

TOWN OF INDIAN TRAIL,
NORTH CAROLINA

Financial Statements

June 30, 2014

Town Council Members

Michael Alvarez, Mayor
David Cohn, Mayor ProTem
Christopher King
Gary Savoie
Gordon Daniels
David Drehs

Administrative and Financial Staff

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

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Indian Trail, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Indian Trail ABC Board. Those statements were audited by another auditor whose report 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Indian Trail, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Indian Trail, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of Town of Indian Trail, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Indian Trail, North Carolina's internal control over financial reporting and compliance.

Tinsley & Terry, CPAs, P.A.

Tinsley & Terry, CPAs, P.A.
Cornelius, North Carolina
October 29, 2014

Management's 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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

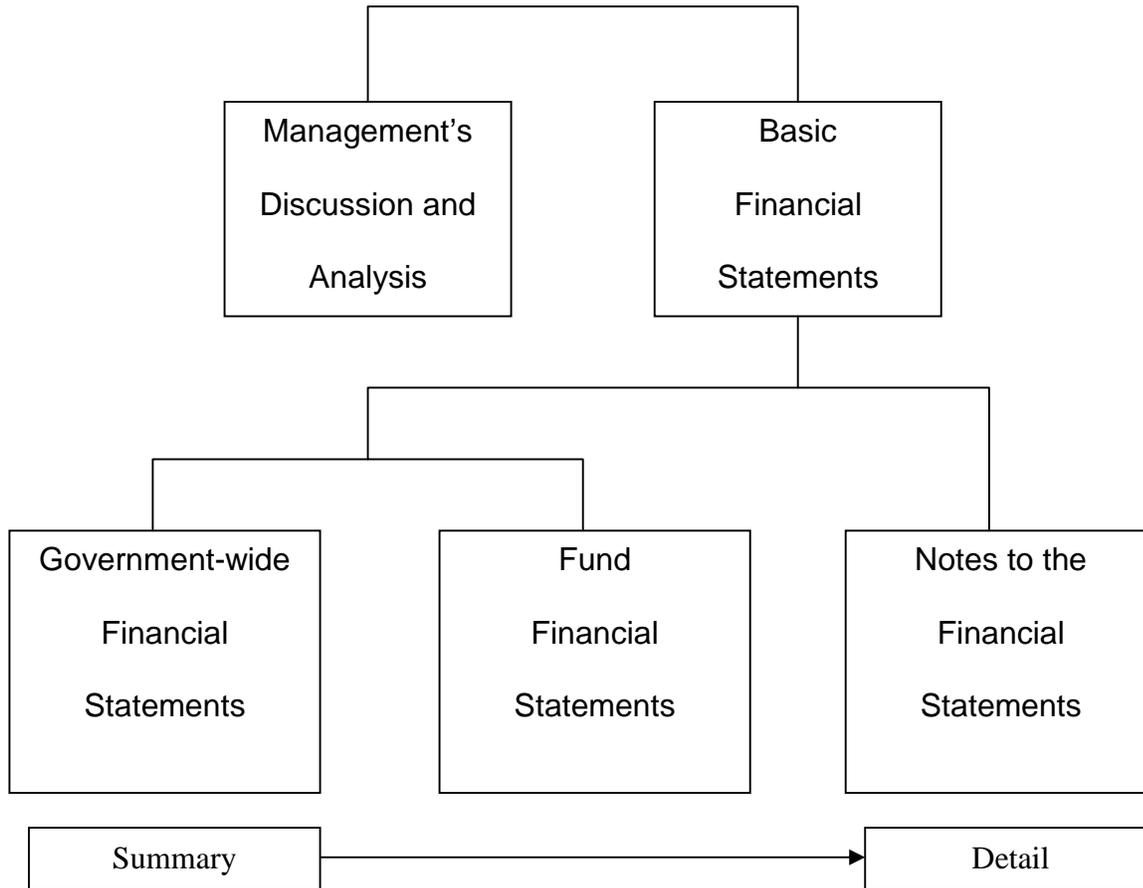
- The assets and deferred outflows of resources of the Town of Indian Trail exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$46,313,684 (*net position*).
- The government's total net position increased by \$5,848,202, primarily due to increases in the Capital Assets for the addition of roads and infrastructure of \$762,556 and an increase in construction in progress on Chestnut Square Park, Chestnut Parkway Extension and Crooked Creek Park totaling \$7,360,562. Business-type activities net assets are added to the Town's total net position.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,147,963, or 125.4% 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 \$23,469,864 with a net change of (\$2,996,862) in fund balance. The combined governmental funds include the General Fund and Capital Project Funds. Approximately 61% of this total amount, or \$14,321,901, is non spendable, restricted, committed or assigned, including \$5,924,848 of bond funds.
