

**TOWN OF TROUTMAN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

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

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**TOWN OF TROUTMAN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Mayor:	Elbert Richardson
Town Alderpersons:	Teross Young, Mayor Pro Tem
	Paul Henkel
	Betty Jean Troutman
	Judy Jablonski
	Sally Williams
Town Manager:	Ann Bailie
Finance Director:	Steven H. Shealy

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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, 2014, 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, 2014, 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 October 14, 2014 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
October 14, 2014

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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, 2014. 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

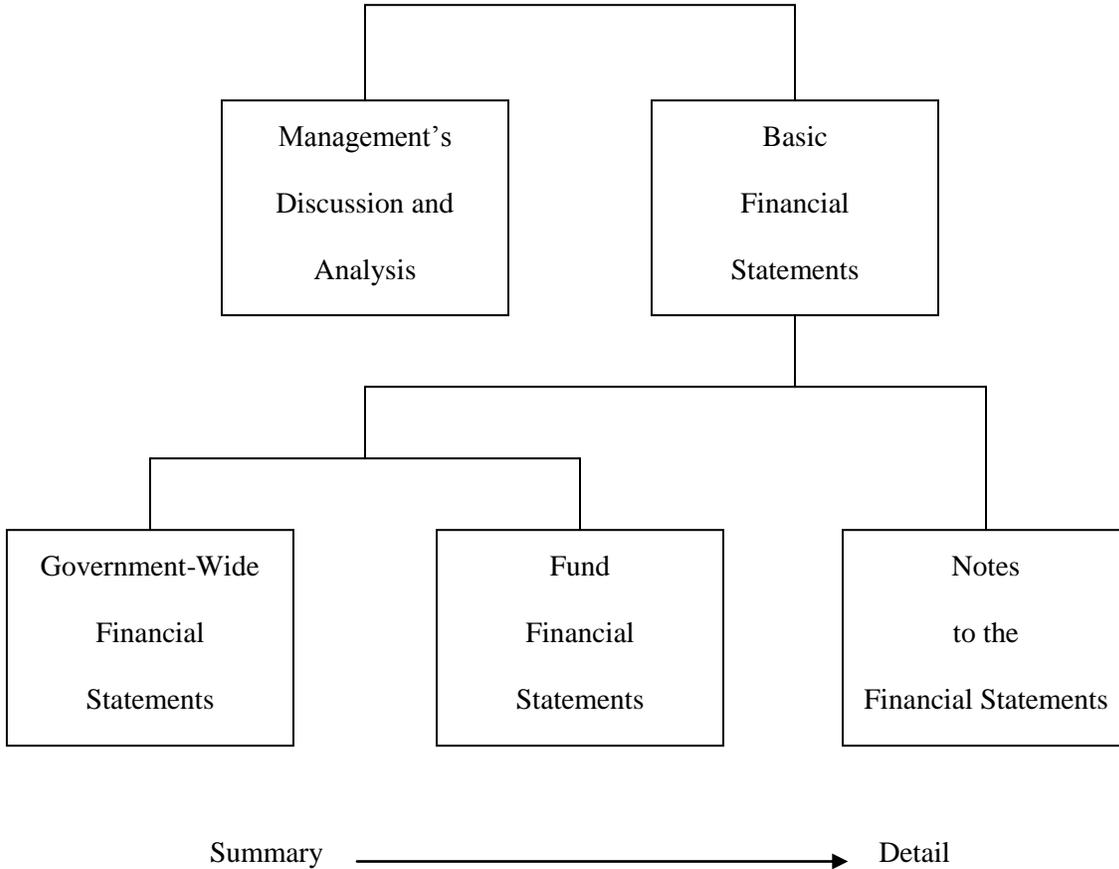
- The assets of the Town of Troutman exceeded its liabilities and deferred inflows at the close of the fiscal year by \$18,430,316 (*net position*).
- The government's total net position increased by \$444,265.
- As of the close of the current fiscal year, the Town of Troutman's governmental funds reported combined ending fund balances of \$1,252,052, an increase of \$86,226 in comparison with the prior year. Approximately 14.7 percent of this total amount, or \$183,789, is restricted and non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,074,626, or 40.6%, 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.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Troutman's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 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>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Assets:						
Current and other assets	\$ 1,399,474	\$ 1,464,119	\$ 446,233	\$ 627,323	\$ 1,845,707	\$ 2,091,442
Capital assets, net	5,939,871	5,943,155	15,528,976	15,254,447	21,468,847	21,197,602
Total assets	<u>7,339,345</u>	<u>7,407,274</u>	<u>15,975,209</u>	<u>15,881,770</u>	<u>23,314,554</u>	<u>23,289,044</u>
Liabilities:						
Current liabilities	435,007	412,437	548,507	513,031	983,514	925,468
Other liabilities	1,904,268	1,706,390	2,440,502	2,226,870	4,344,770	3,933,260
Total liabilities	<u>2,339,275</u>	<u>2,118,827</u>	<u>2,989,009</u>	<u>2,739,901</u>	<u>5,328,284</u>	<u>4,858,728</u>
Deferred Inflows						
of Resources	<u>219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219</u>	<u>-</u>
Total liabilities and deferred inflows	<u>2,339,494</u>	<u>2,118,827</u>	<u>2,989,009</u>	<u>2,739,901</u>	<u>5,328,503</u>	<u>4,858,728</u>
Net Position:						
Net investment in capital assets	3,865,357	4,173,114	12,821,162	12,818,992	16,686,519	16,992,106
Restricted	209,628	155,213	-	-	209,628	155,213
Unrestricted	924,866	960,120	165,038	322,877	1,089,904	1,282,997
Total net position	<u>\$ 4,999,851</u>	<u>\$ 5,288,447</u>	<u>\$ 12,986,200</u>	<u>\$ 13,141,869</u>	<u>\$ 17,986,051</u>	<u>\$ 18,430,316</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 \$18,430,316 as of June 30, 2014. The Town's net position increased by \$444,265 for the fiscal year ended June 30, 2014. However, the largest portion \$16,992,106 (92.2%) 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, \$155,213, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,282,997 is unrestricted.

