

**TOWN OF TROUTMAN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

**TOWN OF TROUTMAN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

**TOWN OF TROUTMAN, NORTH CAROLINA
 BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	13
B	Statement of Activities	14-15
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	16
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual- General Fund	19
G	Statement of Net Position - Proprietary Fund	20
H	Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	21
I	Statement of Cash Flows - Proprietary - Water and Sewer Fund	22-23
	Notes to the Financial Statements	24-54
 <u>Schedule</u>		
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	55

**TOWN OF TROUTMAN, NORTH CAROLINA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data (continued):	
A-2	Other Post-Employment Benefits - Retiree Health Plan Required Supplementary Information	56
A-3	Local Government Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information	57
A-4	Local Government Employees' Retirement System - Contributions Required Supplementary Information	58
	Major Governmental Funds:	
1	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	59-61
	Nonmajor Governmental Funds:	
2	Combining Balance Sheet	62
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	63
4	ESC Park - Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual	64
5	Greenway Extension - Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	65
6	South Iredell High School Greenway - Capital Project Fund Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	66
	Major Enterprise Funds:	
7	Enterprise Fund - Water and Sewer Fund Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	59
8	Morrison Farm Road Water and Sewer - Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	69

**TOWN OF TROUTMAN, NORTH CAROLINA
 BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
9	Falls Cove Sewer - Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	70
10	Water Efficiency Improvement - Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	71
11	Enterprise Fund - Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	72
	Other Supplementary Information:	
12	Schedule of Ad Valorem Taxes Receivable	73
13	Analysis of Current Year Levy Capital Projects Fund - Schedule of Revenues	74
	Compliance Section:	
	Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	75-76
	Report on Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act	77-78
	Schedule of Findings, Responses and Questioned Costs	79-83
	Summary Schedule of Prior Year's Audit Findings	84
	Schedule of Expenditures of Federal and State Awards	85

This page left blank intentionally.

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

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

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, 2015, 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, 2015, 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 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 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. Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employers Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Troutman, North Carolina. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act, 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, other schedules, and the Schedule of Expenditures of Federal and State Awards 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, other schedules, and the Schedule of Expenditures of Federal and State Awards 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 October 13, 2015 on our consideration of the Town of Troutman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Troutman's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, NC

October 13, 2015

This page left blank intentionally.

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, 2015. 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

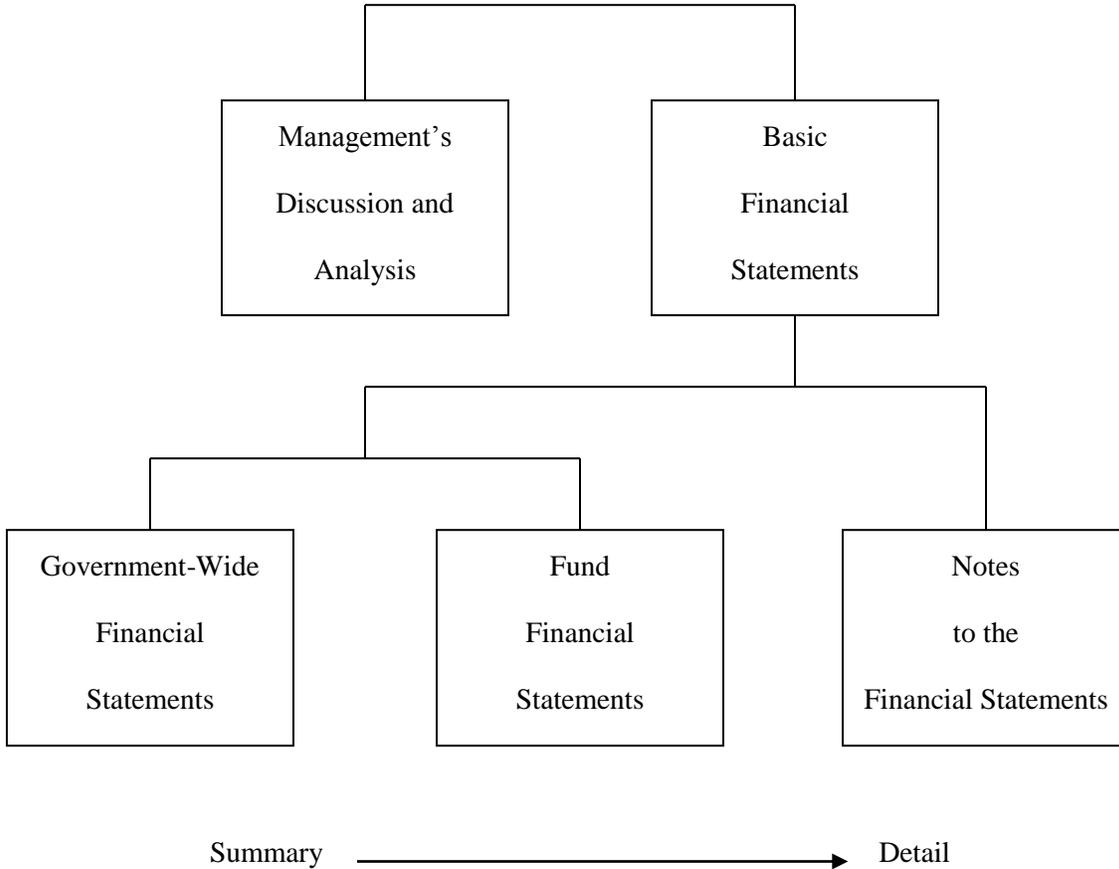
- The assets and deferred outflows of resources of the Town of Troutman exceeded its liabilities and deferred inflows at the close of the fiscal year by \$18,628,227 (*net position*).
- The government's total net position increased by \$842,096.
- As of the close of the current fiscal year, the Town of Troutman's governmental funds reported combined ending fund balances of \$1,270,313, an increase of \$18,261 in comparison with the prior year. Approximately 22.9% of this total amount, or \$290,914, is restricted and non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,027,486, or 36.31%, 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 55 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>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Assets:						
Current and other assets	\$ 1,464,119	\$ 1,487,725	\$ 627,323	\$ 829,254	\$ 2,091,442	\$ 2,316,979
Capital assets, net	5,943,155	6,186,095	15,254,447	15,926,510	21,197,602	22,112,605
Total assets	<u>7,407,274</u>	<u>7,673,820</u>	<u>15,881,770</u>	<u>16,755,764</u>	<u>23,289,044</u>	<u>24,429,584</u>
Deferred Outflows						
of Resources	<u>68,620</u>	<u>71,231</u>	<u>16,096</u>	<u>16,708</u>	<u>84,716</u>	<u>87,939</u>
Liabilities:						
Current liabilities	412,437	375,067	513,031	468,130	925,468	843,197
Other liabilities	<u>2,380,096</u>	<u>2,013,745</u>	<u>2,282,065</u>	<u>2,681,860</u>	<u>4,662,161</u>	<u>4,695,605</u>
Total liabilities	<u>2,792,533</u>	<u>2,388,812</u>	<u>2,795,096</u>	<u>3,149,990</u>	<u>5,587,629</u>	<u>5,538,802</u>
Deferred Inflows						
of Resources	<u>-</u>	<u>284,519</u>	<u>-</u>	<u>65,975</u>	<u>-</u>	<u>350,494</u>
Total liabilities and deferred inflows	<u>2,792,533</u>	<u>2,673,331</u>	<u>2,739,901</u>	<u>3,215,965</u>	<u>5,587,629</u>	<u>5,889,296</u>
Net Position:						
Net investment in capital assets	4,173,114	4,576,369	12,818,992	13,001,391	16,992,106	17,577,760
Restricted	155,213	279,743	-	-	155,213	279,743
Unrestricted	<u>355,034</u>	<u>215,608</u>	<u>283,778</u>	<u>555,116</u>	<u>638,812</u>	<u>770,724</u>
Total net position	<u>\$ 4,683,361</u>	<u>\$ 5,071,720</u>	<u>\$ 13,102,770</u>	<u>\$ 13,556,507</u>	<u>\$ 17,786,131</u>	<u>\$ 18,628,227</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 \$18,628,227 as of June 30, 2015. The Town's net position increased by \$842,096 for the fiscal year ended June 30, 2015. However, the largest portion \$17,577,760 (94%) 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, \$279,743, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$770,724 is unrestricted. Also, the Town of Troutman implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net

pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$205,782. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Troutman's management.