- The ITABC store opened its doors November 10, 2010. The ABC Board is considered a discrete component of the Town. The Town Council exercises control over the Board by appointing its members and because the Board is required to distribute 100% of its net profits to the Town.
- The Town of Indian Trail currently has two outstanding bond issuances. \$3,000,000 of General Obligation Bonds were sold to Suntrust Bank December 6, 2012. \$8,000,000 of General Obligation Bonds were sold to Stifel, Nicolaus & Company, Inc. on May 1, 2013.
- The Town of Indian Trail's total debt decreased by \$830,667 for a total outstanding of \$13,575,167 during the current fiscal year. Current debt is for the purchase of property at 130 Blythe Drive, 304 Matthews-Indian Trail Road, 145 acres on Oakwood Lane and the two outstanding bond issuances.
- 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 position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into 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 Council exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 12 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information. Supplementary information can be found starting on page 30 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 Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 26,124,892	\$ 27,554,018	\$ 1,905,306	\$ 1,534,212	\$ 28,030,198	\$ 29,088,230
Capital assets	34,419,092	26,746,719	45,960	55,827	34,465,052	26,802,546
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	60,543,984	54,300,737	1,951,266	1,590,039	62,495,250	55,890,776
Current liabilities	3,190,852	1,586,823	5,472	23,881	3,196,324	1,610,704
Long term liabilities	12,846,279	13,682,600	-	-	12,846,279	13,682,600
Deferred inflows of resources	138,963	131,990	-	-	138,963	131,990
Total liabilities and deferred inflows of resources	16,176,094	15,401,413	5,472	23,881	16,181,566	15,425,294
Net position:						
Net investment in capital assets	27,943,641	22,615,825	-	-	27,943,641	22,615,825
Restricted	2,642,175	2,442,660	-	-	2,642,175	2,442,660
Unrestricted	13,782,074	13,840,839	1,945,794	1,566,158	15,727,868	15,406,997
Total net position	\$ 44,367,890	\$ 38,899,324	\$ 1,945,794	\$ 1,566,158	\$ 46,313,684	\$ 40,465,482

