Project Fund, 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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.

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

For the purposes of reporting cash flows, the Town's restricted assets are considered to be cash and/or cash equivalents. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. 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, 2012.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Position. General governmental infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that meet the criterion for this category – prepaid taxes and property taxes receivable.

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 Position.

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

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

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.

Prepays – 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Restricted for Stabilization by State statute – portion of fund balance that is 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 purposes.

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.

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	\$ 1,170,062
Less:	
Prepays	27,565
Stabilization by State statute	195,427
Total available fund balance	<u>\$ 947,070</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

2. 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, 2013

At June 30, 2013, the Town's deposits had a carrying amount of \$1,193,896, and a bank balance of \$1,247,717. Of the bank balance, \$459,296 was covered by federal depository insurance, and \$788,421 in interest-bearing deposits was covered by collateral held under the Pooling Method.

Investments

At June 30, 2013, the Town had \$5,799 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, 2013 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ -	\$ 190,190	\$ 145,427	\$ 335,617
Nonmajor and other funds	-	-	11,059	11,059
Allowance for doubtful accounts	-	(20,000)	-	(20,000)
Total governmental activities	<u>-</u>	<u>170,190</u>	<u>156,486</u>	<u>326,676</u>
Business-Type Activities:				
Water and Sewer	<u>274,377</u>	<u>-</u>	<u>17,394</u>	<u>291,771</u>
Total receivables	<u>\$ 274,377</u>	<u>\$ 170,190</u>	<u>\$ 173,880</u>	<u>\$ 618,447</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 142,247
Sales tax refund	<u>31,633</u>
Total	<u>\$ 173,880</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Capital Assets

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

	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Capital Assets Non-Depreciable:				
Land	\$ 76,372	\$ 496,800	\$ -	\$ 573,172
Construction in process - infrastructure	296,056	581,855	-	877,911
Total non-depreciable capital assets	372,428	1,078,655	-	1,451,083
 Capital Assets Depreciable:				
Buildings	1,451,955	-	-	1,451,955
Equipment	275,935	34,758	-	310,693
Vehicles	526,464	44,320	(96,951)	473,833
Infrastructure	3,431,947	-	-	3,431,947
Total depreciable capital assets	5,686,301	79,078	(96,951)	5,668,428
 Less Accumulated Depreciation:				
Buildings	259,932	29,448	-	289,380
Equipment	148,461	37,970	-	186,431
Vehicles	324,909	50,334	(14,867)	360,376
Infrastructure	273,449	70,004	-	343,453
Total accumulated depreciation	1,006,751	<u>\$ 187,756</u>	<u>\$ (14,867)</u>	1,179,640
 Total depreciable capital assets, net	 4,679,550			 4,488,788
 Governmental activity capital assets, net	 <u>\$ 5,051,978</u>			 <u>\$ 5,939,871</u>

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

Governmental Activities:	
General government	\$ 19,696
Public safety	78,599
Streets and public works	69,082
Environmental protection	3,019
Cultural and recreational	17,360
Total	<u>\$ 187,756</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Summary of Proprietary Capital Assets

Capital assets for the proprietary funds of the Town at June 30, 2013 are as follows:

	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 126,564	\$ -	\$ -	\$ 126,564
Construction in progress	<u>73,105</u>	<u>432,877</u>	<u>-</u>	<u>505,982</u>
Total non-depreciable capital assets	<u>199,669</u>	<u>432,877</u>	<u>-</u>	<u>632,546</u>
 Depreciable Capital Assets:				
Distribution system	19,029,748	64,500	-	19,094,248
Equipment	341,034	-	-	341,034
Buildings	901,025	52,042	(87,253)	865,814
Vehicles	<u>111,840</u>	<u>23,135</u>	<u>(38,076)</u>	<u>96,899</u>
Total depreciable capital assets	<u>20,383,647</u>	<u>139,677</u>	<u>(125,329)</u>	<u>20,397,995</u>
 Less Accumulated Depreciation:				
Distribution system	4,089,763	369,177	-	4,458,940
Equipment	250,255	4,639	-	254,894
Buildings	760,066	17,333	(62,500)	714,899
Vehicles	<u>110,523</u>	<u>385</u>	<u>(38,076)</u>	<u>72,832</u>
Total accumulated depreciation	<u>5,210,607</u>	<u>\$ 391,534</u>	<u>\$ (100,576)</u>	<u>5,501,565</u>
Total depreciable capital assets	<u>15,173,040</u>			<u>14,896,430</u>
 Water and Sewer Fund				
capital assets, net	<u>\$ 15,372,709</u>			<u>\$ 15,528,976</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2013 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 5,939,871	\$ 15,528,976
Long-term debt	2,074,514	2,707,814
Net investment in capital assets	\$ 3,865,357	\$ 12,821,162