Town of Troutman's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	\$ 50,640	\$ 54,554	\$ 1,564,650	\$ 1,974,607	\$ 1,615,290	\$ 2,029,161
Operating grants and contributions	76,923	97,654	-	-	76,923	97,654
Capital grants and contributions	123,581	186,279	282,958	220,000	406,539	406,279
General revenues:						
Property taxes	1,576,703	1,698,665	-	-	1,576,703	1,698,665
Other taxes	540,769	600,737	-	-	540,769	600,737
Unrestricted						
intergovernmental	207,627	254,542	-	-	207,627	254,542
Miscellaneous	180,106	135,229	-	(94,388)	180,106	40,841
Investment earnings unrestricted	1,009	1,115	109	42	1,118	1,157
Total revenues	2,757,358	3,028,775	1,847,717	2,100,261	4,605,075	5,129,036
Expenses:						
General government	773,981	837,683	-	-	773,981	837,683
Public safety	1,077,827	1,059,171	-	-	1,077,827	1,059,171
Streets and public works	519,517	593,167	-	-	519,517	593,167
Recreation	27,467	42,401	-	-	27,467	42,401
Environmental protection	2,777	3,647	-	-	2,777	3,647
Economic and physical development	16,756	66,387	-	-	16,756	66,387
Interest on long-term debt	50,437	37,960	-	-	50,437	37,960
Water and sewer	-	-	1,692,048	1,646,524	1,692,048	1,646,524
Total expenses	2,468,762	2,640,416	1,692,048	1,646,524	4,160,810	4,286,940
Increase (decrease) in net position	288,596	388,359	155,669	453,737	444,265	842,096
Net Position:						
Net position, July 1 as						
previously reported	4,999,851	5,288,447	12,986,200	13,141,869	17,986,051	18,430,316
Restatement	-	(605,086)	-	(39,099)	-	(644,185)
Net position, July 1 restated	4,999,851	4,683,361	12,986,200	13,102,770	17,986,051	17,786,131
Net position, June 30	\$ 5,288,447	\$ 5,071,720	\$ 13,141,869	\$ 13,556,507	\$ 18,430,316	\$ 18,628,227

Governmental Activities. Governmental activities increased the Town's net position by \$388,359.

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

Business-Type Activities. Business-type activities increased the Town's net position by \$453,737.

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

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Troutman. At the end of the current fiscal year, fund balance available in the General Fund was \$1,027,486, while total fund balance reached \$1,308,221. 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 36.31% of total General Fund expenditures, while total fund balance represents 46.2% of that same amount.

At June 30, 2015, the governmental funds of the Town of Troutman reported a combined fund balance of \$1,270,313, a 1.5% increase over last year. Included in this change in fund balance are an increase in the General Fund of \$60,208 and a net decrease in other funds of \$41,947.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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

Proprietary Funds. The Town of Troutman's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$555,116. The change in net position was an increase of \$453,737. 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, 2015 totals \$22,112,605 (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
 Morrison Farm Road Project
 Water Efficiency Improvement Project

Town of Troutman’s Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$ 573,172	\$ 573,172	\$ 148,138	\$ 148,138	\$ 721,310	\$ 721,310
Buildings	1,451,955	1,451,955	1,078,256	1,074,806	2,530,211	2,526,761
Equipment	343,217	366,041	309,556	309,556	652,773	675,597
Vehicles	543,549	646,034	118,836	146,836	662,385	792,870
Infrastructure	4,388,742	4,388,742	-	-	4,388,742	4,388,742
Water/Sewer distributions system	-	-	19,351,332	19,581,332	19,351,332	19,581,332
Construction in progress	<u>12,731</u>	<u>349,709</u>	<u>148,805</u>	<u>978,396</u>	<u>161,536</u>	<u>1,328,105</u>
Total	7,313,366	7,775,653	21,154,923	22,239,064	28,468,289	30,014,717
Accumulated depreciation	<u>(1,370,211)</u>	<u>(1,589,558)</u>	<u>(5,900,476)</u>	<u>(6,312,554)</u>	<u>(7,270,687)</u>	<u>(7,902,112)</u>
Capital assets, net	<u>\$ 5,943,155</u>	<u>\$ 6,186,095</u>	<u>\$15,254,447</u>	<u>\$15,926,510</u>	<u>\$21,197,602</u>	<u>\$22,112,605</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, 2015, the Town of Troutman had total notes payable outstanding of \$4,534,845, all of which are secured by assets of the Town.

Town of Troutman’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Notes payable	<u>\$ 1,770,041</u>	<u>\$ 1,609,726</u>	<u>\$ 2,490,650</u>	<u>\$ 2,925,119</u>	<u>\$ 4,260,691</u>	<u>\$ 4,534,845</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Troutman is approximately \$24,000,000.

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 continues to see the effects of the recession lessening.
- Sales tax revenues increased 11%.
- Appraised valuation increased for the 2015 fiscal year by .49%.
- Interest in residential development continues to increase.

Budget Highlights for the Year Ending June 30, 2016

Governmental Activities. Overall, General Fund revenues are budgeted to be 4% less than 2015 actual amounts. Decrease in capital contributions are the major changes.

Business-Type Activities. Overall, water and sewer revenues are budgeted to be approximately 22% less in 2016. This is attributed to less reliance on developer fees.

Requests for Information

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, 400 N. Eastway Drive, Troutman, North Carolina 28166.

This page left blank intentionally.

TOWN OF TROUTMAN, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 1,116,280	\$ 183,964	\$ 1,300,244
Taxes receivable, net	60,907	-	60,907
Accounts receivable, net	-	304,925	304,925
Due from other governments	181,547	208,346	389,893
Prepaid items	11,171	-	11,171
Cash and investments, restricted	7,234	106,079	113,313
Total current assets	<u>1,377,139</u>	<u>803,314</u>	<u>2,180,453</u>
Non-current assets:			
Net pension asset	<u>110,586</u>	<u>25,940</u>	<u>136,526</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	922,881	1,126,534	2,049,415
Other capital assets, net of depreciation	5,263,214	14,799,976	20,063,190
Total capital assets	<u>6,186,095</u>	<u>15,926,510</u>	<u>22,112,605</u>
Total assets	<u>7,673,820</u>	<u>16,755,764</u>	<u>24,429,584</u>
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	<u>71,231</u>	<u>16,708</u>	<u>87,939</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	42,662	87,409	130,071
Liabilities payable from restricted assets:			
Customer deposits	-	106,079	106,079
Current portion of compensated absences	80,096	23,537	103,633
Current portion of long-term debt	252,309	251,105	503,414
Total current liabilities	<u>375,067</u>	<u>468,130</u>	<u>843,197</u>
Long-term liabilities:			
Non-current compensated absences	26,699	7,846	34,545
Non-current portion of long-term obligations	1,987,046	2,674,014	4,661,060
Total liabilities	<u>2,388,812</u>	<u>3,149,990</u>	<u>5,538,802</u>
Deferred Inflows of Resources:			
Pension deferrals	281,262	65,975	347,237
Prepaid taxes	3,257	-	3,257
Total deferred inflows of resources	<u>284,519</u>	<u>65,975</u>	<u>350,494</u>
Net Position:			
Net investment in capital assets	4,576,369	13,001,391	17,577,760
Restricted for:			
Stabilization by State statute	272,509	-	272,509
Streets	7,234	-	7,234
Unrestricted	215,608	555,116	770,724
Total net position	<u>\$ 5,071,720</u>	<u>\$ 13,556,507</u>	<u>\$ 18,628,227</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, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 837,683	\$ 6,975	\$ -	\$ -
Public safety	1,059,171	3,767	-	-
Streets and public works	593,167	30,788	97,654	-
Culture and recreation	42,401	-	-	181,579
Environmental protection	3,647	13,024	-	-
Economic and physical development	66,387	-	-	4,700
Interest and fees	37,960	-	-	-
Total governmental activities	<u>2,640,416</u>	<u>54,554</u>	<u>97,654</u>	<u>186,279</u>
Business-Type Activities:				
Water and sewer	<u>1,646,524</u>	<u>1,974,607</u>	<u>-</u>	<u>220,000</u>
Total primary government	<u>\$ 4,286,940</u>	<u>\$ 2,029,161</u>	<u>\$ 97,654</u>	<u>\$ 406,279</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, 2015

