

**TOWN OF TROUTMAN
NORTH CAROLINA**

FINANCIAL STATEMENTS

TROUTMAN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2018

**TOWN OF TROUTMAN
NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2018**

Mayor: Teross W. Young, Jr.

Town Council: W. Paul Henkel

James K. Troutman

Sally P. Williams

Judy Jablonski

Paul R. Bryant, Sr.

Town Manager: Justin Longino

Finance Director: Steven H. Shealy

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FINANCIAL SECTION

Report of Independent Certified Public Accountants

Management's Discussion & Analysis

Basic Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Other Supplementary Information



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Memberships:

North Carolina
 Association of
 Certified Public
 Accountants

American Institute
 Of Certified Public
 Accountants

Independent Auditors' Report

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

Report on the Financial Statements

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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Troutman's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement. The financial statements of the Town of Troutman ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of June 30, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pages 11 through 21, and the Schedule of Proportionate Share of Net Pension Liability (Asset) for Local 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 the Law Enforcement Officers' Special Separation Allowance, and the Schedule of Changes in Total OPEB Liability 66 through 70, 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 basic financial statements of the Town of Troutman, North Carolina. The introductory information, combining individual fund statements, budgetary schedules, other schedules statistical section, and Schedule of Expenditures of Federal and State Awards, as required by the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards 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 April 10, 2019 on our consideration of the Town of Troutman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

April 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Troutman

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, 2018. 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

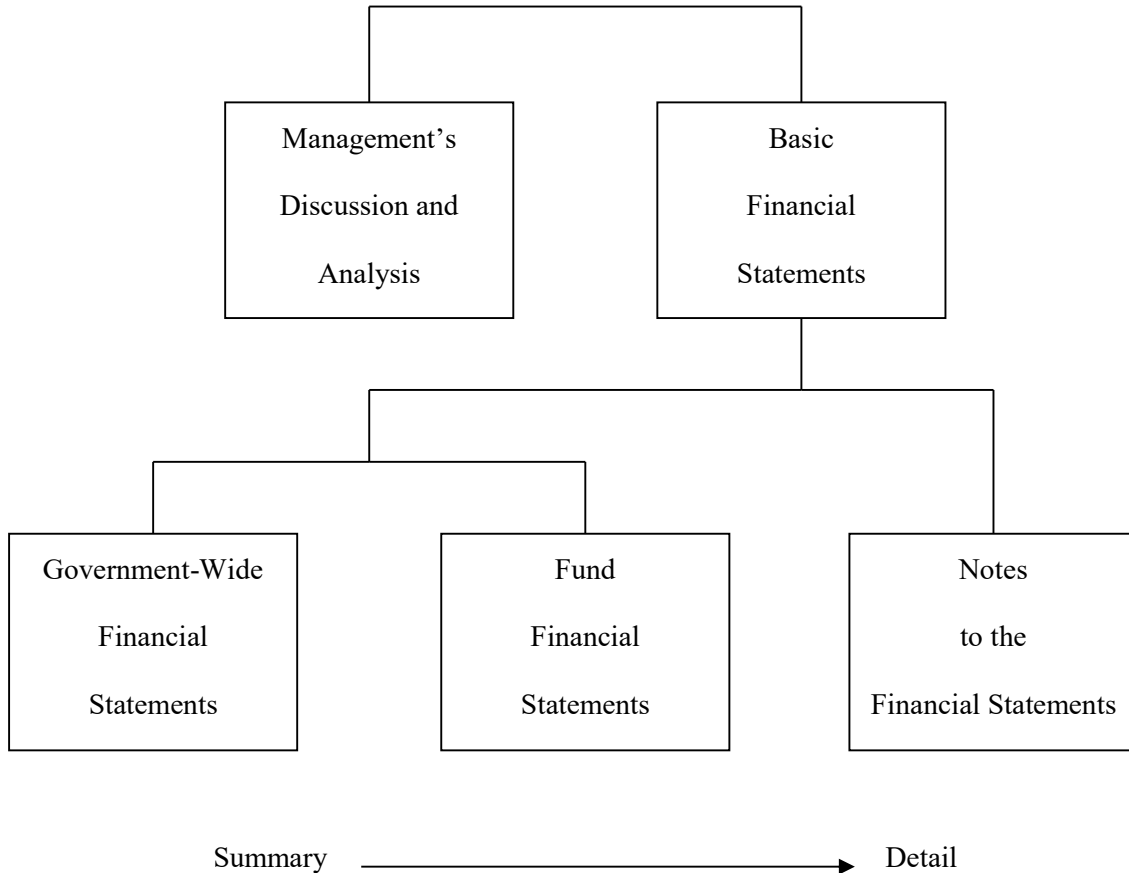
- The assets and deferred outflows of resources of the Town of Troutman exceeded its liabilities and deferred inflows at the close of the fiscal year by \$19,676,075 (*net position*).
- The government's total net position increased by \$1,057,899.
- As of the close of the current fiscal year, the Town of Troutman's governmental funds reported combined ending fund balances of \$1,754,488, an increase of \$384,464 in comparison with the prior year. Approximately 16.0% of this total amount, or \$280,327, is restricted and non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,468,300 or 38.12%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Troutman's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Troutman.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental fund statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, economic and physical development, streets and public works, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide services. These include the water and sewer services offered by the Town of Troutman.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Troutman, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Troutman can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Troutman adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Troutman has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Troutman uses an enterprise fund to account for its water and sewer operations. This fund is the same as the separate activity shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements follow Exhibit 9 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Troutman's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 65 of this report.

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

Government-Wide Financial Analysis

Town of Troutman's Net Position

Figure 2

| | Governmental Activities 2018 | Business Activities 2018 | Governmental Activities 2017 | Business Activities 2017 | Total 2018 | Total 2017 |
|----------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|---------------|---------------|
| Assets | | | | | | |
| Current assets | \$1,878,413 | \$874,521 | \$1,512,465 | \$186,469 | \$2,752,934 | \$1,698,934 |
| Long-term assets | 6,398,778 | 15,837,008 | 6,469,988 | 16,275,434 | 22,235,786 | \$22,745,422 |
| Deferred outflows | 243,156 | 38,077 | 312,528 | 73,227 | 281,233 | \$385,755 |
| Total assets | 8,520,347 | 16,749,606 | 8,294,981 | 16,535,130 | 25,269,953 | \$24,830,111 |
| Liabilities | | | | | | |
| Current Liabilities | 502,162 | 473,954 | 479,051 | 446,585 | 976,116 | \$925,636 |
| Non-current liabilities | 2,485,302 | 2,074,505 | 2,752,725 | 2,294,836 | 4,559,807 | \$5,047,561 |
| Deferred liabilities | 64,951 | 8,341 | 61,139 | 7,523 | 73,292 | \$68,662 |
| Total liabilities | 3,052,415 | 2,556,800 | 3,292,915 | 2,748,944 | 5,609,215 | \$6,041,859 |
| Net position | | | | | | |
| Net investment in capital assets | 4,544,558 | 13,633,930 | 4,369,455 | 13,834,880 | 18,178,488 | \$18,204,335 |
| Restricted | 274,444 | 0 | 455,240 | 0 | 274,444 | \$455,240 |
| Unrestricted | 648,930 | 574,213 | 177,371 | (48,694) | 1,223,143 | \$128,677 |
| Total net assets | \$5,467,932 | \$14,208,143 | \$5,002,066 | \$13,786,186 | \$19,676,075 | \$18,788,252 |

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Troutman exceeded liabilities and deferred inflows by \$19,676,075 as of June 30, 2018. The Town's net position increased by \$1,057,899 for the fiscal year ended June 30, 2018. However, the largest portion \$18,178,488 (92%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Troutman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Troutman's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Troutman's net position, \$274,444, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,223,143 is unrestricted. Also, the Town of Troutman implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$170,076. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Troutman's management.

Town of Troutman's Changes in Net Position

Figure 3

| | Governmental Activities 2018 | Business Activities 2018 | Governmental Activities 2017 | Business Activities 2017 | Total 2018 | Total 2017 |
|---|---|---|---|---|-----------------------|-----------------------|
| Revenues | | | | | | |
| Charges for services | \$236,907 | \$2,357,471 | \$56,054 | \$1,802,023 | \$2,594,378 | \$1,858,077 |
| Operating grants | 98,473 | 0 | 168,847 | 0 | 98,473 | 168,847 |
| Capital grants | 534,029 | 0 | 287,136 | 0 | 534,029 | 287,136 |
| Ad valorem taxes | 2,226,530 | 0 | 2,080,403 | 0 | 2,226,530 | 2,080,403 |
| Local option taxes | 597,737 | 0 | 676,041 | 0 | 597,737 | 676,041 |
| Other taxes and licenses | 400,532 | 0 | 273,938 | 0 | 400,532 | 273,938 |
| Interest earned | 10,967 | 782 | 4,842 | 65 | 11,749 | 4,907 |
| Miscellaneous | 16,456 | 0 | 203,115 | 0 | 16,456 | 203,115 |
| Total revenues | 4,121,631 | 2,358,253 | 3,750,376 | 1,802,088 | 6,479,884 | 5,552,464 |
| Expenses | | | | | | |
| General government | 1,078,546 | 0 | 716,806 | 0 | 1,078,546 | 716,806 |
| Public safety | 1,171,655 | 0 | 1,137,596 | 0 | 1,171,655 | 1,137,596 |
| Transportation | 374,431 | 0 | 609,809 | 0 | 374,431 | 609,809 |
| Economic development | 0 | 0 | 249,532 | 0 | 0 | 249,532 |
| Environmental protection | 258,936 | 0 | 4,028 | 0 | 258,936 | 4,028 |
| Cultural and recreational | 615,581 | 0 | 444,729 | 0 | 615,581 | 444,729 |
| Interest on long-term debt | 55,866 | 0 | 28,872 | 0 | 55,866 | 28,872 |
| Water and Sewer | 0 | 1,866,970 | 0 | 1,920,496 | 1,866,970 | 1,920,496 |
| Total expenses | 3,555,015 | 1,866,970 | 3,191,372 | 1,920,496 | 5,421,985 | 5,111,868 |
| Change in net position | 566,616 | 491,283 | 559,004 | (118,408) | 1,057,899 | 440,596 |
| Net position, beginning as previously stated | 5,002,066 | 13,786,186 | 4,325,749 | 13,772,639 | 18,788,252 | 18,098,388 |
| Restatement | (100,750) | (69,326) | 117,313 | 131,955 | (170,076) | 249,268 |
| Net position, ending as restated | 4,901,316 | 13,716,860 | 4,443,062 | 13,904,594 | 18,618,176 | 18,347,656 |
| Net position, ending | \$5,467,932 | \$14,208,143 | \$5,002,066 | \$13,786,186 | \$19,676,075 | \$18,788,252 |

Governmental Activities. Governmental activities increased the Town's net position by \$566,616 due to capital grants and operating grants for cultural and recreational activities.