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2013 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 35,642	\$ 13,753	\$ 49,395
Nonmajor funds	13,844	-	13,844
	\$ 49,486	\$ 13,753	\$ 63,239
 Business-Type Activities:			
Water and sewer	\$ 143,347	\$ 11,144	\$ 154,491

Pension Plan Obligations

North Carolina Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the state-wide 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$149,189, \$143,345, and \$112,515, 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.

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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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. 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, 2013 were \$74,032, which consisted of \$58,590 from the Town and \$15,442 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, 2013, 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, 2013

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	\$	23,462
Interest on net OPEB obligation		234
Adjustment to annual required contribution		6,584
Annual OPEB cost (expense)		30,280
Contributions made		-
Increase in net OPEB obligation		30,280
Net OPEB Obligation:		
Beginning of year - July 1		81,520
End of year - June 30	\$	111,800

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

Year Ended	Annual	Percentage of	Net OPEB
June 30	OPEB	Annual OPEB	Obligation
	Cost	Cost Contributed	
2013	\$ 30,280	0.00%	\$ 111,800
2012	27,280	0.00%	81,520
2011	27,194	0.00%	54,240

Funded Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$96,901, all of which was unfunded at June 30, 2013. The covered payroll (annual payroll of active employees covered by the plan) was \$1,157,976, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.37 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, 2013

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. 2010 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, 2013 was 30 years.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. Beneficiaries of those 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. The Town considered these contributions to be immaterial. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Deferred Outflows and Inflows of Resources

The deferred inflows of resources on the fund statements and unearned revenues on the government-wide statements at year-end are composed of the following elements:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes	\$ -	\$ 219
Taxes receivable, net	<u>170,190</u>	<u>-</u>
Total	<u>\$ 170,190</u>	<u>\$ 219</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, 2013

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 town terminated the operating lease as of July 1, 2013. 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 2013.

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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.	\$ 12,338
4.68% note payable in quarterly installments of \$53,285, including interest, with a final payment due December 2023; refinanced June 2013 and reduced interest rate to 2.22% with quarterly payments of \$41,683, plus interest. This note is secured by a project.	1,750,677
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.	28,784
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.	50,004
1.87% note payable in monthly installments of \$4,167, plus interest, with a final payment due August 2014. This note is secured by land.	220,831
Interest free note payable in monthly installments of \$552, with a final payment due November 2017. This note is secured by project.	<u>11,880</u>
Total	<u>\$ 2,074,514</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.	\$ 21,576
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.	1,230,206
2.55% note, payable in annual installments of \$83,699, 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.	669,587
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.	607,842
Interest free note, payable in annual installments of \$75,000, with a final payment due December 2012. This note is secured by equipment.	37,500
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.	100,978
1.91% note, payable in annual installments of \$13,889, including interest, with a final payment due October 2015. This note is secured by the related equipment.	<u>40,125</u>
Total	<u>\$ 2,707,814</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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
2014	\$ 304,477	\$ 43,340	\$ 347,817
2015	231,991	37,533	269,524
2016	216,731	32,840	249,571
2017	216,731	28,204	244,935
2018	187,562	23,567	211,129
2019-2023	833,656	57,933	891,589
2024	83,366	695	84,061
Total governmental funds	<u>\$ 2,074,514</u>	<u>\$ 224,112</u>	<u>\$ 2,298,626</u>

Business-Type Activities

Proprietary Funds:

Year Ending			
June 30	Principal	Interest	Total
2014	\$ 274,502	\$ 60,969	\$ 335,471
2015	215,677	55,868	271,545
2016	215,933	50,926	266,859
2017	202,304	45,980	248,284
2018	202,304	41,293	243,597
2019-2023	844,117	136,176	980,293
2024-2028	593,025	51,040	644,065
2029-2031	159,952	2,552	162,504
Total proprietary funds	<u>\$ 2,707,814</u>	<u>\$ 444,804</u>	<u>\$ 3,152,618</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

A summary of changes in long-term obligations follows:

	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Notes payable	\$ 2,103,698	\$ 267,400	\$ 296,584	\$ 2,074,514	\$ 304,477
OPEB	81,520	30,280	-	111,800	-
Compensated absences	73,426	95,638	79,342	89,722	67,291
Total governmental activities	<u>\$ 2,258,644</u>	<u>\$ 393,318</u>	<u>\$ 375,926</u>	<u>\$ 2,276,036</u>	<u>\$ 371,768</u>
Business-Type Activities:					
Notes payable	\$ 213,058	\$ 40,125	\$ 90,505	\$ 162,678	\$ 40,638
Revolving loan	1,948,705	-	110,656	1,838,049	112,665
NC Clean Water revolving loan	753,286	-	83,699	669,587	83,699
Lowe's loan	112,500	-	75,000	37,500	37,500
Compensated absences	22,778	30,660	24,675	28,763	21,573
Total business-type activities	<u>\$ 3,050,327</u>	<u>\$ 70,785</u>	<u>\$ 384,535</u>	<u>\$ 2,736,577</u>	<u>\$ 296,075</u>

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

At June 30, 2013, the Town had a legal debt margin of \$22,166,523.

Interfund Balances and Activity

Interfund balances at June 30, 2013, consist of the following:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Due To/Due From</u>
ESC Park Project		\$ 42,000
Water and Sewer		8,000
	General Fund	50,000

Note the Town uses a single central depository. Amounts due to the General Fund represent deficit cash balances at year-end.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

3. 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.

4. Change in Accounting Principles/Restatement

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

TOWN OF TROUTMAN, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2013**

Schedule of Funding Progress

Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2013	\$ -	\$ 96,901	\$ 96,901	0.00%	\$ 1,157,976	8.37%
6/30/2010	-	483,032	483,032	0.00%	1,058,899	45.62%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount of ARC Contributed By Employer	Percentage of ARC Contributed
2013	\$ 23,462	\$ -	0.00%
2012	27,046	-	0.00%
2011	27,046	-	0.00%

Notes to the Required Schedules:

The Town's 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, 2013 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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,471,962	\$ 1,451,670	\$ (20,292)	\$ 1,481,103
Penalties and interest	7,500	9,436	1,936	7,510
Total ad valorem taxes	1,479,462	1,461,106	(18,356)	1,488,613
Other Taxes and Licenses:				
Local option sales tax	499,000	537,139	38,139	503,607
Total other taxes and licenses	499,000	537,139	38,139	503,607
Unrestricted Intergovernmental Revenues:				
Franchise tax	121,000	142,373	21,373	121,694
Video programming	24,000	22,596	(1,404)	23,007
Telecommunications	26,000	24,596	(1,404)	26,773
Beer and wine tax	10,800	9,977	(823)	10,602
Total unrestricted intergovernmental revenues	181,800	199,542	17,742	182,443
Restricted Intergovernmental Revenues:				
Powell Bill allocation	74,206	75,946	1,740	73,812
Economic Development Grant	-	-	-	31,343
Recycling Grant	-	-	-	16,980
Total restricted intergovernmental revenues	74,206	75,946	1,740	122,135
Permits and Fees:				
Refuse collection fees	6,000	6,030	30	6,014
Court costs and jail fees	6,500	4,961	(1,539)	6,382
Sub-division review fees	10,000	10,270	270	12,163
Zoning permits	3,350	5,755	2,405	4,335
Recycling collection fees	23,000	23,207	207	23,041
Total sales and services	48,850	50,223	1,373	51,935
Investment Earnings				
	300	952	652	824
Miscellaneous:				
Donations	2,500	1,525	(975)	52
Sale of capital assets	1,000	-	(1,000)	2,520
Other	156,567	153,080	(3,487)	182,456
Total miscellaneous	160,067	154,605	(5,462)	185,028
Total revenues	2,443,685	2,479,513	35,828	2,534,585
Expenditures:				
General Government:				
Governing Board:				
Salaries and employee benefits	69,580	67,520	2,060	65,163
Operating expenses	82,896	83,772	(876)	89,503
Total governing board	152,476	151,292	1,184	154,666

