

**TOWN OF TROUTMAN  
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

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



**TOWN OF TROUTMAN  
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

<b>Mayor:</b>	Ronald N. Wyatt
<b>Town Council:</b>	Teross Young, Mayor Pro Tem
	Paul Henkel
	James Troutman
	Judy Jablonski
	Sally Williams
<b>Town Manager:</b>	David Treme, Interim
<b>Finance Director:</b>	Steven H. Shealy



**TOWN OF TROUTMAN, NORTH CAROLINA  
 BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016**

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

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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, 2016, 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, 2016, 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, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and 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.

#### ***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 combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other 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 combining and individual fund financial statements, budgetary schedules, and other schedules are 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 September 23, 2016 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

September 23, 2016

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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, 2016. 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

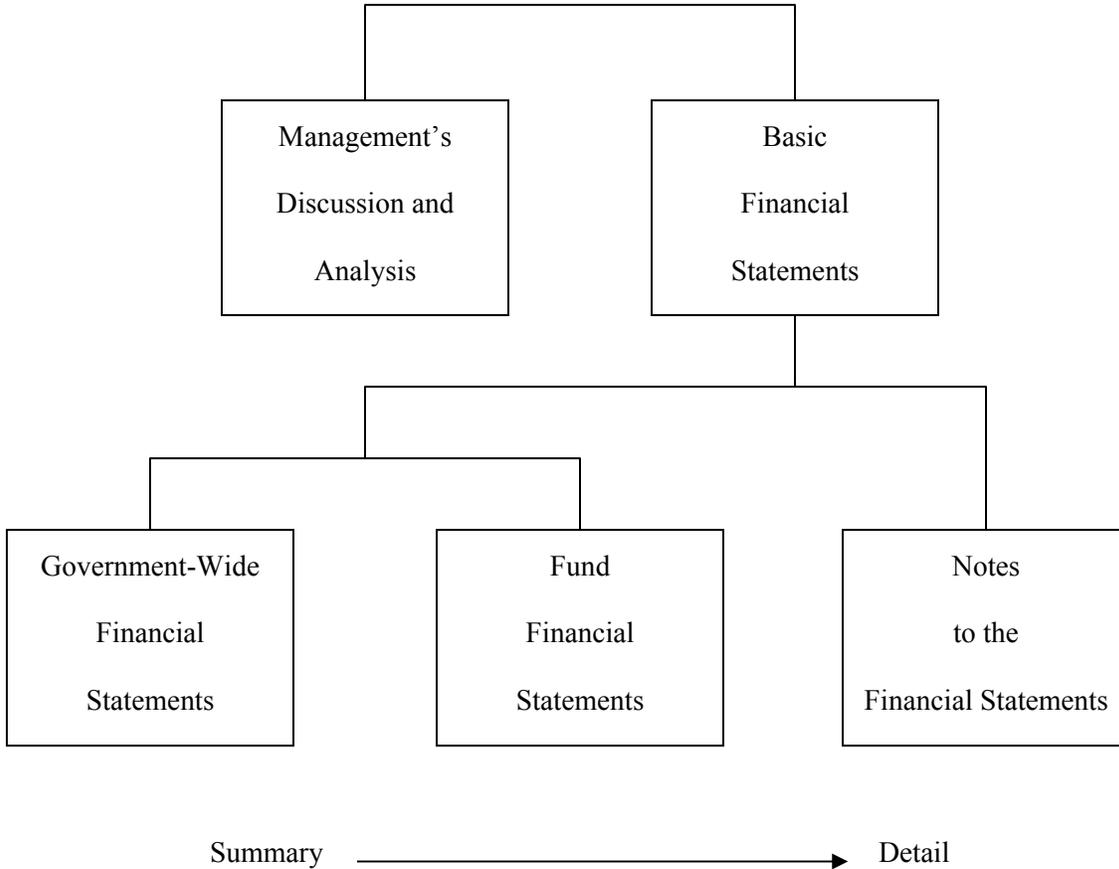
- The assets and deferred outflows of resources of the Town of Troutman exceeded its liabilities and deferred inflows at the close of the fiscal year by \$18,098,388 (*net position*).
- The government's total net position decreased by \$529,839.
- As of the close of the current fiscal year, the Town of Troutman's governmental funds reported combined ending fund balances of \$1,297,556, an increase of \$27,243 in comparison with the prior year. Approximately 29.9% of this total amount, or \$387,778, is restricted and non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$904,692, or 30.25%, of total General Fund expenditures for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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 53 of this report.

**Interdependence with Other Entities.** The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## 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>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
<b>Assets:</b>						
Current and other assets	\$ 1,487,725	\$ 1,720,572	\$ 829,254	\$ 442,444	\$ 2,316,979	\$ 2,163,016
Capital assets, net	<u>6,186,095</u>	<u>6,184,953</u>	<u>15,926,510</u>	<u>16,273,999</u>	<u>22,112,605</u>	<u>22,458,952</u>
Total assets	<u>7,673,820</u>	<u>7,905,525</u>	<u>16,755,764</u>	<u>16,716,443</u>	<u>24,429,584</u>	<u>24,621,968</u>
<b>Deferred Outflows of Resources</b>						
	<u>71,231</u>	<u>68,294</u>	<u>16,708</u>	<u>16,019</u>	<u>87,939</u>	<u>84,313</u>
<b>Liabilities:</b>						
Current liabilities	375,067	790,549	468,130	481,508	843,197	1,272,057
Other liabilities	<u>2,013,745</u>	<u>2,801,114</u>	<u>2,681,860</u>	<u>2,465,084</u>	<u>4,695,605</u>	<u>5,266,198</u>
Total liabilities	<u>2,388,812</u>	<u>3,591,663</u>	<u>3,149,990</u>	<u>2,946,592</u>	<u>5,538,802</u>	<u>6,538,255</u>
<b>Deferred Inflows of Resources</b>						
	<u>284,519</u>	<u>56,407</u>	<u>65,975</u>	<u>13,231</u>	<u>350,494</u>	<u>69,638</u>
Total liabilities and deferred inflows	<u>2,673,331</u>	<u>3,648,070</u>	<u>3,215,965</u>	<u>2,959,823</u>	<u>5,889,296</u>	<u>6,607,893</u>
<b>Net Position:</b>						
Net investment in capital assets	4,576,369	3,791,548	13,001,391	13,597,977	17,577,760	17,389,525
Restricted	279,743	376,867	-	-	279,743	376,867
Unrestricted	<u>215,608</u>	<u>157,334</u>	<u>555,116</u>	<u>174,662</u>	<u>770,724</u>	<u>331,996</u>
Total net position	<u>\$ 5,071,720</u>	<u>\$ 4,325,749</u>	<u>\$ 13,556,507</u>	<u>\$ 13,772,639</u>	<u>\$ 18,628,227</u>	<u>\$ 18,098,388</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Troutman exceeded liabilities and deferred inflows by \$18,098,388 as of June 30, 2016. The Town's net position decreased by \$529,839 for the fiscal year ended June 30, 2016. However, the largest portion \$17,389,525 (96%) 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, \$376,867, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$331,996 is unrestricted.