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (830,708)	\$ -	\$ (830,708)
Public safety	(1,055,404)	-	(1,055,404)
Streets and public works	(464,725)	-	(464,725)
Culture and recreation	139,178	-	139,178
Environmental protection	9,377	-	9,377
Economic and physical development	(61,687)	-	(61,687)
Interest and fees	(37,960)	-	(37,960)
Total governmental activities	(2,301,929)	-	(2,301,929)
Business-Type Activities:			
Water and sewer	-	548,083	548,083
Total primary government	(2,301,929)	548,083	(1,753,846)
General Revenues:			
Ad valorem taxes	1,698,665	-	1,698,665
Local option sales taxes	600,737	-	600,737
Unrestricted intergovernmental	254,542	-	254,542
Miscellaneous	135,229	(94,388)	40,841
Investment earnings	1,115	42	1,157
Total general revenues	2,690,288	(94,346)	2,595,942
Change in net position	388,359	453,737	842,096
Net Position:			
Beginning of year - July 1	5,288,447	13,141,869	18,430,316
Restatement	(605,086)	(39,099)	(644,185)
Beginning of year - July 1, as restated	4,683,361	13,102,770	17,786,131
End of year - June 30	\$ 5,071,720	\$ 13,556,507	\$ 18,628,227

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

TOWN OF TROUTMAN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Capital Project Funds</u>	<u>Governmental Funds</u>
Assets:			
Cash and investments	\$ 1,066,171	\$ 50,109	\$ 1,116,280
Taxes receivable, net	60,907	-	60,907
Due from other governments	178,602	2,945	181,547
Due from other funds	90,962	-	90,962
Prepaid items	11,171	-	11,171
Cash restricted	7,234	-	7,234
Total assets	<u>\$ 1,415,047</u>	<u>\$ 53,054</u>	<u>\$ 1,468,101</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 42,662	\$ -	\$ 42,662
Due to other funds	-	90,962	90,962
Total liabilities	<u>42,662</u>	<u>90,962</u>	<u>133,624</u>
Deferred Inflows of Resources:			
Property taxes receivable	60,907	-	60,907
Prepaid taxes	3,257	-	3,257
Total deferred inflows of resources	<u>64,164</u>	<u>-</u>	<u>64,164</u>
Fund Balances:			
Non-spendable:			
Prepaid items	11,171	-	11,171
Restricted:			
Stabilization by State statute	269,564	2,945	272,509
Streets	7,234	-	7,234
Committed:			
Cultural and recreational	-	50,109	50,109
Unassigned	1,020,252	(90,962)	929,290
Total fund balances	<u>1,308,221</u>	<u>(37,908)</u>	<u>1,270,313</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,415,047</u>	<u>\$ 53,054</u>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			6,186,095
Long-term liabilities, LEO, compensated absences, and OPEB are not due and payable in the current period and, therefore, not reported in the funds.			(2,346,150)
Net pension asset			110,586
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			71,231
Pension related deferrals			(281,262)
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>60,907</u>
Net position of governmental activities			<u>\$ 5,071,720</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, 2015

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Capital Project Funds</u>	<u>Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,741,635	\$ -	\$ 1,741,635
Other taxes and licenses	600,737	-	600,737
Unrestricted intergovernmental	254,542	-	254,542
Restricted intergovernmental	102,354	120,126	222,480
Permits and fees	54,554	-	54,554
Investment earnings	1,115	-	1,115
Donations	-	61,453	61,453
Miscellaneous	135,229	-	135,229
Total revenues	<u>2,890,166</u>	<u>181,579</u>	<u>3,071,745</u>
Expenditures:			
Current:			
General government	715,197	-	715,197
Public safety	1,072,741	-	1,072,741
Streets and public works	509,723	-	509,723
Recreation	4,750	353,660	358,410
Economic and physical development	66,387	-	66,387
Capital outlay	132,751	-	132,751
Debt service:			
Principal retirement	268,644	-	268,644
Interest and fees	37,960	-	37,960
Total expenditures	<u>2,808,153</u>	<u>353,660</u>	<u>3,161,813</u>
Revenues over (under) expenditures	<u>82,013</u>	<u>(172,081)</u>	<u>(90,068)</u>
Other Financing Sources (Uses):			
Transfers in (out)	(130,134)	130,134	-
Long-term debt issued	108,329	-	108,329
Total other financing sources (uses)	<u>(21,805)</u>	<u>130,134</u>	<u>108,329</u>
Net change in fund balances	60,208	(41,947)	18,261
Fund Balances:			
Beginning of year - July 1	<u>1,248,013</u>	<u>4,039</u>	<u>1,252,052</u>
End of year - June 30	<u>\$ 1,308,221</u>	<u>\$ (37,908)</u>	<u>\$ 1,270,313</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, 2015

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)	\$ 18,261
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.	(42,970)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	71,231
Pension expense	(3,993)
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.	(108,329)
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.	(57,425)
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.	469,729
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(226,789)
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>268,644</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 388,359</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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,668,500	\$ 1,697,500	\$ 1,741,635	\$ 44,135
Other taxes and licenses	548,000	548,000	600,737	52,737
Unrestricted intergovernmental	201,000	201,000	254,542	53,542
Restricted intergovernmental	77,088	101,788	102,354	566
Permits and fees	49,900	49,900	54,554	4,654
Investment earnings	850	850	1,115	265
Miscellaneous	127,338	127,338	135,229	7,891
Total revenues	<u>2,672,676</u>	<u>2,726,376</u>	<u>2,890,166</u>	<u>163,790</u>
Expenditures:				
Current:				
General government	654,729	765,629	715,197	50,432
Public safety	1,078,413	1,085,954	1,072,741	13,213
Streets and public works	481,016	520,816	509,723	11,093
Recreation	5,000	5,000	4,750	250
Economic and physical development	73,284	163,997	66,387	97,610
Capital outlay	143,784	139,684	132,751	6,933
Debt service:				
Principal retirement	359,716	270,685	268,644	2,041
Interest and fees	36,599	37,989	37,960	29
Total expenditures	<u>2,832,541</u>	<u>2,989,754</u>	<u>2,808,153</u>	<u>181,601</u>
Revenues over (under) expenditures	<u>(159,865)</u>	<u>(263,378)</u>	<u>82,013</u>	<u>345,391</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	(130,134)	(130,134)	-
Long-term debt issued	110,000	110,000	108,329	(1,671)
Appropriated fund balance	49,865	283,512	-	(283,512)
Total other financing sources (uses)	<u>159,865</u>	<u>263,378</u>	<u>(21,805)</u>	<u>(285,183)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>60,208</u>	<u>\$ 60,208</u>
Fund Balance:				
Beginning of year - July 1			<u>1,248,013</u>	
End of year - June 30			<u>\$ 1,308,221</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, 2015