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Administration:				
Salaries and employee benefits	152,884	148,829	4,055	152,243
Operating expenses	109,300	99,501	9,799	148,153
Total administration	262,184	248,330	13,854	300,396
General Insurance	86,300	84,626	1,674	70,460
Planning and Zoning	114,926	108,678	6,248	106,146
Total general government	615,886	592,926	22,960	632,902
Public Safety:				
Law Enforcement:				
Salaries and employee benefits	899,040	890,092	8,948	837,715
Operating expenses	136,700	132,994	3,706	191,503
Total law enforcement	1,035,740	1,023,086	12,654	1,029,218
Total public safety	1,035,740	1,023,086	12,654	1,029,218
Streets and Public Works:				
Street Maintenance:				
Salaries and employee benefits	174,601	168,950	5,651	203,899
Operating expenses	92,150	88,737	3,413	101,168
Total street maintenance	266,751	257,687	9,064	305,067
Sanitation	217,585	212,818	4,767	190,200
Total streets and public works	484,336	470,505	13,831	495,267
Economic Development:				
Operating expenses	15,161	15,161	-	13,820
Capital Outlay:				
Police	27,400	28,233	(833)	24,798
Other	7,900	7,325	575	-
Total capital outlay	35,300	35,558	(258)	24,798
Debt Service:				
Principal retirement	299,508	296,584	2,924	244,729
Interest and fees	89,042	88,975	67	98,860
Total debt service	388,550	385,559	2,991	343,589
Total expenditures	2,574,973	2,522,795	52,178	2,539,594
Revenues over (under) expenditures	(131,288)	(43,282)	88,006	(5,009)

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Long-term debt issued	29,000	17,400	(11,600)	-
Appropriated fund balance	102,288	-	(102,288)	-
Total other financing sources (uses)	131,288	17,400	(113,888)	-
Net change in fund balance	\$ -	(25,882)	\$ (25,882)	(5,009)
Fund Balance:				
Beginning of year - July 1		1,195,944		1,200,953
End of year - June 30		\$ 1,170,062		\$ 1,195,944

TOWN OF TROUTMAN, NORTH CAROLINA

ESC PARK - MAJOR CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
NC PARTF Grant	\$ 500,000	\$ 135,877	\$ 314,123	\$ 450,000
Donations	652,560	94,578	54,042	148,620
Investment income	-	-	55	55
Total revenues	<u>1,152,560</u>	<u>230,455</u>	<u>368,220</u>	<u>598,675</u>
Expenditures:				
Construction and capital spending	<u>1,177,560</u>	<u>296,056</u>	<u>581,855</u>	<u>877,911</u>
Total expenditures	<u>1,177,560</u>	<u>296,056</u>	<u>581,855</u>	<u>877,911</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(65,601)</u>	<u>(213,635)</u>	<u>(279,236)</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	-	250,000	250,000
Transfers from (to) other funds	<u>25,000</u>	<u>25,000</u>	-	<u>25,000</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>250,000</u>	<u>275,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (40,601)</u>	<u>\$ 36,365</u>	<u>\$ (4,236)</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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 1,509,373	\$ 1,501,344	\$ (8,029)	\$ 1,431,638
Other operating revenues	23,500	23,523	23	18,501
Total operating revenues	1,532,873	1,524,867	(8,006)	1,450,139
Non-operating revenues:				
Investment earnings	10	2	(8)	7
Sale of capital assets	17,000	17,254	254	-
Total non-operating revenues	17,010	17,256	246	7
Total revenues	1,549,883	1,542,123	(7,760)	1,450,146
Expenditures:				
Current:				
Salaries and benefits	337,155	328,064	9,091	288,507
Water purchases	300,000	302,721	(2,721)	326,563
Sewer treatment	296,000	294,371	1,629	240,210
Other operating expenses	228,600	240,650	(12,050)	226,264
Capital outlay	75,508	75,177	331	-
Debt service:				
Principal retirement	359,860	359,860	-	394,800
Interest and fees	65,623	65,623	-	72,823
Total expenditures	1,662,746	1,666,466	(3,720)	1,549,167
Revenues over (under) expenditures	(112,863)	(124,343)	(11,480)	(99,021)
Other Financing Sources (Uses):				
Appropriated fund balance	60,000	-	(60,000)	-
Lease purchase proceeds	52,863	40,125	(12,738)	-
Transfer to Capital Projects Fund	-	-	-	(223,267)
Total other financing sources (uses)	112,863	40,125	(72,738)	(223,267)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (84,218)	\$ (84,218)	\$ (322,288)

