

TOWN OF INDIAN TRAIL,
NORTH CAROLINA

Financial Statements

June 30, 2012

Town Council Members

Michael Alvarez, Mayor
David Cohn, Mayor ProTem
Christopher King
David Waddell
Robert Allen
Darlene Luther

Administrative and Financial Staff

Joe Fivas, Town Manager
Marsha Sutton, Finance Director
Janice Cook, Tax Collector

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FINANCIAL SECTION

TINSLEY & TERRY, CPAs, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Mayor
And Members of Town Council
Town of Indian Trail, North Carolina

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 Indian Trail, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Indian Trail's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statement of the Town of Indian Trail ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Indian Trail ABC Board, is based solely on the report of another auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Town of Indian Trail ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the 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 Indian Trail, North Carolina as of June 30, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2012 on our consideration of The Town of Indian Trail's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 and the other auditors, 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.

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 Indian Trail, North Carolina. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules have 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 use to prepare the basic financial statements or to the basic financial statements themselves, and other additional in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Ainsley + Teray, CPAs, P.A.

Cornelius, North Carolina
October 10, 2012

Management Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Indian Trail, we offer readers of the Town of Indian Trail's financial statements this narrative overview and analysis of the financial activities of the Town of Indian Trail for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

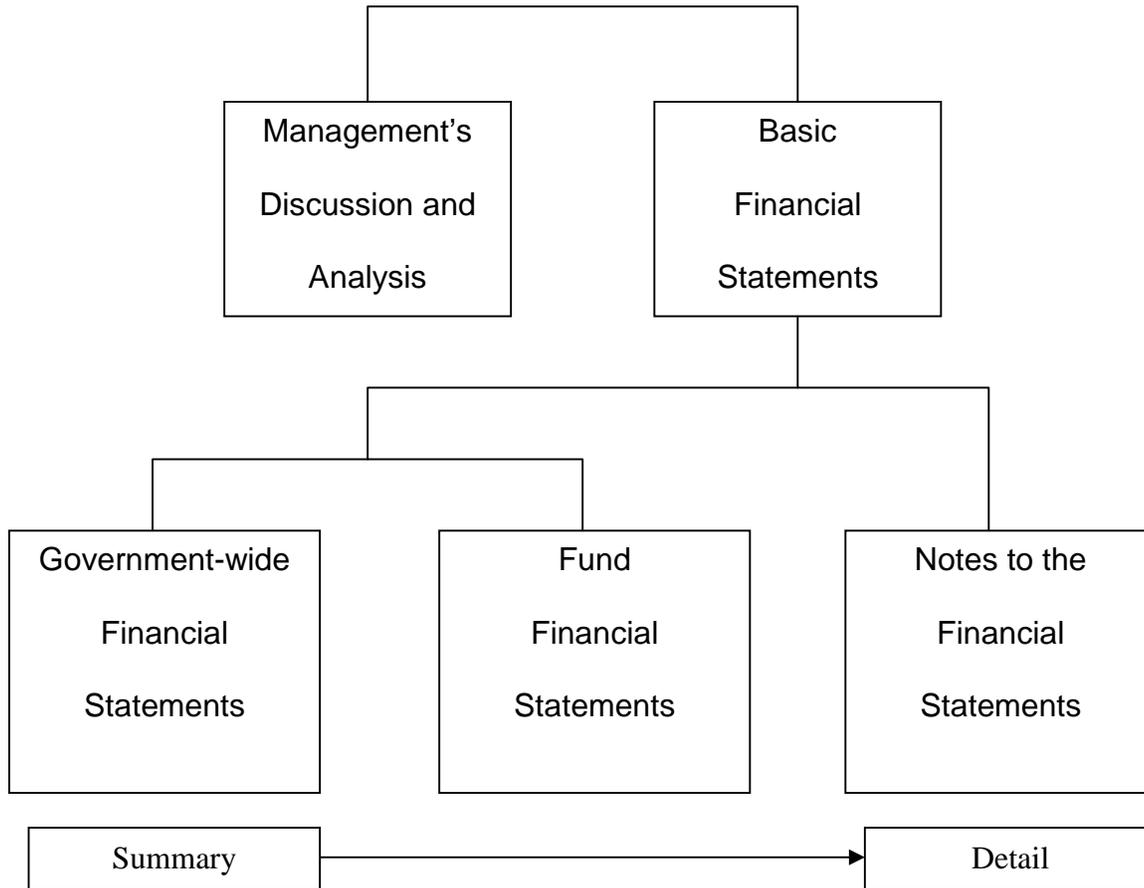
- ... The assets of the Town of Indian Trail exceeded its liabilities at the close of the fiscal year by \$36,169,194 (*net assets*).
- ... The government's total net assets increased by \$5,169,974, primarily due to increases in the Capital Assets for the addition of roads and infrastructure, net of depreciation, of \$2,583,509, purchase of equipment and vehicles for Public Works and purchase of new Finance software system including necessary hardware upgrades. Business-type activities net assets added to the Town's total net assets.
- ... At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,679,222, or 95% of total general fund expenditures for the fiscal year.
- ... As of the close of the current fiscal year, the Town of Indian Trail's governmental funds reported combined ending fund balances of \$13,923,376 with a net change of \$1,946,905 in fund balance. The combined governmental funds include the General Fund and the Capital Project Fund. Approximately 52% of this total amount, or \$7,244,154, is non spendable, restricted, committed or assigned.
- ... The ITABC store opened its doors November 10, 2010. The ABC Board is considered a designated component of the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute 100% of its net profits to the Town.
- ... The Town of Indian Trail incurred no additional debt during the current fiscal year.
- ... The Town of Indian Trail's total debt decreased by \$196,667 (7.5%) for a total outstanding of \$2,415,000 during the current fiscal year. Current debt is for the purchase of property at 130 Blythe Drive and 304 Matthews-Indian Trail Road both in Indian Trail.
- ... The Town of Indian Trail also continued use of a Stormwater proprietary fund during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Indian Trail'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 of Indian Trail 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 Indian Trail.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the Town's basic services such as public safety, sanitation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the storm water services offered by the Town of Indian Trail. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. Please refer to separately issued financial statements for the Town of Indian Trail ABC Board.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) 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 Indian Trail, 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 Indian Trail can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets 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 Indian Trail 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 of Indian Trail, 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 Indian Trail uses an *Enterprise Fund* to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Indian Trail uses enterprise funds to account for its stormwater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets 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 begin on page 11 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 Indian Trail’s progress in funding its obligation to provide retirement benefits to its employees. Required supplementary information can be found starting on page 27 of this report.