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Indian Trail exceeded liabilities and deferred inflows by \$46,313,684 as of June 30, 2014. The Town's net position increased by \$5,848,202 for the fiscal year ended June 30, 2014. However, \$27,943,641 (60%) reflects the Town's net 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 net investment in 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 position, \$2,642,175 (5.95%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,727,867 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.50%, excluding registered motor vehicles, which is comparable to the statewide average for towns our size of 98.29%. The registered motor vehicles collection rate is 98.63%.
- Significant increase in Sales Tax revenue.
- Total construction in progress of \$8,970,375 for Chestnut Square Park, Crooked Creek Park at Indian Trail, Chestnut Parkway Extension and Unionville Indian Trail Road Sidewalk.
- The Town also booked an additional \$762,556 of infrastructure.

Town of Indian Trail Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 89,511	\$ 85,104	\$ 1,067,876	\$ 1,044,345	\$ 1,157,387	\$ 1,129,449
Operating grants and contributions	829,424	1,239,660	-	-	829,424	1,239,660
Capital Grants & Contributions	470,486	717,169	-	-	470,486	717,169
General revenues:						
Property taxes	6,815,186	6,462,460	-	-	6,815,186	6,462,460
Other taxes	3,660,058	3,187,877	-	-	3,660,058	3,187,877
Unrestricted investment earnings	41,904	39,995	4,898	3,868	46,802	43,863
Miscellaneous	48,217	302,407	-	-	48,217	302,407
Other: Loss on disposal of assets	(12,089)	-	-	-	(12,089)	-
Stormwater Fund	-	-	-	-	-	-
Total revenues	11,942,697	12,034,672	1,072,774	1,048,213	13,015,471	13,082,885
Expenses:						
General government	1,174,282	1,143,644	-	-	1,174,282	1,143,644
Public safety	1,588,088	1,526,912	-	-	1,588,088	1,526,912
Economic and physical development	929,442	1,429,190	-	-	929,442	1,429,190
Transportation	1,151,768	2,038,091	-	-	1,151,768	2,038,091
Environmental protection	1,547,315	1,616,947	-	-	1,547,315	1,616,947
Cultural and recreation	150,033	383,907	-	-	150,033	383,907
Interest on long-term debt	313,959	106,285	-	-	313,959	106,285
Other	-	-	-	-	-	-
Stormwater Fund	-	-	312,382	541,621	312,382	541,621
Total expenses	6,854,887	8,244,976	312,382	541,621	7,167,269	8,786,597
Increase in net position before transfers	5,087,810	3,789,696	760,392	506,592	5,848,202	4,296,288
Transfers	380,756	320,425	(380,756)	(320,425)	-	-
Increase in net position	5,468,566	4,110,121	379,636	186,167	5,848,202	4,296,288
Net position, July 1 (consolidated)	38,899,324	34,789,203	1,566,158	1,379,991	40,465,482	36,169,194
Net position, June 30	\$ 44,367,890	\$ 38,899,324	\$ 1,945,794	\$ 1,566,158	\$ 46,313,684	\$ 40,465,482

Governmental activities. Governmental activities increased the Town's net position by \$5,468,566 mainly, due to the booking of current capital improvement projects.

Business-type activities: The Stormwater Utility activity increased the Town's net position by \$379,636, accounting for 6.49% of the total growth in the government's net position.

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 \$13,136,556, while total fund balance reached \$14,586,411. 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 117.7% of general fund expenditures, while total fund balance represents 130.7% 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 purpose 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, 2014, the governmental funds of the Town of Indian Trail reported a combined fund balance of \$23,469,864 with a net decrease in fund balance of \$2,996,862. Included in this change in fund balance are the increases in fund balance in the General Fund and current non-major funds and decrease in fund balance for the Bond Capital Project Fund.

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 for fiscal year ending June 30, 2014 due to additional property taxes, sales tax and other taxes. Expenditures were less than the adopted budget due the Town's conservative spending practices. Both the budget and expenditures for capital projects roll forward to the subsequent fiscal years until completed.

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 position of the Stormwater Fund at the end of the fiscal year amounted to \$1,945,794. The total change in net position for the fund was \$379,636. The change in net position 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, 2014, totals \$34,465,052 (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 construction in progress and infrastructure.

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

Figure 4

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,895,112	\$ 3,870,159	\$ -	\$ -	\$ 3,895,112	\$ 3,870,159
Construction in progress	8,970,375	1,609,813	-	-	\$ 8,970,375	\$ 1,609,813
Building and improvements	1,449,255	1,520,081	-	-	\$ 1,449,255	\$ 1,520,081
Computers	10,072	16,289	-	-	\$ 10,072	\$ 16,289
Computer software	34,797	48,321	-	-	\$ 34,797	\$ 48,321
Equipment	214,298	64,294	25,737	27,264	\$ 240,035	\$ 91,558
Vehicles	9,169	32,996	20,223	28,563	\$ 29,392	\$ 61,559
Infrastructure	19,836,014	19,584,766	-	-	\$ 19,836,014	\$ 19,584,766
Total	\$ 34,419,092	\$ 26,746,719	\$ 45,960	\$ 55,827	\$ 34,465,052	\$ 26,802,546

Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements. \$8,970,375 shown as construction in progress is mainly due to ongoing capital projects for Chestnut Square Park and Crooked Creek Park at Indian Trail.

Long-term Debt. As of June 30, 2014, the Town of Indian Trail owes \$3,084,167 in installment loan debt and \$10,491,000 in General Obligation Bonds.

The Town of Indian Trail's Outstanding Debt

The Town of Indian Trail's total debt decreased by \$830,667 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 May 9, 2014, the legal debt margin for the Town of Indian Trail is \$285,923,288.