Business-Type Activities. Business-type activities increased the Town's net position by \$491,283 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 \$1,468,300, while total fund balance reached \$1,748,627. 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 44.71% of total General Fund expenditures, while total fund balance represents 53.2% of that same amount.

At June 30, 2018, the governmental funds of the Town of Troutman reported a combined fund balance of \$1,754,488, a 7.8% increase over last year. Included in this change in fund balance are an increase in the General Fund of \$399,220 and a net decrease in other funds of \$14,756.

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 Funds. The Town of Troutman's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$574,213. The change in net position was an increase of \$491,283. 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, 2018 totals \$22,231,957 (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

Major capital asset transactions during the year include:

- Construction and capital spending on the following capital projects:

South Iredell High School Greenway
Greenway Extension Project

Town of Troutman’s Capital Assets

Figure 4

| | Governmental Activities 2018 | Business Activities 2018 | Governmental Activities 2017 | Business Activities 2017 | Total 2018 | Total 2017 |
|----------------|---|---|---|---|-----------------------|-----------------------|
| Land | \$573,172 | \$148,138 | \$573,172 | \$148,138 | \$573,172 | \$721,310 |
| CIP | \$745,141 | \$0 | \$745,141 | \$0 | \$770,283 | \$745,141 |
| Buildings | \$1,015,337 | \$25,142 | \$1,044,785 | \$15,202,141 | \$1,040,479 | \$16,246,926 |
| Equipment | \$162,748 | \$365,102 | \$166,277 | \$32,359 | \$527,850 | \$198,636 |
| Vehicles | \$227,010 | \$53,871 | \$161,589 | \$384,403 | \$280,881 | \$545,992 |
| Infrastructure | \$3,671,541 | \$0 | \$3,779,024 | \$0 | \$3,671,541 | \$3,779,024 |
| Systems | \$0 | \$14,825,162 | \$0 | \$77,139 | \$14,825,162 | \$77,139 |
| | \$6,394,949 | \$15,417,415 | \$6,469,988 | \$15,844,180 | \$21,812,364 | \$22,314,168 |

Long-Term Debt. As of June 30, 2018, the Town of Troutman had total notes payable outstanding of \$4,053,469, all of which are secured by assets of the Town.

Town of Troutman’s Outstanding Debt

Figure 5

| | Governmental Activities 2018 | Business Activities 2018 | Governmental Activities 2017 | Business Activities 2017 | Total 2018 | Total 2017 |
|---------------|---|---|---|---|-----------------------|-----------------------|
| Notes payable | \$1,850,391 | \$2,203,078 | \$2,100,533 | \$2,440,554 | \$4,053,469 | \$4,541,087 |

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 \$30,124,000.

Additional information regarding the Town of Troutman’s long-term debt can be found in the notes of the basic financial statements.

Economic Factors and Next Year’s Budgets and Rates

The following are economic indicators affecting the Town:

- The Town is seeing the effects of long-planned growth.
- Completion of Capital projects will provide citizens access to additional facilities.

Budget Highlights for the Year Ending June 30, 2018

Governmental Activities. Overall, General Fund revenues include reflect similar amounts as the prior year with small increases expected due to growth. Grants for capital projects also increased revenues.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Troutman
Statement of Net Position
June 30, 2018

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------------|-------------------------------|
| | Governmental Activities | Business-type Activities | Total | Town of Troutman ABC Board |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,584,441 | \$ 665,857 | \$ 2,250,298 | \$ 108,932 |
| Taxes receivables (net) | 69,494 | - | 69,494 | - |
| Accounts receivable (net) | 19,960 | 208,664 | 228,624 | - |
| Inventory | 5,883 | | 5,883 | 153,918 |
| Prepaid items | - | | - | 4,513 |
| Due from other governments | 198,635 | - | 198,635 | - |
| Total current assets | 1,878,413 | 874,521 | 2,752,934 | 267,363 |
| Noncurrent asset: | | | | |
| Restricted cash and cash equivalents | 3,829 | - | 3,829 | - |
| Capital assets: | | | | |
| Land and construction in progress | 1,318,313 | 148,138 | 1,466,451 | - |
| Other capital assets, net of depreciation | 5,076,636 | 15,269,277 | 20,345,913 | 720,422 |
| Intangible assets, net of amortization | - | 419,593 | 419,593 | - |
| Total capital assets (net) | 6,394,949 | 15,837,008 | 22,231,957 | 720,422 |
| Total noncurrent assets | 6,398,778 | 15,837,008 | 22,235,786 | 720,422 |
| Total assets | 8,277,191 | 16,711,529 | 24,988,720 | 987,785 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Contributions to pension plan in current fiscal year - LGERS | 40,683 | 9,699 | 50,382 | - |
| Contributions to pension plan in current fiscal year - LEO | 52,455 | - | 52,455 | - |
| Pension deferrals | 150,018 | 28,378 | 178,396 | - |
| Total deferred outflows of resources | 243,156 | 38,077 | 281,233 | - |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | 35,651 | 51,583 | 87,234 | 69,982 |
| Liabilities payable from restricted assets | - | 130,527 | 130,527 | - |
| Current portion of compensated absences | 84,300 | 20,873 | 105,173 | 224 |
| Current portion of long-term debt | 382,211 | 270,971 | 653,182 | 22,953 |
| Total current liabilities | 502,162 | 473,954 | 976,116 | 93,159 |
| Non-current liabilities: | | | | |
| Non-current portion of compensated absences | 28,100 | 6,958 | 35,058 | - |
| Net pension liability - LGERS | 266,835 | 63,611 | 330,446 | - |
| Total pension liability - LEO | 434,870 | - | 434,870 | - |
| Total OPEB liability | 287,317 | 71,829 | 359,146 | - |
| Non-current portion of long-term debt | 1,468,180 | 1,932,107 | 3,400,287 | 581,922 |
| Total long-term liabilities | 2,485,302 | 2,074,505 | 4,559,807 | 581,922 |
| Total liabilities | 2,987,464 | 2,548,459 | 5,535,923 | 675,081 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension deferrals | 28,301 | 4,831 | 33,132 | - |
| OPEB deferrals | 14,040 | 3,510 | 17,550 | - |
| Unavailable grant revenues | 18,685 | - | 18,685 | - |
| Prepaid taxes | 3,925 | - | 3,925 | - |
| Total deferred inflows of resources | 64,951 | 8,341 | 73,292 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 4,544,558 | 13,633,930 | 18,178,488 | 115,547 |
| Restricted for stabilization by State statute | 270,615 | - | 270,615 | - |
| Restricted for streets | 3,829 | - | 3,829 | - |
| Restricted for minimum working capital | - | - | - | 41,296 |
| Unrestricted | 648,930 | 574,213 | 1,223,143 | 155,861 |
| Total net position | \$ 5,467,932 | \$ 14,208,143 | \$ 19,676,075 | \$ 312,704 |

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, 2018**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Town of Troutman ABC Board |
|--|---------------------|-------------------------|--|--|---|-----------------------------|----------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government | | |
| | | | | | | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$ 1,078,546 | \$ 48,381 | \$ - | \$ - | \$ (1,030,165) | \$ - | \$ (1,030,165) | |
| Public safety | 1,171,655 | 141,710 | - | - | (1,029,945) | - | (1,029,945) | |
| Transportation | 374,431 | - | 79,402 | - | (295,029) | - | (295,029) | |
| Environmental protection | 258,936 | 32,066 | - | - | (226,870) | - | (226,870) | |
| Cultural and recreational | 615,581 | 14,750 | 19,071 | 534,029 | (47,731) | - | (47,731) | |
| Interest on long-term debt | 55,866 | - | - | - | (55,866) | - | (55,866) | |
| Total governmental activities | 3,555,015 | 236,907 | 98,473 | 534,029 | (2,685,606) | - | (2,685,606) | |
| Business-type activities: | | | | | | | | |
| Water and Sewer Fund | 1,866,970 | 2,357,471 | - | - | - | 490,501 | 490,501 | |
| Total business-type activities | 1,866,970 | 2,357,471 | - | - | - | 490,501 | 490,501 | |
| Total primary government | \$ 5,421,985 | \$ 2,594,378 | \$ 98,473 | \$ 534,029 | (2,685,606) | 490,501 | (2,195,105) | |
| Component Unit: | | | | | | | | |
| Town of Troutman ABC Board | \$ 1,307,733 | \$ 1,374,291 | \$ - | \$ - | | | | \$ 66,558 |
| General revenues: | | | | | | | | |
| Ad valorem taxes | | | | | 2,226,530 | - | 2,226,530 | - |
| Local option sales taxes | | | | | 597,737 | - | 597,737 | - |
| Franchise taxes | | | | | 219,482 | - | 219,482 | - |
| Other taxes and licenses | | | | | 181,050 | - | 181,050 | - |
| Interest earned on investments, unrestricted | | | | | 10,967 | 782 | 11,749 | 3 |
| Special item - gain on sale of fixed assets | | | | | - | - | - | - |
| Miscellaneous, unrestricted | | | | | 16,456 | - | 16,456 | 9,195 |
| Total general revenues | | | | | 3,252,222 | 782 | 3,253,004 | 9,198 |
| Change in net position | | | | | 566,616 | 491,283 | 1,057,899 | 75,756 |
| Net position, beginning, as previously reported | | | | | 5,002,066 | 13,786,186 | 18,788,252 | 236,948 |
| Change in accounting principle | | | | | (100,750) | (69,326) | (170,076) | - |
| Net position, beginning, as restated | | | | | 4,901,316 | 13,716,860 | 18,618,176 | 236,948 |
| Net position, ending | | | | | \$ 5,467,932 | \$ 14,208,143 | \$ 19,676,075 | \$ 312,704 |