## Town of Troutman's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 54,554	\$ 46,617	\$ 1,974,607	\$ 2,022,259	\$ 2,029,161	\$ 2,068,876
Operating grants and contributions	97,654	88,460	-	-	97,654	88,460
Capital grants and contributions	186,279	77,776	220,000	-	406,279	77,776
General revenues:						
Property taxes	1,698,665	1,747,395	-	-	1,698,665	1,747,395
Other taxes	600,737	649,982	-	-	600,737	649,982
Unrestricted						
intergovernmental	254,542	278,225	-	-	254,542	278,225
Miscellaneous	135,229	166,493	(94,388)	10,325	40,841	176,818
Investment earnings unrestricted	1,115	3,093	42	45	1,157	3,138
Total revenues	3,028,775	3,058,041	2,100,261	2,032,629	5,129,036	5,090,670
<b>Expenses:</b>						
General government	837,683	744,607	-	-	837,683	744,607
Public safety	1,059,171	1,148,064	-	-	1,059,171	1,148,064
Streets and public works	593,167	573,140	-	-	593,167	573,140
Recreation	42,401	1,276,890	-	-	42,401	1,276,890
Environmental protection	3,647	4,095	-	-	3,647	4,095
Economic and physical development	66,387	24,453	-	-	66,387	24,453
Interest on long-term debt	37,960	32,763	-	-	37,960	32,763
Water and sewer	-	-	1,646,524	1,816,497	1,646,524	1,816,497
Total expenses	2,640,416	3,804,012	1,646,524	1,816,497	4,286,940	5,620,509
Increase (decrease) in net position	388,359	(745,971)	453,737	216,132	842,096	(529,839)
<b>Net Position:</b>						
Net position, July 1 as previously reported	5,288,447	5,071,720	13,141,869	13,556,507	18,430,316	18,628,227
Restatement	(605,086)	-	(39,099)	-	(644,185)	-
Net position, July 1 restated	4,683,361	5,071,720	13,102,770	13,556,507	17,786,131	18,628,227
Net position, June 30	\$ 5,071,720	\$ 4,325,749	\$ 13,556,507	\$ 13,772,639	\$ 18,628,227	\$ 18,098,388

**Governmental Activities.** Governmental activities decreased the Town's net position by \$745,971.

- Increase in admin costs due to separation costs of Town Manager
- Increase in debt service due to street repaving project.
- Decrease in capital expenditure due to no police vehicles being purchased.
- Increase in recreation as parks and greenways expand.

**Business-Type Activities.** Business-type activities increased the Town's net position by \$216,132.

- Growth in customer base and improved efficiency continue to stabilize the utility system's financial 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 \$904,692, while total fund balance reached \$1,280,801. 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 30.25% of total General Fund expenditures, while total fund balance represents 42.83% of that same amount.

At June 30, 2016, the governmental funds of the Town of Troutman reported a combined fund balance of \$1,297,556, a 2.14% increase over last year. Included in this change in fund balance is a decrease in the General Fund of \$27,420 and a net increase in other funds of \$54,663.

**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 the property tax base is building, sales tax continues to improve, and the electric sales tax was significantly more than the electric utility tax.

**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 \$174,662. The change in net position was an increase of \$216,132. 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, 2016 totals \$22,458,952 (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:

South Iredell High School Greenway  
 Greenway Extension Project  
 Lytton/Patterson/Starks Street Paving Project  
 Weathers Creek Sewer Project

### Town of Troutman’s Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Land	\$ 573,172	\$ 573,172	\$ 148,138	\$ 148,138	\$ 721,310	\$ 721,310
Buildings	1,451,955	1,451,955	1,074,806	1,127,454	2,526,761	2,579,409
Equipment	366,041	447,289	309,556	309,556	675,597	756,845
Vehicles	646,034	586,868	146,836	176,467	792,870	763,335
Infrastructure	4,388,742	4,555,725	-	-	4,388,742	4,555,725
Water/Sewer distributions system	-	-	19,581,332	20,468,669	19,581,332	20,468,669
Construction in progress	349,709	354,996	978,396	694,739	1,328,105	1,049,735
Total	7,775,653	7,970,005	22,239,064	22,925,023	30,014,717	30,895,028
Accumulated depreciation	(1,589,558)	(1,785,052)	(6,312,554)	(6,651,024)	(7,902,112)	(8,436,076)
Capital assets, net	<u>\$ 6,186,095</u>	<u>\$ 6,184,953</u>	<u>\$ 15,926,510</u>	<u>\$ 16,273,999</u>	<u>\$ 22,112,605</u>	<u>\$ 22,458,952</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, 2016, the Town of Troutman had total notes payable outstanding of \$5,069,427, 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>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Notes payable	\$ 1,609,726	\$ 2,393,405	\$ 2,925,119	\$ 2,676,022	\$ 4,534,845	\$ 5,069,427

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 approximately \$25,000,000.

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 is seeing the effects of long-planned growth.
- Sales tax revenues increased 8.2%.
- The eminent opening of the Iredell Charter School should spur interest in the Exit 42 area.

**Budget Highlights for the Year Ending June 30, 2017**

**Governmental Activities.** Overall, General Fund revenues include a five-cent tax increase to strengthen the fund balance and begin capital reserve accounts for future needs.

**Business-Type Activities.** Overall, water and sewer revenues reflect a slight rate decrease as growth and efficiency have strengthened the financial position of the system.

**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, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 1,359,870	\$ -	\$ 1,359,870
Taxes receivable, net	77,924	-	77,924
Accounts receivable, net	-	324,154	324,154
Internal balance	29,794	(29,794)	-
Due from other governments	236,522	30,485	267,007
Prepaid items	10,911	-	10,911
Cash and investments, restricted	5,551	117,599	123,150
Total current assets	<u>1,720,572</u>	<u>442,444</u>	<u>2,163,016</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	928,168	842,877	1,771,045
Other capital assets, net of depreciation	5,256,785	15,431,122	20,687,907
Total capital assets	<u>6,184,953</u>	<u>16,273,999</u>	<u>22,458,952</u>
Total assets	<u>7,905,525</u>	<u>16,716,443</u>	<u>24,621,968</u>
<b>Deferred Outflows of Resources:</b>			
Contributions to pension plan in current fiscal year	68,294	16,019	84,313
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	345,092	108,265	453,357
Liabilities payable from restricted assets:			
Customer deposits	-	117,599	117,599
Current portion of compensated absences	71,944	18,168	90,112
Current portion of long-term debt	373,513	237,476	610,989
Total current liabilities	<u>790,549</u>	<u>481,508</u>	<u>1,272,057</u>
Long-term liabilities:			
Non-current net pension liability	87,318	20,482	107,800
Non-current compensated absences	23,981	6,056	30,037
Non-current portion of long-term obligations	2,689,815	2,438,546	5,128,361
Total liabilities	<u>3,591,663</u>	<u>2,946,592</u>	<u>6,538,255</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	56,407	13,231	69,638
Total deferred inflows of resources	<u>56,407</u>	<u>13,231</u>	<u>69,638</u>
Total liabilities	<u>3,648,070</u>	<u>2,959,823</u>	<u>6,607,893</u>
<b>Net Position:</b>			
Net investment in capital assets	3,791,548	13,597,977	17,389,525
Restricted for:			
Stabilization by State statute	371,316	-	371,316
Streets	5,551	-	5,551
Unrestricted	157,334	174,662	331,996
Total net position	<u>\$ 4,325,749</u>	<u>\$ 13,772,639</u>	<u>\$ 18,098,388</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, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 744,607	\$ 10,005	\$ -	\$ -
Public safety	1,148,064	2,477	-	-
Streets and public works	573,140	27,470	88,460	-
Culture and recreation	1,276,890	-	-	77,776
Environmental protection	4,095	6,665	-	-
Economic and physical development	24,453	-	-	-
Interest and fees	32,763	-	-	-
Total governmental activities	<u>3,804,012</u>	<u>46,617</u>	<u>88,460</u>	<u>77,776</u>
<b>Business-Type Activities:</b>				
Water and sewer	<u>1,816,497</u>	<u>2,022,259</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,620,509</u>	<u>\$ 2,068,876</u>	<u>\$ 88,460</u>	<u>\$ 77,776</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, 2016

