

TOWN OF TROUTMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2022

TOWN OF TROUTMAN, NORTH CAROLINA

June 30, 2022

Mayor

Teross W. Young, Jr.

TOWN COUNCIL

W. Paul Henkel

Jerry Oxsher

Felina Harris

George W. Harris

Edward R. Nau

OFFICIAL

Ronald Wyatt, Town Manager

Justin Mundy, CPA, Finance Director

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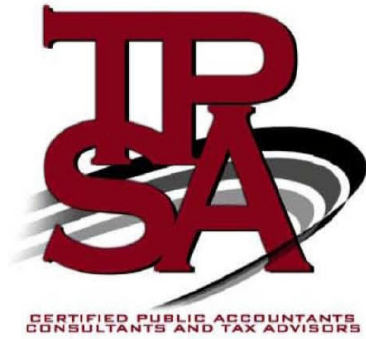
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Financial Section



Thompson, Price, Scott, Adams & Co, P.A.

P.O Box 398

1626 S. Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

Independent Auditors' Report

To the Honorable Mayor and
Members of the Town Council
Town of Troutman, North Carolina

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Troutman, North Carolina (the "Town"), as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Troutman, North Carolina as of June 30, 2022, and the respective changes in financial position and cash flows, where applicable, 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.

We did not audit the financial statements of the Town of Troutman ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Troutman ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Troutman and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Troutman ABC Board were not audited in accordance with *Governmental Auditing Standards*.

Members

American Institute of CPAs - NC Association of CPAs - AICPA Division of Firms

Responsibilities of Management for the Audit of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raises substantial doubt about the Town's ability to continue as a going concern for the twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing and audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town of Troutman's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Troutman's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identify during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and analysis on pages 4 through 9, the Local Government Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 40 through 41, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 42 through 43, and the Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 44, be presented to supplement the basic financial statements. Such 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. 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 any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Troutman's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules are the responsibility of management and were derived from and relates 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the Town of Troutman' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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' internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

Whiteville, NC

December 9, 2022

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, 2022. 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

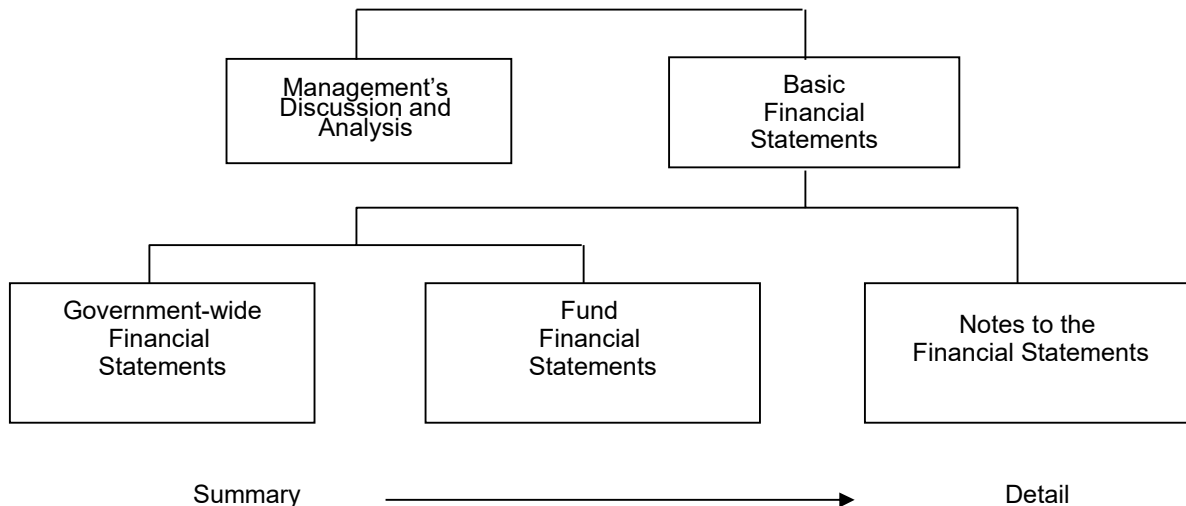
- The assets and deferred outflows of resources of the Town of Troutman exceeded its liabilities and deferred inflows at the close of the fiscal year by \$28,069,806 (net position).
- The government's total net position increased by \$2,317,168. Governmental activities increased net position by \$1,568,845, while business-type activities increased net position by \$748,323. Additionally, prior period adjustments increased governmental activities by \$1,643,503, and increased business-type activities by \$75,789.
- At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,019,153, an increase of \$590,928 in comparison with the prior year. A prior period adjustment also increased the prior year ending fund balances by \$166,547. Approximately 14.74 percent of this total amount, or \$739,933, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance for the General Fund was \$4,853,857, or 88 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 1 and 2) 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 3 through 9) 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 funds 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 they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources 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 Town of Troutman.

The government-wide financial statements are on Exhibits 1 and 2 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 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* which provides a short-term spending 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 funds to account for its water and sewer operations. This funds is the same as the separate activities 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 can be found beginning on page 19 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found beginning on page 40 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 government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Troutman’s Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 5,116,243	\$ 3,438,657	\$ 2,615,427	\$ 2,157,234	\$ 7,731,670	\$ 5,595,891
Long-term assets	11,783,835	10,124,082	16,187,309	14,968,818	27,971,144	25,092,900
Deferred outflows of resources	754,352	568,261	50,268	70,811	804,620	639,072
Total assets	17,654,430	14,131,000	18,853,004	17,196,863	36,507,434	31,327,863
Current liabilities	1,265,750	816,821	876,314	412,917	2,142,064	1,229,738
Non-current liabilities	3,835,238	4,464,915	1,841,676	1,505,237	5,676,914	5,970,152
Deferred inflows of resources	579,554	87,724	39,096	6,993	618,650	94,717
Total liabilities	5,680,542	5,369,460	2,757,086	1,925,147	8,437,628	7,294,607
Net position:						
Net investment in capital assets	8,016,712	5,592,746	13,794,768	12,968,752	21,811,480	18,561,498
Restricted	636,539	1,667,484	-	-	636,539	1,667,484
Unrestricted	3,320,637	1,501,310	2,301,150	2,303,054	5,621,787	3,804,364
Total net position	\$ 11,973,888	\$ 8,761,540	\$ 16,095,918	\$ 15,271,806	\$ 28,069,806	\$ 24,033,346

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 the Town of Troutman exceeded liabilities and deferred inflows by \$28,069,806 as of June 30, 2022. The Town's net position increased by \$2,317,168 for the fiscal year ended June 30, 2022. The Town's net investment in capital assets (land, buildings, equipment and infrastructure) totaling \$21,811,480 represents 77.70% of the total net position. 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, \$636,539, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,621,787 is unrestricted, representing 20.03% of total net position.

Town of Troutman Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Charges for services	\$ 598,841	\$ 467,150	\$ 3,619,066	\$ 2,663,239	\$ 4,217,907	\$ 3,130,389
Operating grants and contributions	110,169	243,372	-	-	110,169	243,372
Capital grants and contributions	-	-	-	-	-	-
Ad valorem taxes	3,521,273	3,312,779	-	-	3,521,273	3,312,779
Other taxes	1,370,435	1,303,908	-	-	1,370,435	1,303,908
Grants and contributions not restricted to specific programs	322,136	-	-	-	322,136	-
Interest earned on investments	2,611	2,450	42	20	2,653	2,470
Miscellaneous	34,731	60,979	-	-	34,731	60,979
Total revenues	5,960,196	5,390,638	3,619,108	2,663,259	9,579,304	8,053,897
Expenses:						
General government	1,430,871	1,433,132	-	-	1,430,871	1,433,132
Public safety	1,719,051	1,400,534	-	-	1,719,051	1,400,534
Streets and public works	828,154	705,017	-	-	828,154	705,017
Cultural and recreational	343,070	208,533	-	-	343,070	208,533
Interest on long-term debt	70,205	47,965	-	-	70,205	47,965
Water and sewer	-	-	2,870,785	2,417,200	2,870,785	2,417,200
Total expenses	4,391,351	3,795,181	2,870,785	2,417,200	7,262,136	6,212,381
Increase (Decrease) in net position before transfers	1,568,845	1,595,457	748,323	246,059	2,317,168	1,841,516
Transfers and special items	-	-	-	-	-	-
Increase (decrease) in net position	1,568,845	1,595,457	748,323	246,059	2,317,168	1,841,516
Net position, beginning	8,761,540	7,166,083	15,271,806	15,025,747	24,033,346	22,191,830
Prior period adjustment	1,643,503	-	75,789	-	1,719,292	-
Net position, ending	\$ 11,973,888	\$ 8,761,540	\$ 16,095,918	\$ 15,271,806	\$ 28,069,806	\$ 24,033,346

Governmental activities. Governmental activities increased the Town's net position by \$1,568,845 due to additional revenues from grants/contributions and ad valorem taxes.

Business-type activities. Business-type activities increased Town's net position by \$748,323 due to growth in customer base and improved efficiency continue to stabilize the Utility system's financial position.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Troutman. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$4,279,220, while total fund balance reached \$4,853,857. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 78% of total General Fund expenditures, while total fund balance represents 88% of that same amount.

At June 30, 2022, the governmental funds of Town of Troutman reported a fund balance of \$5,019,153, an increase of \$590,928 over last year. A prior period adjustment also increased the prior year ending fund balances by \$166,547.

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.

Proprietary Fund. 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 Funds at the end of the fiscal year amounted to \$2,301,150. The change in net position was an increase of \$748,323. A prior period adjustment also increased the prior year ending net position by \$75,789. 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, 2022, totals \$26,776,575 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. Additional information on the Town's capital assets can be found in the notes of the basic financial statements.

Town of Troutman's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 862,964	\$ 1,177,089	\$ 148,136	\$ 148,136	\$ 1,011,100	\$ 1,325,225
Construction in process	2,728,053	2,680,848	866,081	728,398	3,594,134	3,409,246
Buildings	1,375,555	1,050,930	245,126	255,409	1,620,681	1,306,339
Equipment	116,016	112,059	135,763	81,552	251,779	193,611
Vehicles	324,473	295,565	104,791	43,521	429,264	339,086
Infrastructure	5,669,795	4,621,723	-	-	5,669,795	4,621,723
Systems	-	-	13,381,488	13,791,247	13,381,488	13,791,247
Intangibles	-	-	818,334	607,951	818,334	607,951
Total	\$ 11,076,856	\$ 9,938,214	\$ 15,699,719	\$ 15,656,214	\$ 26,776,575	\$ 25,594,428

Major capital asset construction and transactions during the year include the following:

Street Improvements, ESC Park Project, South Iredell High School Greenway, Mill Village Sewer Project, and CHA Sewer Project.