Town of Troutman's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 50,223	\$ 50,640	\$ 1,524,867	\$ 1,564,650	\$ 1,575,090	\$ 1,615,290
Operating grants and contributions	75,946	76,923	-	-	75,946	76,923
Capital grants and contributions	876,565	123,581	983,337	282,958	1,859,902	406,539
General revenues:						
Property taxes	1,537,884	1,576,703	-	-	1,537,884	1,576,703
Other taxes	537,139	540,769	-	-	537,139	540,769
Unrestricted						
intergovernmental	199,542	207,627	-	-	199,542	207,627
Miscellaneous	154,605	180,106	17,254	-	171,859	180,106
Investment earnings						
unrestricted	1,007	1,009	14	109	1,021	1,118
Total revenues	3,432,911	2,757,358	2,525,472	1,847,717	5,958,383	4,605,075
Expenses:						
General government	744,921	773,981	-	-	744,921	773,981
Public safety	1,066,126	1,077,827	-	-	1,066,126	1,077,827
Streets and public works	539,587	519,517	-	-	539,587	519,517
Recreation	17,360	27,467	-	-	17,360	27,467
Environmental protection	3,019	2,777	-	-	3,019	2,777
Economic and physical development	15,161	16,756	-	-	15,161	16,756
Interest on long-term debt	88,975	50,437	-	-	88,975	50,437
Water and sewer	-	-	1,622,963	1,692,048	1,622,963	1,692,048
Total expenses	2,475,149	2,468,762	1,622,963	1,692,048	4,098,112	4,160,810
Increase (decrease) in net position	957,762	288,596	902,509	155,669	1,860,271	444,265
Net Position:						
Beginning of year - July 1	4,042,089	4,999,851	12,083,691	12,986,200	16,125,780	17,986,051
End of year - June 30	\$ 4,999,851	\$ 5,288,447	\$ 12,986,200	\$ 13,141,869	\$ 17,986,051	\$ 18,430,316

Governmental Activities. Governmental activities increased the Town's net position by \$288,596.

- 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 \$155,669.

- 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 \$1,074,626, while total fund balance reached \$1,248,013. 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 40.6 percent of total General Fund expenditures, while total fund balance represents 47.2 percent of that same amount.

At June 30, 2014, the governmental funds of the Town of Troutman reported a combined fund balance of \$1,252,052, a 7.4% increase over last year. Included in this change in fund balance are an increase in the General Fund of \$77,951 and a net increase in other funds of \$8,275.

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 \$322,877. The change in net position was an increase of \$155,669. 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, 2014 totals \$21,197,602 (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>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	\$ 573,172	\$ 573,172	\$ 126,564	\$ 148,138	\$ 699,736	\$ 721,310
Buildings	1,451,955	1,451,955	901,024	1,078,256	2,352,979	2,530,211
Equipment	258,857	343,217	305,824	309,556	564,681	652,773
Vehicles	569,778	543,549	96,899	118,836	666,677	662,385
Infrastructure	3,431,947	4,388,742	-	-	3,431,947	4,388,742
Water/Sewer distributions system	-	-	19,094,248	19,351,332	19,094,248	19,351,332
Construction in progress	877,911	12,731	505,982	148,805	1,383,893	161,536
Total	7,163,620	7,313,366	21,030,541	21,154,923	28,194,161	28,468,289
Accumulated depreciation	<u>(1,223,749)</u>	<u>(1,370,211)</u>	<u>(5,501,565)</u>	<u>(5,900,476)</u>	<u>(6,725,314)</u>	<u>(7,270,687)</u>
Capital assets, net	<u>\$ 5,939,871</u>	<u>\$ 5,943,155</u>	<u>\$15,528,976</u>	<u>\$15,254,447</u>	<u>\$21,468,847</u>	<u>\$21,197,602</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, 2014, the Town of Troutman had total notes payable outstanding of \$4,205,496, all of which are secured by assets of the Town.

Town of Troutman's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Notes payable	<u>\$ 2,074,514</u>	<u>\$ 1,770,041</u>	<u>\$ 2,707,814</u>	<u>\$ 2,435,455</u>	<u>\$ 4,782,328</u>	<u>\$ 4,205,496</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 \$24,248,853.

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 2014 fiscal year by 5.58%.
- Interest in residential development is increasing as former projects re-activate.

Budget Highlights for the Year Ending June 30, 2015

Governmental Activities. Overall, General Fund revenues are budgeted to be 8% greater than 2014 actual amounts. The paving of Lytton and Patterson streets, along with a 3% salary increase are the major changes.

Business-Type Activities. Overall, water and sewer revenues are budgeted to be approximately 7.16% decreased in 2015. This is attributed to less reliance on developer fees.