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

Government-Wide Financial Analysis Town of Indian Trail’s Net Assets

Figure 2

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 14,786,148	\$ 12,865,664	\$ 1,351,066	\$ 1,212,873	\$ 16,137,214	\$ 14,078,537
Capital assets	23,146,650	20,394,169	72,556	-	23,219,206	20,394,169
Total assets	37,932,798	33,259,833	1,423,622	1,212,873	39,356,420	34,472,706
Current liabilities	609,321	659,175	43,631	69,745	652,952	728,920
Long term liabilities	2,534,274	2,744,566	-	-	2,534,274	2,744,566
Total liabilities	3,143,595	3,403,741	43,631	69,745	3,187,226	3,473,486
Net assets:						
Invested in capital assets	20,731,650	17,782,502	-	-	20,731,650	17,782,502
Restr'd for streets/Stabilization	3,180,623	2,796,637	-	-	3,180,623	2,796,637
Unrestricted	10,876,930	9,276,953	1,379,991	1,143,128	12,256,921	10,420,081
Total net assets	\$ 34,789,203	\$ 29,856,092	\$ 1,379,991	\$ 1,143,128	\$ 36,169,194	\$ 30,999,220

The assets of the Town of Indian Trail exceeded liabilities by \$36,169,194 as of June 30, 2012. The Town's net assets increased by \$5,169,974 for the fiscal year ended June 30, 2012. However, \$20,731,650 (57.32%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Indian Trail uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Indian Trail's investment in its capital assets is reported net of 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 Indian Trail's net assets \$3,180,623 (8.79%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,876,930 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- ... Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.17%, excluding registered motor vehicles, which is comparable to the statewide average for towns our size of 97.80%. The registered motor vehicles collection rate is 91.65%.
- ... Sales tax and franchise tax revenues continued to remain stable during this economic downturn.
- ... The Town also received as a contribution \$2,583,509 of roads and infrastructure, net of current year depreciation.

Town of Indian Trail Changes in Net Assets

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 61,866	\$ 68,570	\$ 1,048,141	\$ 1,037,316	\$ 1,110,007	\$ 1,105,886
Operating grants and contributions	891,362	686,239	-	25,000	891,362	711,239
Capital Grants & Contributions	3,072,567	4,201,790	-	-	3,072,567	4,201,790
General revenues:						
Property taxes	4,960,712	4,906,084	-	-	4,960,712	4,906,084
Other taxes	3,016,842	2,790,255	-	-	3,016,842	2,790,255
Unrestricted investment earnings	38,825	38,343	4,507	2,519	43,332	40,862
Miscellaneous	17,530	60,589	-	-	17,530	60,589
Other						
Stormwater Fund	-	-	-	-	-	-
Total revenues	<u>12,059,704</u>	<u>12,751,870</u>	<u>1,052,648</u>	<u>1,064,835</u>	<u>13,112,352</u>	<u>13,816,705</u>
Expenses:						
General government	1,353,245	1,698,002	-	-	1,353,245	1,698,002
Public safety	1,364,098	1,400,675	-	-	1,364,098	1,400,675
Economic and physical development	918,564	792,547	-	-	918,564	792,547
Transportation	1,266,802	1,328,435	-	-	1,266,802	1,328,435
Environmental protection	2,098,541	2,020,490	-	-	2,098,541	2,020,490
Cultural and recreation	35,684	97,421	-	-	35,684	97,421
Interest on long-term debt	89,659	65,923	-	-	89,659	65,923
Other	-	-	-	-	-	-
Stormwater Fund	-	-	815,785	625,667	815,785	625,667
Total expenses	<u>7,126,593</u>	<u>7,403,493</u>	<u>815,785</u>	<u>625,667</u>	<u>7,942,378</u>	<u>8,029,160</u>
Increase in net assets before transfers	4,933,111	5,348,377	236,863	439,168	5,169,974	5,787,545
Increase in net assets	4,933,111	5,348,377	236,863	439,168	5,169,974	5,787,545
Net assets, July 1	<u>29,856,092</u>	<u>24,507,715</u>	<u>1,143,128</u>	<u>703,960</u>	<u>30,999,220</u>	<u>25,211,675</u>
Net assets, June 30	<u>\$ 34,789,203</u>	<u>\$ 29,856,092</u>	<u>\$ 1,379,991</u>	<u>\$ 1,143,128</u>	<u>\$ 36,169,194</u>	<u>\$ 30,999,220</u>

Governmental activities. Governmental activities increased the Town's net assets by \$4,933,111, mainly, due to the booking of additional Towns roads and infrastructure.

Business-type activities: The Stormwater Utility activity increased the Town's net assets by \$236,863, accounting for 4.58% of the total growth in the government's net assets.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Indian Trail'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 Indian Trail's financing requirements. Specifically, unreserved fund balance 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 Indian Trail. At the end of the current fiscal year, the Town of Indian Trail's fund balance available in the General Fund was \$11,937,630, while total fund

balance reached \$12,469,925. The Governing Body of the Town of Indian Trail has determined that the Town should maintain an available fund balance of 30% of the next year's budgeted operating expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 100.08% of general fund expenditures, while total fund balance represents 112.4% of the same amount. The Council from time to time may utilize fund balances that will reduce fund balance below the requirement indicated but in no case below 15% except in extreme emergency for the purposed of providing for:

- (1) A revenue shortfall
- (2) Dealing with a natural disaster or other event that threatens the health or safety of the residents
- (3) Taking advantage of an unforeseen significant opportunity that may be otherwise lost to the community
- (4) To protect the long-term fiscal security of the Town of Indian Trail
- (5) For major Town projects that are to the overall benefit of the Town after proper due diligence and an opportunity for public comments
- (6) Funds needed as a part of a matching grant for a major project

At June 30, 2012, the governmental funds of the Town of Indian Trail reported a combined fund balance of \$13,923,376 with a net increase in fund balance of \$1,946,905. Included in this change in fund balance are the increases in fund balance in the General Fund and the Capital Project Funds.

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 or donations to the Town; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the adopted budget due to additional property taxes, sales tax, and other taxes received for fiscal year ending June 30, 2012. Expenditures were less than the adopted budget due to conservative spending in the current uncertain economy.

Proprietary Funds. The Town of Indian Trail's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Stormwater Fund at the end of the fiscal year amounted to \$1,379,991. The total change in net assets for the fund was \$236,863. The change in net assets in the Stormwater Fund was due to revenues exceeding expenditures.

Capital Asset and Debt Administration

Capital assets. The Town of Indian Trail's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$23,219,206 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. Assets added this fiscal year are mainly cost associated with a new financial software package, new servers, public works equipment and vehicles, easements, and roads and infrastructure.