Additional information on the Town’s capital assets can be found in the Notes to the Financial Statements.

Long-term Debt. As of June 30, 2022, the City had total debt of \$4,965,095 (excluding compensated absences, pension obligations, and OPEB). There was a net increase in total debt of \$90,260.

Town of Troutman’s Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Installment purchases	\$ 3,045,618	\$ 3,430,092	\$ 1,904,951	\$ 1,444,743	\$ 4,950,569	\$ 4,874,835
Lease liability	14,526	-	-	-	14,526	-
Total	\$ 3,060,144	\$ 3,430,092	\$ 1,904,951	\$ 1,444,743	\$ 4,965,095	\$ 4,874,835

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 \$49,719,025.

Additional information on the Town’s long-term debt can be found in the Notes to the Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

The following are economic indicators affecting the Town:

- The Town continues to benefit from the strong housing market and annexation.
- Large-scale commercial projects will continue to diversify the tax base.
- Due to residential growth and economic development our “neighborhood” or small business growth demand has continued to grow.
- Adoption of a new land use plan and realignment of our Strategic Master Plan and Unified Development Ordinance policies as they are “evergreen documents” and should be continually edited and revised to provide for proper long-term growth management.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: Overall, General Fund revenues reflect a small increase which was expected due to growth.

Business-type Activities: Overall, water and sewer revenues reflect a constant rate as growth and efficiency have strengthened the financial position of the system. Also, water and sewer rates were increased in July 2022 as a result of expenditure increases over the last 6-7 years which puts the Town in a better position financially moving forward.

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.

Basic Financial Statements

Town of Troutman
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Town of Troutman ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,570,060	\$ 1,931,506	\$ 6,501,566	\$ 405,076
Taxes receivables (net)	81,392	-	81,392	-
Accounts receivable (net)	400,948	617,031	1,017,979	-
Other accounts receivable (net)	-	24,106	24,106	-
Due from other governments	23,003	42,784	65,787	-
Inventory	30,684	-	30,684	193,795
Prepaid items	10,156	-	10,156	4,212
Total current assets	5,116,243	2,615,427	7,731,670	603,083
Non-current assets:				
Restricted cash and cash equivalents	692,644	487,590	1,180,234	-
Right to use assets, net of amortization	14,335	-	14,335	-
Capital assets:				
Land and construction in progress	3,591,017	1,014,217	4,605,234	-
Other capital assets, net of depreciation	7,485,839	13,867,168	21,353,007	1,106,872
Intangible assets, net of amortization	-	818,334	818,334	-
Total capital assets	11,076,856	15,699,719	26,776,575	1,106,872
Total non-current assets	11,783,835	16,187,309	27,971,144	1,106,872
Total assets	16,900,078	18,802,736	35,702,814	1,709,955
DEFERRED OUTFLOWS OF RESOURCES				
Contribution to pension plan - LGERS	182,943	44,599	227,542	-
Contribution to pension plan - LEO	6,820	-	6,820	-
Pension deferrals	539,659	-	539,659	20,005
OPEB deferrals	24,930	5,669	30,599	-
Total deferred outflows of resources	754,352	50,268	804,620	20,005
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	238,897	183,013	421,910	258,710
Liabilities payable from restricted assets	28,168	237,590	265,758	-
Unearned revenues	441,277	250,000	691,277	-
Current portion of long-term debt	557,408	205,711	763,119	26,675
Total current liabilities	1,265,750	876,314	2,142,064	285,385
Non-current liabilities				
Net pension liability - LGERS	267,070	65,107	332,177	13,342
Net pension liability - LEO	712,361	-	712,361	-
OPEB liability	194,898	44,324	239,222	-
Compensated absences	158,173	33,005	191,178	1,112
Non-current portion of long-term debt	2,502,736	1,699,240	4,201,976	472,555
Total non-current liabilities	3,835,238	1,841,676	5,676,914	487,009
Total liabilities	5,100,988	2,717,990	7,818,978	772,394
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	527,225	27,195	554,420	19,062
OPEB deferrals	52,329	11,901	64,230	-
Total deferred inflows of resources	579,554	39,096	618,650	19,062
NET POSITION				
Net investment in capital assets	8,016,712	13,794,768	21,811,480	607,642
Restricted for:				
Stabilization by State Statute	431,003	-	431,003	-
Streets	205,536	-	205,536	-
Minimum working capital	-	-	-	90,672
Unrestricted	3,320,637	2,301,150	5,621,787	240,190
Total net position	\$ 11,973,888	\$ 16,095,918	\$ 28,069,806	\$ 938,504

The notes to the financial statements are an integral part of this statement.

**Town of Troutman
Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Town of Troutman ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental Activities:								
General government	\$ 1,430,871	\$ 401,106	\$ -	\$ -	\$ (1,029,765)	\$ -	\$ (1,029,765)	\$ -
Public safety	1,719,051	62,495	-	-	(1,656,556)	-	(1,656,556)	-
Streets and public works	828,154	93,047	110,169	-	(624,938)	-	(624,938)	-
Cultural and recreational	343,070	42,193	-	-	(300,877)	-	(300,877)	-
Interest of long-term debt	70,205	-	-	-	(70,205)	-	(70,205)	-
Total governmental activities	4,391,351	598,841	110,169	-	(3,682,341)	-	(3,682,341)	-
Business-type activities:								
Water and sewer fund	2,870,785	3,619,066	-	-	-	748,281	748,281	-
Total business-type activities	2,870,785	3,619,066	-	-	-	748,281	748,281	-
Total primary government	\$ 7,262,136	\$ 4,217,907	\$ 110,169	\$ -	(3,682,341)	748,281	(2,934,060)	-
Component Unit:								
Town of Troutman ABC Board	\$ 2,826,257	\$ 3,043,756	\$ -	\$ -	-	-	-	217,499
Total component unit	\$ 2,826,257	\$ 3,043,756	\$ -	\$ -	-	-	-	217,499
General revenues:								
Ad valorem taxes					3,521,273	-	3,521,273	-
Other taxes					1,370,435	-	1,370,435	-
Grants and contributions not restricted to specific program					322,136	-	322,136	-
Interest earned on investments, unrestricted					2,611	42	2,653	34
Miscellaneous, unrestricted					34,731	-	34,731	-
Total general revenues not including transfers					5,251,186	42	5,251,228	34
Transfers					-	-	-	-
Total general revenues and transfers					5,251,186	42	5,251,228	34
Change in net position					1,568,845	748,323	2,317,168	217,533
Net position -- beginning					8,761,540	15,271,806	24,033,346	720,971
Prior period adjustment (see Note X)					1,643,503	75,789	1,719,292	-
Net position -- beginning, adjusted					10,405,043	15,347,595	25,752,638	720,971
Net position - ending					\$ 11,973,888	\$ 16,095,918	\$ 28,069,806	\$ 938,504

The notes to the financial statements are an integral part of this statement.

**Town of Troutman
Balance Sheet
Governmental Funds
June 30, 2022**

	Major General Fund	Non-Major Capital Project Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,500,454	\$ 69,606	\$ 4,570,060
Restricted cash	585,466	107,178	692,644
Receivables, net:			
Taxes	81,392	-	81,392
Accounts	400,948	-	400,948
Due from other governments	19,899	3,104	23,003
Prepaid expenses	10,156	-	10,156
Inventories	30,684	-	30,684
Total assets	<u>5,628,999</u>	<u>179,888</u>	<u>5,808,887</u>
LIABILITIES			
Accounts payable and accrued liabilities	126,755	-	126,755
Unearned revenues	441,277	-	441,277
Deposits	13,576	14,592	28,168
Other payables	112,142	-	112,142
Total liabilities	<u>693,750</u>	<u>14,592</u>	<u>708,342</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	81,392	-	81,392
Total deferred inflows of resources	<u>81,392</u>	<u>-</u>	<u>81,392</u>
FUND BALANCES			
Nonspendable			
Inventories	30,684	-	30,684
Restricted			
Stabilization by State Statute	431,003	-	431,003
Streets	112,950	92,586	205,536
Committed			
Cultural and recreational	-	72,710	72,710
Unassigned	4,279,220	-	4,279,220
Total fund balances	<u>4,853,857</u>	<u>165,296</u>	<u>5,019,153</u>
Total liabilities, deferred inflows of resources	<u>\$ 5,628,999</u>	<u>\$ 179,888</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,076,856
Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds	14,335
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position.	189,763
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	81,392
Deferred outflows of resources related to pensions are not reported in the funds	539,659
Deferred outflows of resources related to OPEB are not reported in the funds	24,930
Lease liability	(14,526)
Pension related deferrals	(527,225)
OPEB related deferrals	(52,329)
Net pension liability	(267,070)
Total OPEB liability	(194,898)
Total pension liability - LEO	(712,361)
Other long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	(3,203,791)
Net position of governmental activities	<u>\$ 11,973,888</u>

The notes to the financial statements are an integral part of this statement.

Town of Troutman
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major	Non-Major	Total
	General	Capital Project	Governmental
	Fund	Funds	Funds
REVENUES			
Ad valorem taxes	\$ 3,471,661	\$ -	\$ 3,471,661
Other taxes and licenses	1,370,435	-	1,370,435
Unrestricted intergovernmental	322,136	-	322,136
Restricted intergovernmental	110,169	-	110,169
Permits and fees	228,572	-	228,572
Charges for services	370,269	-	370,269
Donations	-	11,398	11,398
Investment earnings	2,611	-	2,611
Miscellaneous	23,333	-	23,333
Total revenues	<u>5,899,186</u>	<u>11,398</u>	<u>5,910,584</u>
EXPENDITURES			
Current:			
General government	1,496,217	-	1,496,217
Public safety	1,583,534	-	1,583,534
Streets and public works	759,469	-	759,469
Cultural and recreational	237,563	-	237,563
Capital outlay	1,368,820	47,205	1,416,025
Debt service	571,773	-	571,773
Total expenditures	<u>6,017,376</u>	<u>47,205</u>	<u>6,064,581</u>
Revenues over (under) expenditures	<u>(118,190)</u>	<u>(35,807)</u>	<u>(153,997)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	(200,000)	200,000	-
Sale of fixed assets	32,920	-	32,920
Long-term debt issued	690,000	-	690,000
Lease liability issued	22,005	-	22,005
Total other financing sources (uses)	<u>544,925</u>	<u>200,000</u>	<u>744,925</u>
Net change in fund balance	426,735	164,193	590,928
Fund balances, beginning	4,427,122	(165,444)	4,261,678
Prior period adjustment (see Note X)	-	166,547	166,547
Fund balances, ending	<u>\$ 4,853,857</u>	<u>\$ 165,296</u>	<u>\$ 5,019,153</u>

The notes to the financial statements are an integral part of this statement.