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, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 1,176,648	\$ 229,402	\$ 1,406,050
Taxes receivable, net	103,877	-	103,877
Accounts receivable, net	-	288,950	288,950
Due from other governments	145,200	7,467	152,667
Prepaid items	28,576	-	28,576
Cash and investments, restricted	9,818	101,504	111,322
Total current assets	<u>1,464,119</u>	<u>627,323</u>	<u>2,091,442</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	585,903	296,943	882,846
Other capital assets, net of depreciation	<u>5,357,252</u>	<u>14,957,504</u>	<u>20,314,756</u>
Total capital assets	<u>5,943,155</u>	<u>15,254,447</u>	<u>21,197,602</u>
Total assets	<u>7,407,274</u>	<u>15,881,770</u>	<u>23,289,044</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	108,190	174,129	282,319
Liabilities payable from restricted assets:			
Customer deposits	-	101,504	101,504
Current portion of compensated absences	72,252	21,610	93,862
Current portion of long-term debt	<u>231,995</u>	<u>215,788</u>	<u>447,783</u>
Total current liabilities	<u>412,437</u>	<u>513,031</u>	<u>925,468</u>
Long-term liabilities:			
Non-current compensated absences	24,084	7,203	31,287
Non-current portion of long-term obligations	<u>1,682,306</u>	<u>2,219,667</u>	<u>3,901,973</u>
Total liabilities	<u>2,118,827</u>	<u>2,739,901</u>	<u>4,858,728</u>
Total liabilities	<u>2,118,827</u>	<u>2,739,901</u>	<u>4,858,728</u>
Net Position:			
Net investment in capital assets	4,173,114	12,818,992	16,992,106
Restricted for:			
Stabilization by State statute	145,395	-	145,395
Streets	9,818	-	9,818
Unrestricted	<u>960,120</u>	<u>322,877</u>	<u>1,282,997</u>
Total net position	<u>\$ 5,288,447</u>	<u>\$ 13,141,869</u>	<u>\$ 18,430,316</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, 2014**

	<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	\$ 773,981	\$ 5,980	\$ -	\$ -
Public safety	1,077,827	4,424	-	-
Streets and public works	519,517	29,735	76,923	-
Culture and recreation	27,467	-	-	99,883
Environmental protection	2,777	10,501	-	-
Economic and physical development	16,756	-	-	23,698
Interest and fees	<u>50,437</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>2,468,762</u>	<u>50,640</u>	<u>76,923</u>	<u>123,581</u>
Business-Type Activities:				
Water and sewer	<u>1,692,048</u>	<u>1,564,650</u>	<u>-</u>	<u>282,958</u>
Total primary government	<u>\$ 4,160,810</u>	<u>\$ 1,615,290</u>	<u>\$ 76,923</u>	<u>\$ 406,539</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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (768,001)	\$ -	\$ (768,001)
(1,073,403)	-	(1,073,403)
(412,859)	-	(412,859)
72,416	-	72,416
7,724	-	7,724
6,942	-	6,942
(50,437)	-	(50,437)
<u>(2,217,618)</u>	<u>-</u>	<u>(2,217,618)</u>
-	<u>155,560</u>	<u>155,560</u>
<u>(2,217,618)</u>	<u>155,560</u>	<u>(2,062,058)</u>
1,576,703	-	1,576,703
540,769	-	540,769
207,627	-	207,627
180,106	-	180,106
1,009	109	1,118
<u>2,506,214</u>	<u>109</u>	<u>2,506,323</u>
288,596	155,669	444,265
<u>4,999,851</u>	<u>12,986,200</u>	<u>17,986,051</u>
<u>\$ 5,288,447</u>	<u>\$ 13,141,869</u>	<u>\$ 18,430,316</u>

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

TOWN OF TROUTMAN, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Capital Project Funds</u>	<u>Governmental Funds</u>
Assets:			
Cash and investments	\$ 1,166,459	\$ 10,189	\$ 1,176,648
Taxes receivable, net	103,877	-	103,877
Due from other governments	144,616	584	145,200
Due from other funds	195	-	195
Prepaid items	28,576	-	28,576
Cash restricted	9,818	-	9,818
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,453,541</u>	<u>\$ 10,773</u>	<u>\$ 1,464,314</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 101,651	\$ 6,539	\$ 108,190
Due to other funds	-	195	195
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>101,651</u>	<u>6,734</u>	<u>108,385</u>
Deferred Inflows of Resources:			
Property taxes receivable	<u>103,877</u>	<u>-</u>	<u>103,877</u>
Total deferred inflows of resources	<u>103,877</u>	<u>-</u>	<u>103,877</u>
Fund Balances:			
Non-spendable:			
Prepaid items	28,576	-	28,576
Restricted:			
Stabilization by State statute	144,811	584	145,395
Streets	9,818	-	9,818
Committed:			
Cultural and recreational	-	4,950	4,950
Unassigned	1,064,808	(1,495)	1,063,313
	<u>1,248,013</u>	<u>4,039</u>	<u>1,252,052</u>
Total fund balances	<u>1,248,013</u>	<u>4,039</u>	<u>1,252,052</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,453,541</u>	<u>\$ 10,773</u>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
			5,943,155
Long-term liabilities, compensated absences, and OPEB are not due and payable in the current period and, therefore, not reported in the funds.			
			(2,010,637)
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>103,877</u>
Net position of governmental activities			<u>\$ 5,288,447</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, 2014

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Capital Project Funds</u>	<u>Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,643,016	\$ -	\$ 1,643,016
Other taxes and licenses	540,769	-	540,769
Unrestricted intergovernmental	207,627	-	207,627
Restricted intergovernmental	100,621	50,000	150,621
Permits and fees	50,640	-	50,640
Investment earnings	1,002	7	1,009
Donations	-	49,883	49,883
Miscellaneous	180,106	-	180,106
Total revenues	<u>2,723,781</u>	<u>99,890</u>	<u>2,823,671</u>
Expenditures:			
Current:			
General government	647,032	-	647,032
Public safety	1,065,534	-	1,065,534
Streets and public works	463,940	-	463,940
Recreation	11,500	91,615	103,115
Economic and physical development	16,756	-	16,756
Capital outlay	86,158	-	86,158
Debt service:			
Principal retirement	304,473	-	304,473
Interest and fees	50,437	-	50,437
Total expenditures	<u>2,645,830</u>	<u>91,615</u>	<u>2,737,445</u>
Net change in fund balances	77,951	8,275	86,226
Fund Balances:			
Beginning of year - July 1	<u>1,170,062</u>	<u>(4,236)</u>	<u>1,165,826</u>
End of year - June 30	<u>\$ 1,248,013</u>	<u>\$ 4,039</u>	<u>\$ 1,252,052</u>