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, and the Preliminary 2013 Certified Population Estimate from the Office of State Budget and Management is 35,798.
- The July, 2014 state unemployment rate was 6.5% while Union County's rate was lower at 6.0%.
- As directed by Council four cents of tax revenue will continue to be set aside to a Debt Service and Capital Reserve Fund. The total tax rate is \$0.185 per \$100. The four cents 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 expenditures for governmental activities decreased slightly overall or stayed the same as the previous year. This year's emphasis is on the Town's infrastructure and the opening of our two new parks; Chestnut Square Park and Crooked Creek Park at Indian Trail. Budgeted expenditures for business activities increased mainly for repairs and maintenance to infrastructure projects and additional equipment needs.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The 2014-2015 operating budget provides for resources to address the Town's daily needs, as well as, continuing the Debt Service and Capital Reserve Fund so the Council can continue to address quality of life and capital improvement programs. This budget continues 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 Residents 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 Position
June 30, 2014

	Primary Government			Town of Indian Trail ABC Board
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 15,688,776	\$ 1,852,359	\$ 17,541,135	\$ 155,599
Restricted cash	9,129,295	-	9,129,295	-
Taxes receivable (net)	286,534	-	286,534	-
Accounts receivable	8,758	51,013	59,771	-
Due from other governments	580,050	1,934	581,984	-
Inventories	4,465	-	4,465	179,043
Prepaid expense	427,014	-	427,014	4,446
Total current assets	<u>26,124,892</u>	<u>1,905,306</u>	<u>28,030,198</u>	<u>339,088</u>
Capital assets (Note III,3):				
Land, non-depreciable improvements	3,895,112	-	3,895,112	-
Construction in progress	8,970,375	-	8,970,375	-
Other capital assets, net of depreciation	21,553,605	45,960	21,599,565	86,989
Total capital assets	<u>34,419,092</u>	<u>45,960</u>	<u>34,465,052</u>	<u>86,989</u>
Other assets:				
Deposits	-	-	-	6,304
Total assets	<u>\$ 60,543,984</u>	<u>\$ 1,951,266</u>	<u>\$ 62,495,250</u>	<u>\$ 432,381</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 1,889,544	\$ 5,472	\$ 1,895,016	\$ 8,718
Taxes payable	-	-	-	68,149
Distributions payable	-	-	-	47,542
Current portion long term liabilities	961,321	-	961,321	-
Deposits in escrow	339,987	-	339,987	-
Total current liabilities	<u>3,190,852</u>	<u>5,472</u>	<u>3,196,324</u>	<u>124,409</u>
Long-term liabilities:				
Due in more than one year	12,846,279	-	12,846,279	-
Total long-term liabilities	<u>12,846,279</u>	<u>-</u>	<u>12,846,279</u>	<u>-</u>
Deferred Inflows of Resources				
Prepaid taxes	83,111	-	83,111	-
Advances on improvements	55,852	-	55,852	-
Total deferred inflows of resources	<u>138,963</u>	<u>-</u>	<u>138,963</u>	<u>-</u>
Net Position				
Invested in capital assets, net of related debt	27,943,641	-	27,943,641	86,989
Restricted for:				
Stabilization by State Statute	1,018,376	-	1,018,376	-
Streets	1,623,799	-	1,623,799	-
Working capital	-	-	-	85,836
Unrestricted	13,782,074	1,945,794	15,727,868	135,147
Total net position	<u>\$ 44,367,890</u>	<u>\$ 1,945,794</u>	<u>\$ 46,313,684</u>	<u>\$ 307,972</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, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,174,282	\$ -	\$ -	\$ -
Public safety	1,588,088	-	-	-
Transportation	1,151,768	-	808,181	445,486
Economic and physical development	929,442	89,511	-	-
Environmental protection	1,547,315	-	21,243	-
Cultural and recreation	150,033	-	-	25,000
Interest on long-term debt	313,959	-	-	-
Total governmental activities (See Note I)	6,854,887	89,511	829,424	470,486
Business-type Activity:				
Stormwater Fund	312,382	1,067,876	-	-
Total primary government	\$ 7,167,269	\$ 1,157,387	\$ 829,424	\$ 470,486
Component Unit				
ABC Board	2,774,430	2,902,487	-	-
Total component unit	\$ 2,774,430	\$ 2,902,487	\$ -	\$ -