Town of Troutman
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances -- total governmental funds	\$ 590,928
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	1,481,755
Gain on disposal of capital assets	30,693
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(340,886)
Capital outlay expenditures recorded in the fund statements but capitalized as right to use leased assets in the statement of activities	22,005
Amortization expense, the allocation of those assets over the lease term, that is recorded on the statement of activities but not in the fund statements	(7,670)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(22,005)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	143,648
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	6,820
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	49,612
The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	(690,000)
Principal payments on long-term debt	509,047
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences & related liabilities	(44,316)
Pension expense - LGERS	(56,442)
Pension expense - LEOSSA	(69,207)
OPEB expense	(35,137) <u>(205,102)</u>
Total changes in net position of governmental activities	<u>\$ 1,568,845</u>

The notes to the financial statements are an integral part of this statement.

**Town of Troutman
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -- Budget and Actual
For the Year Ended June 30, 2022**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,135,926	\$ 3,427,326	\$ 3,471,661	\$ 44,335
Other taxes and licenses	948,100	948,100	1,370,435	422,335
Unrestricted intergovernmental	279,500	279,500	322,136	42,636
Restricted intergovernmental	78,050	78,050	110,169	32,119
Permits and fees	140,500	220,500	228,572	8,072
Charge for services	380,922	420,922	370,269	(50,653)
Investment earnings	2,000	2,000	2,611	611
Miscellaneous	9,000	9,000	23,333	14,333
Total revenues	<u>4,973,998</u>	<u>5,385,398</u>	<u>5,899,186</u>	<u>513,788</u>
Expenditures:				
Current:				
General government	1,171,028	1,597,328	1,496,217	101,111
Public safety	1,483,413	1,530,071	1,583,534	(53,463)
Streets and public works	829,512	847,512	759,469	88,043
Cultural and recreational	222,103	242,103	237,563	4,540
Capital Outlay	140,000	1,397,864	1,368,820	29,044
Debt Service	554,942	575,585	571,773	3,812
Total expenditures	<u>4,400,998</u>	<u>6,190,463</u>	<u>6,017,376</u>	<u>173,087</u>
Revenues over (under) expenditures	<u>573,000</u>	<u>(805,065)</u>	<u>(118,190)</u>	<u>686,875</u>
Other financial sources (uses):				
Transfer from (to) other funds	(575,000)	(575,000)	(200,000)	375,000
Sale of fixed assets	2,000	2,000	32,920	30,920
Long-term debt issued	-	684,100	690,000	5,900
Lease liability issued	-	-	22,005	22,005
Appropriated fund balance	-	693,965	-	(693,965)
Total other financing sources (uses)	<u>(573,000)</u>	<u>805,065</u>	<u>544,925</u>	<u>(260,140)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>426,735</u>	<u>\$ 426,735</u>
Fund balances, beginning			<u>4,427,122</u>	
Fund balances, ending			<u>\$ 4,853,857</u>	

The notes to the financial statements are an integral part of this statement.

**Town of Troutman
Statement of Fund Net Position
Proprietary Funds
June 30, 2022**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,931,506
Accounts receivables, net	617,031
Other receivables, net	24,106
Due from other governments	42,784
Total current assets	2,615,427
Noncurrent assets:	
Restricted cash and cash equivalents	487,590
Capital assets:	
Land and construction in progress	1,014,217
Other capital assets, net of depreciation	13,867,168
Intangibles, net of amortization	818,334
Total capital assets, net	15,699,719
Total noncurrent assets	16,187,309
Total assets	18,802,736
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan	44,599
OPEB deferrals	5,669
Total deferred outflows of resources	50,268
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	183,013
Unearned revenues	250,000
Liabilities payable from restricted assets: customer deposits	237,590
Current portion of long-term debt	205,711
Total current liabilities	876,314
Noncurrent liabilities:	
Net pension liability	65,107
OPEB liability	44,324
Compensated absences	33,005
Non-current portion of long-term debt	1,699,240
Total noncurrent liabilities	1,841,676
Total liabilities	2,717,990
DEFERRED INFLOWS OF RESOURCES	
OPEB deferrals	11,901
Pension deferrals	27,195
Total deferred inflows of resources	39,096
NET POSITION	
Net investment in capital assets	13,794,768
Unrestricted	2,301,150
Total net position	\$ 16,095,918

The notes to the financial statements are an integral part of this statement.

Town of Troutman
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 3,373,088
Water and sewer taps	139,748
Other operating revenues	106,230
Total operating revenues	3,619,066
OPERATING EXPENSES	
Administration	298,099
Operation	2,005,414
Depreciation and amortization	536,726
Total operating expenses	2,840,239
Operating income (loss)	778,827
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	42
Interest and other charges	(30,546)
Total nonoperating revenues (expenses)	(30,504)
Total income (loss) after contributions and transfers	748,323
Change in net position	748,323
Total net position, beginning	15,271,806
Prior Period Adjustment (see Note X)	75,789
Total net position, ending	\$ 16,095,918

The notes to the financial statements are an integral part of this statement.

**Town of Troutman
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,214,046
Cash paid for goods and services	(1,733,862)
Cash paid to or on behalf of employees for services	(468,166)
Net customer deposits	53,075
Other operating revenues	106,230
Unearned revenues	250,000
Net cash provided (used) by operating activities	1,421,323
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(580,232)
Long-term debt issued	58,215
Principal paid on long-term debt	(213,775)
Interest and other costs paid on long-term debt	(30,546)
Net cash provided (used) by capital and related financing activities	(766,338)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	42
Net cash provided (used) by investing activities	42
Net increase (decrease) in cash and cash equivalents	655,027
Balances, beginning	1,764,069
Balances, ending	\$ 2,419,096
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 778,827
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	536,726
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(255,033)
(Increase) decrease in other receivables	(108)
(Increase) decrease in due from other governments	(18,263)
(Increase) decrease in deferred outflows of resources - pensions	20,806
(Increase) decrease in deferred outflows of resources - OPEB	439
Increase (decrease) in net pension liability	(74,341)
Increase (decrease) in net OPEB liability	(4,393)
Increase (decrease) in deferred inflows of resources - pensions	24,642
Increase (decrease) in deferred inflows of resources - OPEB	7,461
Increase (decrease) in accounts payable	100,610
Increase (decrease) in unearned revenue	250,000
Increase (decrease) in customer deposits	53,075
Increase (decrease) in compensated absences	875
Total adjustments	642,496
Net cash provided (used) by operating activities	\$ 1,421,323

The notes to the financial statements are an integral part of this statement.

Town of Troutman
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Troutman, North Carolina (the Town) and its discretely presented component unit 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 that is governed by an elected Mayor and five-members of the Town Council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Troutman ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Troutman ABC Board, 511 N. Main Street, Troutman, NC 28166.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include: 1) fees and charges paid by the recipients of goods or services offered by the programs and 2) 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 non-major 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

The Town reports the following non-major governmental funds:

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 Street Improvements, the ESC Park, and the South Iredell High School Greenway.

The Town reports the following major enterprise funds:

Water Fund and Sewer Fund. The Water and Sewer Fund is used to account for the Town's water and sewer operations. The major revenues for this fund are from charges for services. The major expenditures are salaries and benefits, water purchases, and sewer treatment.

C. Measurement Focus and 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. The government-wide and proprietary fund financial statements are reported using 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, 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 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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds 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 compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue, because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered 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 a 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 a shared revenue for the Town of Troutman because the tax is levied by Iredell County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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.

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 the allowances for doubtful accounts and asset depreciation lives.

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, the Enterprise Fund, and their respective capital reserve funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Fund and the Enterprise Fund Capital Project Funds. The Capital Project Funds and Enterprise Fund Capital Project Funds 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 department level for all annually budgeted funds and the object level of or all multi-year funds. The Town Manager is authorized to reallocate any appropriations within departments, to execute inter-fund and interdepartmental transfers in emergency situations, and to execute interdepartmental transfers in the same fund, including contingency appropriations. Any revision that alters the total expenditures of any department or fund requires approval of the Town Council. During the year, several amendments to the original budget were necessary. Such amendments were approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and investments

All deposits of the Town and the ABC Board are made in Board-designated official depositories and are secured as required by G.S. 159-3I. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNow accounts, money market accounts, and certificate of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board 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 and the ABC Board's investments are reported at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools monies 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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Restricted cash and cash equivalents at June 30, 2022 for customer deposits were \$265,758. The Town also maintains Powell Bill funds that are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of local streets. The money held in the Powell Bill account is presented as restricted cash in the General Fund. Restricted cash and cash equivalents at June 30, 2022 for the General Fund was \$1,180,334.

Town of Troutman Restricted Cash

Governmental Activities	
General	
Streets	\$ 112,950
Unspent Grant proceeds	441,277
Escrow for property	17,663
Deposits	13,576
Capital Project Funds	
Deposits	14,592
Streets	92,586
Total governmental activities	<u>692,644</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	237,590
Unspent grant proceeds	250,000
Total Business-type activities	<u>487,590</u>
Total Restricted Cash	<u>\$ 1,180,234</u>

4. 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

5. Allowances 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.

6. Inventory

The inventories of the Town and the ABC Board are valued at the lower of cost (first-in, first-out) or market, which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expenses when consumed rather than when purchased.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost for the Town's assets are \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. Certain items acquired before July 1, 1980 are recorded at estimated historical cost using deflated replacement 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. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

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 and ABC Board are depreciated on the straight-line basis over the assets' estimated useful lives. These assets are reported in the Town's and ABC Board's basic financial statements net of accumulated depreciation.