**Town of Indian Trail Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,285,804	\$ 2,183,626	\$ -	\$ -	\$ 2,285,804	\$ 2,183,626
Construction in progress	131,739	489,711	-	-	\$ 131,739	489,711
Building and improvements	1,533,367	1,242,541	-	-	\$ 1,533,367	1,242,541
Computers	24,773	17,000	-	-	\$ 24,773	17,000
Computer software	57,804	12,033	-	-	\$ 57,804	12,033
Equipment	72,987	12,587	35,653	-	\$ 108,640	12,587
Vehicles	57,651	37,655	36,903	-	\$ 94,554	37,655
Infrastructure	18,982,525	16,399,016	-	-	\$ 18,982,525	16,399,016
Total	\$ 23,146,650	\$ 20,394,169	\$ 72,556	\$ -	\$ 23,219,206	\$ 20,394,169

Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements. \$131,739 shown as construction in progress refers to the work previously done by architects in conjunction with a new town hall.

Long-term Debt. As of June 30, 2012, the Town of Indian Trail owes \$2,415,000 in installment loan debt.

The Town of Indian Trail's Outstanding Debt

The Town of Indian Trail's total debt decreased by \$196,667 (7.5%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. As of April 9th, 2012, the legal debt margin for the Town of Indian Trail is \$269,915,435.

Additional information regarding the Town of Indian Trail's long-term debts can be found in Note III.B of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the current economic trends of the Town of Indian Trail.

- ... The Town's population continues to increase. The 2010 Census reflects a population of 33,518, a 21.78% increase over the 2009 Preliminary Municipal Population Estimates of 27,524 citizens. The Preliminary 2011 Certified Population Estimate from the Office of State Budget and Management is 34,487.
- ... The July, 2012 state unemployment rate was 9.6% while Union County's rate was lower at 8.7%.
- ... As directed by Council a four cent tax increase was passed in order to establish a Debt Service and Capital Reserve Fund. The total tax rate is \$0.185 per \$100. The additional four cent increase appropriated can only be utilized for debt services and capital expenditures as specified in the Capital Reserve Fund Ordinance and any subsequent amendments thereto in the current or future fiscal years.
- ... Budgeted expenditure increases were for one new contracted law enforcement officer, a 6.92% increase in the law enforcement contract cost, additional cost associated with the Governor's Highway Safety Program Grant for 2 new law enforcement officers, Town technology including hardware and software, additional debt payment for the new Community Park, development expenses for the two community parks, establish Cultural Arts Center, new public works yard and expenditures for the Debt Service & Capital Reserve fund.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: The 2012-2013 operating budget provides for resources to address the Town's daily needs, as well as, established a Debt Service and Capital Reserve Fund so the Council can begin addressing quality of life and capital improvement programs. This budget begins the process of Council having the ability to have specific funds to address town infrastructure needs, whether through repair, construction or reconstruction, acquiring and developing parks, greenways, recreational area and open spaces, acquisition or construction of municipal structures and capital equipment and address the debt associated with these future endeavors.

Business – type Activities: The Town uses the Equivalent Residential Unit (ERU) rate to assess Stormwater fees. The ERU rate is a minimum of \$32.40 with a maximum rate of \$27,000. The Town has developed a ranking procedure regarding Stormwater calls received from Citizens and will continue to work on Stormwater issues throughout the municipality.

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 Director of Finance, Town of Indian Trail, P. O. Box 2430, Indian Trail, North Carolina, 28079. You can also call (704) 821-5401, visit our website www.indiantrail.org or send an email to financedirector@admin.indiantrail.org.

Basic Financial Statements

Town of Indian Trail, North Carolina
Statement of Net Assets
June 30, 2012

	Primary Government			Town of Indian Trail ABC Board
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 9,739,176	\$ 1,306,878	\$ 11,046,054	\$ 78,651
Restricted cash	4,520,249	-	4,520,249	-
Taxes receivable (net)	253,451	-	253,451	-
Accounts receivable	14,651	40,647	55,298	-
Due from other governments	256,497	3,541	260,038	-
Inventories	1,928	-	1,928	198,244
Prepaid expense	196	-	196	3,133
Total current assets	<u>14,786,148</u>	<u>1,351,066</u>	<u>16,137,214</u>	<u>280,028</u>
Capital assets (Note 1):				
Land, non-depreciable improvements	2,285,804	-	2,285,804	-
Construction in progress	131,739	-	131,739	-
Other capital assets, net of depreciation	20,729,107	72,556	20,801,663	110,217
Total capital assets	<u>23,146,650</u>	<u>72,556</u>	<u>23,219,206</u>	<u>110,217</u>
Other assets:				
Deposits	-	-	-	6,304
Total assets	<u>\$ 37,932,798</u>	<u>\$ 1,423,622</u>	<u>\$ 39,356,420</u>	<u>\$ 396,549</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 283,703	\$ 43,631	\$ 327,334	\$ 71,996
Withheld and accrued payroll	-	-	-	-
Taxes payable	-	-	-	69,115
Distributions payable	-	-	-	35,365
Deposits in escrow	207,888	-	207,888	-
Unearned revenues	117,730	-	117,730	-
Total current liabilities	<u>609,321</u>	<u>43,631</u>	<u>652,952</u>	<u>176,476</u>
Long-term liabilities:				
Due within one year	315,940	-	315,940	63,259
Due in more than one year	2,218,334	-	2,218,334	73,164
Total long-term liabilities	<u>2,534,274</u>	<u>-</u>	<u>2,534,274</u>	<u>136,423</u>
Total liabilities	<u>3,143,595</u>	<u>43,631</u>	<u>3,187,226</u>	<u>312,899</u>
Net Assets				
Invested in capital assets, net of related debt	20,731,650	-	20,731,650	-
Restricted for:				
Stabilization by State Statute	530,171	-	530,171	-
Streets	2,650,452	-	2,650,452	-
Other functions	-	-	-	74,286
Unrestricted	10,876,930	1,379,991	12,256,921	9,364
Total net assets	<u>\$ 34,789,203</u>	<u>\$ 1,379,991</u>	<u>\$ 36,169,194</u>	<u>\$ 83,650</u>

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

Town of Indian Trail, North Carolina
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,353,245	\$ -	\$ 30,900	\$ -
Public safety	1,364,098	375	-	-
Transportation	1,266,802	-	802,427	3,072,567
Economic and physical development	918,564	34,465	-	-
Environmental protection	2,098,541	27,026	23,035	-
Cultural and recreation	35,684	-	35,000	-
Interest on long-term debt	89,659	-	-	-
Total governmental activities (See Note 1)	7,126,593	61,866	891,362	3,072,567
Business-type Activity:				
Stormwater Fund	815,785	1,048,141	-	-
Total primary government	\$ 7,942,378	\$ 1,110,007	\$ 891,362	\$ 3,072,567
Component Unit				
ABC Board	1,855,802	1,931,460	-	-
Total component unit	\$ 1,855,802	\$ 1,931,460	\$ -	\$ -

General revenues:

Taxes:

- Property taxes, levied for general purpose
- Other taxes

Unrestricted investment earnings

Miscellaneous

Total general revenues, not including transfers

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets-beginning

Net assets-ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Town of Indian Trail ABC Board
\$ (1,322,345)	\$ -	\$ (1,322,345)	\$ -
(1,363,723)	-	(1,363,723)	-
2,608,192	-	2,608,192	-
(884,099)	-	(884,099)	-
(2,048,480)	-	(2,048,480)	-
(684)	-	(684)	-
(89,659)	-	(89,659)	-
(3,100,798)	-	(3,100,798)	-
-	232,356	232,356	-
(3,100,798)	232,356	(2,868,442)	-
-	-	-	75,658
-	-	-	\$ 75,658
4,960,712	-	4,960,712	-
3,016,842	-	3,016,842	-
38,825	4,507	43,332	-
17,530	-	17,530	-
8,033,909	4,507	8,038,416	-
-	-	-	-
8,033,909	4,507	8,038,416	-
4,933,111	236,863	5,169,974	75,658
29,856,092	1,143,128	30,999,220	7,992
\$ 34,789,203	\$ 1,379,991	\$ 36,169,194	\$ 83,650

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

Town of Indian Trail, North Carolina
Balance Sheet
Governmental Funds
June 30, 2012

	Major Fund	Non Major Fund	Total
	General Fund	Capital Project Fund	Governmental Funds
Assets			
Cash and cash equivalents	\$ 9,739,176	\$ -	\$ 9,739,176
Restricted cash	3,066,798	1,453,451	4,520,249
Receivables, net:			
Taxes	253,451	-	253,451
Accounts	14,651	-	14,651
Due from other governments	256,497	-	256,497
Inventory	1,928	-	1,928
Prepaid expenditures	196	-	196
Total assets	<u>\$ 13,332,697</u>	<u>\$ 1,453,451</u>	<u>\$ 14,786,148</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 283,703	\$ -	\$ 283,703
Deposits in escrow	207,888	-	207,888
Unearned revenue	117,730	-	117,730
Deferred revenue	253,451	-	253,451
Total liabilities	<u>862,772</u>	<u>-</u>	<u>862,772</u>
Fund Balances:			
Non-spendable			
Inventory	1,928	-	1,928
Prepaid expenditures	196	-	196
Restricted			
Stabilization by State statute	530,171	-	530,171
Streets-Powell bill	2,650,452	-	2,650,452
Committed			
Road improvements	2,194,038	-	2,194,038
Parks improvements	393,918	-	393,918
Town hall	-	1,453,451	1,453,451
Hanson Brick	20,000	-	20,000
Assigned			
Subsequent years expenditures	-	-	-
Unassigned	6,679,222	-	6,679,222
Total fund balances	<u>12,469,925</u>	<u>1,453,451</u>	<u>13,923,376</u>
Total liabilities and fund balances	<u>\$ 13,332,697</u>	<u>\$ 1,453,451</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	27,116,460	
Accumulated depreciation	<u>(3,969,810)</u>	23,146,650

Some liabilities, including debt and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (2,534,274)

Liabilities for earned but deferred revenues in fund statements.	253,451	
Net assets of governmental activities	<u>\$ 34,789,203</u>	

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

Town of Indian Trail, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

	Major Fund	Non Major Fund	
	General Fund	Capital Project Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 4,937,279	\$ -	\$ 4,937,279
Other taxes and licenses	122,678	-	122,678
Unrestricted intergovernmental	2,894,164	-	2,894,164
Restricted intergovernmental	810,462	-	810,462
Permits and fees	61,866	-	61,866
Investment earnings	34,311	4,514	38,825
Miscellaneous	98,430	-	98,430
Total revenues	<u>8,959,190</u>	<u>4,514</u>	<u>8,963,704</u>
Expenditures			
Current:			
General government	1,370,771	-	1,370,771
Public safety	1,362,988	-	1,362,988
Transportation	922,174	-	922,174
Economic and physical development	930,316	-	930,316
Environmental protection	2,098,541	-	2,098,541
Cultural and recreation	45,684	-	45,684
Debt service:			
Principal	196,666	-	196,666
Interest and other charges	89,659	-	89,659
Total expenditures	<u>7,016,799</u>	<u>-</u>	<u>7,016,799</u>
Excess of revenues over (under) expenditures	<u>1,942,391</u>	<u>4,514</u>	<u>1,946,905</u>
Other Financing Sources (Uses)			
Proceeds from long-term debt obligations	-	-	-
Transfers of other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,942,391	4,514	1,946,905
Fund balances - beginning	<u>10,527,534</u>	<u>1,448,937</u>	<u>11,976,471</u>
Fund balances - ending	<u>\$ 12,469,925</u>	<u>\$ 1,453,451</u>	<u>\$ 13,923,376</u>

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

Town of Indian Trail, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

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

Net changes in fund balances - total governmental funds	\$ 1,946,905
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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 depreciation exceeded capital outlays, less donated capital, in the current period.

Capital outlay expenditures which were capitalized	\$ 289,871	
Depreciation expense for governmental assets	<u>(609,956)</u>	(320,085)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets	3,072,567	
Change in deferred revenue for tax revenues	<u>23,433</u>	3,096,000

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	-	
Principal payments on long-term debt	<u>196,666</u>	196,666

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		<u>13,625</u>
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Total changes in net assets of governmental activities		<u><u>\$ 4,933,111</u></u>
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Town of Indian Trail, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 4,624,913	\$ 4,624,913	\$ 4,937,279	\$ 312,366
Other taxes and licenses	109,500	109,500	122,678	13,178
Unrestricted intergovernmental	2,385,550	2,398,550	2,894,164	495,614
Restricted intergovernmental	585,000	572,000	810,462	238,462
Permits and fees	45,000	45,000	61,866	16,866
Investment earnings	25,000	25,000	34,311	9,311
Miscellaneous	125,700	143,414	98,430	(44,984)
Total revenues	<u>7,900,663</u>	<u>7,918,377</u>	<u>8,959,190</u>	<u>1,040,813</u>
Expenditures:				
Current:				
General government	1,583,753	1,621,469	1,370,771	250,697
Public safety	1,486,984	1,485,384	1,362,988	122,396
Transportation	3,005,746	3,256,550	922,174	2,334,375
Environmental protection	2,083,365	2,101,038	2,098,541	2,497
Economic and physical development	1,255,250	1,372,852	930,316	442,536
Cultural and recreation	500,000	544,128	45,684	498,444
Debt service:				
Principal	286,400	196,666	196,666	-
Interest and other charges	-	89,734	89,659	75
Total expenditures	<u>10,201,498</u>	<u>10,667,821</u>	<u>7,016,799</u>	<u>3,651,022</u>
Revenues over (under) expenditures	<u>(2,300,835)</u>	<u>(2,749,444)</u>	<u>1,942,391</u>	<u>4,691,835</u>
Other financing sources (uses):				
Proceeds from long-term debt obligations	-	-	-	-
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>2,300,835</u>	<u>2,749,444</u>	<u>-</u>	<u>(2,749,444)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,942,391</u>	<u>\$ 1,942,391</u>
Fund balances - beginning of year			10,527,534	
Fund balances - end of year			<u>\$ 12,469,925</u>	