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

**Town of Troutman
Balance Sheets
Governmental Funds
June 30, 2018**

| | <u>Major</u> | <u>Non-Major</u> | <u>Total</u> |
|--|---------------------|----------------------------------|-------------------------------|
| | <u>General Fund</u> | <u>Capital Project Funds</u> | <u>Governmental Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,581,880 | \$ 2,562 | \$ 1,584,442 |
| Restricted cash | 3,829 | - | 3,829 |
| Receivables, net: | | | |
| Taxes | 69,494 | - | 69,494 |
| Accounts | - | 19,960 | 19,960 |
| Due from other governments | 195,238 | 3,397 | 198,635 |
| Inventories | 5,883 | - | 5,883 |
| Total assets | <u>\$ 1,856,324</u> | <u>\$ 25,919</u> | <u>\$ 1,882,243</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 34,278 | \$ 1,373 | \$ 35,651 |
| Due to other funds | - | - | - |
| Total liabilities | <u>34,278</u> | <u>1,373</u> | <u>35,651</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 69,494 | - | 69,494 |
| Unavailable grant revenue | - | 18,685 | 18,685 |
| Prepaid taxes | 3,925 | - | 3,925 |
| Total deferred inflows of resources | <u>73,419</u> | <u>18,685</u> | <u>92,104</u> |
| FUND BALANCES | | | |
| Non-spendable: | | | |
| Inventories | 5,883 | - | 5,883 |
| Restricted: | | | |
| Stabilization by State Statute | 270,615 | - | 270,615 |
| Streets | 3,829 | - | 3,829 |
| Committed: | | | |
| Cultural and Recreational | - | 6,540 | 6,540 |
| Unassigned | 1,468,300 | (679) | 1,467,621 |
| Total fund balances | <u>1,748,627</u> | <u>5,861</u> | <u>1,754,488</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,856,324</u> | <u>\$ 25,919</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. | 6,394,949 |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position. | 93,138 |
| Earned revenues considered deferred inflows of resources in fund statements. | 69,494 |
| Pension related deferrals | 107,677 |
| Net pension liability | (266,835) |
| Total OPEB liability | (287,317) |
| Total pension liability | (434,870) |
| Other long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds. | (1,962,792) |
| Net position of governmental activities | <u>\$ 5,467,932</u> |

Town of Troutman
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

| | <u>Major</u> | <u>Non-Major</u> | <u>Total</u> |
|---|---------------------|----------------------------------|-------------------------------|
| | <u>General Fund</u> | <u>Capital Project Funds</u> | <u>Governmental Funds</u> |
| REVENUES | | | |
| Ad valorem taxes | \$ 2,221,347 | \$ - | \$ 2,221,347 |
| Other taxes and licenses | 714,813 | - | 714,813 |
| Unrestricted intergovernmental | 279,597 | - | 279,597 |
| Restricted intergovernmental | 79,402 | 534,029 | 613,431 |
| Permits and fees | 98,477 | - | 98,477 |
| Donations | - | 19,071 | 19,071 |
| Investment earnings | 10,967 | - | 10,967 |
| Miscellaneous | 157,747 | - | 157,747 |
| Total revenues | <u>3,562,350</u> | <u>553,100</u> | <u>4,115,450</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 729,813 | 373,358 | 1,103,171 |
| Public safety | 1,204,535 | - | 1,204,535 |
| Streets and public works | 633,367 | - | 633,367 |
| Cultural and recreational | 108,668 | 194,498 | 303,166 |
| Capital outlay | 181,740 | - | 181,740 |
| Debt service | 425,784 | - | 425,784 |
| Total expenditures | <u>3,283,907</u> | <u>567,856</u> | <u>3,851,763</u> |
| Revenues over (under) expenditures | <u>278,443</u> | <u>(14,756)</u> | <u>263,687</u> |
| Other financing sources: | | | |
| Transfer (to) from other funds | - | - | - |
| Sale of fixed assets | 1,000 | - | 1,000 |
| Long-term debt issued | 119,777 | - | 119,777 |
| Total other financing sources | <u>120,777</u> | <u>-</u> | <u>120,777</u> |
| Revenues and other sources over expenditures and other sources | 399,220 | (14,756) | 384,464 |
| Fund balances, beginning | 1,349,407 | 20,617 | 1,370,024 |
| Fund balances, ending | <u>\$ 1,748,627</u> | <u>\$ 5,861</u> | <u>\$ 1,754,488</u> |

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

**Town of Troutman
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

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

| | | |
|--|----|-----------------------|
| Net changes in fund balances - total governmental funds | \$ | 384,464 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| Capital outlay expenditures which were capitalized | | 181,740 |
| Depreciation expense for governmental assets | | <u>(256,779)</u> |
| | | (75,039) |
| <p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities</p> | | |
| | | 93,138 |
| <p>Pension related deferrals</p> | | |
| | | 55,825 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| <p>Change in deferred inflows for tax revenues</p> | | |
| | | 5,183 |
| <p>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.</p> | | |
| | | 250,141 |
| Compensated absences | | (3,008) |
| Pension expense | | (144,088) |
| Rounding | | <u>-</u> |
| Total changes in net position of governmental activities | \$ | <u><u>566,616</u></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 Balances - Budget and Actual
For the Year Ended June 30, 2018**

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|------------------|---------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 2,235,550 | \$ 2,240,550 | \$ 2,221,347 | \$ (19,203) |
| Other taxes and licenses | 672,000 | 672,000 | 714,813 | 42,813 |
| Unrestricted intergovernmental | 268,900 | 268,900 | 279,597 | 10,697 |
| Restricted intergovernmental | 78,000 | 78,000 | 79,402 | 1,402 |
| Permits and fees | 52,910 | 79,410 | 98,477 | 19,067 |
| Investment earnings | 3,700 | 3,700 | 10,967 | 7,267 |
| Miscellaneous | 153,370 | 151,370 | 157,747 | 6,377 |
| Total revenues | <u>3,464,430</u> | <u>3,493,930</u> | <u>3,562,350</u> | <u>68,420</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 757,745 | 742,545 | 729,813 | 12,732 |
| Public safety | 1,359,750 | 1,378,660 | 1,204,535 | 174,125 |
| Streets and public works | 623,345 | 680,135 | 633,367 | 46,768 |
| Cultural and recreational | 127,620 | 111,620 | 108,668 | 2,952 |
| Capital Outlay | 120,000 | 145,000 | 181,740 | (36,740) |
| Debt Service | 391,165 | 351,165 | 425,784 | (74,619) |
| Total expenditures | <u>3,379,625</u> | <u>3,409,125</u> | <u>3,283,907</u> | <u>125,218</u> |
| Revenues over (under) expenditures | <u>84,805</u> | <u>84,805</u> | <u>278,443</u> | <u>193,638</u> |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | (50,000) | (50,000) | - | 50,000 |
| Sale of fixed assets | 2,000 | 2,000 | 1,000 | (1,000) |
| Long-term debt issued | 120,000 | 120,000 | 119,777 | (223) |
| Contingencies | (156,805) | (156,805) | - | 156,805 |
| Appropriated fund balance | - | - | - | - |
| Total other financing sources (uses) | <u>(84,805)</u> | <u>(84,805)</u> | <u>120,777</u> | <u>205,582</u> |
| Revenues and other sources over (under) expenditures and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>399,220</u> | <u>\$ 399,220</u> |
| Fund balances, beginning | | | <u>1,349,407</u> | |
| Fund balances, ending | | | <u>\$ 1,748,627</u> | |

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

**Town of Troutman
Statement of Net Position
Proprietary Fund
June 30, 2018**

| | <u>Water and Sewer Fund</u> |
|--|---------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 665,857 |
| Accounts receivable, net | 208,664 |
| Due from other governments | 15,337 |
| Total current assets | <u>889,858</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | - |
| Capital assets: | |
| Land and construction in progress | 148,138 |
| Other capital assets, net of depreciation | 15,269,277 |
| Intangibles, net of depreciation | 419,593 |
| Capital assets (net) | <u>15,837,008</u> |
| Total noncurrent assets | <u>15,837,008</u> |
| Total assets | <u>16,726,866</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Contributions to pension plan in current fiscal year | 9,699 |
| Pension deferrals | 28,378 |
| OPEB deferrals | - |
| Total deferred outflows of resources | <u>38,077</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 51,583 |
| Liabilities payable from restricted assets: | |
| Customer deposits | 130,527 |
| Compensated absences - current | 20,873 |
| Current portion of long-term debt | 270,971 |
| Total current liabilities | <u>473,954</u> |
| Non-current liabilities: | |
| Compensated absences | 6,958 |
| Net pension liability | 63,611 |
| OPEB liability | 71,829 |
| Long-term debt | 1,932,107 |
| Total noncurrent liabilities | <u>2,074,505</u> |
| Total liabilities | <u>2,548,459</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| OPEB deferrals | 3,510 |
| Pension deferrals | 4,831 |
| Total deferred inflows of resources | <u>8,341</u> |
| NET POSITION | |
| Net investment in capital assets | 13,633,930 |
| Unrestricted | 574,213 |
| Total net position | <u>\$ 14,208,143</u> |

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 Fund
For the Year Ended June 30, 2018

| | Water and Sewer Fund |
|--|-----------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 2,284,955 |
| Water and sewer taps | 17,951 |
| Other operating revenues | 54,565 |
| Total operating revenues | 2,357,471 |
| OPERATING EXPENSES | |
| Administration | 220,540 |
| Operations | 1,117,342 |
| Depreciation and amortization | 490,953 |
| Total operating expenses | 1,828,835 |
| Operating income (loss) | 528,636 |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 782 |
| Interest and other charges | (38,135) |
| Other non-operating revenues (expenses) | - |
| Total nonoperating revenue (expenses) | (37,353) |
| Income (loss) before contributions and transfers | 491,283 |
| Transfers to other funds | - |
| Total income (loss) after contributions and transfers | 491,283 |
| Change in net position | 491,283 |
| Total net position, beginning, as previously stated | 13,786,186 |
| Retatement | (69,326) |
| Total net position, beginning, as restated | 13,716,860 |
| Total net position, ending | \$ 14,208,143 |

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

**Town of Troutman
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018**

| | Water and Sewer Fund |
|---|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 2,285,465 |
| Cash paid for goods and services | (892,094) |
| Cash paid to or on behalf of employees for services | (430,001) |
| Net customer deposits | 6,727 |
| Other operating revenues | 54,565 |
| Net cash provided (used) by operating activities | 1,024,662 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Interfund activity | (155,249) |
| Net cash provided (used) by noncapital financing activities | (155,249) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (52,527) |
| Principal paid on long-term debt | (237,476) |
| Interest and other costs paid on long-term debt | (38,135) |
| Net cash provided (used) by capital and related financing activities | (328,138) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment earnings | 782 |
| Net cash provided (used) by investing activities | 782 |
| Net increase (decrease) in cash and cash equivalents | 542,057 |
| Balances, beginning | 123,800 |
| Balances, ending | \$ 665,857 |

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

(continued)

**Town of Troutman
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018**

| | Water and Sewer Fund |
|---|---------------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 528,636 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 490,953 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (17,441) |
| Decrease in deferred outflows of resources - pensions | (17,987) |
| (Decrease) in net pension liability | 50,235 |
| Increase (decrease) in deferred inflows of resources - pensions | (4,013) |
| Increase (decrease) in accounts payable | (14,067) |
| Increase (decrease) in customer deposits | 6,727 |
| Increase (decrease) in compensated absences | 1,619 |
| Total adjustments | 496,026 |
| Net cash provided by operating activities | \$ 1,024,662 |

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation 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.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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 items are ancillary activities, such as investment earnings.