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (734,602)	\$ -	\$ (734,602)
Public safety	(1,145,587)	-	(1,145,587)
Streets and public works	(457,210)	-	(457,210)
Culture and recreation	(1,199,114)	-	(1,199,114)
Environmental protection	2,570	-	2,570
Economic and physical development	(24,453)	-	(24,453)
Interest and fees	(32,763)	-	(32,763)
Total governmental activities	<u>(3,591,159)</u>	<u>-</u>	<u>(3,591,159)</u>
<b>Business-Type Activities:</b>			
Water and sewer	<u>-</u>	<u>205,762</u>	<u>205,762</u>
Total primary government	<u>(3,591,159)</u>	<u>205,762</u>	<u>(3,385,397)</u>
<b>General Revenues:</b>			
Ad valorem taxes	1,747,395	-	1,747,395
Local option sales taxes	649,982	-	649,982
Unrestricted intergovernmental	278,225	-	278,225
Miscellaneous	166,493	10,325	176,818
Investment earnings	3,093	45	3,138
Total general revenues	<u>2,845,188</u>	<u>10,370</u>	<u>2,855,558</u>
Change in net position	(745,971)	216,132	(529,839)
<b>Net Position:</b>			
Beginning of year - July 1	<u>5,071,720</u>	<u>13,556,507</u>	<u>18,628,227</u>
End of year - June 30	<u>\$ 4,325,749</u>	<u>\$ 13,772,639</u>	<u>\$ 18,098,388</u>

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

## TOWN OF TROUTMAN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>Major</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Inglewood Capital Project Fund</u>	<u>Capital Project Funds</u>	<u>Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 951,626	\$ 323,670	\$ 84,574	\$ 1,359,870
Taxes receivable, net	77,924	-	-	77,924
Due from other governments	230,404	4,736	1,382	236,522
Due from other funds	134,794	-	-	134,794
Prepaid items	10,911	-	-	10,911
Cash restricted	5,551	-	-	5,551
Total assets	<u>\$ 1,411,210</u>	<u>\$ 328,406</u>	<u>\$ 85,956</u>	<u>\$ 1,825,572</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 52,485	\$ 212,949	\$ 79,658	\$ 345,092
Due to other funds	-	-	105,000	105,000
Total liabilities	<u>52,485</u>	<u>212,949</u>	<u>184,658</u>	<u>450,092</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	77,924	-	-	77,924
Total deferred inflows of resources	<u>77,924</u>	<u>-</u>	<u>-</u>	<u>77,924</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepaid items	10,911	-	-	10,911
Restricted:				
Stabilization by State statute	365,198	4,736	1,382	371,316
Streets	5,551	-	-	5,551
Committed:				
Cultural and recreational	-	110,721	66,489	177,210
Unassigned	899,141	-	(166,573)	732,568
Total fund balances	<u>1,280,801</u>	<u>115,457</u>	<u>(98,702)</u>	<u>1,297,556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,411,210</u>	<u>\$ 328,406</u>	<u>\$ 85,956</u>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				6,184,953
Long-term liabilities, LEO, compensated absences, and OPEB are not due and payable in the current period and, therefore, not reported in the funds.				(3,159,253)
Net pension liability				(87,318)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.				68,294
Pension related deferrals				(56,407)
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>77,924</u>
Net position of governmental activities				<u>\$ 4,325,749</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, 2016

	Major		Nonmajor	Total
	General	Inglewood Capital Project Fund	Capital Project Funds	Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,730,378	\$ -	\$ -	\$ 1,730,378
Other taxes and licenses	649,982	-	-	649,982
Unrestricted intergovernmental	278,225	-	-	278,225
Restricted intergovernmental	88,460	-	-	88,460
Permits and fees	46,617	-	-	46,617
Investment earnings	2,853	240	-	3,093
Donations	-	-	77,776	77,776
Miscellaneous	166,493	-	-	166,493
Total revenues	<u>2,963,008</u>	<u>240</u>	<u>77,776</u>	<u>3,041,024</u>
<b>Expenditures:</b>				
Current:				
General government	808,708	-	-	808,708
Public safety	1,093,564	-	-	1,093,564
Streets and public works	483,557	-	-	483,557
Cultural and recreation	31,516	988,783	238,570	1,258,869
Economic and physical development	24,453	-	-	24,453
Capital outlay	95,546	-	-	95,546
Debt service:				
Principal retirement	320,321	-	-	320,321
Interest and fees	<u>32,763</u>	<u>-</u>	<u>-</u>	<u>32,763</u>
Total expenditures	<u>2,890,428</u>	<u>988,783</u>	<u>238,570</u>	<u>4,117,781</u>
Revenues over (under) expenditures	<u>72,580</u>	<u>(988,543)</u>	<u>(160,794)</u>	<u>(1,076,757)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	(100,000)	-	100,000	-
Long-term debt issued	<u>-</u>	<u>1,104,000</u>	<u>-</u>	<u>1,104,000</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>1,104,000</u>	<u>100,000</u>	<u>1,104,000</u>
Net change in fund balances	(27,420)	115,457	(60,794)	27,243
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>1,308,221</u>	<u>-</u>	<u>(37,908)</u>	<u>1,270,313</u>
End of year - June 30	<u>\$ 1,280,801</u>	<u>\$ 115,457</u>	<u>\$ (98,702)</u>	<u>\$ 1,297,556</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, 2016

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)	\$ 27,243
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	17,017
Deferred outflows of resources related to the pension plan in the current fiscal year are not included on the Statement of Activities.	(2,937)
Pension expense	26,951
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,104,000)
Expenses related to compensated absences, LEO and OPEB that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(29,424)
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.	253,518
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(254,660)
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>320,321</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (745,971)</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,707,364	\$ 1,726,364	\$ 1,730,378	\$ 4,014
Other taxes and licenses	594,000	594,000	649,982	55,982
Unrestricted intergovernmental	233,500	233,500	278,225	44,725
Restricted intergovernmental	178,000	178,000	88,460	(89,540)
Permits and fees	45,200	45,200	46,617	1,417
Investment earnings	800	800	2,853	2,053
Miscellaneous	117,890	154,543	166,493	11,950
Total revenues	<u>2,876,754</u>	<u>2,932,407</u>	<u>2,963,008</u>	<u>30,601</u>
<b>Expenditures:</b>				
Current:				
General government	821,439	934,362	808,708	125,654
Public safety	1,119,748	1,114,203	1,093,564	20,639
Streets and public works	492,557	529,107	483,557	45,550
Recreation	26,700	38,700	31,516	7,184
Economic and physical development	28,214	25,514	24,453	1,061
Capital outlay	44,609	96,997	95,546	1,451
Debt service:				
Principal retirement	341,882	341,882	320,321	21,561
Interest and fees	<u>31,605</u>	<u>31,605</u>	<u>32,763</u>	<u>(1,158)</u>
Total expenditures	<u>2,906,754</u>	<u>3,112,370</u>	<u>2,890,428</u>	<u>221,942</u>
Revenues over (under) expenditures	<u>(30,000)</u>	<u>(179,963)</u>	<u>72,580</u>	<u>252,543</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	-	(100,000)	(100,000)	-
Appropriated fund balance	<u>30,000</u>	<u>279,963</u>	<u>-</u>	<u>(279,963)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>179,963</u>	<u>(100,000)</u>	<u>(279,963)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(27,420)</u>	<u>\$ (27,420)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>1,308,221</u>	
End of year - June 30			<u>\$ 1,280,801</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, 2016

	<u>Water and Sewer Fund</u>
<b>Assets:</b>	
Current assets:	
Accounts receivable, net	\$ 324,154
Intergovernmental taxes receivable	30,485
Restricted cash and investments	<u>117,599</u>
Total current assets	<u>472,238</u>
Non-current assets:	
Capital assets:	
Land, non-depreciable improvements, and construction in progress	842,877
Other capital assets, net of depreciation	<u>15,431,122</u>
Total non-current assets	<u>16,273,999</u>
Total assets	<u>16,746,237</u>
<b>Deferred Outflows of Resources:</b>	
Contributions to pension plan in current fiscal year	<u>16,019</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued expenses	108,265
Liabilities payable from restricted assets:	
Customer deposits	117,599
Due to other funds	29,794
Current portion of accrued compensated absences	18,168
Current portion of notes payable	<u>237,476</u>
Total current liabilities	<u>511,302</u>
Non-current liabilities:	
Net pension liability	20,482
Non-current compensated absences	6,056
Non-current portion of notes payable	<u>2,438,546</u>
Total non-current liabilities	<u>2,465,084</u>
Total liabilities	<u>2,976,386</u>
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	<u>13,231</u>
<b>Net Position:</b>	
Net investment in capital assets	13,597,977
Unrestricted	<u>174,662</u>
Total net position	<u>\$ 13,772,639</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, 2016