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

TOWN OF TROUTMAN, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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)	\$ 86,226
Expenses related to compensated absences and OPEB that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(39,074)
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.	175,975
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(172,691)
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>304,473</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ 288,596</u></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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 1,533,757	\$ 1,599,757	\$ 1,643,016	\$ 43,259
Other taxes and licenses	533,000	533,000	540,769	7,769
Unrestricted intergovernmental	198,800	198,800	207,627	8,827
Restricted intergovernmental	75,016	96,486	100,621	4,135
Permits and fees	46,200	46,200	50,640	4,440
Investment earnings	750	750	1,002	252
Miscellaneous	124,799	170,799	180,106	9,307
Total revenues	<u>2,512,322</u>	<u>2,645,792</u>	<u>2,723,781</u>	<u>77,989</u>
Expenditures:				
Current:				
General government	628,799	660,799	647,032	13,767
Public safety	1,047,288	1,068,758	1,065,534	3,224
Streets and public works	465,155	479,155	463,940	15,215
Recreation	36,000	22,000	11,500	10,500
Economic and physical development	20,161	20,161	16,756	3,405
Capital outlay	5,000	85,000	86,158	(1,158)
Debt service:				
Principal retirement	312,549	312,549	304,473	8,076
Interest and fees	42,370	42,370	50,437	(8,067)
Total expenditures	<u>2,557,322</u>	<u>2,690,792</u>	<u>2,645,830</u>	<u>44,962</u>
Revenues over (under) expenditures	<u>(45,000)</u>	<u>(45,000)</u>	<u>77,951</u>	<u>122,951</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
Total other financing sources (uses)	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>77,951</u>	<u>\$ 77,951</u>
Fund Balance:				
Beginning of year - July 1			<u>1,170,062</u>	
End of year - June 30			<u>\$ 1,248,013</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, 2014

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 229,402
Accounts receivable, net	288,950
Intergovernmental taxes receivable	7,467
Restricted cash and investments	<u>101,504</u>
Total current assets	<u>627,323</u>
Non-current assets:	
Capital assets:	
Land, non-depreciable improvements, and construction in progress	296,943
Other capital assets, net of depreciation	<u>14,957,504</u>
Total non-current assets	<u>15,254,447</u>
Total assets	<u>15,881,770</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	174,129
Liabilities payable from restricted assets:	
Customer deposits	101,504
Current portion of accrued compensated absences	21,610
Current portion of notes payable	<u>215,788</u>
Total current liabilities	<u>513,031</u>
Non-current liabilities:	
Non-current compensated absences	7,203
Non-current portion of notes payable	<u>2,219,667</u>
Total non-current liabilities	<u>2,226,870</u>
Total liabilities	<u>2,739,901</u>
Net Position:	
Net investment in capital assets	12,818,992
Unrestricted	<u>322,877</u>
Total net position	<u>\$ 13,141,869</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 YEAR ENDED JUNE 30, 2014

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 1,541,411
Other operating revenues	23,239
Total operating revenues	<u>1,564,650</u>
Operating Expenses:	
Salaries and benefits	339,339
Water purchases	308,569
Sewer treatment	306,024
Other operating expenses	242,835
Depreciation	398,911
Total operating expenses	<u>1,595,678</u>
Operating income (loss)	<u>(31,028)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	109
Interest and fees	(96,370)
Total non-operating revenues (expenses)	<u>(96,261)</u>
Net income (loss) before contributions	(127,289)
Capital contributions	<u>282,958</u>
Change in net position	155,669
Net Position:	
Beginning of year - July 1	<u>12,986,200</u>
End of year - June 30	<u>\$ 13,141,869</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, 2014

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,542,610
Cash paid for goods and services	(837,790)
Cash paid to employees	(339,289)
Customer deposits received	<u>3,563</u>
Net cash provided (used) by operating activities	<u>369,094</u>
 Cash Flows from Non-Capital Financing Activities:	
Due to (from) other funds	<u>9,394</u>
Net cash provided (used) by operating activities	<u>9,394</u>
 Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(124,382)
Capital contributions received	282,958
Principal paid on long-term debt	(272,359)
Interest paid on debt	<u>(96,370)</u>
Net cash provided (used) by capital and related financing activities	<u>(210,153)</u>
 Cash Flows from Investing Activities:	
Interest on investments	<u>109</u>
 (Increase) decrease in cash and cash equivalents	 168,444
 Cash and Cash Equivalents:	
Beginning of year - July 1	<u>162,462</u>
 End of year - June 30	 <u>\$ 330,906</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, 2014**

	<u>Water and Sewer Fund</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	\$ (31,028)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	398,911
(Increase) decrease in accounts receivable	(22,040)
Increase (decrease) in accounts payable and accrued expenses	19,688
Increase (decrease) in customer deposits	<u>3,563</u>
Net cash provided (used) by operating activities	<u>\$ 369,094</u>

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, 2014

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 activities* 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, 2014

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 Funds. 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 two capital project funds: the ESC Park Project and the Greenway Extension Project.

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 Project, Morrison Farm Road Water and Sewer Project, and the Falls Cove Sewer Project.

Major Funds

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

The 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the 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 Fund and Enterprise Fund. 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, 2014

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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Town of Troutman Restricted Cash:

Governmental Activities:

General Fund	
Streets	\$ 9,818
Total governmental activities	<u>9,818</u>

Business-Type Activities:

Water and Sewer Fund	
Customer deposits	<u>101,504</u>
Total business-type activities	<u>101,504</u>

Total restricted cash	<u>\$ 111,322</u>
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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, 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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 Town has one type of the items that meet the criterion for this category – 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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 Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The 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.

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is 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, 2014

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 includes amounts that can be used only for specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Board of Alderpersons is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Cultural and Recreational. The portion of fund balance that the Board of Alderpersons has committed for cultural and recreational capital projects.