The Town reports the following major governmental fund:

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 four capital project funds: the ESC Park, the Greenway Extension Project, and the South Iredell High School Greenway.

The Town reports the following major enterprise fund:

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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 f 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 Inflows and Outflows 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. 159-31. 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 certificates 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018 for customer deposits were \$130,527. 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, 2018 for the General Fund was \$3,829.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

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.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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:

| Asset Class | Estimated Useful Lives |
|---------------------------|------------------------|
| 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:

| Asset Class | Estimated Useful Lives |
|---------------------|------------------------|
| Buildings | 39 years |
| Furniture/equipment | 5-10 years |

8. 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 four 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 four items that meet the criterion for this category - property taxes receivable, prepaid taxes, OPEB deferrals, and deferrals of pension expense that result from the implementation of GASB Statement 68.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

9. 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.

10. 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.

11. 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.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Restricted for Stabilization by State Statute - represents the portion of fund balance that is restricted by State statute [G.S.159-8(a)]. Amount restricted at June 30, 2018 was \$270,615.

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.

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.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

| | |
|-----------------------------------|--------------|
| Total fund balance - General Fund | \$ 1,748,627 |
| Less: | |
| Inventory | 5,883 |
| Stabilization by State Statute | 270,615 |
| Streets | 3,829 |
| General Government capital outlay | - |
| Remaining fund balance | \$ 1,468,300 |

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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.

Note 2 - Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None

C. Excess of Expenditures over Appropriations

Expenditures for the ESC Park exceeded appropriations by \$109,704 due to higher than estimated costs of the project. The Town is monitoring the project more closely to contain project costs.

Note 3 - 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

Town of Troutman, North Carolina
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For the Year Ended June 30, 2018

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, 2018, the Town's deposits had a carrying amount of \$2,236,102 and a bank balance of \$2,418,622. The Town only has deposits in institutions that collateralize under the Pooling Method. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,918,622 was covered by collateral held under the Pooling Method. The Town had petty cash of \$300 at June 30, 2018.

At June 30, 2018, the ABC Board's deposits had a carrying amount of \$105,845 and a bank balance of \$179,237. 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, 2018, the Board had no uninsured balances. Amounts in excess of the federal depository insurance limits are collateralized under the Pooling Method.

2. Investments

At June 30, 2018, the Town had \$17,725 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, 2018, the Town of Troutman ABC Board had no investments.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018 were as follows:

| | <u>Accounts</u> | <u>Taxes</u> | <u>Total</u> |
|----------------------------------|-------------------|------------------|-------------------|
| Governmental Activities: | | | |
| General | \$ - | \$ 89,494 | \$ 89,494 |
| Other receivables | 19,960 | - | 19,960 |
| Due from other governments | 198,635 | - | 198,635 |
| Allowance for doubtful accounts | - | (20,000) | (20,000) |
| Total governmental activities | <u>\$ 218,595</u> | <u>\$ 69,494</u> | <u>\$ 288,089</u> |
| Business-type Activities: | | | |
| Water and Sewer | \$ 253,689 | \$ - | \$ 253,689 |
| Due from other governments | 15,337 | - | 15,337 |
| Allowance for doubtful accounts | (45,025) | - | (45,025) |
| Total business-type activities | <u>\$ 224,001</u> | <u>\$ -</u> | <u>\$ 224,001</u> |

Due from other governments consisted of the following:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|-----------------------------|------------------------------------|-------------------------------------|
| Local option sales tax | \$ 183,071 | \$ - |
| Sales tax refund receivable | 15,564 | 15,337 |
| Total | <u>\$ 198,635</u> | <u>\$ 15,337</u> |

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

4. Capital Assets

Governmental Activities

Capital assets activity for the year ended June 30, 2018 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-------------------------------|-------------------|------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 573,172 | \$ - | \$ - | \$ 573,172 |
| Construction in process | 745,141 | - | - | 745,141 |
| Total capital assets not being depreciated | <u>1,318,313</u> | - | - | <u>1,318,313</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,451,955 | - | - | 1,451,955 |
| Equipment | 490,467 | 40,879 | - | 531,346 |
| Vehicles | 597,260 | 121,910 | 56,722 | 662,448 |
| Infrastructure | 4,555,725 | 18,951 | - | 4,574,676 |
| Total capital assets being depreciated | <u>7,095,407</u> | <u>181,740</u> | <u>56,722</u> | <u>7,220,425</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 407,170 | 29,448 | - | 436,618 |
| Equipment | 324,190 | 44,408 | - | 368,598 |
| Vehicles | 435,671 | 56,489 | 56,722 | 435,438 |
| Infrastructure | 776,701 | 126,434 | - | 903,135 |
| Total accumulated depreciation | <u>1,943,732</u> | <u>\$ 256,779</u> | <u>\$ 56,722</u> | <u>2,143,789</u> |
| Total capital assets being depreciated, net | <u>5,151,675</u> | | | <u>5,076,636</u> |
| Total Governmental capital assets, net | <u>\$ 6,469,988</u> | | | <u>\$ 6,394,949</u> |

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

| | |
|---------------------------|-------------------|
| General government | \$ 166,906 |
| Public safety | 25,678 |
| Transportation | 51,356 |
| Cultural and recreational | 12,839 |
| | <u>\$ 256,779</u> |

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Business-Type Activities

Capital assets activity for the Water and Sewer Fund for the year ended June 30, 2018 was as follows:

| Water and Sewer Fund | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-------------------------------|-------------------|------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 148,138 | \$ - | \$ - | \$ 148,138 |
| Construction in process | - | - | - | - |
| Total capital assets not being depreciated | <u>148,138</u> | <u>-</u> | <u>-</u> | <u>148,138</u> |
| Capital assets being depreciated: | | | | |
| Distribution system | 21,163,408 | 27,971 | - | 21,191,379 |
| Buildings | 309,556 | 2,155 | - | 311,711 |
| Equipment | 1,179,469 | 18,476 | - | 1,197,945 |
| Vehicles | 176,467 | 3,925 | - | 180,392 |
| Total capital assets being depreciated | <u>22,828,900</u> | <u>52,527</u> | <u>-</u> | <u>22,881,427</u> |
| Less accumulated depreciation for: | | | | |
| Distribution system | 5,961,267 | 404,950 | - | 6,366,217 |
| Buildings | 277,197 | 9,372 | - | 286,569 |
| Equipment | 795,066 | 37,777 | - | 832,843 |
| Vehicles | 99,328 | 27,193 | - | 126,521 |
| Total accumulated depreciation | <u>7,132,858</u> | <u>\$ 479,292</u> | <u>\$ -</u> | <u>7,612,150</u> |
| Total capital assets being depreciated, net | <u>15,696,042</u> | | | <u>15,269,277</u> |
| Total Water and Sewer capital assets, net | <u>\$ 15,844,180</u> | | | <u>\$ 15,417,415</u> |

Intangible Assets

Intangible assets for the Proprietary Fund of the Town at June 30, 2018 are as follows:

| Intangible Assets: | Beginning Balances | Increases | Decreases | Ending Balances |
|------------------------------------|-------------------------------|------------------|------------------|----------------------------|
| Town of Mooresville sewer rights | \$ 466,440 | \$ - | \$ - | \$ 466,440 |
| Less accumulated depreciation for: | 46,847 | - | - | 46,847 |
| Total intangible assets, net | <u>\$ 419,593</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 419,593</u> |

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Summary of Component Unit Capital Assets

Capital assets activity for the Town of Troutman ABC Board for the year ended June 30, 2018 was as follows:

| Town of Troutman ABC Board: | Beginning | | | Ending |
|--|-------------------|------------------|------------------|-------------------|
| | Balances | Increases | Decreases | Balances |
| Capital assets not being depreciated: | | | | |
| Land | \$ 208,000 | \$ - | \$ - | \$ 208,000 |
| Construction in process | - | - | - | - |
| Total capital assets not being depreciated | <u>208,000</u> | - | - | <u>208,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 487,301 | - | - | 487,301 |
| Furniture, fixtures, and equipment | 65,605 | - | 5,060 | 60,545 |
| Total capital assets being depreciated | <u>552,906</u> | - | 5,060 | <u>547,846</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 7,289 | 12,495 | - | 19,784 |
| Furniture, fixtures, and equipment | 6,085 | 9,962 | 407 | 15,640 |
| Total accumulated depreciation | <u>13,374</u> | <u>\$ 22,457</u> | <u>\$ 407</u> | <u>35,424</u> |
| Total capital assets being depreciated, net | <u>539,532</u> | | | <u>512,422</u> |
| Total Town of Troutman ABC Board capital assets, net | <u>\$ 747,532</u> | | | <u>\$ 720,422</u> |

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2018 is composed of the following elements:

| | Governmental | Business-Type | Total |
|--------------------------------------|---------------------|----------------------|----------------------|
| | Activities | Activities | |
| Capital assets | \$ 6,394,949 | \$ 15,837,008 | \$ 22,231,957 |
| Less: Debt related to capital assets | (1,850,391) | (2,203,078) | (4,053,469) |
| Net investment in capital assets | <u>\$ 4,544,558</u> | <u>\$ 13,633,930</u> | <u>\$ 18,178,488</u> |

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Construction Commitments

The government has active construction projects as of June 30, 2018. At year-end the government's commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|------------------------------------|----------------------|---------------------------------|
| Greenway North | \$ 609,156 | \$ 92,610 |
| South Iredell High School Greenway | 564,009 | 175,780 |
| Total | \$ 1,173,165 | \$ 268,390 |

B. Liabilities

1. Accounts Payable

Payables at the government-wide level at June 30, 2018, were as follows:

| | Vendors |
|----------------------------------|----------------|
| Governmental Activities: | |
| General Government | \$ 35,651 |
| Business-Type Activities: | |
| Water and Sewer Fund | \$ 51,583 |
| Total | \$ 51,583 |

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 Comprehensive Annual Financial Report

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$50,382 for the year ended June 30, 2018.