	<u>Water and Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 2,000,603
Other operating revenues	21,656
Total operating revenues	<u>2,022,259</u>
<b>Operating Expenses:</b>	
Salaries and benefits	319,893
Water purchases	315,956
Sewer treatment	327,163
Other operating expenses	371,877
Depreciation	432,800
Total operating expenses	<u>1,767,689</u>
Operating income (loss)	<u>254,570</u>
<b>Non-Operating Revenues (Expenses):</b>	
Investment earnings	45
Interest and fees	(48,808)
Gain (loss) on disposal of capital assets	10,325
Total non-operating revenues (expenses)	<u>(38,438)</u>
Change in net position	216,132
<b>Net Position:</b>	
Beginning of year - July 1	<u>13,556,507</u>
End of year - June 30	<u>\$ 13,772,639</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, 2016**

	<u>Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 2,180,891
Cash paid for goods and services	(994,140)
Cash paid to employees	(332,685)
Customer deposits received	<u>11,520</u>
Net cash provided (used) by operating activities	<u>865,586</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(780,289)
Proceeds from sale of capital assets	10,325
Principal paid on long-term debt	(249,097)
Interest paid on debt	<u>(48,808)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,067,869)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	<u>45</u>
(Increase) decrease in cash and cash equivalents	(172,444)
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	<u>290,043</u>
End of year - June 30	<u>\$ 117,599</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, 2016**

	<u>Water and Sewer Fund</u>
	<u>Water and Sewer Fund</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>	
Operating income (loss)	\$ 254,570
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	432,800
Pension expense	(6,322)
(Increase) decrease in deferred outflows of resources for pensions	689
(Increase) decrease in accounts receivable	158,632
Increase (decrease) in accounts payable and accrued expenses	13,697
Increase (decrease) in customer deposits	<u>11,520</u>
Net cash provided (used) by operating activities	<u>\$ 865,586</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, 2016

### 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 Town Council.

#### 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, 2016

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 four capital project funds: the ESC Park Project, the Greenway Extension Project, the Inglewood Project, and the South Iredell High School Greenway 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 and the water and sewer capital reserve fund are consolidated with the Water and Sewer Fund for financial reporting purposes. The Town has two water and sewer capital projects: the Falls Cove Sewer Project and the Water Efficiency Improvement Project.

### **Major Funds**

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

The Inglewood Capital Project Fund is used to account for financial resources to be used for the construction of the Inglewood project.

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, 2016

### 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 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

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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. Sales taxes are considered shared revenue for the Town of Troutman because the tax is levied by Iredell County and then remitted to and distributed by the State. 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, Enterprise Fund, and the enterprise fund capital project funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds, and the enterprise fund capital project funds, which are consolidated with the enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

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

### **E. Assets, Liabilities, 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.

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 NC Capital Management Trust Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, 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 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 Restricted Cash:

#### Governmental Activities:

General Fund	
Streets	\$ 5,551
Total governmental activities	<u>5,551</u>

#### Business-Type Activities:

Water and Sewer Fund	
Customer deposits	<u>117,599</u>
Total business-type activities	<u>117,599</u>
Total restricted cash	<u>\$ 123,150</u>

# **TOWN OF TROUTMAN, NORTH CAROLINA**

## **NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

### **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, 2015.

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

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.

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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. The Town has one item that meets this criterion – contributions made to the pension plan in the 2016 fiscal year. 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 two items that meet this criteria –property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

### **Long-Term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

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

### **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.

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

**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.

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*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.

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	\$ 1,280,801
<b>Less:</b>	
Prepays	10,911
Stabilization by State statute	365,198
Total available fund balance	<u>\$ 904,692</u>

### F. Pensions

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

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### G. Use of Estimates

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

### H. Stewardship, Compliance, and Accountability

#### Deficit in Fund Balance or Net Position of Individual Funds

At June 30, 2016, the following funds had a deficit fund balance:

South Iredell High School Greenway	\$133,685
Greenway Extension Project	\$ 32,888

The deficit fund balances will be eliminated with future transfers and grant funding.

## 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, 2016, the Town's deposits had a carrying amount of \$1,468,579 and a bank balance of \$1,533,917. Of the bank balance, \$709,523 was covered by federal depository insurance, and \$824,394 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, 2016

### Investments

At June 30, 2016, the Town had \$14,441 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, 2016 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ -	\$ 97,924	\$ 235,140	\$ 333,064
Nonmajor and other funds	-	-	1,382	1,382
Allowance for doubtful accounts	-	(20,000)	-	(20,000)
Total governmental activities	-	77,924	236,522	314,446
<b>Business-Type Activities:</b>				
Water and sewer	324,154	-	30,485	354,639
Total receivables	\$ 324,154	\$ 77,924	\$ 267,007	\$ 669,085

Due from other governments consisted of the following:

Local option sales tax	\$ 220,575
Governmental sales tax refund	15,947
Business-type sales tax refund	30,485
Total	\$ 267,007

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Capital Assets

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

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 573,172	\$ -	\$ -	\$ 573,172
Construction in process - infrastructure	<u>349,709</u>	<u>172,270</u>	<u>(166,983)</u>	<u>354,996</u>
Total non-depreciable capital assets	<u>922,881</u>	<u>172,270</u>	<u>(166,983)</u>	<u>928,168</u>
<b>Depreciable Capital Assets:</b>				
Buildings	1,451,955	-	-	1,451,955
Equipment	366,041	81,248	-	447,289
Vehicles	646,034	-	(59,166)	586,868
Infrastructure	<u>4,388,742</u>	<u>166,983</u>	<u>-</u>	<u>4,555,725</u>
Total depreciable capital assets	<u>6,852,772</u>	<u>248,231</u>	<u>(59,166)</u>	<u>7,041,837</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	348,275	29,447	-	377,722
Equipment	224,829	52,330	-	277,159
Vehicles	483,790	55,039	(59,166)	479,663
Infrastructure	<u>532,664</u>	<u>117,844</u>	<u>-</u>	<u>650,508</u>
Total accumulated depreciation	<u>1,589,558</u>	<u>\$ 254,660</u>	<u>\$ (59,166)</u>	<u>1,785,052</u>
Total depreciable capital assets, net	<u>5,263,214</u>			<u>5,256,785</u>
Governmental activity capital assets, net	<u>\$ 6,186,095</u>			<u>\$ 6,184,953</u>

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

<b>Governmental Activities:</b>	
General government	\$ 26,714
Public safety	106,607
Streets and public works	93,698
Environmental protection	4,095
Cultural and recreational	<u>23,546</u>
Total	<u>\$ 254,660</u>

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Summary of Proprietary Capital Assets

Capital assets for the proprietary fund of the Town at June 30, 2016 are as follows:

	<b>July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2016</b>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 148,138	\$ -	\$ -	\$ 148,138
Construction in progress	978,396	634,620	(918,277)	694,739
Total non-depreciable capital assets	1,126,534	634,620	(918,277)	842,877
<b>Depreciable Capital Assets:</b>				
Distribution system	19,581,332	918,277	(30,940)	20,468,669
Buildings	309,556	-	-	309,556
Equipment	1,074,806	82,649	(30,001)	1,127,454
Vehicles	146,836	63,020	(33,389)	176,467
Total depreciable capital assets	21,112,530	1,063,946	(94,330)	22,082,146
<b>Less Accumulated Depreciation:</b>				
Distribution system	5,206,370	379,483	(30,940)	5,554,913
Buildings	214,849	23,573	-	238,422
Equipment	801,618	13,962	(30,001)	785,579
Vehicles	89,717	15,782	(33,389)	72,110
Total accumulated depreciation	6,312,554	\$ 432,800	\$ (94,330)	6,651,024
Total depreciable capital assets	14,799,976			15,431,122
Water and Sewer Fund capital assets, net	\$ 15,926,510			\$ 16,273,999

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 6,184,953	\$ 16,273,999
Long-term debt	2,393,405	2,676,022
Net investment in capital assets	\$ 3,791,548	\$ 13,597,977

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### B. Liabilities

#### Payables

Payables at Exhibit A at June 30, 2016 were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General Fund	\$ 28,065	\$ 24,420	\$ 52,485
Inglewood Capital Project Fund	212,949	-	212,949
Nonmajor funds	79,658	-	79,658
Total	\$ 320,672	\$ 24,420	\$ 345,092
 <b>Business-Type Activities:</b>			
Water and sewer	\$ 97,089	\$ 11,176	\$ 108,265

#### Pension Plan Obligations

##### North Carolina Local Governmental Employees' Retirement System

**Plan Description.** The Town of Troutman is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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.