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

<u>Asset Class</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

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on the straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	39 years
Furniture / Equipment	5 - 10 years

8. Right to Use Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

9. Deferred Outflows/Inflows 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 several items that meet this criterion - contributions made to the pension plan in the current fiscal year, OPEB contributions and deferrals of pension expense that result from the implementation of GASB Statements 68 and 75.

In addition to liabilities, the Statement of Net Position can also 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 and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - properly taxes receivable, OPEB deferrals, and deferrals of pension expense that result from the implementation of GASB Statement 68.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

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

11. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to 30 days of earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide presentation, 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 Town's sick leave policy 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. 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 (a) externally imposed by creditors, grantors, contributors, laws or regulations of other governments or (b) imposed by law through State statute.

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.

Inventories - portion of fund balance that is not an available resource, because it represents the year-end balance of ending inventories, which are not spendable resources.

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance - This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote of the Town of Troutman's Town Council (highest level of decision- making authority). The Town Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Any changes or removal of specific purpose requires majority vote by the members of the Town Council and through the adoption of an ordinance.

Committed for Cultural and Recreational – portion of fund balance that has been committed for cultural and recreational capital projects.

Assigned Fund Balance - Assigned fund balance is the portion of fund balance that the Town Council has budgeted to use for specific purposes. The Town Council has the authority to assign fund balance through a majority vote.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Department, as directed by the Finance Officer, will use resources in the following hierarchy as appropriate: bond 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's in the best interest of the Town.

The Town has not officially adopted a fund balance policy.

12. 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.

II. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Administration Department by \$49,700, and for Police Department by \$34,649. This over-expenditure occurred because of the underbudgeted payroll expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years. The amount is considered immaterial.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Town and the ABC Board deposits are either insured or collateralized by using the pooling method. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with the securities held by the Town's or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by the Town's and ABC Board's agents in their name.

The amount of the pledged collateral is based on an approved averaging method for noninterest 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, ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town and ABC Board under the Pooling Method, the potential exists for under collateralization, 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 formal 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. The ABC Board has not formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the Town's deposits had a carrying amount of \$7,655,148 and a bank balance of \$7,475,680. The Town only has deposits in institutions that collateralize under the Pooling Method. Of the bank balance, \$250,000 was covered by federal depository insurance and the excess deposits were covered by collateral held under the Pooling Method. The Town had petty cash of \$200 at June 30, 2022.

At June 30, 2022, the ABC Board's deposits had a carrying amount of \$405,076 and a bank balance of \$489,124. The Board maintains accounts at a single institution. Bank balances up to \$250,000 at each institution are covered by federal depository insurance. As of June 30, 2022, the Board had uninsured balances of \$100,073. Amounts in excess of the federal depository insurance limits are collateralized under the Pooling Method.

2. Investments

At June 30, 2022, the Town had \$26,652 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

At June 30, 2022, the Town of Troutman ABC Board had no other investments.

3. Receivables - Allowances for Doubtful Accounts

Disaggregation information and allowance for doubtful accounts related to receivables reported at the government-wide level at June 30, 2022 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Total</u>
Governmental Activities:			
General	\$ 400,948	\$ 83,653	\$ 484,601
Due from Other Governments	-	23,003	23,003
Allowance for Doubtful Accounts	-	(2,261)	(2,261)
Total governmental activities	<u>\$ 400,948</u>	<u>\$ 104,395</u>	<u>\$ 505,343</u>
Business-Type Activities:			
Water and Sewer	\$ 683,197	\$ -	\$ 683,197
Due from Other Governments	42,784	-	42,784
Other Receivables	24,106	-	24,106
Allowance for Doubtful Accounts	(66,166)	-	(66,166)
Total business-type activities	<u>\$ 683,921</u>	<u>\$ -</u>	<u>\$ 683,921</u>

Due from other governments consisted of the following:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
NCDOR receivables	\$ 23,003	\$ 42,784
Total	<u>\$ 23,003</u>	<u>\$ 42,784</u>

4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 1,177,089	\$ -	\$ -	\$ (314,125)	\$ 862,964
Construction in Process	2,680,848	47,205	-	-	2,728,053
Total capital assets not being depreciated	3,857,937	47,205	-	(314,125)	3,591,017
Capital assets being depreciated:					
Buildings	1,582,967	65,730	-	314,125	1,962,822
Equipment	585,671	45,647	2,346	-	628,972
Vehicles	786,587	121,079	33,199	-	874,467
Infrastructure	5,987,776	1,202,094	-	-	7,189,870
Total capital assets being depreciated	8,943,001	1,434,550	35,545	314,125	10,656,131
Less accumulated depreciation for:					
Buildings	532,037	55,230	-	-	587,267
Equipment	473,612	41,690	2,346	-	512,956
Vehicles	491,022	89,944	30,972	-	549,994
Infrastructure	1,366,053	154,022	-	-	1,520,075
Total accumulated depreciation	2,862,724	\$ 340,886	\$ 33,318	\$ -	3,170,292
Total capital assets being depreciated, net	6,080,277				7,485,839
Governmental activity capital assets, net	\$ 9,938,214				\$ 11,076,856

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

General Government	\$ 61,992
Public Safety	107,672
Transportation	69,592
Cultural and Recreational	101,630
	<u>\$ 340,886</u>

Governmental activities include a net prior period adjustment of \$915,376 that increased the beginning balance of Capital Assets from \$9,022,838 to \$9,938,214 (see Note X).

Capital assets activity for the Water and Sewer Fund for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Water and Sewer Fund:					
Capital assets not being depreciated					
Land	\$ 148,136	\$ -	\$ -		\$ 148,136
Construction in Process	728,398	137,683	-	-	866,081
Total capital assets not being depreciated	876,534	137,683	-	-	1,014,217
Capital assets being depreciated:					
Distribution System	21,283,391	17,965	-	-	21,301,356
Buildings	374,517	-	-	-	374,517
Equipment	1,217,577	104,300	3,921	-	1,317,956
Vehicles	247,282	87,064	18,880	-	315,466
Total capital assets being depreciated	23,122,767	209,329	22,801	-	23,309,295
Less accumulated depreciation for:					
Distribution System	7,492,144	427,724	-	-	7,919,868
Buildings	119,108	10,283	-	-	129,391
Equipment	1,136,025	50,089	3,921	-	1,182,193
Vehicles	203,761	25,794	18,880	-	210,675
Total accumulated depreciation	8,951,038	\$ 513,890	\$ 22,801	\$ -	9,442,127
Total capital assets being depreciated, net	14,171,729				13,867,168
Business-Type activity capital assets, net	\$ 15,048,263				\$ 14,881,385

Business-type activities include a net prior period adjustment of \$634,768 that increased the beginning balance of Capital Assets from \$14,413,495 to \$15,048,263 (see Note X).

Intangible Assets

Intangible assets for the Proprietary Fund of the Town at June 30, 2022 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Intangible Assets:				
Town of Mooresville Sewer Rights	\$ 699,660	\$ 233,220	\$ -	\$ 932,880
Less Accumulated Amortization	91,709	22,837	-	114,546
Total intangible assets, net	<u>\$ 607,951</u>	<u>\$ 256,057</u>	<u>\$ -</u>	<u>\$ 818,334</u>

Intangible assets include a net prior period adjustment of \$223,341 that increased the beginning balance of Intangible Assets from \$384,610 to \$607,951 (see Note X).

Summary of Component Unit Capital Assets

Capital assets activity for the Town of Troutman ABC Board for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Town of Troutman ABC Board:				
Capital assets not being depreciated				
Land	\$ 208,000	\$ 262,752	\$ -	\$ 470,752
Construction in Process	-	-	-	-
Total capital assets not being depreciated	<u>208,000</u>	<u>262,752</u>	<u>-</u>	<u>470,752</u>
Capital assets being depreciated:				
Buildings	707,305	-	-	707,305
Furniture, fixtures, and equipment	64,045	-	-	64,045
Total capital assets being depreciated	<u>771,350</u>	<u>-</u>	<u>-</u>	<u>771,350</u>
Less accumulated depreciation for:				
Buildings	62,909	18,136	-	81,045
Furniture, fixtures, and equipment	46,315	7,870	-	54,185
Total accumulated depreciation	<u>109,224</u>	<u>\$ 26,006</u>	<u>\$ -</u>	<u>135,230</u>
Total capital assets being depreciated, net	<u>662,126</u>			<u>636,120</u>
Town of Troutman ABC Board capital assets, net	<u><u>\$ 870,126</u></u>			<u><u>\$ 1,106,872</u></u>

Construction Commitments

The government has active construction projects as of June 30, 2022. At year-end the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
ESC Park	\$ 2,099,270	\$ 72,710
South Iredell High School Greenway	707,981	63,808
Street Improvements	1,044,580	480
Total	<u>\$ 3,851,831</u>	<u>\$ 136,998</u>

5. Right to Use Leased Assets

The Town has recorded two right to use leased assets. The assets are right to use assets for leased equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Right to use assets				
Leased equipment	\$ -	\$ 22,005	\$ -	\$ 22,005
Total right to use assets	-	22,005	-	22,005
Less accumulated amortization for:				
Leased equipment	-	7,670	-	7,670
Total accumulated amortization	-	7,670	-	7,670
Right to use assets, net	\$ -	\$ 14,335	\$ -	\$ 14,335

B. Liabilities

1. Accounts Payable

Payables at the government-wide level at June 30, 2022, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General Government	\$ 126,755	\$ 112,142	\$ 238,897
Business-Type Activities:			
Water and Sewer Fund	183,013	-	183,013
Total	<u>\$ 309,768</u>	<u>\$ 112,142</u>	<u>\$ 421,910</u>

2. Pension Plan and Other Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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 government entities. 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 Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, by calling (919) 981-5454 or at www.osc.nc.gov.

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, 2022, was 12.04% of compensation for law enforcement officers and 11.53% 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 \$227,542 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Town reported a liability of \$332,177 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportions of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportions was 0.02166%, which was an increase of 0.00175% from its proportions measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$70,202. At June 30, 2022, 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	\$ 105,677	\$ -
Changes of assumptions	208,692	-
Net difference between projected and actual earnings on pension plan investments	-	474,581
Changes in proportion and differences between Town contributions and proportionate share of contributions	33,711	12,246
Town contributions subsequent to the measurement date	227,542	-
Total	\$ 575,622	\$ 486,827

\$227,542 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 35,917
2024	(3,041)
2025	(26,399)
2026	(145,224)
2027	-
Thereafter	-
	<u>\$ (138,747)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension 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 6.50 percent, 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,289,483	\$ 332,177	\$ (455,630)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description*

The Town 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 under the age of 62 who have completed at least 30 years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	15
Total	<u>16</u>

2. 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 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 73.