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

Town of Troutman, North Carolina
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$330,446 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.02163%, which was an increase of 0.0050% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$103,460. At June 30, 2018, 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 | \$ 19,037 | \$ 9,354 |
| Changes of assumptions | 47,192 | - |
| Net difference between projected and actual earnings on pension plan investments | 80,233 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 954 | 15,740 |
| Town contributions subsequent to the measurement date | 50,382 | - |
| Total | \$ 197,798 | \$ 25,094 |

\$50,382 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|------------|
| 2019 | \$ 9,715 |
| 2020 | 91,720 |
| 2021 | 45,274 |
| 2022 | (24,387) |
| 2023 | - |
| Thereafter | - |
| | \$ 122,322 |

Town of Troutman, North Carolina
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Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 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% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | <u>100%</u> | |

Town of Troutman, North Carolina
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The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|--------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 992,008 | \$ 330,446 | \$ (221,748) |

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

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, 2016, the Separation Allowance's membership consisted of:

Town of Troutman, North Carolina
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| | |
|--|------------------|
| Retirees receiving benefits | - |
| Terminated plan member entitled to but not yet receiving benefits | - |
| Active plan members | <u>14</u> |
| Total | <u><u>14</u></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, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|--|
| Inflation | 2.50 percent |
| Salary increases | 3.50 to 7.35, including inflation and productivity factor |
| Discount rate | 3.16 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, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 \$52,455, or 6.5% of annual covered payroll. 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 \$0 as benefit came due for the reporting period.

Town of Troutman, North Carolina
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a total pension liability of \$434,870. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing procedures incorporating the actuarial assumption. For the year ended June 30, 2018 the Town recognized pension expense of \$35,151.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 5,226 | \$ - |
| Changes of assumptions | 25,754 | 8,038 |
| Town benefit payments and plan administrative expense made subsequent to the measurement date | 52,455 | - |
| Total | \$ 83,435 | \$ 8,038 |

\$52,455 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

| | |
|------------|----------|
| 2019 | \$ 1,499 |
| 2020 | 1,499 |
| 2021 | 1,499 |
| 2022 | 1,499 |
| 2023 | - |
| Thereafter | 2,042 |
| | \$ 8,038 |

\$0 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

Town of Troutman, North Carolina
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| | 1% Decrease | Discount Rate | 1% Increase |
|---|------------------------|--------------------------|------------------------|
| Town's proportionate share of the net pension liability (asset) | █ <u>(2.16%)</u> | █ <u>(3.16%)</u> | █ <u>(4.16%)</u> |
| | \$ 478,998 | \$ 434,870 | \$ 394,483 |

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

| | | |
|---|-----------|----------------|
| Beginning balance | \$ | 367,590 |
| Service cost | | 16,982 |
| Interest on the total pension liability | | 14,189 |
| Changes of assumptions of other inputs | | 36,019 |
| Ending balance | <u>\$</u> | <u>434,780</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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

Town of Troutman, North Carolina
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| | LGERS | LEOSSA | Total |
|--|------------|-----------|------------|
| Pension Expense | \$ 103,460 | \$ 35,151 | \$ 138,611 |
| Pension Liability | 330,446 | 434,870 | 765,316 |
| Proportionate share of the net pension liability | 0.01447% | N/A | |
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | 19,037 | 5,226 | 24,263 |
| Changes of assumptions | 47,192 | 25,754 | 72,946 |
| Net difference between projected and actual earnings on plan investments | 802,533 | - | 802,533 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 954 | - | 954 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 50,382 | 52,455 | 102,837 |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | 9,354 | - | 9,354 |
| Changes of assumptions | - | 8,038 | 8,038 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 15,740 | - | 15,740 |

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers 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

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
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make voluntary contributions to the Plan. The Town made contributions of \$80,072, which consisted of \$65,285 from the Town and \$15,587 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.

Benefits Provided. 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, 2017, the date of the latest actuarial valuation:

| | <u>Employees</u> |
|--|------------------|
| Retirees and dependents receiving benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | 23 |
| Total | 23 |

Total OPEB Liability

The Town's total OPEB liability of \$359,146 was measured as of June 30 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 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 | 3.50 percent, average, including inflation |
| Discount rate | 3.56 percent |
| Healthcare cost trend rates | Medical – 7.5% |
| | Prescription – 7.5% |
| | Admin Expenses – 3.00% |

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.

Town of Troutman, North Carolina
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For the Year Ended June 30, 2018

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|---------------------------------|
| Total OPEB Liability as of July 1, 2017 | \$ 346,629 |
| Changes for the year: | |
| Service cost | 21,657 |
| Interest | 10,434 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (2,863) |
| Changes in assumptions or other inputs | (16,711) |
| Benefit payments | - |
| Other | - |
| Net Changes | 12,517 |
| Total OPEB Liability as of June 30, 2018 | \$ 359,146 |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014, adopted by LGERS.

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 (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

| | 1% Decrease (2.56%) | Discount Rate (3.56%) | 1% Increase (4.56%) |
|----------------------|------------------------------------|----------------------------------|------------------------------------|
| Total OPEB Liability | \$ 320,152 | \$ 359,146 | \$ 404,449 |

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 | Discount Rate (Medical – 5.5%, Prescription – 7.5%, Admin Expenses – 3.0%) | 1% Increase |
|----------------------|------------------------|---|------------------------|
| Total OPEB Liability | \$ 390,082 | \$ 359,146 | |

Town of Troutman, North Carolina
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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$30,067. At June 30, 2018, 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 | \$ - | \$ 2,567 |
| Changes of assumptions | - | 14,983 |
| Town benefit payments and plan administrative expenses made subsequent to the measurement date | - | - |
| Total | \$ - | \$ 17,550 |

\$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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|-----------|
| 2019 | \$ 2,024 |
| 2020 | 2,024 |
| 2021 | 2,024 |
| 2022 | 2,024 |
| 2023 | 2,024 |
| Thereafter | 7,430 |
| | \$ 17,550 |

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

Town of Troutman, North Carolina
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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 and Unavailable Revenues

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

| | <u>Amount</u> |
|--|-------------------|
| Contributions to the pension plan in the current fiscal year - LGERS | \$ 50,382 |
| Contributions to the pension plan in the current fiscal year - LEO | 52,455 |
| Pension deferrals | 178,396 |
| | <u>\$ 281,233</u> |

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

| | <u>Amount</u> |
|---------------------------------|-------------------|
| Prepaid taxes (General Fund) | \$ 3,925 |
| Unavailable revenues | 18,685 |
| Taxes receivable (General Fund) | 69,494 |
| Pension deferrals | 33,132 |
| OPEB deferrals | 17,550 |
| | <u>\$ 142,786</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

Town of Troutman, North Carolina
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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. Notes Payable

Governmental Activities:

4.68% note payable in quarterly installments of \$53,285, including interest, with a final payment due December 2023; refinanced June 2013, and reduced interest rate to 2.22%, with quarterly payments of \$41,683, plus interest. This note is secured by property. \$ 917,021

2.21% note payable due in quarterly installments of \$26,927, including interest, with a final payment due October 2025. This note is secured by property. 821,647

6.00% note payable due in three annual payments of \$42,273, including interest, with a final payment due December 2019. The note is secured by property. 77,504

6.00% note payable in yearly installments of \$25,489, including interest, with a final payment due August 2018. This note is secured by property. 24,045

5.00% note payable in yearly installments of \$10,683, including interest, with a final payment due November 2018. This note is secured by property. 10,174

Total \$1,850,391

Town of Troutman, North Carolina
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Business-Type Activities:

| | |
|--|----------------------------|
| 2.265% note payable in annual installments of \$76,888, principal plus semi-annual declining interest payments, with a final payment due May 2029. This note is secured by a pledge of user fees and future State distributions. | \$ 843,761 |
| 2.55% note payable in annual installments of \$83,699, principal plus semi-annual declining interest payments, with a final payment due May 2029. This note is secured by a pledge of user fees and future State distributions. | 251,092 |
| 2.265% note payable in annual installments of \$35,777, including interest, with a final payment due May 2029. This note is secured by a pledge of user fees and future State distributions. | 438,998 |
| Interest free note payable 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. | 597,925 |
| Interest free note payable in annual installments of \$5,940, with a final payment due May 2030. This note is secured by a pledge of user fees and future State distributions. | <u>71,302</u> |
| Total | <u><u>\$ 2,203,078</u></u> |

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

Governmental Activities:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 382,211 | \$ 40,272 | \$ 422,483 |
| 2020 | 274,438 | 29,848 | 304,286 |
| 2021 | 274,438 | 23,766 | 298,204 |
| 2022 | 274,438 | 17,685 | 292,123 |
| 2023 | 274,438 | 11,604 | 286,042 |
| 2024-2027 | 370,428 | 8,917 | 379,345 |
| | <u>\$ 1,850,391</u> | <u>\$ 132,092</u> | <u>\$ 1,982,483</u> |

Town of Troutman, North Carolina
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For the Year Ended June 30, 2018

Business-Type Activities:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 237,476 | \$ 34,473 | \$ 271,949 |
| 2020 | 237,476 | 29,788 | 267,264 |
| 2021 | 237,476 | 25,102 | 262,578 |
| 2022 | 153,777 | 20,414 | 174,191 |
| 2023 | 170,843 | 6,852 | 177,695 |
| 2024 - 2027 | 1,166,030 | 8,182 | 1,174,212 |
| | <u>\$ 2,203,078</u> | <u>\$ 124,811</u> | <u>\$ 2,327,889</u> |

b. Changes in Long-Term Liabilities

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

| Governmental Activities: | Restated Balance | | | Balance June 30, 2018 | Current Portion |
|---------------------------------|-------------------------|-------------------|-------------------|----------------------------------|----------------------------|
| | July 1, 2017 | Increases | Decreases | | |
| Notes payable | \$ 2,100,533 | \$ 119,777 | \$ 369,919 | \$ 1,850,391 | \$ 382,211 |
| Compensated absences | 109,392 | 3,048 | - | 112,440 | 84,300 |
| Net pension liability (LGERS) | 363,244 | - | 96,409 | 266,835 | - |
| Total pension liability (LEO) | 367,590 | 67,280 | - | 434,870 | - |
| Total OPEB liability | 277,303 | 10,014 | - | 287,317 | - |
| Total governmental activities | <u>\$ 3,218,062</u> | <u>\$ 200,119</u> | <u>\$ 466,328</u> | <u>\$ 2,951,853</u> | <u>\$ 466,511</u> |