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Town of Troutman intends to use for specific purposes. Any changes or removal of specific purpose restrictions requires majority action by the governing body.

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 non-Town 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 1,248,013
Less:	
Prepays	28,576
Stabilization by State statute	<u>144,811</u>
Total available fund balance	<u>\$ 1,074,626</u>

F. 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.

At June 30, 2014, the Town's deposits had a carrying amount of \$1,507,103 and a bank balance of \$1,497,832. Of the bank balance, \$459,451 was covered by federal depository insurance, and \$1,038,381 in interest-bearing deposits was covered by collateral held under the Pooling Method.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Investments

At June 30, 2014, the Town had \$10,269 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, 2014 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ -	\$ 123,877	\$ 144,616	\$ 268,493
Nonmajor and other funds	-	-	584	584
Allowance for doubtful accounts	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Total governmental activities	<u>-</u>	<u>103,877</u>	<u>145,200</u>	<u>249,077</u>
Business-Type Activities:				
Water and sewer	<u>288,950</u>	<u>-</u>	<u>7,467</u>	<u>296,417</u>
Total receivables	<u>\$ 288,950</u>	<u>\$ 103,877</u>	<u>\$ 152,667</u>	<u>\$ 545,494</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 130,521
Governmental sales tax refund	14,679
Business-type sales tax refund	<u>7,467</u>
Total	<u>\$ 152,667</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

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

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Non--Depreciable Capital Assets:				
Land	\$ 573,172	\$ -	\$ -	\$ 573,172
Construction in process - infrastructure	877,911	91,615	(956,795)	12,731
Total non-depreciable capital assets	<u>1,451,083</u>	<u>91,615</u>	<u>(956,795)</u>	<u>585,903</u>
Depreciable Capital Assets:				
Buildings	1,451,955	-	-	1,451,955
Equipment	258,857	84,360	-	343,217
Vehicles	569,778	-	(26,229)	543,549
Infrastructure	3,431,947	956,795	-	4,388,742
Total depreciable capital assets	<u>5,712,537</u>	<u>1,041,155</u>	<u>(26,229)</u>	<u>6,727,463</u>
Less Accumulated Depreciation:				
Buildings	289,380	29,447	-	318,827
Equipment	140,967	39,133	-	180,100
Vehicles	448,586	34,107	(26,229)	456,464
Infrastructure	344,816	70,004	-	414,820
Total accumulated depreciation	<u>1,223,749</u>	<u>\$ 172,691</u>	<u>\$ (26,229)</u>	<u>1,370,211</u>
Total depreciable capital assets, net	<u>4,488,788</u>			<u>5,357,252</u>
Governmental activity capital assets, net	<u>\$ 5,939,871</u>			<u>\$ 5,943,155</u>

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

Governmental Activities:

General government	\$ 18,116
Public safety	72,292
Streets and public works	63,539
Environmental protection	2,777
Cultural and recreational	15,967
Total	<u>\$ 172,691</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Summary of Proprietary Capital Assets

Capital assets for the proprietary funds of the Town at June 30, 2014 are as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 126,564	\$ 21,574	\$ -	\$ 148,138
Construction in progress	505,982	98,713	(455,890)	148,805
Total non-depreciable capital assets	632,546	120,287	(455,890)	296,943
Depreciable Capital Assets:				
Distribution system	19,094,248	257,084	-	19,351,332
Equipment	305,824	3,732	-	309,556
Buildings	901,024	177,232	-	1,078,256
Vehicles	96,899	21,937	-	118,836
Total depreciable capital assets	20,397,995	459,985	-	20,857,980
Less Accumulated Depreciation:				
Distribution system	4,461,574	368,399	-	4,829,973
Equipment	200,289	4,482	-	204,771
Buildings	766,552	18,478	-	785,030
Vehicles	73,150	7,552	-	80,702
Total accumulated depreciation	5,501,565	\$ 398,911	\$ -	5,900,476
Total depreciable capital assets	14,896,430			14,957,504
Water and Sewer Fund capital assets, net	\$ 15,528,976			\$ 15,254,447

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 5,943,155	\$ 15,254,447
Long-term debt	1,770,041	2,435,455
Net investment in capital assets	\$ 4,173,114	\$ 12,818,992

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2014 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 77,510	\$ 24,141	\$ 101,651
Nonmajor funds	6,539	-	6,539
Total	\$ 84,049	\$ 24,141	\$ 108,190
 Business-Type Activities:			
Water and sewer	\$ 163,278	\$ 10,851	\$ 174,129

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, 2014

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 7.22% and 7.28%, 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, 2014, 2013, and 2012 were \$156,637, \$149,189, and \$143,345, 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. At June 30, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Active plan members	<u>25</u>
Total	<u>25</u>

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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The 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, 2014 were \$74,461, which consisted of \$58,977 from the Town and \$15,484 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. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Membership of the plan consisted of the following at June 30, 2014, the date of the latest valuation:

Retirees receiving benefits	-
Active plan members	<u>25</u>
Total	<u><u>25</u></u>

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, 2014, 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.

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	\$ 24,716
Interest on net OPEB obligation	247
Adjustment to annual required contribution	<u>7,497</u>
Annual OPEB cost (expense)	32,460
Contributions made	<u>-</u>
Increase in net OPEB obligation	32,460
Net OPEB Obligation:	
Beginning of year - July 1	<u>111,800</u>
End of year - June 30	<u><u>\$ 144,260</u></u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 32,460	0.00%	\$ 144,260
2013	30,280	0.00%	111,800
2012	27,280	0.00%	81,520
2011	27,194	0.00%	54,240
2010	27,046	0.00%	27,046

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, 2014. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 3.0 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 3.0 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, 2014 was 30 years.

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considered these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

The deferred inflows of resources at year-end are composed of the following elements:

	Unavailable Revenue
Taxes receivable, net	\$ 103,877
Total	<u>\$ 103,877</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.