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 183,964
Accounts receivable, net	304,925
Intergovernmental taxes receivable	208,346
Restricted cash and investments	<u>106,079</u>
Total current assets	<u>803,314</u>
Non-current assets:	
Net pension assets	<u>25,940</u>
Capital assets:	
Land, non-depreciable improvements, and construction in progress	1,126,534
Other capital assets, net of depreciation	<u>14,799,976</u>
Total non-current assets	<u>15,926,510</u>
Total assets	<u>16,755,764</u>
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	<u>16,708</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	87,409
Liabilities payable from restricted assets:	
Customer deposits	106,079
Current portion of accrued compensated absences	23,537
Current portion of notes payable	<u>251,105</u>
Total current liabilities	<u>468,130</u>
Non-current liabilities:	
Non-current compensated absences	7,846
Non-current portion of notes payable	<u>2,674,014</u>
Total non-current liabilities	<u>2,681,860</u>
Total liabilities	<u>3,149,990</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>65,975</u>
Net Position:	
Net investment in capital assets	13,001,391
Unrestricted	<u>555,116</u>
Total net position	<u>\$ 13,556,507</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, 2015

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 1,954,916
Other operating revenues	19,691
Total operating revenues	<u>1,974,607</u>
Operating Expenses:	
Salaries and benefits	328,908
Water purchases	313,220
Sewer treatment	266,299
Other operating expenses	270,585
Depreciation	413,918
Total operating expenses	<u>1,592,930</u>
Operating income (loss)	<u>381,677</u>
Non-Operating Revenues (Expenses):	
Investment earnings	42
Interest and fees	(53,594)
Miscellaneous	3,935
Loss on sale of assets	(98,323)
Total non-operating revenues (expenses)	<u>(147,940)</u>
Net income (loss) before contributions	233,737
Capital contributions	<u>220,000</u>
Change in net position	<u>453,737</u>
Net Position:	
Beginning of year - July 1	13,141,869
Restatement	<u>(39,099)</u>
Beginning of year - July 1, as restated	<u>13,102,770</u>
End of year - June 30	<u>\$ 13,556,507</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, 2015

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,757,753
Cash paid for goods and services	(936,824)
Cash paid to employees	(342,110)
Customer deposits received	<u>4,575</u>
Net cash provided (used) by operating activities	<u>483,394</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(964,304)
Proceeds from sale of capital assets	3,935
Long-term debt issued	703,444
Principal paid on long-term debt	(213,780)
Interest paid on debt	<u>(53,594)</u>
Net cash provided (used) by capital and related financing activities	<u>(524,299)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>42</u>
(Increase) decrease in cash and cash equivalents	(40,863)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>330,906</u>
End of year - June 30	<u>\$ 290,043</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, 2015

	<u>Water and Sewer Fund</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	\$ 381,677
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	413,918
Pension expense	936
(Increase) decrease in deferred outflows of resources for pensions	(16,708)
(Increase) decrease in accounts receivable	(216,854)
Increase (decrease) in accounts payable and accrued expenses	(84,150)
Increase (decrease) in customer deposits	4,575
Net cash provided (used) by operating activities	<u>\$ 483,394</u>
 Non-Cash Investing, Capital, and Financing Activities:	
In the fiscal year ended June 30, 2015, the Town received contributions of capital assets in the amount of \$220,000.	
Non-cash transactions:	
Donated capital assets	<u>\$ 220,000</u>

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

This page left blank intentionally.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Troutman (the "Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected Mayor and a five-member Board of Alderpersons.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental activities* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include: (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 three capital project funds: the ESC Park Project and the Greenway Extension 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 are consolidated with the Water and Sewer Fund for financial reporting purposes. The Town has three water and sewer capital projects: the Water and Sewer Efficiency Project, Morrison Farm Road Water and Sewer Project, and the Falls Cove Sewer Project.

Major Funds

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

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

C. Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and certain compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town, are recognized as revenue. 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 and Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Fund, and the enterprise fund capital project funds, which are consolidated with the enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the Town are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

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

Restricted Assets

For the purposes of reporting cash flows, the Town's restricted assets are considered to be cash or cash equivalents. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. In accordance with State law [G.S. 136-41.1 through 136-41.4], Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of local streets.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Town of Troutman Restricted Cash:

Governmental Activities:

General Fund	
Streets	\$ 7,234
Total governmental activities	<u>7,234</u>

Business-Type Activities:

Water and Sewer Fund	
Customer deposits	<u>106,079</u>
Total business-type activities	<u>106,079</u>

Total restricted cash	<u>\$ 113,313</u>
-----------------------	-------------------

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, 2014.

Allowance for Doubtful Accounts

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

Prepaid Items

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

Capital Assets

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

In conjunction with implementing GASB 34, “The New Reporting Model”, the Town began capitalizing public domain (“infrastructure”) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003.

Infrastructure assets exceeding the Town’s capitalization threshold will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion – contributions made to the pension plan in the 2015 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 several items that meet this criteria – prepaid property taxes, 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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The sick leave policy of the Town provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the Town.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

The Town of Troutman has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

The Town has not officially adopted a fund balance policy.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 1,308,221
Less:	
Prepays	11,171
Stabilization by State statute	<u>269,564</u>
Total available fund balance	<u>\$ 1,027,486</u>

F. Pensions

For purposes of measuring the net pension asset, 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.

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, 2015, the following funds had a deficit fund balance:

South Iredell High School Greenway	\$76,889
Greenway Extension Project	\$11,324

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the Town's deposits had a carrying amount of \$1,401,337 and a bank balance of \$1,601,925. Of the bank balance, \$459,493 was covered by federal depository insurance, and \$1,142,432 in interest-bearing deposits was covered by collateral held under the Pooling Method.

Investments

At June 30, 2015, the Town had \$12,220 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.

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Receivables

Receivables at Exhibit A at June 30, 2015 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ -	\$ 71,907	\$ 178,602	\$ 250,509
Nonmajor and other funds	-	-	2,945	2,945
Allowance for doubtful accounts	-	(11,000)	-	(11,000)
Total governmental activities	<u>-</u>	<u>60,907</u>	<u>181,547</u>	<u>242,454</u>
Business-Type Activities:				
Water and sewer	<u>304,925</u>	<u>-</u>	<u>208,346</u>	<u>513,271</u>
Total receivables	<u>\$ 304,925</u>	<u>\$ 60,907</u>	<u>\$ 389,893</u>	<u>\$ 755,725</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 137,919
Governmental sales tax refund	43,628
Business-type sales tax refund	22,587
Business-type grant funds	<u>185,759</u>
Total	<u>\$ 389,893</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

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

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Non--Depreciable Capital Assets:				
Land	\$ 573,172	\$ -	\$ -	\$ 573,172
Construction in process - infrastructure	12,731	336,978	-	349,709
Total non-depreciable capital assets	<u>585,903</u>	<u>336,978</u>	<u>-</u>	<u>922,881</u>
Depreciable Capital Assets:				
Buildings	1,451,955	-	-	1,451,955
Equipment	343,217	22,824	-	366,041
Vehicles	543,549	109,927	(7,442)	646,034
Infrastructure	4,388,742	-	-	4,388,742
Total depreciable capital assets	<u>6,727,463</u>	<u>132,751</u>	<u>(7,442)</u>	<u>6,852,772</u>
Less Accumulated Depreciation:				
Buildings	318,827	29,448	-	348,275
Equipment	180,100	44,729	-	224,829
Vehicles	456,464	34,768	(7,442)	483,790
Infrastructure	414,820	117,844	-	532,664
Total accumulated depreciation	<u>1,370,211</u>	<u>\$ 226,789</u>	<u>\$ (7,442)</u>	<u>1,589,558</u>
Total depreciable capital assets, net	<u>5,357,252</u>			<u>5,263,214</u>
Governmental activity capital assets, net	<u>\$ 5,943,155</u>			<u>\$ 6,186,095</u>