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

Town of Indian Trail, North Carolina
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Proprietary Fund	
	Stormwater Fund	Total
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,306,878	\$ 1,306,878
Accounts receivable (net)	40,647	40,647
Other receivables	3,541	3,541
Total current assets	<u>1,351,066</u>	<u>1,351,066</u>
Noncurrent assets:		
Capital assets		
Other capital assets, net of depreciation	72,556	72,556
Total noncurrent assets	<u>72,556</u>	<u>72,556</u>
Total assets	<u>\$ 1,423,622</u>	<u>\$ 1,423,622</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 43,631	\$ 43,631
Total current liabilities	<u>43,631</u>	<u>43,631</u>
Net Assets		
Unrestricted	1,379,991	1,379,991
Total net assets	<u>\$ 1,379,991</u>	<u>\$ 1,379,991</u>

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

Town of Indian Trail, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Proprietary Fund	
	Stormwater Fund	Total
Operating Revenues		
Stormwater management fee	\$ 1,048,141	\$ 1,048,141
Total operating revenues	<u>1,048,141</u>	<u>1,048,141</u>
Operating Expenses		
Administration	260,381	260,381
Repairs and maintenance	544,314	544,314
Depreciation	11,090	11,090
Total operating expenses	<u>815,785</u>	<u>815,785</u>
Operating income	<u>232,356</u>	<u>232,356</u>
Non Operating Revenues (Expenses)		
Investment earnings	4,507	4,507
Interest and other charges	-	-
Total non operating revenues (expenses)	<u>4,507</u>	<u>4,507</u>
Change in net assets	236,863	236,863
Total net assets, beginning	<u>1,143,128</u>	<u>1,143,128</u>
Total net assets - ending	<u>\$ 1,379,991</u>	<u>\$ 1,379,991</u>

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

Town of Indian Trail, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Proprietary Fund	
	Stormwater Fund	Totals
Cash Flow from Operating Activities		
Cash received from customers	\$ 1,044,103	\$ 1,044,103
Cash paid for goods and services	(830,810)	(830,810)
Cash paid to or on behalf of employees for services	-	-
Other revenue	-	-
Net cash provided by operating activities	<u>213,293</u>	<u>213,293</u>
Cash Flow from Capital and Related Financing Activities		
Acquisition of capital assets	<u>(83,646)</u>	<u>(83,646)</u>
Cash Flow from Investing Activities		
Interest and dividends	<u>4,507</u>	<u>4,507</u>
Net increase in cash and cash equivalents	134,154	134,154
Balances-beginning of the year	<u>1,172,724</u>	<u>1,172,724</u>
Balances-end of the year	<u>\$ 1,306,878</u>	<u>\$ 1,306,878</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 232,356	\$ 232,356
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,090	11,090
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,038)	(4,038)
Increase (decrease) in accounts payable and accrued liabilities	<u>(26,115)</u>	<u>(26,115)</u>
Total adjustments	<u>(19,063)</u>	<u>(19,063)</u>
Net cash provided by operating activities	<u>\$ 213,293</u>	<u>\$ 213,293</u>

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

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Indian Trail and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Indian Trail is a municipal corporation that is governed by an elected mayor and a five member 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 Indian Trail 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 Indian Trail ABC Board, Post Office Box 2932, Indian Trail, NC 28079.

B. Basis of Presentation

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

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

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

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

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, Federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and environmental protection.

The Town reports the following non major governmental fund:

Capital Project Fund. This fund is used to account for money set aside by the Town to build a new Town Hall in the future.

The Town reports the following major proprietary fund:

Stormwater Fund. This fund is used to account for the Town's storm water operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

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 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Union County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Indian Trail. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Union County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Proprietary Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, amendments to the original budget were necessary. 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, 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 State law [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.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Construction deposits held in an escrow account are restricted to the project to which the deposits were received. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011.

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 and Prepaid Items

The inventory of the Town and the ABC Board are valued at the lower of cost (first-in, first-out) or market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventory of the ABC Board consists of material and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for the following: improvements, furniture and equipment, vehicles, computer software and equipment; all values for land and buildings; and \$100,000 for streets and sidewalks. 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. The Town elected not to adopt retroactive capitalization of general infrastructure assets acquired prior to July 1, 2003, pursuant to GASB 34. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40
Infrastructure	15-30
Furniture and equipment	5-7
Computer equipment	5
Computer software	5
Other improvements	15
Vehicles	5

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

Asset Class	Estimated Useful Lives
Equipment	5-7
Signage and improvements	10-15

8. Long-Term Obligations

In the government –wide financial statements, long- term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide financial statements, 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 of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

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

10. Net Assets/Fund Balances

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 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:

Nonspendable 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.

Prepaid expenditures- portion of fund balance that relates to prepaid expenditures and is therefore not in a spendable form

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

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Indian Trail's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Parks and Recreation – portion of fund balance that has been budgeted by the Board for construction of a public parks.

Committed for Road Improvements- portion of fund balance that has been budgeted by the Board for future road improvements.

Committed for Town Hall- portion of fund balance that has been set aside by the board for construction of a new town hall.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

Committed for Hanson Brick – portion of fund balance that has been set aside by the board for tree preservation and protection.

Assigned fund balance – portion of fund balance that Town of Indian Trail intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$ 5,000.

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

The Finance Officer uses resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, city 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 Town of Indian Trail has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures less capital outlays and transfers out. Any portion of the general fund balance in excess of 30% of the next year's budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

11. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Total Governmental Fund Columns

In the accompanying financial statements, the "Total Governmental Funds" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data. However, the reconciliations to net assets are reflective of interfund eliminations and reflect financial position.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

II. Stewardship, Compliance, and Accountability (Continued)

2. Contractual Violations

None

B. Deficit Fund Balance or Net Assets of Individual Funds

None

C. Excess of Expenditures over Appropriations

None

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in the unit's name. 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 the ABC Board's agents in their name.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the Town and the 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 no formal policy regarding custodial credit risk for deposits.

At June 30, 2012, the Town's deposits had a carrying amount of \$4,599,860 and a bank balance of \$4,666,298. Of the bank balance, \$1,303,372 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$75,564 and the bank balance was \$107,979. All of the bank balance was covered by federal depository insurance. At June 30, 2012, the Town's petty cash fund totaled \$850.