3. Actuarial Assumptions

The entry age actuarial cost method was in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

Mortality rates are projected from 2010 using generational improvement with Scale MP-2019

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. For the current year, the Town contributed \$10,493. There were no contributions made by employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$13,640 as benefit came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$712,361. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing procedures incorporating the actuarial assumption.

For the year ended June 30, 2022, the Town recognized pension expense of \$69,207. At June 30, 2022, 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	\$ 22,342	\$ 40,532
Changes of assumptions	169,237	27,061
Town contributions subsequent to the measurement date	6,820	-
Total	<u>\$ 198,399</u>	<u>\$ 67,593</u>

\$6,820 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 28,985
2024	29,941
2025	27,317
2026	27,826
2027	13,716
Thereafter	(3,799)
	<u>\$ 123,986</u>

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.25 percent) or one percentage point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Town's proportionate share of the net pension liability (asset)	\$ 777,608	\$ 712,361	\$ 652,438

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 708,266
Service cost	34,810
Interest on the total pension liability	13,538
Differences between expected and actual experience in the measurement of the total pension liability	(10,326)
Changes of assumptions or other inputs	(20,287)
Benefit payments	(13,640)
Ending balance	<u>\$ 712,361</u>

The plan currently uses mortality tables that vary by age 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 70,202	\$ 69,207	\$ 139,409
Pension Liability	332,177	712,361	1,044,538
Proportionate share of the net pension liability	0.02166%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	105,677	22,342	128,019
Changes of assumptions	208,692	169,237	377,929
Changes in proportion and differences between Town contributions and proportionate share of contributions	33,711	-	33,711
Town contributions subsequent to the measurement date	227,542	6,820	234,362
Deferred Inflows of Resources			
Differences between expected and actual experience	-	40,532	40,532
Changes of assumptions	-	27,061	27,061
Net difference between projected and actual earnings on pension plan investments	474,581	-	474,581
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,246	-	12,246

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

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 and other employees 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 and Other Employees are included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 and Other Employees. 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 3% for all other employees, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the Plan. The Town made contributions of \$147,552, which consisted of \$57,093 from the Town, \$48,115 from other employees and \$42,344 from the officers for the reporting year. No amounts were forfeited.

d. Other Post-Employment Benefits

Plan Description . Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Plan Description . Retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Retirees who qualify for coverage receive the same benefits as active employees. 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 HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	26
Total	<u>26</u>

Total OPEB Liability

The Town's total OPEB liability of \$239,222 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 to 8.41 percent, including inflation and productivity factor
Discount rate	2.16 percent
Healthcare cost trend rates	Medical - 7.00 percent, Prescription - 5.125 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

Total OPEB Liability as of July 1, 2020	\$ 262,979
Changes for the year:	
Service cost	17,367
Interest	6,196
Changes of benefit terms	-
Differences between expected and actual experience	(50,615)
Changes of assumptions or other inputs	3,295
Benefit payments	-
Total OPEB Liability as of June 30, 2021	<u>\$ 239,222</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 259,011	\$ 239,222	\$ 220,631

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 212,824	\$ 239,222	\$ 269,655

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$21,828. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,718	\$ 50,327
Changes of assumptions	28,881	13,903
Town contributions subsequent to the measurement date	-	-
Total	<u>\$ 30,599</u>	<u>\$ 64,230</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (5,180)
2024	(5,180)
2025	(5,180)
2026	(5,180)
2027	(4,514)
Thereafter	(8,397)
	<u>\$ (33,631)</u>

3. Other Employment Benefits

The Town has elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The 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 the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$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 Benefit 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 considers these contributions to be immaterial.

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources at year-end were comprised of the following:

	Amount
Contributions to the pension plan in the current fiscal year - LGERS	\$ 227,542
Contributions to the pension plan in the current fiscal year - LEOSSA	6,820
Pension deferrals	539,659
OPEB deferrals	30,599
	<u>\$ 804,620</u>

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

	<u>Amount</u>
Pension deferrals	\$ 554,420
OPEB deferrals	64,230
	<u>\$ 618,650</u>

5. 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 in the prior 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 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.

The Town of Troutman ABC Board is exposed to various risks of loss related to torts: theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workmen's compensation and employee health coverage. The Board also has liquor legal liability.

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Board maintains surety bonds on all Board members, General Manager and Financial Officer in accordance with G.S. 18B-700(i). Each is covered against loss up to \$50,000.

6. Long-Term Obligations

a. Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On 07/01/2021, Town of Troutman entered into a 31-month lease as Lessee for the use of a Toshiba copier. An initial lease liability was recorded in the amount of \$17,356. As of 06/30/2022, the value of the lease liability is \$10,979. Town of Troutman, NC is required to make quarterly fixed payments of \$563. The lease has an interest rate of 2.93%. The value of the right to use asset as of 06/30/2022 of \$17,356 with accumulated amortization of \$6,508 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Town of Troutman entered into a 48-month lease as Lessee for the use of a Toshiba copier. An initial lease liability was recorded in the amount of \$4,648. As of 06/30/2022, the value of the lease liability is \$3,547. Town of Troutman, NC is required to make quarterly fixed payments of \$100. The lease has an interest rate of 2.55%. The value of the right to use asset as of 06/30/2022 of \$4,648 with accumulated amortization of \$1,162 is included with Equipment on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-End	
	Lease Asset Value	Accumulated Amortization
Equipment	\$ 22,005	\$ 7,670
Total Leases	<u>\$ 22,005</u>	<u>\$ 7,670</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2023	\$ 7,643	\$ 312	\$ 7,955
2024	5,605	98	5,703
2025	1,178	19	1,197
2026	100	-	100
Total Leases	\$ 14,526	\$ 429	\$ 14,955

b. Installment Purchases

Governmental Activities:

2.60% direct borrowing note due in monthly installments of principal and interest of \$25,510, including interest, with a maturity date of May 20, 2031. The note is secured by property.	\$ 729,000
4.68% direct borrowing note 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.	250,097
2.21 % direct borrowing note due in quarterly installments of \$26,927, including interest, with a final payment due October 2025. This note is secured by property.	376,976
2.59% direct borrowing note due in quarterly installments of \$25,627, including interest, with a final payment due September 2029. This note is secured by property.	743,169
2.60% direct borrowing note due in monthly installments of principal and interest of \$8,541, including interest, with a maturity date of June 9, 2031. The note is secured by property.	273,376
2.17% direct borrowing note due in quarterly installments of principal and interest of \$8,500, plus interest, with a maturity date of June 30, 2032. The note is secured by property.	323,000
2.99% direct borrowing note due in quarterly installments of principal and interest of \$10,156, including interest, with a maturity date of June 30, 2032. The note is secured by property.	<u>350,000</u>
Total	<u>\$ 3,045,618</u>

Business-Type Activities:

2.265% direct borrowing note 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.	\$ 538,215
2.265% direct borrowing note in annual installments of \$33,769, including interest, with a final payment due May 2029. This note is secured by a pledge of user fees and future State distributions.	303,921
Interest free direct borrowing note in annual installments of \$35,172, with a final payment due December 2035. This note is secured by a pledge of user fees and future State distributions.	457,237
1.75% direct placement note due in annual installments of principal and interest of \$62,610, with a maturity date of May 1, 2040. The note is secured by property.	558,059
Interest free direct borrowing note in annual installments of \$5,940, with a final payment due May 2030. This note is secured by a pledge of user fees and future State distributions.	<u>47,519</u>
Total	<u>\$ 1,904,951</u>

Annual debt service requirements to maturity for the Town's direct borrowing and direct placement notes are as follows:

Governmental Activities:

Year Ending June 30	Principal		Interest		Total
2023	\$	549,765	\$	71,721	\$ 621,486
2024		468,038		58,730	526,768
2025		386,359		48,471	434,830
2026		334,240		39,007	373,247
2027		282,170		31,178	313,348
2028-2032		1,025,046		55,621	1,080,667
	\$	3,045,618	\$	304,728	\$ 3,350,346

Business-Type Activities:

Year Ending June 30	Principal		Interest		Total
2023	\$	205,711	\$	27,570	\$ 233,281
2024		205,711		24,592	230,303
2025		205,711		21,614	227,325
2026		205,711		18,635	224,346
2027		205,711		15,657	221,368
2028-2032		752,244		38,833	791,077
2033-2037		124,152		978	125,130
	\$	1,904,951	\$	147,879	\$ 2,052,830

c. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's governmental activities long-term debt:

Governmental Activities:	Balance			Balance June 30, 2022	Current Portion
	July 1, 2021	Increases	Decreases		
Installment Purchases	\$ 2,857,186	\$ 690,000	\$ 501,568	\$ 3,045,618	\$ 549,765
Lease liability	-	22,005	7,479	14,526	7,643
Compensated absences	113,857	44,316	-	158,173	-
Net pension liability (LGERS)	570,618	-	303,548	267,070	-
Net pension liability (LEOSSA)	708,266	4,095	-	712,361	-
Total OPEB liability	214,262	-	19,364	194,898	-
Total governmental activities	\$ 4,464,189	\$ 760,416	\$ 831,959	\$ 4,392,646	\$ 557,408

Governmental activities include a prior period adjustment of \$561,580 that decreased the beginning balance of Notes Payable from \$3,418,766 to \$2,857,186 (see Note X).

The following is a summary of changes in the Town's business-type activities long-term debt:

Business-type Activities:	Balance			Balance June 30, 2022	Current Portion
	July 1, 2021	Increases	Decreases		
Installment Purchases	\$ 2,060,511	\$ 58,215	\$ 213,775	\$ 1,904,951	\$ 205,711
Compensated absences	34,807	-	1,802	33,005	-
Total OPEB liability	48,717	-	4,393	44,324	-
Net pension liability (LGERS)	140,851	-	75,744	65,107	-
Total business-type activities	\$ 2,284,886	\$ 58,215	\$ 295,714	\$ 2,047,387	\$ 205,711

Business-type activities include a prior period adjustment of \$615,773 that increased the beginning balance of Notes Payable from \$1,444,738 to \$2,060,511 (see Note X).

Compensated absences, other post-employment benefits, and pension obligations typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO (first-in, first-out) basis.