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

Governmental Activities:	
General government	\$ 23,791
Public safety	94,938
Streets and public works	83,444
Environmental protection	3,647
Cultural and recreational	20,969
Total	<u>\$ 226,789</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Summary of Proprietary Capital Assets

Capital assets for the proprietary funds of the Town at June 30, 2015 are as follows:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 148,138	\$ -	\$ -	\$ 148,138
Construction in progress	148,805	926,304	(96,713)	978,396
Total non-depreciable capital assets	296,943	926,304	(96,713)	1,126,534
Depreciable Capital Assets:				
Distribution system	19,351,332	230,000	-	19,581,332
Buildings	309,556	-	-	309,556
Equipment	1,078,256	-	(3,450)	1,074,806
Vehicles	118,836	28,000	-	146,836
Total depreciable capital assets	20,857,980	258,000	(3,450)	21,112,530
Less Accumulated Depreciation:				
Distribution system	4,829,973	376,397	-	5,206,370
Buildings	204,771	10,078	-	214,849
Equipment	785,030	18,428	(1,840)	801,618
Vehicles	80,702	9,015	-	89,717
Total accumulated depreciation	5,900,476	\$ 413,918	\$ (1,840)	6,312,554
Total depreciable capital assets	14,957,504			14,799,976
Water and Sewer Fund capital assets, net	\$ 15,254,447			\$ 15,926,510

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 6,186,095	\$ 15,926,510
Long-term debt	1,609,726	2,925,119
Net investment in capital assets	\$ 4,576,369	\$ 13,001,391

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2015 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 18,273	\$ 24,389	\$ 42,662
Business-Type Activities:			
Water and sewer	\$ 76,558	\$ 10,851	\$ 87,409

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.

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$87,939 for the year ended June 30, 2015.

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.

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

At June 30, 2015, the Town reported an asset of \$136,526 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was 0.023%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,929. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 14,918
Net difference between projected and actual earnings on pension plan investments	-	317,830
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	14,489
Town contributions subsequent to the measurement date	87,939	-
Total	\$ 87,939	\$ 347,237

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$87,939 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2016	\$ (86,828)
2017	(86,828)
2018	(86,828)
2019	(86,753)
2020	-
Thereafter	-
Total	<u>\$ (347,237)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	<u>4.5%</u>	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2015 to be effective July 1, 2015. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: fixed income 2.2%, global equity 5.8%, real estate 5.2%, alternatives 9.8%, credit 6.8% and inflation protection 3.4%.

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.

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Sensitivity of the Town's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension 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:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 463,429</u>	<u>\$ (136,526)</u>	<u>\$ (641,669)</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, 2014, 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, 2015

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	21,920
Adjustment to annual required contribution	<u>(38,525)</u>
Annual pension cost (expense)	16,543
Contributions made	<u>-</u>
Increase in net pension obligation	16,543
Net Pension Obligation:	
Beginning of year - July 1	<u>438,403</u>
End of year - June 30	<u>\$ 454,946</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3-Year Trend Information

Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2015	\$ 16,543	0.00%	\$ 454,946
2014	17,194	0.00%	438,403
2013	17,871	0.00%	421,209

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 the unfunded actuarial accrued liability (UAAL) was \$211,405. The covered payroll (annual payroll of active employees covered by the plan) was \$638,876, and the ratio of the UAAL to the covered payroll was 33.09%.

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, 2015 were \$75,481, which consisted of \$59,152 from the Town and \$16,329 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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

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><u>25</u></u>

Funding Policy. By Town resolution, the Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Town's members pay 70% of the actual cost for dependent coverage, with the Town paying 30%. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2015, the Town had no contributions.

The current annual required contribution (ARC) rate is 2.45% 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 1.4% 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, 2015

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	\$	30,166
Interest on net OPEB obligation		5,770
Adjustment to annual required contribution		<u>(5,513)</u>
Annual OPEB cost (expense)		30,423
Contributions made		<u>-</u>
Increase in net OPEB obligation		30,423
Net OPEB Obligation:		
Beginning of year - July 1		<u>144,260</u>
End of year - June 30	\$	<u><u>174,683</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Three-Year Trend Information			
Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 30,423	0.00%	\$ 174,683
2014	30,280	0.00%	144,260
2013	27,280	0.00%	111,800

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, 2015

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, 2015

Deferred Outflows and Inflows of Resources

The Town had one deferred outflows 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>\$ 87,939</u>

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

<u>Source</u>	<u>Amount</u>
Prepaid taxes	\$ 3,257
Taxes receivable, net	60,907
Pension deferral	<u>347,237</u>
Total	<u>\$ 411,401</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, 2015**

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.	\$ 1,417,215
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.	53,291
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.	120,833
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.	<u>18,387</u>
Total	<u>\$ 1,609,726</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Business-Type Activities:

2.265% note, payable in annual installments of \$76,888, principal plus semi-annual declining interest payments, with a final payment due May 2029. This note is secured by a pledge of user fees and future State distributions. \$ 1,076,432

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. 540,305

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. 502,194

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. 703,444

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. 89,115

1.91% note, payable in annual installments of \$13,889, including interest, with a final payment due October 2015. This note is secured by the related equipment. 13,629

Total \$ 2,925,119

TOWN OF TROUTMAN, NORTH CAROLINA

**NOTES TO THE FINANCIALS STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Governmental Activities

Governmental Funds:

Year Ending June 30	Principal	Interest	Total
2016	\$ 252,309	\$ 36,368	\$ 288,677
2017	252,831	30,013	282,844
2018	187,564	23,567	211,131
2019	166,731	19,068	185,799
2020	166,731	15,268	181,999
2021-2024	<u>583,560</u>	<u>24,291</u>	<u>607,851</u>
Total governmental funds	<u>\$ 1,609,726</u>	<u>\$ 148,575</u>	<u>\$ 1,758,301</u>

Business-Type Activities

Proprietary Funds:

Year Ending June 30	Principal	Interest	Total
2016	\$ 251,105	\$ 50,926	\$ 302,031
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
2021-2025	852,584	95,718	948,302
2026-2030	695,662	25,520	721,182
2031-2035	<u>175,864</u>	<u>-</u>	<u>175,864</u>
Total proprietary funds	<u>\$ 2,925,119</u>	<u>\$ 327,967</u>	<u>\$ 3,253,086</u>

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

A summary of changes in long-term obligations follows:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Notes payable	\$ 1,770,041	\$ 108,329	\$ 268,644	\$ 1,609,726	\$ 252,309
Net pension LEO	438,403	16,543	-	454,946	-
Net pension LGERS	235,303	-	235,303	-	-
OPEB	144,260	30,423	-	174,683	-
Compensated absences	<u>96,336</u>	<u>89,065</u>	<u>78,606</u>	<u>106,795</u>	<u>80,096</u>
Total governmental activities	<u>\$ 2,684,343</u>	<u>\$ 244,360</u>	<u>\$ 582,553</u>	<u>\$ 2,346,150</u>	<u>\$ 332,405</u>
Business-Type Activities:					
Notes payable	\$ 2,435,455	\$ 703,444	\$ 213,780	\$ 2,925,119	\$ 251,105
Net pension LGERS	55,195	-	55,195	-	-
Compensated absences	<u>28,813</u>	<u>26,173</u>	<u>23,603</u>	<u>31,383</u>	<u>23,537</u>
Total business-type activities	<u>\$ 2,519,463</u>	<u>\$ 729,617</u>	<u>\$ 292,578</u>	<u>\$ 2,956,502</u>	<u>\$ 274,642</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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, 2015, the Town had a legal debt margin of approximately \$24,000,000.