2. Investment

At June 30, 2012, the Town of Indian Trail had \$10,965,618 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds (Continued)

The Town has an investment policy that limits their exposure to interest rate and credit risk. The policies are designed to provide the highest investment return with maximum security, while conforming to all State Statutes governing the investment of idle funds.

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

Governmental Activities	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,183,626	\$102,178	\$ -	\$ 2,285,804
Construction in progress	489,711	-	357,972	131,739
	<hr/>			<hr/>
Total capital assets not being depreciated	2,673,337	102,178	357,972	2,417,543
Capital assets being depreciated:				
Buildings	1,566,032	-	-	1,566,032
Other improvements	-	357,972	-	357,972
Infrastructure	19,219,916	3,066,968	-	22,286,884
Equipment	90,330	74,506	-	164,836
Computer	32,202	16,334	-	48,536
Computer software	59,498	60,750	-	120,248
Vehicles and motorized equipment	112,708	41,701	-	154,409
	<hr/>			<hr/>
Total capital assets being depreciated	21,080,686	\$3,618,231	\$ -	24,698,917
Less accumulated depreciation for:				
Buildings	323,491	43,281	-	366,772
Other improvements	-	23,865	-	23,865
Infrastructure	2,820,900	483,459	-	3,304,359
Equipment	77,743	14,106	-	91,849
Computer	15,202	8,561	-	23,763
Computer software	47,465	14,979	-	62,444
Vehicles and motorized equipment	75,053	21,705	-	96,758
	<hr/>			<hr/>
Total accumulated depreciation	3,359,854	\$ 609,956	\$ -	3,969,810
	<hr/>			<hr/>
Total capital assets being depreciated, net	17,720,832			20,729,107
Governmental activity capital assets, net	<u>\$ 20,394,169</u>			<u>\$ 23,146,650</u>
				<hr/>
Depreciation expense by function:				
General government		\$ 85,102		
Public safety		1,110		
Transportation		514,852		
Economic and physical development		8,892		
		<hr/>		
		\$ 609,956		
		<hr/>		

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds (Continued)

Business-type activities	<u>Beginning</u>			<u>Ending</u>
Stormwater Fund	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Capital assets being depreciated				
Equipment	\$ -	\$ 41,945	\$ -	\$ 41,945
Vehicles and motorized equipment	-	41,701	-	41,701
Total capital assets being depreciated	-	<u>\$ 83,646</u>	<u>\$ -</u>	<u>83,646</u>
Less accumulated depreciation for:				
Equipment	-	6,292	-	6,292
Vehicles and motorized equipment	-	4,798	-	4,798
Total accumulated depreciation	-	<u>\$11,090</u>	<u>\$ -</u>	<u>11,090</u>
Total capital assets being depreciated, net	-			<u>72,556</u>
Stormwater fund capital assets, net	<u>\$ -</u>			<u>\$ 72,556</u>

Construction Commitments

The government has active construction projects as of June 30, 2012. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining</u> <u>Commitment</u>
Road improvements	\$ -	\$ 612,208

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2012, was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Capital assets being depreciated:				
Equipment	\$ 38,414	\$ -	-	\$ 38,414
Signage and improvements	94,843	-	-	94,843
Total capital assets being depreciated	<u>133,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,257</u>
Less accumulated depreciation by type:				
Equipment	4,001	6,698	-	10,699
Signage and improvements	5,493	6,848	-	12,341
Total accumulated depreciation	<u>9,494</u>	<u>\$ 13,546</u>	<u>\$ -</u>	<u>23,040</u>
Total capital assets, net	<u>\$ 123,763</u>			<u>\$ 110,217</u>

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds (Continued)

4. Donated Assets

The Town received donated assets in the form of roads within the Town limits during the year. These assets have been recorded as infrastructure additions at industry standard construction costs per linear foot for 2012, depreciated to the year built.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Indian Trail contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement is 10.57%, of annual covered payroll. The contribution requirements of members and of the Town of Indian Trail are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$158,541, \$144,362 and \$107,768, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Supplemental Retirement Income Plan

Plan Description. The Town employees contribute 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 is established in conformity with section 401(k) of the Internal Revenue Code of 1986 as amended. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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. The Town employees have elected to contribute to the Supplemental Retirement Income Plan. The Town matches 50% of the first 4% of employee deferrals. Contributions for the year ended June 30, 2012 were \$68,251, which consisted of \$16,524 from the Town and \$51,727 from employees.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds (Continued)

2. Deferred / Unearned Revenues

The balance in deferred /unearned revenues at year-end is composed of the following elements:

	<u>Deferred</u> <u>Revenue</u>	<u>Unearned</u> <u>Revenue</u>
Road assessment	\$ -	\$ 48,457
Other	-	3,444
Performance deposits	-	207,888
Privilege license	-	65,829
Taxes receivable (General Fund)	<u>253,451</u>	<u>-</u>
	<u>\$ 253,451</u>	<u>\$325,618</u>

3. 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 carries commercial insurance based on management’s evaluation of risk loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and the tax collector are each individually bonded for \$ 50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

4. Long-Term Obligations

A. Operating Leases

The Town has a three year lease for a mailing system. The lease expires in 2012 and requires monthly payments of \$90. The anticipated annual cost for this lease through November 2012 is \$ 450.

The ABC Board has a five year operating lease for facilities at Union Town Center, Highway 74 Indian Trail that expires November 2015. The lease was amended on June 13, 2011 to include additional warehouse space. The Board is responsible for utilities and insurance of store contents. Rent expense in the amount of \$ 85,000 was incurred during the year ended June 30, 2012.

The following is the lease payment schedule:

<u>Year Ending June 30,</u>	
2013	\$ 86,892
2014	90,383
2015	93,783
2016	<u>39,667</u>
	<u>\$ 310,725</u>

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds (Continued)

B. Installment Financing

In October 2007, the Town obtained a \$1,200,000 loan from a bank to finance the purchase of a building. The loan agreement which was modified in October 2008, requires 28 semi-annual payments of \$80,000, plus interest through October 2022. The annual interest rate is 3.7%.

Annual debt service payments of the installment financing as of June 30, 2012, including \$ 170,940 of interest is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 80,000	\$ 30,340
2014	80,000	27,380
2015	80,000	24,420
2016	80,000	21,460
2017	80,000	18,500
2018-2022	400,000	48,100
2023	40,000	740
Total	<u>\$ 840,000</u>	<u>\$ 170,940</u>

In December 2010, the Town obtained a \$1,750,000 loan from a bank to finance the purchase of land. The loan agreement, requires 30 semi-annual payments of \$58,333, plus interest, through December 2025. The annual interest rate is 3.39%.