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

## TOWN OF TROUTMAN, NORTH CAROLINA

### NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions* – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Troutman employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Troutman's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.84% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Troutman were \$84,313 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Town reported a liability of \$107,800 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.024%, which was a decrease of 0.00087% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$29,646. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 25,339
Net difference between projected and actual earnings on pension plan investments	-	30,690
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	13,609
Town contributions subsequent to the measurement date	<u>84,313</u>	<u>-</u>
Total	<u>\$ 84,313</u>	<u>\$ 69,638</u>

\$84,313 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Amount</u></b>
2017	\$ (40,111)
2018	(40,111)
2019	(40,036)
2020	<u>50,620</u>
Total	<u>\$ (69,638)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	<u>\$ 751,704</u>	<u>\$ 107,800</u>	<u>\$ (434,675)</u>

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

### **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% 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 December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Active plan members	14
Total	14

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, 2016

### 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members

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

**Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

*Annual Pension Cost and Net Pension Obligation.* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 33,148
Interest on net pension obligation	22,747
Adjustment to annual required contribution	<u>(39,979)</u>
Annual pension cost (expense)	15,916
Contributions made	<u>5,000</u>
Increase in net pension obligation	10,916
<b>Net Pension Obligation:</b>	
Beginning of year - July 1	<u>454,946</u>
End of year - June 30	<u>\$ 465,862</u>

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

3-Year Trend Information			
Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2016	\$ 15,916	31.41%	\$ 465,862
2015	16,543	0.00%	454,946
2014	17,194	0.00%	438,403

**Funded Status and Funding Progress.** As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$348,549. The covered payroll (annual payroll of active employees covered by the plan) was \$663,359, and the ratio of the UAAL to the covered payroll was 52.54%.

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **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 5% 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, 2016 were \$82,920, which consisted of \$64,435 from the Town and \$18,485 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

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

Membership of the plan consisted of the following at December 31, 2014, the date of the latest valuation:

Retirees receiving benefits	-
Active plan members	<u>25</u>
Total	<u>25</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, 2016, the Town had no contributions.

The current annual required contribution (ARC) rate is 2.37% of annual covered payroll. For the current year, the Town did not make any contributions. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.47% and 0.9% of covered payroll, respectively. There were no contributions made by employees. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

*Summary of Significant Accounting Policies.* 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.

**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 100 total plan members. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

## TOWN OF TROUTMAN, NORTH CAROLINA

### NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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	\$	29,066
Interest on net OPEB obligation		6,987
Adjustment to annual required contribution		<u>(6,675)</u>
Annual OPEB cost (expense)		29,378
Contributions made		<u>-</u>
Increase in net OPEB obligation		29,378
Net OPEB Obligation:		
Beginning of year - July 1		<u>174,683</u>
End of year - June 30	\$	<u>204,061</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

<b>Three-Year Trend Information</b>			
<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 29,378	0.00%	\$ 204,061
2015	30,423	0.00%	174,683
2014	30,280	0.00%	144,260

**Funded Status and Funding Progress.** As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$248,285. The covered payroll (annual payroll of active employees covered by the plan) was \$1,228,376, and the ratio of the UAAL to the covered payroll was 20.2%. Actuarial valuations of an on-going plan involve 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.

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### **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.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 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 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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.

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ <u>84,313</u>

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

<u>Source</u>	<u>Amount</u>
Taxes receivable, net	\$ 77,924
Pension deferral	<u>69,638</u>
Total	<u>\$ 147,562</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, 2016**

**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 property.	\$ 1,250,484
4.95% note payable due in yearly installments of \$26,645, including interest, with a final payment due October 2016. This note is secured by police cars.	26,646
1.87% note payable in monthly installments of \$4,167, plus interest, with a final payment due November 2017. This note is secured by land.	70,833
5.84% note payable due in yearly installments of \$10,006, including interest, with a final payment due July 2016. This note is secured by police cars.	8,381
2.21% note payable due in quarterly installments of \$26,927, including interest, with a final payment due October 2025. This note is secured by property.	<u>1,037,061</u>
Total	<u>\$ 2,393,405</u>

**TOWN OF TROUTMAN, NORTH CAROLINA**

**NOTES TO THE FINANCIALS STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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.	\$ 999,543
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.	504,528
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.	418,495
Interest free note, payable in annual installments of \$35,172, with a final payment due December 2035. This note is secured a pledge of user fees and future State distributions.	670,281
Interest free note, payable in annual installments of \$5,940, with a final payment due May 2030. This note is secured by a pledge of user fees and future State distributions.	<u>83,175</u>
Total	<u>\$ 2,676,022</u>

**TOWN OF TROUTMAN, NORTH CAROLINA**

**NOTES TO THE FINANCIALS STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**Governmental Activities**

**Governmental Funds:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 373,513	\$ 43,799	\$ 417,312
2018	295,271	43,288	338,559
2019	274,438	36,028	310,466
2020	274,438	26,872	301,310
2021	274,438	23,766	298,205
2022-2026	901,305	38,164	939,469
Total governmental funds	<u>\$ 2,393,405</u>	<u>\$ 211,917</u>	<u>\$ 2,605,321</u>

**Business-Type Activities**

**Proprietary Funds:**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 237,476	\$ 45,980	\$ 283,456
2018	237,476	41,293	278,769
2019	237,476	36,607	274,083
2020	237,476	31,923	269,399
2021	237,476	29,370	266,846
2022-2026	768,885	76,556	845,441
2027-2031	577,056	15,312	592,368
2032-2036	142,701	-	142,701
Total proprietary funds	<u>\$ 2,676,022</u>	<u>\$ 277,041</u>	<u>\$ 2,953,063</u>

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

A summary of changes in long-term obligations follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Current Portion of Balance</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 1,609,726	\$ 1,104,000	\$ 320,321	\$ 2,393,405	\$ 373,513
Net pension LEO	454,946	15,916	5,000	465,862	-
Net pension LGERS	-	87,318	-	87,318	-
OPEB	174,683	29,378	-	204,061	-
Compensated absences	106,795	84,855	95,725	95,925	71,944
Total governmental activities	<u>\$ 2,346,150</u>	<u>\$ 1,321,467</u>	<u>\$ 421,046</u>	<u>\$ 3,246,571</u>	<u>\$ 445,457</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 102,751	\$ -	\$ 19,569	\$ 83,182	\$ 5,940
Revolving loan	2,320,179	-	145,829	2,174,350	147,837
NC Clean Water Revolving Loan	502,189	-	83,699	418,490	83,699
Net pension LGERS	-	20,482	-	20,482	-
Compensated absences	31,383	21,429	28,588	24,224	18,168
Total business-type activities	<u>\$ 2,956,502</u>	<u>\$ 41,911</u>	<u>\$ 277,685</u>	<u>\$ 2,720,728</u>	<u>\$ 255,644</u>

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

At June 30, 2016, the Town had a legal debt margin of approximately \$25,000,000.