At June 30, 2022, the Town had a legal debt margin of \$49,719,024.

IV. 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.

V. Significant Economic Dependence

The Enterprise Fund is dependent upon another governmental entity, the Town of Mooresville, for sewer transportation services. The Town purchased sewer capacity in the amount of \$223,220 from the Town of Mooresville in fiscal year 2022, for a total sewer capacity of \$932,880 as of June 30, 2022.

VI. Inter-Fund Accounts

The Town Council has established three capital reserve funds to accrue monies for Facilities, Economic Development and Industrial Recruitment. Monies are appropriated in the General Fund and transferred to these funds annually. At June 30, 2022, there were no interfund due to/from balances as a result of these transactions.

VII. Transfers

Transfers to and from other funds at June 30, 2022 consist of the following:

From the General Fund to the ESC Park Fund to fund the capital project construction	\$ 100,000
From the General Fund to the South Iredell High School Greenway Fund to fund the capital project construction	100,000
Total	<u>\$ 200,000</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

VIII. Fund Balance

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	\$ 4,853,857
Less:	
Nonspendable	30,684
Stabilization by State Statute	431,003
Streets - Powell Bill	112,950
Remaining Fund Balance	<u>\$ 4,279,220</u>

The Town had no outstanding encumbrances at year-end.

IX. Significant Effects of Subsequent Events

The Town has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

X. Prior Period Adjustments

The following prior period adjustments associated with the prior fiscal year resulted in a net increase in net position of \$1,643,503 in Governmental Activities, and a net increase in net position of \$75,789 in Business-Type Activities.

	Prior Period Adjustment Effect on Net Position	
	Governmental Activities	Business-Type Activities
Reclassification of Mill Village Sewer Project Fund and CHA Sewer Project Fund as Business-Type Activities	\$ 166,547	\$ (166,547)
Reclassification of Mill Village Sewer Project Fund and CHA Sewer Project Fund Construction in Progress	(728,398)	728,398
Adjustment of incorrect Construction in Progress balances as of June 30, 2021	314,657	-
Adjustment of incorrect Capital Asset balances as of June 30, 2021	1,413,100	(195,329)
Adjustment of incorrect Accumulated Depreciation balances as of June 30, 2021	(83,983)	101,699
Adjustment of incorrect Intangible Assets balances (net of amortization) as of June 30, 2021	-	223,341
Reclassification and Adjustment of incorrect Notes Payable balances as of June 30, 2021	<u>561,580</u>	<u>(615,773)</u>
Total	<u>\$ 1,643,503</u>	<u>\$ 75,789</u>

The Mill Village Sewer Project Fund and CHA Sewer Project Fund were reclassified as Business-Type Activities, and consolidated with the Water and Sewer Fund in fiscal year 2022. The reclassification of fund balances as of June 30, 2021 resulted in an increase in net position of \$166,547 in Governmental Activities, and a decrease in net position of \$166,547 in Business-Type Activities.

The reclassification of Construction in Progress associated with these two project funds resulted in a decrease in net position of \$728,398 in Governmental Activities, and an increase in net position of \$728,398 in Business-Type Activities.

The net adjustments of incorrect Capital Assets (net of accumulated depreciation) and Intangible Assets (net of accumulated amortization) resulted in a net increase in net position of \$1,643,774 in Governmental Activities, and a net increase in net position of \$129,711 in Business-Type Activities.

The reclassification and adjustment of Notes Payable associated with these two project funds resulted in an increase in net position of \$561,580 in Governmental Activities, and a decrease in net position of \$615,773 in Business-Type Activities.

The net effect of all prior period adjustments is an increase in net position of \$1,643,503 in Governmental Activities, and an increase in net position of \$75,789 in Business-Type Activities.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

Schedule of Proportionate Share of Net Pension Liability (Asset) for Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability

Town of Troutman
Town of Troutman's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Town's proportion of the net pension liability (asset) (%)	0.02166%	0.01991%	0.02142%	0.02035%
Town's proportion of the net pension liability (asset) (\$)	\$ 332,177	\$ 711,469	\$ 584,963	\$ 482,772
Town's covered payroll	\$1,407,370	\$1,603,568	\$1,436,285	\$1,312,584
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.60%	44.37%	40.73%	36.78%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset) (%)	0.01967%	0.02113%	0.02402%	-0.02315%
Town's proportion of the net pension liability (asset) (\$)	\$ 300,446	\$ 448,449	\$ 107,800	\$ (136,526)
Town's covered payroll	\$1,272,813	\$1,203,892	\$1,200,786	\$1,180,164
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.60%	37.25%	8.98%	-11.57%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	98.09%	98.09%	102.64%

* 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
Town of Troutman's Contributions
Required Supplementary Information
Last Eight Fiscal Years**

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 227,542	\$ 79,590	\$ 64,092	\$ 56,474
Contributions in relation to the contractually required	227,542	79,590	64,092	56,474
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,936,645	\$ 1,407,370	\$ 1,603,568	\$ 1,436,285
Contributions as a percentage of covered payroll	11.75%	5.66%	4.00%	3.93%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 50,382	\$ 98,329	\$ 84,313	\$ 87,939
Contributions in relation to the contractually required contribution	50,382	98,329	84,313	87,939
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,312,584	\$ 1,272,813	\$ 1,203,892	\$ 1,200,786
Contributions as a percentage of covered payroll	3.84%	7.73%	7.00%	7.32%

Town of Troutman
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years*

	2022	2021	2020	2019	2018	2017
Beginning Balance	\$708,266	\$502,998	\$426,673	\$434,870	\$367,590	\$348,549
Service Cost	34,810	19,212	17,437	18,571	16,982	17,634
Interest on the total pension liability	13,538	16,175	15,330	13,742	14,189	12,443
Changes on benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(10,326)	(32,941)	37,865	(21,456)	-	-
Changes of assumptions or other inputs	(20,287)	216,462	16,710	(19,054)	36,109	(11,036)
Benefit payments	(13,640)	(13,640)	(11,017)	-	-	-
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$712,361</u>	<u>\$708,266</u>	<u>\$502,998</u>	<u>\$426,673</u>	<u>\$434,870</u>	<u>\$367,590</u>

*The amounts presented for each fiscal year were determined as of the prior December 31.

Town of Troutman
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 712,361	\$ 708,266	\$ 502,998	\$ 426,673	\$ 434,870	\$ 367,590
Covered payroll	780,215	674,093	713,433	654,160	673,021	663,359
Total pension liability as a percentage of payroll	91.30%	105.07%	70.50%	65.22%	64.61%	55.41%

Notes to the schedules:

Town of Troutman has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Troutman
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Five Fiscal Years

Total OPEB Liability	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 17,367	\$ 13,394	\$ 20,094	\$ 20,493	\$ 21,657
Interest	6,196	8,014	14,758	12,786	10,434
Changes in benefit terms	-	-	(205,600)	-	-
Difference between expected and actual experience	(50,615)	(2,426)	2,447	(3,084)	-
Changes of assumptions or other inputs	3,295	28,423	4,482	(9,948)	(19,574)
Benefit payments	-	-	-	-	-
Other	-	-	-	-	-
Net change in total OPEB liability	(23,757)	47,405	(163,819)	20,247	12,517
Total OPEB Liability - beginning	262,979	215,574	379,393	359,146	346,629
Total OPEB Liability - ending	\$ 239,222	\$ 262,979	\$ 215,574	\$ 379,393	\$ 359,146
Covered payroll	\$ 1,214,302	\$ 1,222,299	\$ 1,222,299	\$ 1,210,956	\$ 1,210,956
Total OPEB liability as a percentage of covered payroll	19.70%	21.52%	17.64%	31.33%	29.66%

Notes to the Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

This section contains additional information on the Governmental and Proprietary Funds (budget and actual comparison).

**Town of Troutman
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 3,418,326	\$ 3,466,323	\$ 47,997
Penalties and interest	9,000	5,338	(3,662)
Total ad valorem taxes	<u>3,427,326</u>	<u>3,471,661</u>	<u>44,335</u>
Other taxes and licenses			
Local option sales tax	803,000	1,140,017	337,017
Hold harmless tax	142,000	225,035	83,035
Solid waste disposal tax	2,100	2,803	703
Occupancy Tax	1,000	2,580	1,580
Total other taxes and licenses	<u>948,100</u>	<u>1,370,435</u>	<u>422,335</u>
Unrestricted intergovernmental:			
Utility franchise tax	234,000	259,713	25,713
Video programming	17,000	26,165	9,165
Beer and wine tax	12,000	14,756	2,756
Telecommunications sales tax	10,000	9,140	(860)
Gasoline tax refunds	6,500	12,362	5,862
Total unrestricted intergovernmental	<u>279,500</u>	<u>322,136</u>	<u>42,636</u>
Restricted intergovernmental:			
Powell bill allocation	78,050	110,169	32,119
Total restricted intergovernmental	<u>78,050</u>	<u>110,169</u>	<u>32,119</u>
Permits and fees			
Zoning permits	95,000	93,047	(1,953)
Recycling collection fees	36,000	40,687	4,687
Other fees	86,500	92,335	5,835
Court cost fees	3,000	2,503	(497)
Total permits and fees	<u>220,500</u>	<u>228,572</u>	<u>8,072</u>

**Town of Troutman
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

	Final Budget	Actual	Variance Positive (Negative)
Charge for services:			
Police revenues	55,000	59,992	4,992
Reimbursements	320,922	268,084	(52,838)
ABC profit distribution	45,000	42,193	(2,807)
Total charge for services	<u>420,922</u>	<u>370,269</u>	<u>(50,653)</u>
Investment earnings	<u>2,000</u>	<u>2,611</u>	<u>611</u>
Miscellaneous:			
Rental income	8,000	30	(7,970)
Other	1,000	23,303	22,303
Total miscellaneous	<u>9,000</u>	<u>23,333</u>	<u>14,333</u>
Total revenues	<u>5,385,398</u>	<u>5,899,186</u>	<u>513,788</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits	26,485	26,751	(266)
Other operating expenditures	110,200	108,809	1,391
Total Governing Board	<u>136,685</u>	<u>135,560</u>	<u>1,125</u>
Administration:			
Salaries and benefits	418,390	452,693	(34,303)
Other operating expenditures	224,750	251,456	(26,706)
Capital outlay	30,000	18,691	11,309
Total Administration	<u>673,140</u>	<u>722,840</u>	<u>(49,700)</u>
Elections:			
Contracted services	<u>2,000</u>	<u>1,586</u>	<u>414</u>
Insurance:			
Insurance & bonds	<u>95,000</u>	<u>81,976</u>	<u>13,024</u>