Annual debt service payments of the installment financing as of June 30, 2012, including \$ 373,748 of interest is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 116,666	\$ 52,404
2014	116,667	48,449
2015	116,667	44,494
2016	116,667	40,539
2017	116,666	36,584
2018-2022	583,330	123,595
2023-2027	408,337	27,686
Total	<u>\$1,575,000</u>	<u>\$ 373,748</u>

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds (Continued)

C. Changes in Long-Term Liabilities

	Balance <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>	Current Portion of Balance
Governmental activities:					
Bank loans	\$ 2,611,667	\$ -	\$ 196,667	\$ 2,415,000	\$ 196,666
Compensated absences	<u>132,899</u>	<u>119,274</u>	<u>132,899</u>	<u>119,274</u>	<u>119,274</u>
Total	<u>\$ 2,744,566</u>	<u>\$ 119,274</u>	<u>\$ 329,566</u>	<u>\$ 2,534,274</u>	<u>\$ 315,940</u>

Compensated absences for governmental activities has typically been liquidated in the General Fund.

The ABC Board has a note payable to a bank with a balance of \$136,423 at June 30, 2012. Payments of \$5,592 including principal and interest at a rate of 3.58% are made monthly, maturing in 2014. The note is secured by all assets. The following is a schedule of the future minimum principal payments under the note as of June 30, 2012.

<u>Year Ending June 30,</u>	
2013	\$ 63,259
2014	65,561
2015	<u>7,603</u>
	<u>\$ 136,423</u>

5. Interfund Balances and Activity

There were no balances due to/from other funds at June 30, 2012. There were no transfers to/from other funds at June 30, 2012.

6. Fund Balance

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

<i>Total fund balance-General Fund</i>	<i>\$12,469,925</i>
Less:	
Inventories	1,928
Prepaid Expenditures	196
Stabilization by State Statute	530,171
Streets-Powell Bill	2,650,452
Committed for Parks	393,918
Committed for Roads	2,194,038
Committed for Hanson Brick	20,000
Appropriated Fund Balance in 2013 Budget	-
Fund Balance Policy	2,510,730
Remaining Fund Balance	4,168,492

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds (Continued)

The Town of Indian Trail has adopted a minimum fund balance policy for General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 30% of the next year's budgeted expenditures less capital outlays and transfers out.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$259,023	\$ -

IV. Summary Disclosure of Commitments

Effective August 2007, the Town entered into a contract for solid waste and recycling collection with a company. This contract is in effect until July 2012 and was renewed through July 2017.

Effective August 2008, the Town entered into an interlocal agreement with the County for law enforcement services. This contract is in effect until June 2013.

The Town has agreed to participate in a project with the North Carolina Department of Transportation. The Town has committed \$337,000 towards this project.

V. Summary Disclosure of Significant Contingencies

Lawsuits

The Town may be subject to various lawsuits. In the opinion of the Town's management and the Town's attorney, that the ultimate effect of any of these legal matters will not have a material effect on the Town's financial position.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Other

The Town is subject to the authority of various federal and state regulatory agencies. No provision has been made in these financial statements for any sanctions which could be imposed if the Town were found to be in noncompliance or violation of regulations promulgated by the agencies.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

VII. Summary Disclosure of Significant Contingencies

Subsequent Events

On July 26, 2012, the Town purchased 140 acres of land for \$1,250,000 and borrowed the funds from a local financial institution.

Subsequent to year end, the Town settled a dispute over road construction with a contractor and received a settlement in the amount of \$32,000.

Management has evaluated subsequent events through October 10, 2012, the date which the statements were available to be issued.

Supplementary Statements

Town of Indian Trail, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Ad valorem taxes		\$ 4,564,825	
Automobile taxes		372,454	
Total	\$ 4,624,913	4,937,279	\$ 312,366
Other taxes and licenses:			
Gross receipts tax vehicle rental		30,607	
Privilege license		92,071	
Total	109,500	122,678	13,178
Unrestricted intergovernmental:			
Local option sales taxes		1,170,951	
Utility franchise tax		1,487,038	
ABC profit distribution		89,393	
Gas tax refund		609	
Beer and wine tax		146,173	
Total	2,398,550	2,894,164	495,614
Restricted intergovernmental:			
Bicycle Grant		35,000	
Powell Bill allocation		752,427	
Solid waste disposal distribution		23,035	
Total	572,000	810,462	238,462
Permits and fees:			
Yard debris		27,026	
Planning revenue		34,197	
Other		643	
Total	45,000	61,866	16,866
Investment earnings	25,000	34,311	9,311
Miscellaneous:			
Contributions		55,900	
Other		42,530	
Total	143,414	98,430	(44,984)
Total revenues	7,918,377	8,959,190	1,040,813

Town of Indian Trail, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Governing Board			
Salaries and employee benefits		37,261	
Contracted services		-	
Other operating expenditures		15,437	
Total	<u>60,403</u>	<u>52,698</u>	<u>7,705</u>
Administration			
Salaries and employee benefits		313,543	
Contracted services		40,749	
Capital outlay		13,396	
Other operating expenditures		80,638	
Total	<u>549,889</u>	<u>448,326</u>	<u>101,563</u>
Fleet Maintenance			
Other operating expenditures		15,825	
Total	<u>25,514</u>	<u>15,825</u>	<u>9,689</u>
Finance			
Salaries and employee benefits		198,943	
Contracted services		18,448	
Capital outlay		60,750	
Other operating expenditures		10,582	
Total	<u>302,481</u>	<u>288,723</u>	<u>13,758</u>
Tax			
Salaries and employee benefits		166,803	
Contracted services		3,060	
Other operating expenditures		9,723	
Total	<u>222,718</u>	<u>179,586</u>	<u>43,132</u>
Human Resources			
Salaries and employee benefits		55,076	
Contracted services		984	
Other operating expenditures		60,036	
Total	<u>121,541</u>	<u>116,096</u>	<u>5,445</u>
GIS and Information Technology			
Salaries and employee benefits		69,751	
Contracted services		56,767	
Capital outlay		34,067	
Other operating expenditures		5,888	
Total	<u>232,023</u>	<u>166,473</u>	<u>65,550</u>

Town of Indian Trail, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Legal Cost Center			
Contracted services		103,044	
Total	106,900	103,044	3,856
 Total General Government	 1,621,469	 1,370,771	 250,698
Public Safety			
Police:			
Contracted services		1,356,925	
Other operating expenditures		6,063	
Total public safety	1,485,384	1,362,988	122,396
Transportation:			
Transportation Improvement			
Salaries and employee benefits		161,417	
Street lights		266,592	
Contracted services		7,627	
Other operating expenditures		35,000	
Total	613,688	470,636	143,052
Engineering			
Salaries and employee benefits		25,015	
Contracted services		25,831	
Other operating expenditures		5,686	
Total	94,390	56,532	37,858
Powell Bill:			
Salaries and employee benefits		5,640	
Capital outlay		376,509	
Other operating expenditures		12,857	
Total	2,548,472	395,006	2,153,466
Total transportation	3,256,550	922,174	2,334,376
Environmental Protection:			
Contracted services solid waste		2,075,236	
Tree City USA		2,828	
Other operating expenditures		20,477	
Total environmental protection	2,101,038	2,098,541	2,497
Economic and Physical Development:			
Public Works			
Salaries and employee benefits		32,618	
Capital outlay		19,914	
Other operating expenditures		51,040	
Total	280,472	103,572	176,900