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.

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Long-Term Obligations

Notes Payable

Governmental Activities:

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.	\$ 1,583,946
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.	10,008
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.	170,831
Interest-free note payable in monthly installments of \$552, with a final payment due November 2017. This note is secured by a project.	<u>5,256</u>
Total	<u>\$ 1,770,041</u>

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Business-Type Activities:

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.	\$ 1,153,319
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.	585,888
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.	574,073
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.	95,062
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>27,113</u>
Total	<u>\$ 2,435,455</u>

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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
2015	\$ 231,995	\$ 37,534	\$ 269,529
2016	216,731	32,840	249,571
2017	216,731	28,204	244,935
2018	187,562	23,567	211,129
2019	166,731	19,068	185,799
2020-2024	<u>750,291</u>	<u>39,559</u>	<u>789,850</u>
Total governmental funds	<u>\$ 1,770,041</u>	<u>\$ 180,772</u>	<u>\$ 1,950,813</u>

Business-Type Activities

Proprietary Funds:

Year Ending June 30	Principal	Interest	Total
2015	\$ 215,788	\$ 55,868	\$ 271,656
2016	215,933	50,926	266,859
2017	202,304	45,980	248,284
2018	202,304	41,293	243,597
2019	202,304	36,607	238,911
2020-2024	760,423	114,881	875,304
2025-2029	593,025	38,280	631,305
2030	<u>43,374</u>	<u>-</u>	<u>43,374</u>
Total proprietary funds	<u>\$ 2,435,455</u>	<u>\$ 383,835</u>	<u>\$ 2,819,290</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

A summary of changes in long-term obligations follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Notes payable	\$ 2,074,514	\$ -	\$ 304,473	\$ 1,770,041	\$ 231,995
OPEB	111,800	32,460	-	144,260	-
Compensated absences	<u>89,722</u>	<u>91,834</u>	<u>85,220</u>	<u>96,336</u>	<u>72,252</u>
Total governmental activities	<u>\$ 2,276,036</u>	<u>\$ 124,294</u>	<u>\$ 389,693</u>	<u>\$ 2,010,637</u>	<u>\$ 304,247</u>
Business-Type Activities:					
Notes payable	\$ 162,678	\$ -	\$ 40,503	\$ 122,175	\$ 19,424
Revolving loan	1,838,049	-	110,657	1,727,392	112,665
NC Clean Water Revolving Loan	669,587	-	83,699	585,888	83,699
Lowes loan	37,500	-	37,500	-	-
Compensated absences	<u>28,763</u>	<u>27,467</u>	<u>27,417</u>	<u>28,813</u>	<u>21,610</u>
Total business-type activities	<u>\$ 2,736,577</u>	<u>\$ 27,467</u>	<u>\$ 299,776</u>	<u>\$ 2,464,268</u>	<u>\$ 237,398</u>

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

At June 30, 2014, the Town had a legal debt margin of \$24,248,853.

Interfund Balances and Activity

Interfund balances at June 30, 2014 consist of the following:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Due To/Due From</u>
Greenway Extension	General Fund	<u>\$ 195</u>

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, 2014

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.

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TOWN OF TROUTMAN, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress

Valuation Date	Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) - Projected Unit Credit (b)					
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
2014	\$ 24,716	\$ -	0.00%
2013	23,462	-	0.00%
2012	27,046	-	0.00%
2011	27,046	-	0.00%
2010	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 100 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 30 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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,592,257	\$ 1,627,820	\$ 35,563	\$ 1,451,670
Penalties and interest	7,500	15,196	7,696	9,436
Total ad valorem taxes	1,599,757	1,643,016	43,259	1,461,106
Other Taxes and Licenses:				
Local option sales tax	533,000	540,769	7,769	537,139
Total other taxes and licenses	533,000	540,769	7,769	537,139
Unrestricted Intergovernmental Revenues:				
Franchise tax	140,000	151,632	11,632	142,373
Video programming	23,000	22,083	(917)	22,596
Telecommunications	25,000	23,068	(1,932)	24,596
Beer and wine tax	10,800	10,844	44	9,977
Total unrestricted intergovernmental revenues	198,800	207,627	8,827	199,542
Restricted Intergovernmental Revenues:				
Powell Bill allocation	75,016	76,923	1,907	75,946
Economic Development Grant	21,470	23,698	2,228	-
Total restricted intergovernmental revenues	96,486	100,621	4,135	75,946
Permits and Fees:				
Refuse collection fees	6,000	6,067	67	6,030
Court costs and jail fees	5,000	4,424	(576)	4,961
Sub-division review fees	8,000	10,501	2,501	10,270
Zoning permits	4,200	5,980	1,780	5,755
Recycling collection fees	23,000	23,668	668	23,207
Total permits and fees	46,200	50,640	4,440	50,223
Investment Earnings				
	750	1,002	252	952
Miscellaneous:				
Donations	1,000	1,297	297	1,525
Other	169,799	178,809	9,010	153,080
Total miscellaneous	170,799	180,106	9,307	154,605
Total revenues	2,645,792	2,723,781	77,989	2,479,513

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Expenditures:				
General Government:				
Governing Board:				
Salaries and employee benefits	17,600	17,167	433	67,520
Operating expenses	71,046	60,277	10,769	83,772
Total governing board	88,646	77,444	11,202	151,292
Administration:				
Salaries and employee benefits	234,650	237,862	(3,212)	148,829
Operating expenses	112,750	108,082	4,668	99,501
Total administration	347,400	345,944	1,456	248,330
Elections	2,000	1,333	667	-
General Insurance	118,000	117,600	400	84,626
Planning and Zoning	104,753	104,711	42	108,678
Total general government	660,799	647,032	13,767	592,926
Public Safety:				
Law Enforcement:				
Salaries and employee benefits	929,538	924,927	4,611	890,092
Operating expenses	139,220	140,607	(1,387)	132,994
Total law enforcement	1,068,758	1,065,534	3,224	1,023,086
Total public safety	1,068,758	1,065,534	3,224	1,023,086
Streets and Public Works:				
Street Maintenance:				
Salaries and employee benefits	180,055	172,229	7,826	168,950
Operating expenses	77,100	69,760	7,340	88,737
Total street maintenance	257,155	241,989	15,166	257,687
Sanitation	222,000	221,951	49	212,818
Total streets and public works	479,155	463,940	15,215	470,505