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2012**

	2013		2012
	Budget	Actual	Actual
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual Basis:			
Revenues over (under) expenditures		\$ (84,218)	
Revenue, Enterprise Capital Project Funds:			
Restricted intergovernmental		318,837	
Other revenues		600,000	
Investment income		12	
Capital asset contributions		64,500	
Capital outlay		75,177	
Long-term debt issued		(40,125)	
Principal retirement		359,860	
Depreciation		<u>(391,534)</u>	
Change in net position		<u>\$ 902,509</u>	

TOWN OF TROUTMAN, NORTH CAROLINA

GOODMAN ROAD SEWER - CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
CDBG Grant	\$ 697,194	\$ 73,105	\$ 318,837	\$ 391,942
Total revenues	<u>697,194</u>	<u>73,105</u>	<u>318,837</u>	<u>391,942</u>
Expenditures:				
Construction and capital spending	<u>697,194</u>	<u>73,105</u>	<u>335,686</u>	<u>408,791</u>
Total expenditures	<u>697,194</u>	<u>73,105</u>	<u>335,686</u>	<u>408,791</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,849)</u>	<u>\$ (16,849)</u>

TOWN OF TROUTMAN, NORTH CAROLINA

MORRISON FARM ROAD WATER AND SEWER - CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Other revenues	\$ 300,000	\$ 18,900	\$ -	\$ 18,900
Total revenues	<u>300,000</u>	<u>18,900</u>	<u>-</u>	<u>18,900</u>
Expenditures:				
Construction and capital spending	300,000	569	-	569
Total expenditures	<u>300,000</u>	<u>569</u>	<u>-</u>	<u>569</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 18,331</u>	<u>\$ -</u>	<u>\$ 18,331</u>

TOWN OF TROUTMAN, NORTH CAROLINA

FALLS COVE SEWER - CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Private contributions	\$ 660,000	\$ -	\$ 600,000	\$ 600,000
Investment income	-	-	12	12
Total revenues	<u>660,000</u>	<u>-</u>	<u>600,012</u>	<u>600,012</u>
Expenditures:				
Construction and capital spending	<u>660,000</u>	<u>-</u>	<u>97,191</u>	<u>97,191</u>
Total expenditures	<u>660,000</u>	<u>-</u>	<u>97,191</u>	<u>97,191</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 502,821</u>	<u>\$ 502,821</u>

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

Year Ended June 30	Uncollected Balance June 1, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2013	\$ -	\$ 1,481,626	\$ 1,429,267	\$ 52,359
2012	46,781	-	(18,949)	65,730
2011	19,794	-	(2,900)	22,694
2010	15,192	-	227	14,965
2009	10,101	-	631	9,470
2008	8,005	-	435	7,570
2007	4,695	-	(1,712)	6,407
2006	3,180	-	(969)	4,149
2005	2,553	-	(449)	3,002
2004	1,735	-	(2,109)	3,844
2003	1,376	-	1,376	-
Total	\$ 113,412	\$ 1,481,626	\$ 1,404,848	190,190
Less: Allowance for uncollectible accounts				<u>(20,000)</u>
Ad valorem taxes receivable, net				<u>\$ 170,190</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes - General Fund				\$ 1,461,106
Reconciling items:				
Penalties and interest collected				(9,436)
Miscellaneous adjustments				(48,198)
Taxes written off				<u>1,376</u>
Total collections and credits				<u>\$ 1,404,848</u>

TOWN OF TROUTMAN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2013

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 327,565,716	\$ 0.44	\$ 1,441,289	\$ 1,390,842	\$ 50,447
Property taxed at prior year's rate	6,811,286	0.43	29,289	-	29,289
Penalties	3,243,909	0.44	14,273	14,273	-
Total	<u>337,620,911</u>		<u>1,484,851</u>	<u>1,405,115</u>	<u>79,736</u>
Discoveries:					
Current year taxes	233,884	0.44	1,029	528	501
Abatements	<u>(989,267)</u>	0.44	<u>(4,254)</u>	<u>(3,222)</u>	<u>(1,032)</u>
Total property valuation	<u>\$ 336,865,528</u>				
Net Levy			1,481,626	1,402,421	79,205
Uncollected taxes at June 30, 2013			<u>(52,359)</u>	<u>(41,033)</u>	<u>(11,326)</u>
Current Year's Taxes Collected			<u>\$ 1,429,267</u>	<u>\$ 1,361,388</u>	<u>\$ 67,879</u>
Current Levy Collection Percentage			<u>96.47%</u>	<u>97.07%</u>	<u>85.70%</u>