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

| Business-type Activities: | Restated Balance | | | Balance June 30, 2018 | Current Portion |
|----------------------------------|-------------------------|------------------|-------------------|----------------------------------|----------------------------|
| | July 1, 2017 | Increases | Decreases | | |
| Notes payable | \$ 77,242 | \$ - | \$ 5,940 | \$ 71,302 | \$ 5,940 |
| Revolving loan | 2,028,521 | - | 147,837 | 1,880,684 | 174,929 |
| NC Clean Water Revolving Loan | 334,791 | - | 83,699 | 251,092 | 90,102 |
| Compensated absences | 26,212 | 1,619 | - | 27,831 | 20,873 |
| Total OPEB liability | 69,326 | 2,503 | - | 71,829 | - |
| Net pension liability (LGERS) | 85,205 | - | 21,594 | 63,611 | - |
| Total business-type activities | <u>\$ 2,621,297</u> | <u>\$ 4,122</u> | <u>\$ 259,070</u> | <u>\$ 2,366,349</u> | <u>\$ 291,844</u> |

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, 2018, the Town had a legal debt margin of \$30,123,931.

Town of Troutman, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 4 - 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 moneys 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.

Note 5 - 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.

Note 6 – Significant Economic Dependence

The Enterprise Fund is dependent upon another governmental entity, the Town of Mooresville, for sewer transportation services. The Town purchased sewer transportation services amounting to \$338,942 from the Town of Mooresville for the year ended June 30, 2018.

Note 7 – Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$170,076.

Note 8 – Unavailable Revenues

Unavailable grant revenues of \$18,685 are revenues that are to be used for the South Iredell High School Greenway project.

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 Local 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 Five Fiscal Years*
Local Government Employees' Retirement System

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|--------------|-------------|
| Troutman's proportion of the net pension liability (asset) (%) | 0.02163% | 0.02113% | 0.02402% | -0.02315% | 0.02410% |
| Troutman's proportion of the net pension liability (asset) (\$) | \$ 300,446 | \$ 448,449 | \$ 107,800 | \$ (136,526) | \$ 290,498 |
| Troutman's covered-employee payroll | \$1,272,813 | \$1,203,892 | \$1,200,786 | \$1,180,164 | \$ 742,978 |
| Troutman's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 23.60% | 37.25% | 8.98% | (11.57%) | 39.10% |
| Plan fiduciary net position as a percentage of the total pension liability** | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

**Town of Troutman
Town of Troutman's Contributions
Required Supplementary Information
Last Five Fiscal Years
Local Government Employees' Retirement System**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 40,683 | \$ 98,329 | \$ 84,313 | \$ 87,939 | \$ 84,716 |
| Contributions in relation to the contractually required contribution | 40,683 | 98,329 | 84,313 | 87,939 | 84,716 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Troutman's covered-employee payroll | \$ 1,312,584 | \$ 1,272,813 | \$ 1,203,892 | \$ 1,200,786 | \$ 1,180,164 |
| Contributions as a percentage of covered-employee payroll | 3.10% | 7.73% | 7.00% | 7.32% | 7.18% |

Town of Troutman
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2018

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Beginning balance | \$ 367,590 | \$ 348,549 |
| Service cost | 16,982 | 17,634 |
| Interest on the total pension liability | 14,189 | 12,443 |
| Changes on benefit terms | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | - | - |
| Changes of assumptions or other inputs | 36,019 | (11,036) |
| Benefit payments | - | - |
| Other changes | - | - |
| Ending balance of the total pension liability | <u>\$ 434,780</u> | <u>\$ 367,590</u> |

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

Town of Troutman
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2018

| | 2018 | 2017 |
|--|-------------|-------------|
| Total pension liability | \$ 434,780 | \$ 367,590 |
| Covered payroll | 673,021 | 663,359 |
| Total pension liability as a percentage of covered payroll | 64.60% | 55.41% |

Notes to the schedules:

The 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 Total OPEB Liability
Required Supplementary Information
June 30, 2018

| Total OPEB Liability | <u>2018</u> |
|--|--------------------------|
| Service cost | \$ 21,657 |
| Interest | 10,434 |
| Changes on benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions or other inputs | (19,574) |
| Benefit payments | - |
| Net change in Total OPEB Liability | <u>12,517</u> |
| Total OPEB liability - beginning | 346,629 |
| Total OPEB liability - ending | <u><u>\$ 359,146</u></u> |

**INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

This section contains additional information on the Governmental and Proprietary Funds (budget and actual comparison) and other schedules (ad valorem taxes receivable and current tax levy).

Town of Troutman
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For the Year Ended June 30, 2017

| | 2018 | | Variance Over/Under | 2017 |
|--------------------------------------|------------------|------------------|------------------------|------------------|
| | Final Budget | Actual | | Actual |
| Revenues: | | | | |
| Ad valorem taxes: | | | | |
| Taxes | \$ 2,235,050 | \$ 2,212,263 | \$ (22,787) | \$ 2,081,567 |
| Penalties and interest | 5,500 | 9,084 | 3,584 | 9,371 |
| Total ad valorem taxes | <u>2,240,550</u> | <u>2,221,347</u> | <u>(19,203)</u> | <u>2,090,938</u> |
| Other taxes and licenses: | | | | |
| Local option sales tax | 565,000 | 597,737 | 32,737 | 676,041 |
| Hold harmless tax | 107,000 | 117,076 | 10,076 | - |
| Total other taxes and licenses | <u>672,000</u> | <u>714,813</u> | <u>42,813</u> | <u>676,041</u> |
| Unrestricted intergovernmental: | | | | |
| Utility franchise tax | 210,000 | 219,482 | 9,482 | 217,195 |
| Video programming | 22,000 | 21,936 | (64) | 22,175 |
| Beer and wine tax | 11,000 | 11,560 | 560 | 11,877 |
| Telecommunications | 18,000 | 17,069 | (931) | 18,809 |
| Gasoline tax refunds | 7,900 | 9,550 | 1,650 | 3,882 |
| Total unrestricted intergovernmental | <u>268,900</u> | <u>279,597</u> | <u>10,697</u> | <u>273,938</u> |
| Restricted intergovernmental: | | | | |
| Federal and State grants | - | - | - | - |
| Recycling Grant | - | - | - | 90,000 |
| Powell Bill allocation | 78,000 | 79,402 | 1,402 | 78,847 |
| Total restricted intergovernmental | <u>78,000</u> | <u>79,402</u> | <u>1,402</u> | <u>168,847</u> |
| Permits and fees: | | | | |
| Zoning permits | 7,000 | 10,765 | 3,765 | 9,255 |
| Recycling collection fees | 31,460 | 31,202 | (258) | 28,024 |
| Other fees | 38,550 | 53,994 | 15,444 | 15,943 |
| Court cost fees | 2,400 | 2,516 | 116 | 2,832 |
| Total permits and fees | <u>79,410</u> | <u>98,477</u> | <u>19,067</u> | <u>56,054</u> |
| Investment earnings | <u>3,700</u> | <u>10,967</u> | <u>7,267</u> | <u>4,825</u> |
| Miscellaneous: | | | | |
| Donations | - | - | - | 5,422 |
| Other | 151,370 | 157,747 | 6,377 | 182,033 |
| Total miscellaneous | <u>151,370</u> | <u>157,747</u> | <u>6,377</u> | <u>187,455</u> |
| Total revenues | <u>3,493,930</u> | <u>3,562,350</u> | <u>68,420</u> | <u>3,458,098</u> |

**Town of Troutman
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

With Comparative Actual Amounts For the Year Ended June 30, 2017

| | 2018 | | Variance Over/Under | 2017 |
|---------------------------------------|------------------|------------------|------------------------|------------------|
| | Final Budget | Actual | | Actual |
| Expenditures: | | | | |
| General Government: | | | | |
| Governing Body | | | | |
| Salaries and benefits | 17,600 | 17,600 | - | 17,300 |
| Other operating expenditures | 66,800 | 58,669 | 8,131 | 61,216 |
| Total governing body | <u>84,400</u> | <u>76,269</u> | <u>8,131</u> | <u>78,516</u> |
| Administration: | | | | |
| Salaries and benefits | 253,040 | 251,750 | 1,290 | 220,767 |
| Other operating expenditures | 149,300 | 130,963 | 18,337 | 216,558 |
| Total administration | <u>402,340</u> | <u>382,713</u> | <u>19,627</u> | <u>437,325</u> |
| Elections: | | | | |
| Contracted services | 2,000 | 1,229 | 771 | - |
| Public Buildings: | | | | |
| Salaries and benefits | 138,150 | 128,505 | 9,645 | - |
| Other operating expenditures | 115,655 | 141,097 | (25,442) | 299,480 |
| Capital outlay | - | - | - | - |
| Total public buildings | <u>253,805</u> | <u>269,602</u> | <u>(15,797)</u> | <u>299,480</u> |
| Total general government | <u>742,545</u> | <u>729,813</u> | <u>12,732</u> | <u>815,321</u> |
| Public Safety: | | | | |
| Police: | | | | |
| Salaries and benefits | 1,001,460 | 977,534 | 23,926 | 999,655 |
| Other operating expenditures | 377,200 | 227,001 | 150,199 | 142,869 |
| Capital outlay | 120,000 | 160,134 | (40,134) | 138,026 |
| Total police | <u>1,498,660</u> | <u>1,364,669</u> | <u>133,991</u> | <u>1,280,550</u> |
| Total public safety | <u>1,498,660</u> | <u>1,364,669</u> | <u>133,991</u> | <u>1,280,550</u> |
| Streets and Public Works: | | | | |
| Street Maintenance: | | | | |
| Salaries and benefits | 180,820 | 167,169 | 13,651 | 157,885 |
| Other operating expenditures | 238,615 | 207,262 | 31,353 | 359,078 |
| Capital outlay | - | - | - | 51,904 |
| Total street maintenance | <u>419,435</u> | <u>374,431</u> | <u>45,004</u> | <u>568,867</u> |
| Environmental Protection: | 260,700 | 258,936 | 1,764 | 250,207 |
| Total streets and public works | <u>680,135</u> | <u>633,367</u> | <u>46,768</u> | <u>819,074</u> |