### Interfund Balances and Activity

The transfers to/from other funds at June 30, 2016 consist of the following:

<u>Purpose</u>	<u>Amount</u>
From the General Fund to the ESC Park for the Town's contribution	\$ 100,000
From the Enterprise Fund to Enterprise Fund Capital Projects for operating expenditures	112,094
From the Enterprise Fund Capital Project to Enterprise Fund for capital expenditures	47,080
From the Enterprise Fund Capital Reserve to Enterprise Fund to close out projects	5,094
Total transfers	<u>\$ 264,268</u>

# TOWN OF TROUTMAN, NORTH CAROLINA

## NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Interfund balances at June 30, 2016 consist of the following:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Due To/Due From</u>
Water and Sewer Fund	General Fund	\$ 29,794
South Iredell High School Greenway	General Fund	70,000
Greenway Extension	General Fund	35,000
Total		<u>\$ 134,794</u>

The Town uses a single central depository. Amounts due to the General Fund represent deficit cash balances at year-end and the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur.

### 3. Summary Disclosure of Significant Commitments and Contingencies

#### Federal and State-Assisted Programs

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

### 4. Subsequent Event

On August 10, 2016, the City settled a lawsuit for \$74,000 that was outstanding as of June 30, 2016. The liability and expense have been recognized in the current year for settlement.

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## TOWN OF TROUTMAN, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2015	\$ -	\$ 348,549		0.00%	\$ 348,549	\$ 663,359	52.54%
12/31/2014	-	211,405		0.00%	211,405	638,876	33.09%

## Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases	3.50% to 7.35%
Cost of living adjustments	N/A

\*Includes inflation at 3.00%

## TOWN OF TROUTMAN, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2016

**Schedule of Funding Progress**

Valuation Date	Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
		Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
12/31/2014	\$ -	\$ 248,285	\$ 248,285	0.00%	\$ 1,228,376	20.21%
6/30/2013	-	96,901	96,901	0.00%	1,157,976	8.37%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)	Amount of ARC Contributed By Employer	Percentage of ARC Contributed
2016	\$ 29,066	\$ -	0.00%
2015	30,166	-	0.00%
2014	24,716	-	0.00%
2013	23,462	-	0.00%
2012	27,046	-	0.00%
2011	27,046	-	0.00%

**Notes to the Required Schedules:**

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	7.50% - 5.00%
Year of ultimate trend rate	2020

\* Includes inflation at 3.00%

**TOWN OF TROUTMAN, NORTH CAROLINA****TOWN OF TROUTMAN'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Troutman's proportion of the net pension liability (asset) (%)	0.02402%	-0.02315%	0.02410%
Troutman's proportion of the net pension liability (asset) (\$)	\$ 107,800	\$ (136,526)	\$ 290,498
Troutman's covered-employee payroll	\$ 1,200,786	\$ 1,180,164	\$ 1,108,960
Troutman's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.98%	( 11.57%)	26.20%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

## TOWN OF TROUTMAN, NORTH CAROLINA

TOWN OF TROUTMAN'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS\*

<b>Local Government Employees' Retirement System</b>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 84,313	\$ 87,939	\$ 84,716
Contributions in relation to the contractually required contribution	<u>84,313</u>	<u>87,939</u>	<u>84,716</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Troutman's covered-employee payroll	\$ 1,203,892	\$ 1,200,786	\$ 1,180,164
Contributions as a percentage of covered-employee payroll	7.00%	7.32%	7.18%

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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 1,714,364	\$ 1,721,465	\$ 7,101	\$ 1,729,340
Penalties and interest	12,000	8,913	(3,087)	12,295
Total ad valorem taxes	<u>1,726,364</u>	<u>1,730,378</u>	<u>4,014</u>	<u>1,741,635</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	<u>594,000</u>	<u>649,982</u>	<u>55,982</u>	<u>600,737</u>
Total other taxes and licenses	<u>594,000</u>	<u>649,982</u>	<u>55,982</u>	<u>600,737</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Franchise tax	180,000	226,501	46,501	198,114
Video programming	22,000	21,617	(383)	22,325
Telecommunications	21,000	18,898	(2,102)	22,108
Beer and wine tax	<u>10,500</u>	<u>11,209</u>	<u>709</u>	<u>11,995</u>
Total unrestricted intergovernmental revenues	<u>233,500</u>	<u>278,225</u>	<u>44,725</u>	<u>254,542</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	78,000	78,460	460	77,654
Recycling Grant	<u>100,000</u>	<u>10,000</u>	<u>(90,000)</u>	<u>20,000</u>
Total restricted intergovernmental revenues	<u>178,000</u>	<u>88,460</u>	<u>(89,540)</u>	<u>102,354</u>
<b>Permits and Fees:</b>				
Refuse collection fees	1,500	2,027	527	6,610
Court costs and jail fees	4,000	2,477	(1,523)	3,767
Sub-division review fees	10,000	6,665	(3,335)	13,024
Zoning permits	5,200	10,005	4,805	6,975
Recycling collection fees	<u>24,500</u>	<u>25,443</u>	<u>943</u>	<u>24,178</u>
Total permits and fees	<u>45,200</u>	<u>46,617</u>	<u>1,417</u>	<u>54,554</u>
<b>Investment Earnings</b>	<u>800</u>	<u>2,853</u>	<u>2,053</u>	<u>1,115</u>
<b>Miscellaneous:</b>				
Donations	5,338	857	(4,481)	1,858
Sale of capital assets	1,500	9,261	7,761	1,522
Other	<u>147,705</u>	<u>156,375</u>	<u>8,670</u>	<u>131,849</u>
Total miscellaneous	<u>154,543</u>	<u>166,493</u>	<u>11,950</u>	<u>135,229</u>
Total revenues	<u>2,932,407</u>	<u>2,963,008</u>	<u>30,601</u>	<u>2,890,166</u>

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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Board:</b>				
Salaries and employee benefits	17,600	17,600	-	17,600
Operating expenses	76,796	75,914	882	72,941
Total governing board	94,396	93,514	882	90,541
<b>Administration:</b>				
Salaries and employee benefits	343,194	344,334	(1,140)	235,547
Operating expenses	143,350	130,821	12,529	138,631
Total administration	486,544	475,155	11,389	374,178
<b>Elections</b>	1,400	1,161	239	-
<b>General Insurance</b>	70,000	64,342	5,658	85,769
<b>Planning and Zoning</b>	282,022	174,536	107,486	164,709
Total general government	934,362	808,708	125,654	715,197
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Salaries and employee benefits	982,848	969,296	13,552	943,097
Operating expenses	131,355	124,268	7,087	129,644
Total law enforcement	1,114,203	1,093,564	20,639	1,072,741
Total public safety	1,114,203	1,093,564	20,639	1,072,741
<b>Streets and Public Works:</b>				
<b>Street Maintenance:</b>				
Salaries and employee benefits	187,732	175,179	12,553	177,305
Operating expenses	118,875	84,013	34,862	124,277
Total street maintenance	306,607	259,192	47,415	301,582
Sanitation	222,500	224,365	(1,865)	208,141
Total streets and public works	529,107	483,557	45,550	509,723
<b>Recreation:</b>				
Operating expenses	38,700	31,516	7,184	4,750

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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Economic Development:</b>				
Operating expenses	25,514	24,453	1,061	66,387
<b>Capital Outlay:</b>				
Administration	8,090	8,090	-	7,699
Police	63,023	63,023	-	125,052
Other	25,884	24,433	1,451	-
Total capital outlay	96,997	95,546	1,451	132,751
<b>Debt Service:</b>				
Principal retirement	341,882	320,321	21,561	270,034
Interest and fees	31,605	32,763	(1,158)	36,570
Total debt service	373,487	353,084	20,403	306,604
Total expenditures	3,112,370	2,890,428	221,942	2,808,153
Revenues over (under) expenditures	(179,963)	72,580	252,543	82,013
<b>Other Financing Sources (Uses):</b>				
Transfers to ESC Park Capital Project Fund	(100,000)	(100,000)	-	(130,134)
Long-term debt issued	-	-	-	108,329
Appropriated fund balance	279,963	-	(279,963)	-
Total other financing sources (uses)	179,963	(100,000)	(279,963)	(21,805)
Net change in fund balance	\$ -	(27,420)	\$ (27,420)	60,208
<b>Fund Balance:</b>				
Beginning of year - July 1		1,308,221		1,248,013
End of year - June 30		\$ 1,280,801		\$ 1,308,221