Interfund Balances and Activity

Interfund balances at June 30, 2015 consist of the following:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Due To/Due From</u>
South Iredell High School Greenway	General Fund	\$ 76,889
Greenway Extension	General Fund	<u>14,073</u>
Total		<u>\$ 90,962</u>

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

TOWN OF TROUTMAN, NORTH CAROLINA

NOTES TO THE FINANCIALS STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

4. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$166,683 and \$39,099, respectively.

Prior Period Adjustment

The Town had a prior period adjustment in the current fiscal year due to a change in estimate in regards to the Law Enforcement Officers' Special Separation Allowance. In previous years, the amount had been disclosed as immaterial, and for the current fiscal year, the Town had an actuarial study performed. The amounts reported in this study showed prior amounts were material to the overall financial statements, therefore, a prior period adjustment has been reflected for governmental activities in the amount of \$438,403.

This page left blank intentionally.

TOWN OF TROUTMAN, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2015	\$ 33,148	0.00%

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, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	4.25% to 7.85%
Cost of living adjustments	None

TOWN OF TROUTMAN, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS

RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Valuation Date	Value of Assets (a)	Actuarial	Unfunded	Funded	Covered	UAAL as a
		Accrued Liability (AAL) - Projected Unit Credit (b)	AAL (UAAL) (b-a)	Ratio (a/b)	Payroll (c)	% of Covered Payroll ((b-a)/c)
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
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 TWO FISCAL YEARS***

Local Government Employees' Retirement System		
	2015	2014
Troutman's proportion of the net pension liability (asset) (%)	-0.02315%	0.02410%
Troutman's proportion of the net pension liability (asset) (\$)	\$ (136,526)	\$ 290,498
Troutman's covered-employee payroll	\$ 1,180,164	\$ 1,108,960
Troutman's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.57%)	26.20%
Plan fiduciary net position as a percentage of the total pension liability**	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 TWO FISCAL YEARS

Local Government Employees' Retirement System		
	2015	2014
Contractually required contribution	\$ 87,939	\$ 84,716
Contributions in relation to the contractually required contribution	<u>87,939</u>	<u>84,716</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Troutman's covered-employee payroll	\$ 1,200,786	\$ 1,180,164
Contributions as a percentage of covered-employee payroll	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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 1,687,500	\$ 1,729,340	\$ 41,840	\$ 1,627,820
Penalties and interest	10,000	12,295	2,295	15,196
Total ad valorem taxes	<u>1,697,500</u>	<u>1,741,635</u>	<u>44,135</u>	<u>1,643,016</u>
Other Taxes and Licenses:				
Local option sales tax	<u>548,000</u>	<u>600,737</u>	<u>52,737</u>	<u>540,769</u>
Total other taxes and licenses	<u>548,000</u>	<u>600,737</u>	<u>52,737</u>	<u>540,769</u>
Unrestricted Intergovernmental Revenues:				
Franchise tax	148,000	198,114	50,114	151,632
Video programming	22,000	22,325	325	22,083
Telecommunications	21,000	22,108	1,108	23,068
Beer and wine tax	<u>10,000</u>	<u>11,995</u>	<u>1,995</u>	<u>10,844</u>
Total unrestricted intergovernmental revenues	<u>201,000</u>	<u>254,542</u>	<u>53,542</u>	<u>207,627</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	77,088	77,654	566	76,923
Economic Development Grant	4,700	4,700	-	23,698
Recycling Grant	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total restricted intergovernmental revenues	<u>101,788</u>	<u>102,354</u>	<u>566</u>	<u>100,621</u>
Permits and Fees:				
Refuse collection fees	6,000	6,610	610	6,067
Court costs and jail fees	4,500	3,767	(733)	4,424
Sub-division review fees	10,000	13,024	3,024	10,501
Zoning permits	6,400	6,975	575	5,980
Recycling collection fees	<u>23,000</u>	<u>24,178</u>	<u>1,178</u>	<u>23,668</u>
Total permits and fees	<u>49,900</u>	<u>54,554</u>	<u>4,654</u>	<u>50,640</u>
Investment Earnings	<u>850</u>	<u>1,115</u>	<u>265</u>	<u>1,002</u>
Miscellaneous:				
Donations	-	1,858	1,858	1,297
Sale of capital assets	1,000	1,522	522	2,436
Other	<u>126,338</u>	<u>131,849</u>	<u>5,511</u>	<u>176,373</u>
Total miscellaneous	<u>127,338</u>	<u>135,229</u>	<u>7,891</u>	<u>180,106</u>
Total revenues	<u>2,726,376</u>	<u>2,890,166</u>	<u>163,790</u>	<u>2,723,781</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing Board:				
Salaries and employee benefits	17,600	17,600	-	17,167
Operating expenses	80,146	72,941	7,205	60,277
Total governing board	97,746	90,541	7,205	77,444
Administration:				
Salaries and employee benefits	238,402	235,547	2,855	237,862
Operating expenses	150,900	138,631	12,269	108,082
Total administration	389,302	374,178	15,124	345,944
Elections	1,500	-	1,500	1,333
General Insurance	110,000	85,769	24,231	117,600
Planning and Zoning	167,081	164,709	2,372	104,711
Total general government	765,629	715,197	50,432	647,032
Public Safety:				
Law Enforcement:				
Salaries and employee benefits	944,713	943,097	1,616	924,927
Operating expenses	141,241	129,644	11,597	140,607
Total law enforcement	1,085,954	1,072,741	13,213	1,065,534
Total public safety	1,085,954	1,072,741	13,213	1,065,534
Streets and Public Works:				
Street Maintenance:				
Salaries and employee benefits	181,716	177,305	4,411	172,229
Operating expenses	126,100	124,277	1,823	69,760
Total street maintenance	307,816	301,582	6,234	241,989
Sanitation	213,000	208,141	4,859	221,951
Total streets and public works	520,816	509,723	11,093	463,940

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Recreation:				
Operating expenses	5,000	4,750	250	11,500
Economic Development:				
Operating expenses	163,997	66,387	97,610	16,756
Capital Outlay:				
Administration	7,000	7,699	(699)	18,196
Police	125,000	125,052	(52)	59,999
Other	7,684	-	7,684	7,963
Total capital outlay	139,684	132,751	6,933	86,158
Debt Service:				
Principal retirement	270,685	268,644	2,041	304,473
Interest and fees	37,989	37,960	29	50,437
Total debt service	308,674	306,604	2,070	354,910
Total expenditures	2,989,754	2,808,153	181,601	2,645,830
Revenues over (under) expenditures	(263,378)	82,013	345,391	77,951
Other Financing Sources (Uses):				
Transfers to ESC Park Capital Project Fund	(130,134)	(130,134)	-	-
Long-term debt issued	110,000	108,329	(1,671)	-
Appropriated fund balance	283,512	-	(283,512)	-
Total other financing sources (uses)	263,378	(21,805)	(285,183)	-
Net change in fund balance	\$ -	60,208	\$ 60,208	77,951
Fund Balance:				
Beginning of year - July 1		1,248,013		1,170,062
End of year - June 30		\$ 1,308,221		\$ 1,248,013

TOWN OF TROUTMAN, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Capital Project Fund</u>			<u>Total</u>
	<u>ESC Park</u>	<u>South Iredell High School Greenway</u>	<u>Greenway Extension Project</u>	
Assets:				
Cash and investments	\$ 50,109	\$ -	\$ -	\$ 50,109
Other receivables	196	-	2,749	2,945
Total assets	<u>\$ 50,305</u>	<u>\$ -</u>	<u>\$ 2,749</u>	<u>\$ 53,054</u>
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ -	\$ 76,889	\$ 14,073	\$ 90,962
Total liabilities	<u>-</u>	<u>76,889</u>	<u>14,073</u>	<u>90,962</u>
Fund Balances:				
Restricted:				
Stabilization by State statute	196	-	2,749	2,945
Committed for cultural and recreational	50,109	-	-	50,109
Unassigned	-	(76,889)	(14,073)	(90,962)
Total fund balances	<u>50,305</u>	<u>(76,889)</u>	<u>(11,324)</u>	<u>(37,908)</u>
Total liabilities and fund balances	<u>\$ 50,305</u>	<u>\$ -</u>	<u>\$ 2,749</u>	<u>\$ 53,054</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, 2015