**Town of Troutman
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

	Final Budget	Actual	Variance Positive (Negative)
Public buildings:			
Salaries and benefits	288,583	264,415	24,168
Other operating expenditures	353,920	242,801	111,119
Capital outlay	48,000	47,039	961
Total Public Buildings	690,503	554,255	136,248
Total general government	1,597,328	1,496,217	101,111
Public safety:			
Police:			
Salaries and benefits	1,293,716	1,317,220	(23,504)
Other operating expenditures	236,355	266,314	(29,959)
Capital outlay	159,465	140,651	18,814
Total police	1,689,536	1,724,185	(34,649)
Total public safety	1,689,536	1,724,185	(34,649)
Streets and public works:			
Street maintenance:			
Salaries and benefits	243,612	261,197	(17,585)
Other operating expenditures	268,900	173,820	95,080
Capital outlay	1,198,399	1,188,479	9,920
Total street maintenance	1,710,911	1,623,496	87,415
Environmental protection:	335,000	324,452	10,548
Total streets and public works	2,045,911	1,947,948	97,963
Cultural and recreational:			
Salaries and benefits	133,338	132,625	713
Other operating expenditures	108,765	104,938	3,827
Capital outlay	40,000	39,690	310
Total cultural and recreational	282,103	277,253	4,850

**Town of Troutman
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022**

	Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	505,446	501,568	3,878
Interest and fees	70,139	70,205	(66)
Total debt service	<u>575,585</u>	<u>571,773</u>	<u>3,812</u>
 Total expenditures	 <u>6,190,463</u>	 <u>6,017,376</u>	 <u>173,087</u>
 Revenues over (under) expenditures	 <u>(805,065)</u>	 <u>(118,190)</u>	 <u>686,875</u>
Other financing sources (uses):			
Transfer from (to) other funds	(575,000)	(200,000)	375,000
Sale of capital assets	2,000	32,920	30,920
Long-term debt issued	684,100	690,000	5,900
Lease Liability Issued	-	22,005	22,005
Appropriated fund balance	693,965	-	(693,965)
Total	<u>805,065</u>	<u>544,925</u>	<u>(260,140)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>426,735</u>	 <u>\$ 426,735</u>
 Fund balances, beginning		<u>4,427,122</u>	
Fund balances, ending		<u>\$ 4,853,857</u>	

**Town of Troutman
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022**

	Capital Project Funds					Total
	Street Improve- ments	ESC Park	South Iredell High School Greenway	Mill Village Sewer Project	CHA Sewer Project	
Assets:						
Cash and investments	\$ 10,072	\$ 74,964	\$ 91,748	\$ -	\$ -	\$ 176,784
Other receivables	-	2,746	358	-	-	3,104
Total assets	<u>10,072</u>	<u>77,710</u>	<u>92,106</u>	<u>-</u>	<u>-</u>	<u>179,888</u>
Liabilities:						
Deposits	9,592	5,000	-	-	-	14,592
Total liabilities	<u>9,592</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,592</u>
Fund Balances:						
Restricted						
Stabilization by State Statute	-	-	-	-	-	-
Assigned for Streets	480	-	92,106	-	-	92,586
Committed for Cultural and Recreational	-	72,710	-	-	-	72,710
Unassigned	-	-	-	-	-	-
Total fund balances	<u>480</u>	<u>72,710</u>	<u>92,106</u>	<u>-</u>	<u>-</u>	<u>165,296</u>
Total liabilities and fund balances	<u>\$ 10,072</u>	<u>\$ 77,710</u>	<u>\$ 92,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,888</u>

Note: The Mill Village Sewer Project and CHA Sewer Project were reclassified as Business-Type Activities in fiscal year 2022, so these funds are now reflected as projects consolidated with the Water and Sewer Fund (see Note X).

Town of Troutman
Combining Statement of Revenues, Expenditures, and Change in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2022

	Capital Project Funds					Total
	Street Improve- ments	ESC Park	South Iredell High School Greenway	Mill Village Sewer Project	CHA Sewer Project	
Revenues						
Donations	\$ -	\$ 11,398	\$ -	\$ -	\$ -	\$ 11,398
Total revenues	-	11,398	-	-	-	11,398
Expenditures:						
Admin and engineering	-	-	-	-	-	-
Construction and capital spending	-	38,902	8,303	-	-	47,205
Total expenditures	-	38,902	8,303	-	-	47,205
Revenues over (under) expenditures	-	(27,504)	(8,303)	-	-	(35,807)
Other financing sources (uses):						
Long-term debt issued	-	-	-	-	-	-
Transfer from (to) other funds	-	100,000	100,000	-	-	200,000
Total other financing sources (uses)	-	100,000	100,000	-	-	200,000
Net change in fund balance	-	72,496	91,697	-	-	164,193
Fund balances, beginning	480	214	409	(83,733)	(82,814)	(165,444)
Prior period adjustment (see Note X)	-	-	-	83,733	82,814	166,547
Fund balances, ending	\$ 480	\$ 72,710	\$ 92,106	\$ -	\$ -	\$ 165,296

Note: The Mill Village Sewer Project and CHA Sewer Project were reclassified as Business-Type Activities in fiscal year 2022, so these funds are now reflected as projects consolidated with the Water and Sewer Fund (see Note X).

Town of Troutman
Street Improvements Fund - Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Admin and engineering	54,086	54,033	-	54,033	53
Construction and capital spending	990,974	990,547	-	990,547	427
Total expenditures	<u>1,045,060</u>	<u>1,044,580</u>	<u>-</u>	<u>1,044,580</u>	<u>480</u>
Revenues over (under) expenditures	<u>(1,045,060)</u>	<u>(1,044,580)</u>	<u>-</u>	<u>(1,044,580)</u>	<u>480</u>
Other financing sources (uses):					
Long-term debt issued	1,025,060	1,025,060	-	1,025,060	-
Transfer from (to) other funds	20,000	20,000	-	20,000	-
Total other financing sources (uses)	<u>1,045,060</u>	<u>1,045,060</u>	<u>-</u>	<u>1,045,060</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 480</u>	<u>-</u>	<u>\$ 480</u>	<u>\$ 480</u>
Fund balances, beginning			<u>480</u>		
Fund balances, ending			<u>\$ 480</u>		

Town of Troutman
ESC Park Fund - Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Donations	452,560	457,895	11,398	469,293	16,733
Investment income	-	62	-	62	62
Total revenues	<u>952,560</u>	<u>957,957</u>	<u>11,398</u>	<u>969,355</u>	<u>16,795</u>
Expenditures:					
Admin and engineering	-	-	-	-	-
Construction and capital spending	2,055,185	2,060,368	38,902	2,099,270	(44,085)
Total expenditures	<u>2,055,185</u>	<u>2,060,368</u>	<u>38,902</u>	<u>2,099,270</u>	<u>(44,085)</u>
Revenues over (under) expenditures	<u>(1,102,625)</u>	<u>(1,102,411)</u>	<u>(27,504)</u>	<u>(1,129,915)</u>	<u>(27,290)</u>
Other financing sources (uses):					
Long-term debt issued	250,000	250,000	-	250,000	-
Transfer from (to) other funds	852,625	852,625	100,000	952,625	100,000
Total other financing sources (uses)	<u>1,102,625</u>	<u>1,102,625</u>	<u>100,000</u>	<u>1,202,625</u>	<u>100,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 214</u>	72,496	<u>\$ 72,710</u>	<u>\$ 72,710</u>
Fund balances, beginning			<u>214</u>		
Fund balances, ending			<u>\$ 72,710</u>		

Town of Troutman
South Iredell High School Greenway Fund - Capital Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ 480,000	\$ 400,192	\$ -	\$ 400,192	\$ (79,808)
Donations	69,894	75,000	-	75,000	5,106
Miscellaneous income	-	3,000	-	3,000	3,000
Total revenues	<u>549,894</u>	<u>478,192</u>	<u>-</u>	<u>478,192</u>	<u>(71,702)</u>
Expenditures:					
Admin and engineering	291,789	291,422	-	291,422	367
Construction and capital spending	480,000	408,256	8,303	416,559	63,441
Total expenditures	<u>771,789</u>	<u>699,678</u>	<u>8,303</u>	<u>707,981</u>	<u>63,808</u>
Revenues over (under) expenditures	<u>(221,895)</u>	<u>(221,486)</u>	<u>(8,303)</u>	<u>(229,789)</u>	<u>(7,894)</u>
Other financing sources (uses):					
Long-term debt issued	-	-	-	-	-
Transfer from (to) other funds	221,895	221,895	100,000	321,895	100,000
Total other financing sources (uses)	<u>221,895</u>	<u>221,895</u>	<u>100,000</u>	<u>321,895</u>	<u>100,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 409</u>	91,697	<u>\$ 92,106</u>	<u>\$ 92,106</u>
Fund balances, beginning			<u>409</u>		
Fund balances, ending			<u>\$ 92,106</u>		

**Town of Troutman
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022**

	Budget	Actual	Variance Over/(Under)
Revenues:			
Operating revenues:			
Charges for services	\$ 2,526,600	\$ 3,373,088	\$ 846,488
Water and sewer taps	139,000	139,748	748
Other operating revenues	88,120	106,230	18,110
Total operating revenues	<u>2,753,720</u>	<u>3,619,066</u>	<u>865,346</u>
Non-operating revenues:			
Interest earnings	50	42	(8)
Total non-operating revenues	<u>50</u>	<u>42</u>	<u>(8)</u>
Total revenues	<u>2,753,770</u>	<u>3,619,108</u>	<u>865,338</u>
Expenditures:			
Water and Sewer Administration:			
Salaries and benefits	216,493	156,761	59,732
Operating expenses	135,900	141,338	(5,438)
Total administration	<u>352,393</u>	<u>298,099</u>	<u>54,294</u>
Water and Sewer Operations:			
Salaries and benefits	342,144	312,280	29,864
Water purchases	520,000	599,396	(79,396)
Sewer treatments	565,000	544,235	20,765
Repairs and maintenance	98,000	91,937	6,063
Other operating expenses	414,475	457,566	(43,091)
Capital outlay	356,015	209,329	146,686
Purchase of sewer capacities	233,220	233,220	-
Total operations	<u>2,528,854</u>	<u>2,447,963</u>	<u>80,891</u>
Debt Service			
Principal repayment	205,712	213,775	(8,063)
Interest	69,518	30,546	38,972
Total debt service	<u>275,230</u>	<u>244,321</u>	<u>30,909</u>
Total expenditures	<u>3,156,477</u>	<u>2,990,383</u>	<u>166,094</u>
Revenues over (under) expenditures	<u>(402,707)</u>	<u>628,725</u>	<u>1,031,432</u>
Other financing sources (uses):			
Sale of fixed assets	2,000	11,775	9,775
Reserve for special projects	(303,500)	-	303,500
Appropriated fund balance	704,207	-	(704,207)
Total other financing sources (uses)	<u>402,707</u>	<u>11,775</u>	<u>(390,932)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>640,500</u>	<u>\$ 640,500</u>