Town of Indian Trail, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Planning			
Salaries and employee benefits		413,434	
Capital outlay		1,688	
Other operating expenditures		26,457	
Total	<u>566,216</u>	<u>441,579</u>	<u>124,637</u>
Code Enforcement			
Salaries and employee benefits		126,107	
Other operating expenditures		2,616	
Total	<u>133,299</u>	<u>128,723</u>	<u>4,576</u>
Community and Economic Development			
Salaries and employee benefits		143,320	
Contracted services		37,250	
Capital outlay		20,129	
Other operating expenditures		55,743	
Total	<u>392,865</u>	<u>256,442</u>	<u>136,423</u>
Total economic and physical develop	<u>1,372,852</u>	<u>930,316</u>	<u>442,536</u>
Cultural and Recreation			
Recreation			
Capital outlay		36,373	
Other operating expenditures		9,311	
Total cultural and recreation	<u>544,128</u>	<u>45,684</u>	<u>498,444</u>
Debt Service			
Principal retirement		196,666	
Interest and other charges		89,659	
Total debt service	<u>286,400</u>	<u>286,325</u>	<u>75</u>
Total expenditures	<u>10,667,821</u>	<u>7,016,799</u>	<u>3,651,022</u>
Revenue over (under) expenditures	<u>(2,749,444)</u>	<u>1,942,391</u>	<u>4,691,835</u>
Other Financing Sources and Uses			
Transfers from other funds	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>2,749,444</u>	<u>-</u>	<u>(2,749,444)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,942,391</u>	<u>\$ 1,942,391</u>
Fund balances:			
Beginning of year, July 1		<u>10,527,534</u>	
End of year, June 30		<u>\$ 12,469,925</u>	

Town of Indian Trail, North Carolina
Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
Investment earnings	\$ -	\$ 258,460	\$ 4,514	\$ 262,974	\$ 262,974
Total revenues	-	258,460	4,514	262,974	262,974
Expenditures:					
Capital outlay	1,000,000	350,385	-	350,385	649,615
Total expenditures	1,000,000	350,385	-	350,385	649,615
Revenues over (under) expenditures	(1,000,000)	(91,925)	4,514	(87,411)	912,589
Other Financing Sources (Uses):					
Transfer from General Fund	1,000,000	1,540,862	-	1,540,862	540,862
Net change in fund balance	\$ -	\$ 1,448,937	4,514	\$ 1,453,451	\$ 1,453,451
Fund balance:					
Beginning of year, July 1			1,448,937		
End of year, June 30			<u>\$ 1,453,451</u>		

The Town Of Indian Trail, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Stormwater management fee		\$ 1,048,141	
Other revenues		-	
Total revenues	<u>\$ 983,704</u>	<u>1,048,141</u>	<u>\$ 64,437</u>
Non operating revenues:			
Interest		4,507	4,507
Total revenues	<u>983,704</u>	<u>1,052,648</u>	<u>68,944</u>
Expenditures:			
Administration:			
Administrative expenditures		<u>8,149</u>	
Stormwater operations:			
Salaries and employee benefits		246,877	
Contracted maintenance		531,734	
Capital outlay		<u>101,581</u>	
Total		<u>880,192</u>	
Total expenditures	<u>1,299,559</u>	<u>888,341</u>	<u>411,217</u>
Revenues over (under) expenditures	(315,855)	164,307	480,162
Other financing sources (uses):			
Appropriation of fund balance	<u>315,855</u>	<u>-</u>	<u>(315,855)</u>
Total other financing sources (uses)	<u>315,855</u>	<u>-</u>	<u>(315,855)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	164,307	<u>\$ 164,307</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Capital outlay		83,646	
Depreciation		(11,090)	
Principal payments on debt		<u>-</u>	
Total reconciling items		<u>72,556</u>	
Net Income		<u>\$ 236,863</u>	

Other Schedules

This section contains additional information required on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Town of Indian Trail, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2012

<u>Fiscal Year</u>	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 4,958,758	\$ 4,842,582	\$ 116,176
2010-2011	116,216	-	64,179	52,037
2009-2010	59,549	-	16,628	42,921
2008-2009	21,445	-	4,649	16,796
2007-2008	12,118	-	4,651	7,467
2006-2007	10,457	-	467	9,990
2005-2006	2,416	-	354	2,062
2004-2005	2,329	-	227	2,102
2003-2004	2,424	-	301	2,123
2002-2003	1,971	-	194	1,777
2001-2002	1,093	-	1,093	-
2000-2001	-	-	-	-
	<u>\$ 230,018</u>	<u>\$ 4,958,758</u>	<u>\$ 4,935,325</u>	<u>\$ 253,451</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 4,937,279
Reconciling items:	
Interest and penalties received	(14,752)
Other adjustments	12,798
Total collections and credits	<u>\$ 4,935,325</u>

Town of Indian Trail, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2012

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 3,419,833,103	0.145	\$ 4,958,758	\$ 4,568,667	\$ 390,091
Total property valuation	<u>\$ 3,419,833,103</u>				
Net levy			4,958,758	4,568,667	390,091
Uncollected taxes at June 30, 2012			<u>(116,176)</u>	<u>(83,610)</u>	<u>(32,566)</u>
Current year taxes collected			<u>\$ 4,842,582</u>	<u>\$ 4,485,057</u>	<u>\$ 357,525</u>
Current levy collection percentage			<u>97.66%</u>	<u>98.17%</u>	<u>91.65%</u>

Compliance Section

TINSLEY & TERRY, CPAS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit each major fund, and the aggregate remaining fund information, of the Town of Indian Trail, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town of Indian Trail, North Carolina's basic financial statements and have issued our report thereon dated October 10, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Town of Indian Trail ABC Board, as described in our report on the Town of Indian Trail's financial statements. This report does not include the results of the other auditor's 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 Indian Trail ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

Management of the Town of Indian Trail is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Indian Trail, North Carolina's internal control over financial reporting as a basis for designing our auditing procedures 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 Indian Trail's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Indian Trail, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain other matters that we reported to management of the Town of Indian Trail, North Carolina in a separate letter dated October 10, 2012.

This report is intended solely for the information and use of the management, others within the entity, members of the Members of Town Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ainsley & Terry, CPAs, P.A.

Cornelius, North Carolina
October 10, 2012