	<u>Capital Project Funds</u>			<u>Total</u>
	<u>ESC Park</u>	<u>South Iredell High School Greenway</u>	<u>Greenway Extension Project</u>	
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ 120,126	\$ 120,126
Donations	61,453	-	-	61,453
Total revenues	<u>61,453</u>	<u>-</u>	<u>120,126</u>	<u>181,579</u>
Expenditures:				
Cultural and recreation	16,682	146,784	190,194	353,660
Total expenditures	<u>16,682</u>	<u>146,784</u>	<u>190,194</u>	<u>353,660</u>
Revenues over (under) expenditures	<u>44,771</u>	<u>(146,784)</u>	<u>(70,068)</u>	<u>(172,081)</u>
Other Financing Sources (Uses):				
Transfer from other funds	-	69,895	60,239	130,134
Total other financing sources (uses)	<u>-</u>	<u>69,895</u>	<u>60,239</u>	<u>130,134</u>
Net change in fund balance	44,771	(76,889)	(9,829)	(41,947)
Fund Balance:				
Beginning of year - July 1	<u>5,534</u>	<u>-</u>	<u>(1,495)</u>	<u>4,039</u>
End of year - June 30	<u>\$ 50,305</u>	<u>\$ (76,889)</u>	<u>\$ (11,324)</u>	<u>\$ (37,908)</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, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
NC PARTF Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Donations	652,560	198,503	61,453	259,956
Investment income	-	62	-	62
Total revenues	<u>1,152,560</u>	<u>698,565</u>	<u>61,453</u>	<u>760,018</u>
Expenditures:				
Construction and capital spending	<u>1,177,560</u>	<u>968,031</u>	<u>16,682</u>	<u>984,713</u>
Total expenditures	<u>1,177,560</u>	<u>968,031</u>	<u>16,682</u>	<u>984,713</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(269,466)</u>	<u>44,771</u>	<u>(224,695)</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	250,000	-	250,000
Transfers from (to) other funds	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total other financing sources (uses)	<u>25,000</u>	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,534</u>	<u>\$ 44,771</u>	<u>\$ 50,305</u>

TOWN OF TROUTMAN, NORTH CAROLINA

GREENWAY EXTENSION - CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental	\$ 641,527	\$ -	\$ 120,126	\$ 120,126
Total revenues	<u>641,527</u>	<u>-</u>	<u>120,126</u>	<u>120,126</u>
Expenditures:				
Construction and capital spending	<u>701,766</u>	<u>1,495</u>	<u>190,194</u>	<u>191,689</u>
Total expenditures	<u>701,766</u>	<u>1,495</u>	<u>190,194</u>	<u>191,689</u>
Revenues over (under) expenditures	(60,239)	(1,495)	(70,068)	(71,563)
Other Financing Sources (Uses):				
Transfers from General Fund	<u>60,239</u>	<u>-</u>	<u>60,239</u>	<u>60,239</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,495)</u>	<u>\$ (9,829)</u>	<u>\$ (11,324)</u>

TOWN OF TROUTMAN, NORTH CAROLINA

SOUTH IREDELL HIGH SCHOOL GREENWAY - CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental	\$ 549,894	\$ -	\$ -	\$ -
Total revenues	<u>549,894</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Construction and capital spending	<u>619,789</u>	<u>-</u>	<u>146,784</u>	<u>146,784</u>
Total expenditures	<u>619,789</u>	<u>-</u>	<u>146,784</u>	<u>146,784</u>
Revenues over (under) expenditures	(69,895)	-	(146,784)	(146,784)
Other Financing Sources (Uses):				
Transfers from General Fund	<u>69,895</u>	<u>-</u>	<u>69,895</u>	<u>69,895</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,889)</u>	<u>\$ (76,889)</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 1,905,700	\$ 1,954,916	\$ 49,216	\$ 1,541,411
Other operating revenues	15,200	19,691	4,491	23,239
Total operating revenues	<u>1,920,900</u>	<u>1,974,607</u>	<u>53,707</u>	<u>1,564,650</u>
Non-operating revenues:				
Investment earnings	8	2	(6)	1
Sale of capital assets	<u>7,000</u>	<u>3,935</u>	<u>(3,065)</u>	<u>-</u>
Total non-operating revenues	<u>7,008</u>	<u>3,937</u>	<u>(3,071)</u>	<u>1</u>
Total revenues	<u>1,927,908</u>	<u>1,978,544</u>	<u>50,636</u>	<u>1,564,651</u>
Expenditures:				
Current:				
Salaries and benefits	350,293	342,110	8,183	339,339
Water purchases	323,000	313,220	9,780	308,569
Sewer treatment	320,000	266,299	53,701	306,024
Other operating expenses	289,486	270,585	18,901	242,835
Capital outlay	80,000	38,000	42,000	25,669
Debt service:				
Principal retirement	213,780	213,780	-	272,359
Interest and fees	<u>53,594</u>	<u>53,594</u>	<u>-</u>	<u>96,370</u>
Total expenditures	<u>1,630,153</u>	<u>1,497,588</u>	<u>132,565</u>	<u>1,591,165</u>
Revenues over (under) expenditures	<u>297,755</u>	<u>480,956</u>	<u>183,201</u>	<u>(26,514)</u>
Other Financing Sources (Uses):				
Transfer to Enterprise Fund Capital Projects	<u>(297,755)</u>	<u>(297,755)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(297,755)</u>	<u>(297,755)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 183,201</u>	<u>\$ 183,201</u>	<u>\$ (26,514)</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014**

	2015		2014
	Budget	Actual	Actual
		Variance Over/Under	
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under)			
expenditures and other financing uses		\$ 183,201	
Revenue, Enterprise Capital Project Funds:			
Contributed capital		220,000	
Investment income		40	
Intrafund transfer		297,755	
Deferred outflows of resources for contributions			
made to pension plan in the current year		16,708	
Pension expense		(936)	
Capital outlay		38,000	
Change in accrued vacation		(2,570)	
Principal retirement		213,780	
Depreciation		(413,918)	
Loss on fixed asset disposal		(98,323)	
		\$ 453,737	
Change in net position		\$ 453,737	

TOWN OF TROUTMAN, NORTH CAROLINA

MORRISON FARM ROAD WATER AND SEWER - CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Private contributions	\$ 300,000	\$ 237,910	\$ -	\$ 237,910
Total revenues	<u>300,000</u>	<u>237,910</u>	<u>-</u>	<u>237,910</u>
Expenditures:				
Construction and capital spending	<u>300,000</u>	<u>13,757</u>	<u>206,173</u>	<u>219,930</u>
Total expenditures	<u>300,000</u>	<u>13,757</u>	<u>206,173</u>	<u>219,930</u>
Revenues over (under) expenditures	-	(251,667)	(206,173)	(457,840)
Other Financing Sources (Uses):				
Transfers from (to) other funds	-	-	(17,980)	(17,980)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 224,153</u>	<u>\$ (224,153)</u>	<u>\$ -</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, 2015