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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Recreation:				
Operating expenses	22,000	11,500	10,500	-
Economic Development:				
Operating expenses	20,161	16,756	3,405	15,161
Capital Outlay:				
Administration	20,000	18,196	1,804	-
Police	60,000	59,999	1	28,233
Other	5,000	7,963	(2,963)	7,325
Total capital outlay	85,000	86,158	(1,158)	35,558
Debt Service:				
Principal retirement	312,549	304,473	8,076	296,584
Interest and fees	42,370	50,437	(8,067)	88,975
Total debt service	354,919	354,910	9	385,559
Total expenditures	2,690,792	2,645,830	44,962	2,522,795
Revenues over (under) expenditures	(45,000)	77,951	122,951	(43,282)
Other Financing Sources (Uses):				
Long-term debt issued	-	-	-	17,400
Appropriated fund balance	45,000	-	(45,000)	-
Total other financing sources (uses)	45,000	-	(45,000)	17,400
Net change in fund balance	\$ -	77,951	\$ 77,951	(25,882)
Fund Balance:				
Beginning of year - July 1		1,170,062		1,195,944
End of year - June 30		\$ 1,248,013		\$ 1,170,062

TOWN OF TROUTMAN, NORTH CAROLINA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	<u>Capital Project Fund</u>		
	<u>ESC Park</u>	<u>Greenway Extension Project</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 10,189	\$ -	\$ 10,189
Other receivables	584	-	584
Total assets	<u>\$ 10,773</u>	<u>\$ -</u>	<u>\$ 10,773</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	5,239	1,300	6,539
Due to other funds	-	195	195
Total liabilities	<u>5,239</u>	<u>1,495</u>	<u>6,734</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	584	-	584
Committed for cultural and recreational	4,950	-	4,950
Unassigned	-	(1,495)	(1,495)
Total fund balances	<u>5,534</u>	<u>(1,495)</u>	<u>4,039</u>
Total liabilities and fund balances	<u>\$ 10,773</u>	<u>\$ -</u>	<u>\$ 10,773</u>

TOWN OF TROUTMAN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Capital Project Funds</u>		<u>Total</u>
	<u>ESC Park</u>	<u>Greenway Extension Project</u>	
Revenues:			
Restricted intergovernmental	\$ 50,000	\$ -	\$ 50,000
Donations	49,883	-	49,883
Investment income	7	-	7
Total revenues	<u>99,890</u>	<u>-</u>	<u>99,890</u>
Expenditures:			
Cultural and recreation	<u>90,120</u>	<u>1,495</u>	<u>91,615</u>
Total expenditures	<u>90,120</u>	<u>1,495</u>	<u>91,615</u>
Net change in fund balance	9,770	(1,495)	8,275
Fund Balance:			
Beginning of year - July 1	<u>(4,236)</u>	<u>-</u>	<u>(4,236)</u>
End of year - June 30	<u>\$ 5,534</u>	<u>\$ (1,495)</u>	<u>\$ 4,039</u>

TOWN OF TROUTMAN, NORTH CAROLINA

**ESC PARK - NONMAJOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
NC PARTF Grant	\$ 620,126	\$ 450,000	\$ 50,000	\$ 500,000
Donations	652,560	148,620	49,883	198,503
Investment income	-	55	7	62
Total revenues	<u>1,272,686</u>	<u>598,675</u>	<u>99,890</u>	<u>698,565</u>
Expenditures:				
Construction and capital spending	<u>1,297,686</u>	<u>877,911</u>	<u>90,120</u>	<u>968,031</u>
Total expenditures	<u>1,297,686</u>	<u>877,911</u>	<u>90,120</u>	<u>968,031</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(279,236)</u>	<u>9,770</u>	<u>(269,466)</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>275,000</u>	-	<u>275,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (4,236)</u>	<u>\$ 9,770</u>	<u>\$ 5,534</u>