**Town of Troutman
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

With Comparative Actual Amounts For the Year Ended June 30, 2017

| | 2018 | | Variance Over/Under | 2017 |
|---|------------------|---------------------|------------------------|---------------------|
| | Final Budget | Actual | | Actual |
| Cultural and recreational: | | | | |
| Salaries and benefits | 54,020 | 53,215 | 805 | - |
| Other operating expenditures | 57,600 | 55,453 | 2,147 | 61,609 |
| Capital outlay | 25,000 | 21,606 | 3,394 | - |
| Total cultural and recreational | <u>136,620</u> | <u>130,274</u> | <u>6,346</u> | <u>61,609</u> |
| Debt Service: | | | | |
| Principal retirement | 295,271 | 369,918 | (74,647) | 395,638 |
| Interest and fees | 55,894 | 55,866 | 28 | 28,872 |
| Total debt service | <u>351,165</u> | <u>425,784</u> | <u>(74,619)</u> | <u>424,510</u> |
| Total expenditures | <u>3,409,125</u> | <u>3,283,907</u> | <u>125,218</u> | <u>3,401,064</u> |
| Revenues over (under) expenditures | <u>84,805</u> | <u>278,443</u> | <u>193,638</u> | <u>57,034</u> |
| Other financing sources (uses): | | | | |
| Transfers (to) from other funds | (50,000) | - | 50,000 | (103,854) |
| Sale of capital assets | 2,000 | 1,000 | (1,000) | 12,660 |
| Long-term debt issued | 120,000 | 119,777 | (223) | 102,766 |
| Contingencies | (156,805) | - | 156,805 | - |
| Appropriated fund balance | - | - | - | - |
| Total other financing sources (uses) | <u>(84,805)</u> | <u>120,777</u> | <u>205,582</u> | <u>11,572</u> |
| Net change in fund balance | <u>\$ -</u> | <u>399,220</u> | <u>\$ 399,220</u> | <u>68,606</u> |
| Fund balances, beginning | | 1,349,407 | | 1,280,801 |
| Fund balances, ending | | <u>\$ 1,748,627</u> | | <u>\$ 1,349,407</u> |

**Town of Troutman
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018**

| | Capital Project Fund | | | |
|---|-----------------------------|---|---|--------------|
| | ESC Park | South Iredell High School Greenway | Greenway Extension Project | Total |
| Assets: | | | | |
| Cash and investments | \$ 1,357 | \$ 1,205 | \$ - | \$ 2,562 |
| Accounts receivable | 1,275 | 18,685 | - | 19,960 |
| Other receivables | - | 3,397 | - | 3,397 |
| Total assets | 2,632 | 23,287 | - | 25,919 |
| Liabilities and Fund Balances: | | | | |
| Accounts payable | 679 | 694 | - | 1,373 |
| Due to other funds | - | - | - | - |
| Total liabilities | 679 | 694 | - | 1,373 |
| Deferred Inflows of Resources: | | | | |
| Unavailable grant revenues | | 18,685 | - | 18,685 |
| Total deferred inflows of resources | - | 18,685 | - | 18,685 |
| Fund Balances: | | | | |
| Restricted: | | | | |
| Stabilization by State Statute | - | - | - | - |
| Committed for Cultural and Recreational | - | 3,908 | - | 3,908 |
| Unassigned | 1,953 | - | - | 1,953 |
| Total fund balances | 1,953 | 3,908 | - | 5,861 |
| Total liabilities and fund balances | \$ 2,632 | \$ 23,287 | \$ - | \$ 25,919 |

Town of Troutman
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2018

| | Capital Project Fund | | | |
|--|-----------------------------|---|---|-----------------|
| | ESC Park | South Iredell High School Greenway | Greenway Extension Project | Total |
| Revenues: | | | | |
| Restricted intergovernmental | \$ - | \$ 300,022 | \$ 234,007 | \$ 534,029 |
| Donations | 19,071 | - | - | 19,071 |
| Investment income | - | - | - | - |
| Miscellaneous revenue | - | - | - | - |
| Total Revenues | 19,071 | 300,022 | 234,007 | 553,100 |
| Expenditures: | | | | |
| General government | - | 283,793 | 89,565 | 373,358 |
| Cultural and recreation | 14,902 | 21,002 | 158,594 | 194,498 |
| Total Expenditures | 14,902 | 304,795 | 248,159 | 567,856 |
| Revenues over (under) expenditures | 4,169 | (4,773) | (14,152) | (14,756) |
| Other Financing Sources (Used): | | | | |
| Transfer (to) from other funds | - | - | - | - |
| Net Change in Fund Balances | 4,169 | (4,773) | (14,152) | (14,756) |
| Fund balances, beginning | (2,216) | 8,681 | 14,152 | 20,617 |
| Fund balances, ending | \$ 1,953 | \$ 3,908 | \$ - | \$ 5,861 |

Town of Troutman
ESC Park Fund - Non-Major 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, 2018

| | Project Authorization | Actual | | Total Project To Date | Variance Favorable (Unfavorable) |
|--|--------------------------|-------------------|-----------------|--------------------------|--|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 500,000 | \$ 500,000 | \$ - | \$ 500,000 | \$ - |
| Donations | 652,560 | 395,084 | 19,071 | 414,155 | (238,405) |
| Investment income | - | 62 | - | 62 | 62 |
| Miscellaneous revenue | - | - | - | - | - |
| Total revenue | <u>1,152,560</u> | <u>895,146</u> | <u>19,071</u> | <u>914,217</u> | <u>(238,343)</u> |
| Expenditures: | | | | | |
| Admin and engineering | - | - | - | - | - |
| Construction and capital spending | 1,222,560 | 1,317,362 | 14,902 | 1,332,264 | (109,704) |
| Total Expenditures | <u>1,222,560</u> | <u>1,317,362</u> | <u>14,902</u> | <u>1,332,264</u> | <u>(109,704)</u> |
| Revenues over (under) expenditures | <u>(70,000)</u> | <u>(422,216)</u> | <u>4,169</u> | <u>(418,047)</u> | <u>(128,639)</u> |
| Other financing sources (uses): | | | | | |
| Long-term debt issued | - | 250,000 | - | 250,000 | 250,000 |
| Transfers (to) from other funds | 70,000 | 170,000 | - | 170,000 | 100,000 |
| Contingency | - | - | - | - | - |
| Total other financing sources (uses) | <u>70,000</u> | <u>420,000</u> | <u>-</u> | <u>420,000</u> | <u>350,000</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (2,216)</u> | <u>4,169</u> | <u>\$ 1,953</u> | <u>\$ 221,361</u> |
| Fund balance, beginning | | | <u>(2,216)</u> | | |
| Fund balance, ending | | | <u>\$ 1,953</u> | | |

Town of Troutman
South Iredell High School Greenway Fund - Non-Major 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, 2018

| | Project Authorization | Actual | | Total Project To Date | Variance Favorable (Unfavorable) |
|--|--------------------------|------------------|-----------------|--------------------------|--|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 480,000 | \$ - | \$ 300,022 | \$ 300,022 | \$ (179,978) |
| Donations | 69,894 | 75,000 | - | 75,000 | 5,106 |
| Investment income | - | - | - | - | - |
| Miscellaneous revenue | - | 3,000 | - | 3,000 | 3,000 |
| Total revenue | <u>549,894</u> | <u>78,000</u> | <u>300,022</u> | <u>378,022</u> | <u>(171,872)</u> |
| Expenditures: | | | | | |
| Admin and engineering | - | - | 283,793 | 283,793 | (283,793) |
| Construction and capital spending | 739,789 | 259,214 | 21,002 | 280,216 | 459,573 |
| Total Expenditures | <u>739,789</u> | <u>259,214</u> | <u>304,795</u> | <u>564,009</u> | <u>175,780</u> |
| Revenues over (under) expenditures | <u>(189,895)</u> | <u>(181,214)</u> | <u>(4,773)</u> | <u>(185,987)</u> | <u>(347,652)</u> |
| Other financing sources (uses): | | | | | |
| Long-term debt issued | - | - | - | - | - |
| Transfers (to) from other funds | 189,895 | 189,895 | - | 189,895 | - |
| Contingency | - | - | - | - | - |
| Total other financing sources (uses) | <u>189,895</u> | <u>189,895</u> | <u>-</u> | <u>189,895</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 8,681</u> | <u>(4,773)</u> | <u>\$ 3,908</u> | <u>\$ (347,652)</u> |
| Fund balance, beginning | | | <u>8,681</u> | | |
| Fund balance, ending | | | <u>\$ 3,908</u> | | |

Town of Troutman
Greenway Extension Project Fund - Non-Major 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, 2018

| | Project Authorization | Actual | | Total Project To Date | Variance Favorable (Unfavorable) |
|--|--------------------------|------------------|-----------------|--------------------------|--|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 601,527 | \$ 274,910 | \$ 234,007 | \$ 508,917 | \$ (92,610) |
| Donations | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous revenue | - | - | - | - | - |
| Total revenue | <u>601,527</u> | <u>274,910</u> | <u>234,007</u> | <u>508,917</u> | <u>(92,610)</u> |
| Expenditures: | | | | | |
| Admin and engineering | - | - | 89,565 | 89,565 | (89,565) |
| Construction and capital spending | 701,766 | 360,997 | 158,594 | 519,591 | 182,175 |
| Total Expenditures | <u>701,766</u> | <u>360,997</u> | <u>248,159</u> | <u>609,156</u> | <u>92,610</u> |
| Revenues over (under) expenditures | <u>(100,239)</u> | <u>(86,087)</u> | <u>(14,152)</u> | <u>(100,239)</u> | <u>(185,220)</u> |
| Other financing sources (uses): | | | | | |
| Long-term debt issued | - | - | - | - | - |
| Transfers (to) from other funds | 100,239 | 100,239 | - | 100,239 | - |
| Contingency | - | - | - | - | - |
| Total other financing sources (uses) | <u>100,239</u> | <u>100,239</u> | <u>-</u> | <u>100,239</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 14,152</u> | <u>(14,152)</u> | <u>\$ -</u> | <u>\$ (185,220)</u> |
| Fund balance, beginning | | | <u>14,152</u> | | |
| Fund balance, ending | | | <u>\$ -</u> | | |