## TOWN OF TROUTMAN, NORTH CAROLINA

## INGLEWOOD CAPITAL PROJECT FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 240	\$ 240
<b>Expenditures:</b>				
Construction and capital spending	1,103,973	-	988,783	988,783
Revenues over (under) expenditures	(1,103,973)	-	(988,543)	(988,543)
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	1,103,973	-	1,104,000	1,104,000
Net change in fund balance	\$ -	\$ -	\$ 115,457	\$ 115,457

## TOWN OF TROUTMAN, NORTH CAROLINA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	<u>Capital Project Fund</u>			<u>Total</u>
	<u>ESC Park</u>	<u>South Iredell High School Greenway</u>	<u>Greenway Extension Project</u>	
<b>Assets:</b>				
Cash and investments	\$ 78,677	\$ 3,610	\$ 2,287	\$ 84,574
Other receivables	1,382	-	-	1,382
Total assets	<u>\$ 80,059</u>	<u>\$ 3,610</u>	<u>\$ 2,287</u>	<u>\$ 85,956</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 12,188	\$ 67,295	\$ 175	\$ 79,658
Due to other funds	-	70,000	35,000	105,000
Total liabilities	<u>12,188</u>	<u>137,295</u>	<u>35,175</u>	<u>184,658</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by State statute	1,382	-	-	1,382
Committed for cultural and recreational	66,489	-	-	66,489
Unassigned	-	(133,685)	(32,888)	(166,573)
Total fund balances	<u>67,871</u>	<u>(133,685)</u>	<u>(32,888)</u>	<u>(98,702)</u>
Total liabilities and fund balances	<u>\$ 80,059</u>	<u>\$ 3,610</u>	<u>\$ 2,287</u>	<u>\$ 85,956</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, 2016

	<u>Capital Project Funds</u>			<u>Total</u>
	<u>ESC Park</u>	<u>South Iredell High School Greenway</u>	<u>Greenway Extension Project</u>	
<b>Revenues:</b>				
Donations	\$ 42,516	\$ 35,260	\$ -	\$ 77,776
<b>Expenditures:</b>				
Cultural and recreation	124,950	92,056	21,564	238,570
Revenues over (under) expenditures	(82,434)	(56,796)	(21,564)	(160,794)
<b>Other Financing Sources (Uses):</b>				
Transfer from other funds	100,000	-	-	100,000
Net change in fund balance	17,566	(56,796)	(21,564)	(60,794)
<b>Fund Balance:</b>				
Beginning of year - July 1	50,305	(76,889)	(11,324)	(37,908)
End of year - June 30	<u>\$ 67,871</u>	<u>\$ (133,685)</u>	<u>\$ (32,888)</u>	<u>\$ (98,702)</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, 2016**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
NC PARTF Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Donations	652,560	259,956	42,516	302,472
Investment income	-	62	-	62
Total revenues	<u>1,152,560</u>	<u>760,018</u>	<u>42,516</u>	<u>802,534</u>
<b>Expenditures:</b>				
Construction and capital spending	<u>1,177,560</u>	<u>984,713</u>	<u>124,950</u>	<u>1,109,663</u>
Total expenditures	<u>1,177,560</u>	<u>984,713</u>	<u>124,950</u>	<u>1,109,663</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(224,695)</u>	<u>(82,434)</u>	<u>(307,129)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	250,000	-	250,000
Transfers from (to) other funds	<u>25,000</u>	<u>25,000</u>	<u>100,000</u>	<u>125,000</u>
Total other financing sources (uses)	<u>25,000</u>	<u>275,000</u>	<u>100,000</u>	<u>375,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 50,305</u>	<u>\$ 17,566</u>	<u>\$ 67,871</u>

## TOWN OF TROUTMAN, NORTH CAROLINA

## SOUTH IREDELL HIGH SCHOOL GREENWAY - CAPITAL PROJECT FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ 480,000	\$ -	\$ -	\$ -
Donations	<u>69,894</u>	<u>-</u>	<u>35,260</u>	<u>35,260</u>
Total revenues	<u>549,894</u>	<u>-</u>	<u>35,260</u>	<u>35,260</u>
<b>Expenditures:</b>				
Construction and capital spending	<u>619,789</u>	<u>146,784</u>	<u>92,056</u>	<u>238,840</u>
Revenues over (under) expenditures	(69,895)	(146,784)	(56,796)	(203,580)
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	<u>69,895</u>	<u>69,895</u>	<u>-</u>	<u>69,895</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (76,889)</u>	<u>\$ (56,796)</u>	<u>\$ (133,685)</u>

## TOWN OF TROUTMAN, NORTH CAROLINA

**GREENWAY EXTENSION - CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Project Authorization</b>	<b>Actual</b>		<b>Total to Date</b>
		<b>Prior Years</b>	<b>Current Year</b>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ 641,527	\$ 120,126	\$ -	\$ 120,126
<b>Expenditures:</b>				
Construction and capital spending	701,766	191,689	21,564	213,253
Revenues over (under) expenditures	(60,239)	(71,563)	(21,564)	(93,127)
<b>Other Financing Sources (Uses):</b>				
Transfers from General Fund	60,239	60,239	-	60,239
Net change in fund balance	<u>\$ -</u>	<u>\$ (11,324)</u>	<u>\$ (21,564)</u>	<u>\$ (32,888)</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 1,836,920	\$ 2,000,603	\$ 163,683	\$ 1,954,916
Other operating revenues	18,000	21,656	3,656	19,691
Total operating revenues	<u>1,854,920</u>	<u>2,022,259</u>	<u>167,339</u>	<u>1,974,607</u>
Non-operating revenues:				
Investment earnings	5	29	24	2
Sale of capital assets	10,000	10,325	325	3,935
Total non-operating revenues	<u>10,005</u>	<u>10,354</u>	<u>349</u>	<u>3,937</u>
Total revenues	<u>1,864,925</u>	<u>2,032,613</u>	<u>167,688</u>	<u>1,978,544</u>
<b>Expenditures:</b>				
Current:				
Salaries and benefits	363,824	319,893	43,931	342,110
Water purchases	317,360	315,956	1,404	313,220
Sewer treatment	310,000	327,163	(17,163)	266,299
Other operating expenses	369,526	371,877	(2,351)	270,585
Capital outlay	145,930	145,669	261	38,000
Debt service:				
Principal retirement	248,940	249,097	(157)	213,780
Interest and fees	49,425	48,808	617	53,594
Total expenditures	<u>1,805,005</u>	<u>1,778,463</u>	<u>26,542</u>	<u>1,497,588</u>
Revenues over (under) expenditures	<u>59,920</u>	<u>254,150</u>	<u>194,230</u>	<u>480,956</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Capital Projects Fund	47,080	47,080	-	-
Transfer to Enterprise Fund Capital Projects	(107,000)	(112,094)	(5,094)	(297,755)
Transfer from Enterprise Fund Capital Reserve	-	5,094	5,094	-
Total other financing sources (uses)	<u>(59,920)</u>	<u>(59,920)</u>	<u>-</u>	<u>(297,755)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 194,230</u>	<u>\$ 194,230</u>	<u>\$ 183,201</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2015

	2016		2015
	Budget	Actual	Actual
<b>Reconciliation from Budgetary Basis</b>			
<b>(Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 194,230	
Revenue, Enterprise Capital Project Funds:			
Investment income		16	
Intrafund transfer		59,920	
Deferred outflows of resources for contributions made to pension plan in the current year		16,019	
Pension expense		(8,860)	
Capital outlay		145,669	
Change in accrued vacation		(7,159)	
Principal retirement		249,097	
Depreciation		<u>(432,800)</u>	
Change in net position		<u>\$ 216,132</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, 2016