TOWN OF TROUTMAN, NORTH CAROLINA

GREENWAY EXTENSION - CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 120,126	\$ -	\$ -	\$ -
Total revenues	<u>120,126</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Construction and capital spending	120,126	-	1,495	1,495
Total expenditures	<u>120,126</u>	<u>-</u>	<u>1,495</u>	<u>1,495</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,495)</u>	<u>\$ (1,495)</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 1,664,800	\$ 1,541,411	\$ (123,389)	\$ 1,501,344
Other operating revenues	20,740	23,239	2,499	23,523
Total operating revenues	<u>1,685,540</u>	<u>1,564,650</u>	<u>(120,890)</u>	<u>1,524,867</u>
Non-operating revenues:				
Investment earnings	5	1	(4)	2
Sale of capital assets	-	-	-	17,254
Total non-operating revenues	<u>5</u>	<u>1</u>	<u>(4)</u>	<u>17,256</u>
Total revenues	<u>1,685,545</u>	<u>1,564,651</u>	<u>(120,894)</u>	<u>1,542,123</u>
Expenditures:				
Current:				
Salaries and benefits	345,873	339,339	6,534	328,064
Water purchases	310,000	308,569	1,431	302,721
Sewer treatment	305,441	306,024	(583)	294,371
Other operating expenses	239,070	242,835	(3,765)	240,650
Capital outlay	105,559	25,669	79,890	75,177
Debt service:				
Principal retirement	273,231	272,359	872	359,860
Interest and fees	96,371	96,370	1	65,623
Total expenditures	<u>1,675,545</u>	<u>1,591,165</u>	<u>84,380</u>	<u>1,666,466</u>
Revenues over (under) expenditures	<u>10,000</u>	<u>(26,514)</u>	<u>(36,514)</u>	<u>(124,343)</u>
Other Financing Sources (Uses):				
Lease purchase proceeds	-	-	-	40,125
Transfer to Enterprise Fund Capital Projects	(10,000)	-	10,000	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>40,125</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (26,514)</u>	<u>\$ (26,514)</u>	<u>\$ (84,218)</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	2014		2013
	Budget	Actual	Actual
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under)			
expenditures and other financing uses		\$ (26,514)	
Revenue, Enterprise Capital Project Funds:			
Restricted intergovernmental		63,948	
Other revenues		219,010	
Investment income		108	
Capital outlay		25,669	
Principal retirement		272,359	
Depreciation		<u>(398,911)</u>	
Change in net position		<u>\$ 155,669</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, 2014**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
CDBG Grant	\$ 697,194	\$ 391,942	\$ 63,948	\$ 455,890
Total revenues	<u>697,194</u>	<u>391,942</u>	<u>63,948</u>	<u>455,890</u>
Expenditures:				
Construction and capital spending	697,194	408,791	47,099	455,890
Total expenditures	<u>697,194</u>	<u>408,791</u>	<u>47,099</u>	<u>455,890</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (16,849)</u>	<u>\$ 16,849</u>	<u>\$ -</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, 2014

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Private contributions	\$ 300,000	\$ 18,900	\$ 219,010	\$ 237,910
Total revenues	<u>300,000</u>	<u>18,900</u>	<u>219,010</u>	<u>237,910</u>
Expenditures:				
Construction and capital spending	300,000	569	13,188	13,757
Total expenditures	<u>300,000</u>	<u>569</u>	<u>13,188</u>	<u>13,757</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 18,331</u>	<u>\$ 205,822</u>	<u>\$ 224,153</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, 2014

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Private contributions	\$ 660,000	\$ 600,000	\$ -	\$ 600,000
Investment income	-	12	108	120
Total revenues	<u>660,000</u>	<u>600,012</u>	<u>108</u>	<u>600,120</u>
Expenditures:				
Construction and capital spending	<u>660,000</u>	<u>97,191</u>	<u>37,857</u>	<u>135,048</u>
Total expenditures	<u>660,000</u>	<u>97,191</u>	<u>37,857</u>	<u>135,048</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 502,821</u>	<u>\$ (37,749)</u>	<u>\$ 465,072</u>

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2014	\$ -	\$ 1,564,273	\$ 1,558,157	\$ 6,116
2013	52,359	-	(5,053)	57,412
2012	65,730	-	50,451	15,279
2011	22,694	-	10,960	11,734
2010	14,965	-	5,062	9,903
2009	9,470	-	2,639	6,831
2008	7,570	-	2,401	5,169
2007	6,407	-	1,461	4,946
2006	4,149	-	331	3,818
2005	3,002	-	333	2,669
2004	3,844	-	3,844	-
Total	<u>\$ 190,190</u>	<u>\$ 1,564,273</u>	<u>\$ 1,630,586</u>	<u>123,877</u>

Plus: Uncollected 2007-2008 ad valorem taxes receivable
on annually registered vehicles

Less: Allowance for uncollectible accounts (20,000)

Ad valorem taxes receivable, net \$ 103,877

Reconciliation of Collections and Credits with Revenues:

Ad valorem taxes - General Fund	\$ 1,643,016
Reconciling items:	
Penalties and interest collected	(15,196)
Miscellaneous adjustments	(1,078)
Taxes written off	<u>3,844</u>
Total collections and credits	<u>\$ 1,630,586</u>

TOWN OF TROUTMAN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Total Levy</u>	
				<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 337,458,414	\$ 0.44	\$ 1,484,817	\$ 1,457,873	\$ 26,944
Property taxed at prior year's rate	8,041,770	0.44	34,580	-	34,580
Penalties	140,761	0.44	619	619	-
Total	<u>345,640,945</u>		<u>1,520,016</u>	<u>1,458,492</u>	<u>61,524</u>
Discoveries:					
Current year taxes	10,916,455	0.44	48,032	47,221	811
Abatements	<u>(878,033)</u>	0.44	<u>(3,775)</u>	<u>(2,833)</u>	<u>(942)</u>
Total property valuation	<u>\$ 355,679,367</u>				
Net Levy			1,564,273	1,502,880	61,393
Uncollected taxes at June 30, 2014			<u>(6,116)</u>	<u>(943)</u>	<u>(5,173)</u>
Current Year's Taxes Collected			<u>\$ 1,558,157</u>	<u>\$ 1,501,937</u>	<u>\$ 56,220</u>
Current Levy Collection Percentage			<u>99.61%</u>	<u>99.94%</u>	<u>91.57%</u>

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Troutman, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 14, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We considered the deficiency 2014-001, described in the accompanying Schedule of Findings and Responses, to be a material weakness.

Compliance and Other Matters

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

Town of Troutman's Response to Finding

The Town of Troutman's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Responses. The Town of Troutman's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 14, 2014

TOWN OF TROUTMAN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements

Finding 2014-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and Governmental Accounting Standards Board requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure financial statements.

Context: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. In addition, the auditor prepared material adjustments to convert to full accrual basis of accounting.

Effect: Errors in financial reporting could occur.

Cause: There are limited Town resources as it relates to the preparation of full accrual, full disclosure year-end financial statements.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the Town should exercise due care in reviewing the adjustments and the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

Name of Contact Person: Steven Shealy, Finance Director

Corrective Action: Management is aware of the weakness, but due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements.

TOWN OF TROUTMAN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding 2013-001 was repeated as 2014-001.

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