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Private contributions	\$ 600,000	\$ 503,287	\$ -	\$ 503,287
Investment income	-	120	40	160
Total revenues	<u>600,000</u>	<u>503,407</u>	<u>40</u>	<u>503,447</u>
Expenditures:				
Construction and capital spending	<u>750,932</u>	<u>38,335</u>	<u>21,784</u>	<u>60,119</u>
Total expenditures	<u>750,932</u>	<u>38,335</u>	<u>21,784</u>	<u>60,119</u>
Revenues over (under) expenditures	(150,932)	465,072	(21,744)	443,328
Other Financing Sources (Uses):				
Transfers from (to) other funds	<u>150,932</u>	<u>-</u>	<u>150,932</u>	<u>150,932</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 465,072</u>	<u>\$ 129,188</u>	<u>\$ 594,260</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, 2015

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Expenditures:				
Construction and capital spending	\$ 812,000	\$ -	\$ 698,347	\$ 698,347
Total expenditures	<u>812,000</u>	<u>-</u>	<u>698,347</u>	<u>698,347</u>
Revenues over (under) expenditures	(812,000)	-	(698,347)	(698,347)
Other Financing Sources (Uses):				
Long-term debt issued	<u>812,000</u>	<u>-</u>	<u>703,444</u>	<u>703,444</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,097</u>	<u>\$ 5,097</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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers in	\$ 92,981	\$ 315,735	\$ 222,754
Transfers out	(168,913)	(150,932)	17,981
Appropriated fund balance	<u>75,932</u>	<u>-</u>	<u>(75,932)</u>
Total other financing sources (uses)	<u>-</u>	<u>164,803</u>	<u>164,803</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ 164,803</u>	 <u>\$ 164,803</u>

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

<u>Year Ended</u> <u>June 30</u>	<u>Uncollected</u> <u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Collections</u> <u>and Credits</u>	<u>Uncollected</u> <u>Balance</u> <u>June 30, 2015</u>
2015	\$ -	\$ 1,679,745	\$ 1,660,546	\$ 19,199
2014	6,116	-	(3,121)	9,237
2013	57,412	-	48,901	8,511
2012	15,279	-	7,195	8,084
2011	11,734	-	4,202	7,532
2010	9,903	-	4,979	4,924
2009	6,831	-	2,759	4,072
2008	5,169	-	805	4,364
2007	4,946	-	1,621	3,325
2006	3,818	-	1,159	2,659
2005	2,669	-	2,669	-
Total	<u>\$ 123,877</u>	<u>\$ 1,679,745</u>	<u>\$ 1,731,715</u>	<u>71,907</u>
Less: Allowance for uncollectible accounts				<u>(11,000)</u>
Ad valorem taxes receivable, net				<u>\$ 60,907</u>
Reconciliation of Collections and Credits with Revenues:				
Ad valorem taxes - General Fund				\$ 1,741,635
Reconciling items:				
Penalties and interest collected				(12,295)
Miscellaneous adjustments				(294)
Taxes written off				<u>2,669</u>
Total collections and credits				<u>\$ 1,731,715</u>

TOWN OF TROUTMAN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 356,868,723	\$ 0.47	\$ 1,677,283	\$ 1,573,694	\$ 103,589
Penalties	123,191	0.47	579	579	-
Total	<u>356,991,914</u>		<u>1,677,862</u>	<u>1,574,273</u>	<u>103,589</u>
Discoveries:					
Current year taxes	<u>951,702</u>	0.47	<u>4,473</u>	<u>4,473</u>	<u>-</u>
Abatements					
	<u>(551,064)</u>	0.47	<u>(2,590)</u>	<u>(2,590)</u>	<u>-</u>
Total property valuation	<u>\$ 357,392,552</u>				
Net Levy			1,679,745	1,576,156	103,589
Uncollected taxes at June 30, 2015			<u>(19,199)</u>	<u>(15,649)</u>	<u>(3,550)</u>
Current Year's Taxes Collected			<u>\$ 1,660,546</u>	<u>\$ 1,560,507</u>	<u>\$ 100,039</u>
Current Levy Collection Percentage			<u>98.86%</u>	<u>99.01%</u>	<u>96.57%</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
Town of Troutman
Troutman, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Troutman, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 13, 2015.

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 2015-001, 2015-002, 2015-003 and 2015-004 described in the accompanying Schedule of Findings, Responses and Questioned Costs, to be material weaknesses.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

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, Responses, and Questioned Costs as item 2015-002.

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 Finding, Responses and Questioned Costs. 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
October 13, 2015

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report On Compliance for Each Major Federal Program

We have audited the Town of Troutman, North Carolina's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Troutman's major federal programs for the year ended June 30, 2015. The Town of Troutman's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Troutman's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Troutman's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Troutman's compliance.

Opinion On Each Major Federal Program

In our opinion, the Town of Troutman complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report On Internal Control Over Compliance

Management of the Town of Troutman is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Troutman's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 13, 2015

TOWN OF TROUTMAN, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	Yes

Federal Awards

Internal control over major Federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major Federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Section 510(a) of Circular A-133?	No

Identification of major Federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Drinking Water State Revolving Fund Cluster	66.468
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

Finding 2015-001

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

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

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

Effect: Errors in financial reporting could occur.

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

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

Name of Contact Person: Steven Shealy, Finance Director

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

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2015-002

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

Condition: In the current year, there was a violation of the General Statutes regarding funds operating in a deficit.

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

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

Cause: Lack of monitoring over budgetary compliance.

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

Management Response/Corrective Action: Management concurs with the recommendation. Management also adds that this was a timing issue and will be resolved in the next fiscal year.

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2015-003

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.

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

Management's Response: Management concurs with the finding and is working on improving the control processes.

TOWN OF TROUTMAN, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Finding 2015-004

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

Condition: Audit and accounting standards require that errors in prior periods, which are detected in a subsequent year, be reported as prior period adjustments, resulting in a restatement of net position. In the current year, a prior period error was detected in the reporting of the Law Enforcement Officers' Special Separation Allowance estimate.

Context: During the audit process, we noted the condition outlined above.

Effect: Prior year financial statements were misstated due to these errors.

Cause: In the current year, an actuarial study was performed noting prior balances were material the financial statements.

Recommendation: An actuarial study should be performed yearly on the Law Enforcement Officers' Special Separation Allowance.

Name of Contact Person: Steve Shealy, Finance Officer

Management's Response: Management concurs with the finding will have an actuarial study performed each year going forward.

TOWN OF TROUTMAN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Finding 2014-001 was repeated as 2015-001.

TOWN OF TROUTMAN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Federal Programs:			
U.S. Environmental Protection Agency:			
Passed-Through N.C. Department of Environment and Natural Resources:			
Clean Water State Revolving Fund Cluster	66.468	\$ 703,444	\$ -
Total U.S. Environmental Protection Agency		<u>703,444</u>	<u>-</u>
U.S. Dept. of Transportation			
Passed-Through the North Carolina Dept. of Transportation			
Federal Transit Cluster:			
Capital Investment Grant	20.500	20,000	-
Total CDBG State-Administered Cluster		<u>20,000</u>	<u>-</u>
Department of Justice:			
Passed-through N.C. Department of Crime Control and Public Safety:			
Public Safety Partnership and Community Policing Grant	16.710	38,615	-
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	11,229	-
Total Department of Justice		<u>49,844</u>	<u>-</u>
Total Federal expenditures		<u>773,288</u>	<u>-</u>
State Programs:			
N.C. Department of Environment and Natural Resources:			
Division of Water Quality:			
Recreational Trails Program	N/A	-	56,526
N.C. Department of Transportation:			
Governor's Highway Safety Program			
Powell Bill	N/A	-	6,382
		N/A	<u>77,654</u>
Total Federal expenditures		<u>\$ 773,288</u>	
Total State expenditures			<u>\$ 140,562</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the Town of Troutman and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2 - Loans Outstanding

The Town of Troutman has the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the State expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Amount Outstanding</u>
Clean Water State Revolving Fund Cluster	66.468	N/A	\$ 703,444
Total loans outstanding			<u>\$ 703,444</u>

This page left blank intentionally.