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Private contributions	\$ 600,000	\$ 503,287	\$ -	\$ 503,287
Investment income	-	160	16	176
Total revenues	<u>600,000</u>	<u>503,447</u>	<u>16</u>	<u>503,463</u>
<b>Expenditures:</b>				
Construction and capital spending	<u>750,932</u>	<u>60,119</u>	<u>634,620</u>	<u>694,739</u>
Revenues over (under) expenditures	(150,932)	443,328	(634,604)	(191,276)
<b>Other Financing Sources (Uses):</b>				
Transfers from (to) other funds	<u>150,932</u>	<u>150,932</u>	<u>-</u>	<u>150,932</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 594,260</u>	<u>\$ (634,604)</u>	<u>\$ (40,344)</u>

## TOWN OF TROUTMAN, NORTH CAROLINA

WATER EFFICIENCY IMPROVEMENT - CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
Construction and capital spending	\$ 806,905	\$ 698,347	\$ -	\$ 698,347
Revenues over (under) expenditures	<u>(806,905)</u>	<u>(698,347)</u>	<u>-</u>	<u>(698,347)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(5,095)	-	(5,094)	(5,094)
Long-term debt issued	<u>812,000</u>	<u>703,441</u>	<u>-</u>	<u>703,441</u>
Total other financing sources (uses)	<u>806,905</u>	<u>703,441</u>	<u>(5,094)</u>	<u>698,347</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 5,094</u>	<u>\$ (5,094)</u>	<u>\$ -</u>

## TOWN OF TROUTMAN, NORTH CAROLINA

ENTERPRISE FUND - CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	\$ 5,095	\$ 112,094	\$ 106,999
Transfers out	(52,175)	(47,080)	5,095
Appropriated fund balance	47,080	-	(47,080)
Total other financing sources (uses)	<u>-</u>	<u>65,014</u>	<u>65,014</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 65,014</u>	<u>\$ 65,014</u>

## TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2016

Year Ended June 30	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2016	\$ -	\$ 1,765,447	\$ 1,764,917	530
2015	19,199	-	(34,952)	54,151
2014	9,237	-	2,846	6,391
2013	8,511	-	3,155	5,356
2012	8,084	-	1,664	6,420
2011	7,532	-	1,611	5,921
2010	4,924	-	(550)	5,474
2009	4,072	-	1,069	3,003
2008	4,364	-	987	3,377
2007	3,325	-	(650)	3,975
2006	2,659	-	(667)	3,326
Total	<u>\$ 71,907</u>	<u>\$ 1,765,447</u>	<u>\$ 1,739,430</u>	97,924
Less: Allowance for uncollectible accounts				<u>(20,000)</u>
Ad valorem taxes receivable, net				<u>\$ 77,924</u>
<b>Reconciliation of Collections and Credits with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 1,730,378
Reconciling items:				
Penalties and interest collected				(8,913)
Miscellaneous adjustments				18,632
Taxes written off				<u>(667)</u>
Total collections and credits				<u>\$ 1,739,430</u>

## TOWN OF TROUTMAN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2016

	<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>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 375,371,066	\$ 0.47	\$ 1,764,244	\$ 1,639,652	\$ 124,592
Penalties	140,936	0.47	662	662	-
Total	<u>375,512,002</u>		<u>1,764,906</u>	<u>1,640,314</u>	<u>124,592</u>
<b>Discoveries:</b>					
Current year taxes	<u>1,474,291</u>	0.47	<u>6,929</u>	<u>6,929</u>	<u>-</u>
<b>Releases</b>	<u>(1,359,206)</u>	0.47	<u>(6,388)</u>	<u>(6,388)</u>	<u>-</u>
Total property valuation	<u>\$ 375,627,087</u>				
<b>Net Levy</b>			1,765,447	1,640,855	124,592
Uncollected taxes at June 30, 2016			<u>(530)</u>	<u>(530)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 1,764,917</u>	<u>\$ 1,640,325</u>	<u>\$ 124,592</u>
<b>Current Levy Collection Percentage</b>			<u>99.97%</u>	<u>99.97%</u>	<u>100.00%</u>

# 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  
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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 23, 2016.

### **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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses. We considered the deficiencies 2016-001, 2016-002, and 2016-003 described in the accompany Schedule of Findings and Responses, to be material weaknesses.

## **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 one instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-002.

## **Town of Troutman's Responses to Findings**

The Town of Troutman's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Troutman's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

## **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  
September 23, 2016

**TOWN OF TROUTMAN, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**1. Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	Yes

# TOWN OF TROUTMAN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2016

### 2. Financial Statement Findings

#### Material Weakness

##### Finding 2016-001

**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.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2015-001.

**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

**Views of Responsible Officials and Planned Corrective Actions:** The Town agrees with this finding and will adhere to the correction action plan on page 79 in this audit report.

# TOWN OF TROUTMAN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2016

### 2. Financial Statement Findings

#### Material Weakness

#### Material Non-Compliance

#### Finding 2016-002

**Criteria:** Management should have a system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

**Condition:** There was a violation of the General Statutes regarding deficit fund equity in capital project funds.

**Context:** While reviewing financial statements, we noted the condition described above.

**Effect:** The Town was in violation of North Carolina General Statutes.

**Cause:** The Town adopted a balanced budget; however, two funds are currently at a deficit balance until revenue sources and transfers make up the deficits.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2015-002.

**Recommendation:** Implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where transfers may be required to ensure that a fund is not operating in a deficit.

**Name of Contact Person:** Steven Shealy, Finance Director

**Views of Responsible Officials and Planned Corrective Actions:** The Town agrees with this finding and will adhere to the correction action plan on page 79 in this audit report.

# TOWN OF TROUTMAN, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2016

### 2. Financial Statement Findings

#### Material Weakness

##### Finding 2016-003

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

**Condition:** Due to the limited number of controls in place and lack of compensating or mitigating controls, there is a heightened level of inherent risk.

**Context:** We noted, during internal control walk throughs and journal entry control testing, that the Finance Officer has the ability to make and post journal entries without prior approval. There is also no type of system generated report of all journal entries that could be reviewed by the Town Council.

**Effect:** Material errors could occur without being prevented or detected.

**Cause:** There is a lack of controls associated with journal entry posting.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2015-003.

**Recommendation:** Segregate duties associated to journal entry preparation, approval, and posting. Provide Board members with monthly journal entry reconciliations for review.

**Name of Contact Person:** Steve Shealy, Finance Officer

**Views of Responsible Officials and Planned Corrective Actions:** The Town agrees with this finding and will adhere to the correction action plan on page 79 in this audit report.

# TOWN OF TROUTMAN, NORTH CAROLINA

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

### Material Weakness

#### **Finding 2016-001**

**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.

**Proposed Completion Date:** The Council will implement the above procedure immediately.

### Material Weakness

#### Material Non-Compliance

#### **Finding 2016-002**

**Name of Contact Person:** Steven Shealy, Finance Director

**Corrective Action:** Management will implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where transfers may be required to ensure that a fund is not operating in a deficit. Management also adds that this was a timing issue and will be resolved in the next fiscal year.

**Proposed Completion Date:** The Council will implement the above procedure immediately.

### Material Weakness

#### **Finding 2016-003**

**Name of Contact Person:** Steven Shealy, Finance Director

**Corrective Action:** Management is working on improving the control processes.

**Proposed Completion Date:** The Council will implement the above procedure immediately.

# TOWN OF TROUTMAN, NORTH CAROLINA

## SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

### **Finding 2015-001**

**Status:** Repeated as Finding 2016-001

**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.

### **Finding 2015-002**

**Status:** Repeated as Finding 2016-002

**Corrective Action:** Management will implement additional monitoring controls, such as reviewing monthly budget to actual reports, to identify areas where transfers may be required to ensure that a fund is not operating in a deficit. Management also adds that this was a timing issue and will be resolved in the next fiscal year.

### **Finding 2015-003**

**Status:** Repeated as Finding 2016-003

**Corrective Action:** Management is working on improving the control processes.

### **Finding 2015-004**

**Status:** Corrected.