Town of Troutman
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For the Year Ended June 30, 2017

| | 2018 | | 2017 | |
|---|------------------|------------------|------------------------|------------------|
| | Final Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Operating Revenues: | | | | |
| Charges for services | \$2,125,955 | \$2,284,955 | \$ 159,000 | \$ 1,779,861 |
| Water and sewer taps | 26,000 | 17,951 | (8,049) | - |
| Other operating revenues | 54,200 | 54,565 | 365 | 22,162 |
| Total operating revenues | <u>2,206,155</u> | <u>2,357,471</u> | <u>151,316</u> | <u>1,802,023</u> |
| Non-Operating Revenues: | | | | |
| Interest earnings | 40 | 782 | 742 | 65 |
| Miscellaneous | 1,500 | - | (1,500) | - |
| Total non-operating revenues | <u>1,540</u> | <u>782</u> | <u>(758)</u> | <u>65</u> |
| Total revenues | <u>2,207,695</u> | <u>2,358,253</u> | <u>150,558</u> | <u>1,802,088</u> |
| Expenditures: | | | | |
| Water and Sewer Administration: | | | | |
| Salaries and benefits | 167,068 | 166,077 | 991 | 362,638 |
| Operating expenses | 54,700 | 54,463 | 237 | 361,407 |
| Capital outlay | - | - | - | - |
| Total administration | <u>221,768</u> | <u>220,540</u> | <u>1,228</u> | <u>724,045</u> |
| Water and Sewer Operations: | | | | |
| Salaries and benefits | 253,285 | 239,028 | 14,257 | - |
| Water purchases | 370,000 | 338,488 | 31,512 | 325,388 |
| Sewer treatments | 370,000 | 338,942 | 31,058 | 332,784 |
| Repairs and maintenance | 45,000 | 44,275 | 725 | - |
| Other operating expenses | 420,020 | 129,993 | 290,027 | - |
| Capital outlay | 48,500 | 52,527 | (4,027) | 362,975 |
| Total operations | <u>1,506,805</u> | <u>1,143,253</u> | <u>363,552</u> | <u>1,021,147</u> |
| Debt Services: | | | | |
| Principal repayment | 235,468 | 237,476 | (2,008) | 235,468 |
| Interest | 40,144 | 38,135 | 2,009 | 44,784 |
| Total debt service | <u>275,612</u> | <u>275,611</u> | <u>1</u> | <u>280,252</u> |
| Total expenditures | <u>2,004,185</u> | <u>1,639,404</u> | <u>364,781</u> | <u>2,025,444</u> |
| Revenues over (under) expenditures | <u>203,510</u> | <u>718,849</u> | <u>515,339</u> | <u>(223,356)</u> |

Town of Troutman
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018
With Comparative Actual Amounts For the Year Ended June 30, 2017

| | 2018 | | Variance Over/Under | 2017 |
|---|-----------------|---------|------------------------|-----------|
| | Final Budget | Actual | | Actual |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | - | - |
| Transfers (to) from other funds: | (203,510) | - | 203,510 | 257,500 |
| Appropriated fund balance | - | - | - | - |
| Total other financing sources (uses) | (203,510) | - | 203,510 | 257,500 |
| Revenue and other financing sources over (under) expenditures and other financing uses | \$ - | 718,849 | \$ 718,849 | \$ 34,144 |

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual:**

Reconciling items:

| | |
|---|------------|
| Depreciation | (490,953) |
| Capital outlay | 52,527 |
| Repayment of long-term debt principal | 237,476 |
| Increase (decrease) in compensated absences | 1,619 |
| Increase in deferred outflows of resources - pensions | 17,987 |
| Increase in net pension liability | (50,235) |
| Decrease in deferred inflows of resources - pensions | 4,013 |
| Change in net position | \$ 491,283 |

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, 2018

| Fiscal Year | Uncollected Balance <u>June 30, 2017</u> | <u>Additions</u> | Collections and Credits | Uncollected Balance <u>June 30, 2018</u> |
|----------------|--|---------------------|----------------------------|--|
| 2018 | \$ - | \$ 2,221,531 | \$ 2,209,657 | \$ 11,874 |
| 2017 | 610 | - | (44,733) | 45,343 |
| 2016 | 47,209 | - | 39,878 | 7,331 |
| 2015 | 6,994 | - | 3,573 | 3,421 |
| 2014 | 3,886 | - | 1,983 | 1,903 |
| 2013 | 4,181 | - | 1,301 | 2,880 |
| 2012 | 5,617 | - | 1,142 | 4,475 |
| 2011 | 5,485 | - | 1,164 | 4,321 |
| 2010 | 4,676 | - | 799 | 3,877 |
| 2009 | 1,831 | - | 354 | 1,477 |
| 2008 | 6,900 | - | 4,308 | 2,592 |
| | <u>\$ 87,389</u> | <u>\$ 2,221,531</u> | <u>\$ 2,219,426</u> | <u>\$ 89,494</u> |

Less: allowance for uncollectible accounts - taxes (20,000)

Ad valorem taxes receivable-net \$ 69,494

Reconciliation with revenues:

| | |
|---|--------------|
| Ad valorem taxes-General Fund | \$ 2,221,347 |
| Taxes written off, statute of limitations | 3,970 |
| Penalties and interest collected | (9,084) |
| Miscellaneous adjustments | <u>3,193</u> |

Total collections and credits \$ 2,219,426

**Town of Troutman
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2018**

| | 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 | \$425,107,308 | \$ 0.52 | \$ 2,210,558 | \$ 2,054,730 | \$ 155,828 | | |
| Penalties | 363,462 | 0.52 | 1,890 | 1,890 | - | | |
| Discoveries | 1,900,000 | 0.52 | 9,880 | 9,880 | - | | |
| Abatements (Releases) | <u>(153,269)</u> | 0.52 | <u>(797)</u> | <u>(797)</u> | - | | |
| Total Property Valuation | <u>\$427,217,501</u> | | | | | | |
| Net levy | | | 2,221,531 | 2,065,703 | 155,828 | | |
| Uncollected taxes at June 30, 2018 | | | <u>(11,874)</u> | <u>(11,874)</u> | - | | |
| Current year's taxes collected | | | <u>\$ 2,209,657</u> | <u>\$ 2,053,829</u> | <u>\$ 155,828</u> | | |
| Current levy collection percentage | | | <u>99.47%</u> | <u>99.43%</u> | <u>100.00%</u> | | |
| Prior Year's Collection Percentage | | | <u>99.97%</u> | <u>99.97%</u> | <u>100.00%</u> | | |

COMPLIANCE SECTION



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors’ 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***

C. Briggs Petway, Jr.
 Phyllis M. Pearson

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

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Troutman, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Troutman’s basic financial statements, and have issued our report thereon dated April 10, 2019. 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

Memberships:

North Carolina
 Association of
 Certified Public
 Accountants

American Institute
 Of Certified Public
 Accountants

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying

schedule of findings and responses, Findings 2018-001 and 2018-002 that we consider to be material weaknesses.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Troutman's financial statements are free from 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 items 2018-001 and 2018-002

Town of Troutman's Response to Findings

The Town of Troutman's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town'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 results 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.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

April 10, 2019

**Town of Troutman
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2018-001

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

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

Effect: Errors in financial reporting could occur.

Cause: Limited Town resources are available for financial statement preparation.

Identification of a Repeat Finding:Noted in 2017 audit as Finding 2017-001.

Recommendation: The Town should review the audit drafts provided by the external auditor carefully for error because the Town is responsible for the accuracy of the audited financial statements.

Views of Responsible Officials and Planned Corrective ActionThe Town agrees with the finding and will implement the corrective action plan on the following pages of the report.

Material Weakness

Finding 2018-002

Criteria: General Statutes require that expenditures be included in the budget ordinance that is approved by the Town Council prior to those expenditures being incurred.

Condition: Expenditures for the ESC Park exceeded appropriations by \$109,704.

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

Cause: The Town's ESC Park budget was not properly monitored and costs exceeded the estimated budget amounts.

Identification of a Repeat Finding:Noted in 2017 audit as Finding 2017-004.

Recommendation: The Town should monitor budgets closely and amend prior to incurring expenditures on an as needed basis.

Views of Reponsible Officials and Planned Corrective Actions:The Town agrees with this finding and will adhere to the corrective action plan that follows in this report.

**Town of Troutman
Corrective Action Plan
For the Year Ended June 30, 2018**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding 2018-001

Name of Contact Person: Steven Shealy, Finance Director

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

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

Material Weakness

Finding 2018-001

Name of Contact Person: Steven Shealy, Finance Director

Corrective Action: Management will monitor its budgets more closely.

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

Town of Troutman
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2018

Finding 2017-001

Status: Repeated as Finding 2018-001.

Finding 2017-002

Status: The finding is resolved. There were no deficit fund equities in capital project funds.

Finding 2017-003

Status: This finding is resolved. Controls over journal entries are adequate.

Finding 2017-004

Status: Repeated as Finding 2018-002.

Finding 2017-005

Status: This finding is resolved. There were no significant audit adjustments.

Finding 2017-006

Status: This finding is resolved. Controls over payroll reporting are adequate.

Finding 2017-007

Status: This finding is resolved. Capital assets were properly recorded in the current audit.

Town of Troutman
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

| <u>Grantor/Pass-through/ Grantor-Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------------------|---|---------------------------------|-------------------------------|
| FEDERAL AWARDS | | | | |
| U.S. Department of Transportation | | | | |
| Passed through the NC Dept of Transportation | | | | |
| Moving Ahead for Progress in the 21st Century | 20.205 | | \$ 234,007 | \$ - |
| Safe, Accountable, Flexible Efficient Transportation | 20.205 | | 300,022 | - |
| TOTAL FEDERAL AWARDS | | | 534,029 | - |
| STATE AWARDS | | | | |
| NC Department of Transportation | | | | |
| Powell Bill | | DOT-4 | - | 79,402 |
| TOTAL STATE AWARDS | | | - | 79,402 |
| TOTAL FEDERAL AND STATE ASSISTANCE | | | \$ 534,029 | \$ 79,402 |

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. Because the Schedule presents only a selected portion of the operations of Town of Troutman, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Troutman.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Costs

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.