Town of Troutman
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

Reconciliation from budgetary basis
(modified accrual) to full accrual:

Reconciling items	
Depreciation	(536,726)
Capital outlay	209,329
Purchase of sewer capacities	233,220
Sale of fixed assets	(11,775)
Repayment of long-term debt	213,775
Pension expense	2,911
Decrease in deferred outflows of resources - pensions	(49,103)
Decrease in deferred outflows of resources - OPEB	(439)
Decrease in net pension liability	74,341
Decrease in net OPEB liability	4,393
Increase in deferred inflows of resources - pensions	(24,642)
Increase in deferred inflows of resources - OPEB	(7,461)
Total reconciling items	<u>107,823</u>
Change in net position	<u>\$ 748,323</u>

Town of Troutman
Mill Village Sewer Project Fund - Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Admin and engineering	165,427	137,611	-	137,611	27,816
Construction and capital spending	935,000	507,973	31,134	539,107	395,893
Total expenditures	<u>1,100,427</u>	<u>645,584</u>	<u>31,134</u>	<u>676,718</u>	<u>423,709</u>
Revenues over (under) expenditures	<u>(1,100,427)</u>	<u>(645,584)</u>	<u>(31,134)</u>	<u>(676,718)</u>	<u>423,709</u>
Other financing sources (uses):					
Long-term debt issued	1,078,850	561,851	58,215	620,066	(458,784)
Transfer from (to) other funds	21,577	-	-	-	(21,577)
Total other financing sources (uses)	<u>1,100,427</u>	<u>561,851</u>	<u>58,215</u>	<u>620,066</u>	<u>(480,361)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (83,733)</u>	<u>\$ 27,081</u>	<u>\$ (56,652)</u>	<u>\$ (56,652)</u>

Town of Troutman
CHA Sewer Project Fund - Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total Project To Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Admin and engineering	114,120	82,814	100	82,914	31,206
Construction and capital spending	759,000	-	106,449	106,449	652,551
Total expenditures	<u>873,120</u>	<u>82,814</u>	<u>106,549</u>	<u>189,363</u>	<u>683,757</u>
Revenues over (under) expenditures	<u>(873,120)</u>	<u>(82,814)</u>	<u>(106,549)</u>	<u>(189,363)</u>	<u>683,757</u>
Other financing sources (uses):					
Long-term debt issued	856,000	-	-	-	(856,000)
Transfer from (to) other funds	17,120	-	-	-	(17,120)
Total other financing sources (uses)	<u>873,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(873,120)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (82,814)</u>	<u>\$ (106,549)</u>	<u>\$ (189,363)</u>	<u>\$ (189,363)</u>

OTHER SUPPLEMENTARY INFORMATION

This section contains additional information required on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Town of Troutman
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections And Credits	Uncollected Balance June 30, 2022
2022	\$ -	\$ 3,498,090	\$ 3,445,016	\$ 53,074
2021	20,536	-	8,525	12,011
2020	6,481	-	2,593	3,888
2019	2,238	-	851	1,387
2018	1,258	-	175	1,083
2017	2,568	-	23	2,545
2016	941	-	21	920
2015	860	-	12	848
2014	2,657	-	11	2,646
2013	5,262	-	11	5,251
2012	4,569	-	4,569	-
	<u>\$ 47,370</u>	<u>\$ 3,498,090</u>	<u>\$ 3,461,807</u>	<u>83,653</u>
Less: allowance for doubtful accounts - taxes				<u>(2,261)</u>
Ad valorem taxes receivable -- net				<u>\$ 81,392</u>

Reconciliation with revenues:

Ad valorem taxes -- General Fund \$ 3,471,661

Reconciling items:

Interest collected 5,338

Taxes written off 4,569

Adjustments/releases/collection fees (19,761)

Total collections and credits \$ 3,461,807

**Town of Troutman
Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2022**

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 659,739,615	0.52	\$ 3,430,646	\$ 3,157,611	\$ 273,035
Penalties	-	0.52	4,073	4,073	-
Total	<u>659,739,615</u>		<u>3,434,719</u>	<u>3,161,684</u>	<u>273,035</u>
Discoveries:	13,178,238	0.52	<u>66,515</u>	<u>66,515</u>	<u>-</u>
Abatements:	<u>(471,343)</u>	0.52	<u>(3,144)</u>	<u>(3,144)</u>	<u>-</u>
Total property valuation	<u>\$ 672,446,510</u>				
Net levy			\$ 3,498,090	\$ 3,225,055	\$ 273,035
Uncollected Taxes at June 30, 2022			<u>(53,074)</u>	<u>(53,074)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,445,016</u>	<u>\$ 3,171,981</u>	<u>\$ 273,035</u>
Current levy collection percentage			<u>98.48%</u>	<u>98.35%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

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 Auditors' Report

To the Honorable Mayor and
Members of the Town Council
Town of 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2022, and the related notes to the financial statements, which collectively comprises the Town of Troutman's basic financial statements, and have issued our report thereon dated December 9, 2022. Our report includes a reference to other auditors who audited the financial statements of the Town of Troutman ABC Board, as described in our report on the Town of Troutman's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Troutman ABC Board were not audited in accordance with *Government Auditing Standards*.

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) as a basis for designing 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's internal control.

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item [2022-001] to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item [2022-002] to be a significant deficiency.

Report on 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, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item [2022-001].

Town of Troutman's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Troutman’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town’s response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
December 9, 2022

Town of Troutman, North Carolina
 Schedule of Findings and Responses
 For the Year Ended June 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements	Unmodified	
Internal control over financial reporting:		
• Material Weakness(es) identified?	<u> X </u> yes	___ no
• Significant Deficiency(s) identified?	<u> X </u> yes	___ no
Noncompliance material to financial statements noted?	___ yes	<u> X </u> no

Section II. Financial Statement Findings

FINDING: 2022-001 Prior Period Adjustments

MATERIAL WEAKNESS

Criteria: Management should have a system in place to verify that transactions are recorded in the correct fund, thereby reducing the likelihood of errors in financial reporting.

Condition: The Mill Village Sewer Project Fund and CHA Sewer Project Fund were reclassified as Business-Type Activities, and consolidated with the Water and Sewer Fund in fiscal year 2022. The reclassification of fund balances as of June 30, 2021 resulted in an increase in net position of \$166,547 in Governmental Activities, and a decrease in net position of \$166,547 in Business-Type Activities. The reclassification of Construction in Progress associated with these two project funds resulted in a decrease in net position of \$728,398 in Governmental Activities, and an increase in net position of \$728,398 in Business-Type Activities. The net adjustments of incorrect Capital Assets (net of accumulated depreciation) and Intangible Assets (net of accumulated amortization) resulted in a net increase in net position of \$1,643,774 in Governmental Activities, and a net increase in net position of \$129,711 in Business-Type Activities. The reclassification and adjustment of Notes Payable associated with these two project funds resulted in an increase in net position of \$561,580 in Governmental Activities, and a decrease in net position of \$615,773 in Business-Type Activities. The net effect of all prior period adjustments is an increase in net position of \$1,643,503 in Governmental Activities, and an increase in net position of \$75,789 in Business-Type Activities.

Effect: The Town's management and other users of the financial statements do not have accurate information for decisions-making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.

Cause: The project funds were incorrectly classified as governmental activities from the inception, management also overlooked the importance of timely reconciling financial documents.

Recommendation: The Town should review the ledger and financial documents regularly to ensure that necessary adjustments are made timely and correctly during the year, and that projects are properly classified as governmental or business-type activities.

Views of responsible officials and planned

corrective actions: The Town agrees with this finding. Please refer to the corrective action plan for details.

Town of Troutman, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2022

Section II. Financial Statement Findings (continued)

FINDING: 2022-002 Budget Violation

NONCOMPLIANCE / SIGNIFICANT DEFICIENCY

Criteria: In accordance with North Carolina General Statutes § 143C, Budget revisions must be requested and approved prior to any commitment and/or expenditure that would exceed the amount budgeted. Entities should not overspend the authorized budget.

Condition: The budget was overspent in the following departments in General Fund: Administration and Police in the amount of \$49,700 and 34,649, respectively.

Effect: Moneys were spent that had not been obligated and appropriated.

Cause: The Town did not budget enough to cover payroll expenditures associated with year-end accruals.

Recommendation: The budget should be reviewed and appropriated amendments made during the year.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Please refer to the corrective action plan for details.



Town of Troutman, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

Finding 2022-001

Prior Period Adjustments

Name of Contact Person: Justin Mundy, Finance Director

Corrective Action: Project funds were incorrectly classified as governmental activities from inception due to management not reviewing financial documents in a timely manner. To prevent these adjustments in the future, management will thoroughly review the general ledger and financial statements in a timely manner.

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

Finding 2022-002

Budget Violation

Name of Contact Person: Justin Mundy, Finance Director

Corrective Action: Over-expenditures that occurred in the Admin and Police department were the result of audit adjustments to record additional payroll expenditures that were accrued at year-end. These two departments had vacant positions which required overtime from current employees in both departments. While the accrued payroll was paid in July, all but one day of the payroll period was for June. To prevent audit adjustments in the future, management will carefully review the budget-to-actual reports for all departments in May, estimate expected year-end adjustments for payables and have the Town Council adopt appropriate amendments to the budget before the fiscal year end.

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

Town of Troutman

400 North Eastway Drive ■ Post Office Box 26 ■ Troutman North Carolina 28166
Phone: 704.528.7600 ■ www.troutmannnc.gov ■ Fax: 704.528.7605

Town of Troutman, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

None reported.