General revenues:

Taxes:

- Property taxes, levied for general purpose
- Other taxes

Unrestricted investment earnings

Loss on disposal of assets

Miscellaneous

Total general revenues, not including transfers

Transfers

Total general revenues, special items, and transfers

Change in net position

Net position-beginning

Net position-ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Town of Indian Trail ABC Board
\$ (1,174,282)	\$ -	\$ (1,174,282)	\$ -
(1,588,088)	-	(1,588,088)	-
101,899	-	101,899	-
(839,931)	-	(839,931)	-
(1,526,072)	-	(1,526,072)	-
(125,033)	-	(125,033)	-
(313,959)	-	(313,959)	-
(5,465,466)	-	(5,465,466)	-
-	755,494	755,494	-
(5,465,466)	755,494	(4,709,972)	-
-	-	-	128,057
-	-	-	128,057
6,815,186	-	6,815,186	-
3,660,058	-	3,660,058	-
41,904	4,898	46,802	-
(12,089)	-	(12,089)	-
48,217	-	48,217	-
10,553,276	4,898	10,558,174	-
380,756	(380,756)	-	-
10,934,032	(375,858)	10,558,174	-
5,468,566	379,636	5,848,202	128,057
38,899,324	1,566,158	40,465,482	179,915
\$ 44,367,890	\$ 1,945,794	\$ 46,313,684	\$ 307,972

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, 2014

	Major Funds				Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Bond Capital Project Fund	Crooked Creek Park Capital Project Fund	Chestnut Square Park Capital Project Fund		
Assets						
Cash and cash equivalents	\$ 12,696,051	\$ -	\$ -	\$ -	\$ 2,992,725	\$ 15,688,776
Restricted cash	1,922,146	7,207,149	-	-	-	9,129,295
Receivables, net:						
Taxes	286,534	-	-	-	-	286,534
Accounts	8,758	-	-	-	-	8,758
Due from other governments	580,050	-	-	-	-	580,050
Due from other funds	-	-	702,947	603,143	392,624	1,698,714
Prepaid expenditures	427,014	-	-	-	-	427,014
Inventory	4,465	-	-	-	-	4,465
Total assets	<u>\$ 15,925,018</u>	<u>\$ 7,207,149</u>	<u>\$ 702,947</u>	<u>\$ 603,143</u>	<u>\$ 3,385,349</u>	<u>\$ 27,823,606</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 190,830	\$ -	\$ 702,947	\$ 603,143	\$ 392,624	\$ 1,889,544
Due to other funds	382,293	1,282,301	-	-	34,120	1,698,714
Deposits in escrow	339,987	-	-	-	-	339,987
Total liabilities	<u>913,110</u>	<u>1,282,301</u>	<u>702,947</u>	<u>603,143</u>	<u>426,744</u>	<u>3,928,245</u>
Deferred Inflows of Resources						
Property tax receivable	286,534	-	-	-	-	286,534
Prepaid taxes	83,111	-	-	-	-	83,111
Advances on improvements	55,852	-	-	-	-	55,852
Total deferred inflows of resources	<u>425,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,497</u>
Fund Balances						
Non-spendable						
Inventory	4,465	-	-	-	-	4,465
Prepaid expenditures	427,014	-	-	-	-	427,014
Restricted						
Stabilization by State statute	1,018,376	-	-	-	-	1,018,376
Streets	1,623,799	-	-	-	-	1,623,799
Capital projects	-	5,924,848	-	-	-	5,924,848
Committed						
Debt service	-	-	-	-	1,497,602	1,497,602
Road improvements	1,607,545	-	-	-	-	1,607,545
Parks improvements	345,599	-	-	-	-	345,599
Town Hall	-	-	-	-	1,461,003	1,461,003
Hanson Brick	8,000	-	-	-	-	8,000
Assigned						
Subsequent years expenditures	403,650	-	-	-	-	403,650
Unassigned	9,147,963	-	-	-	-	9,147,963
Total fund balances	<u>14,586,411</u>	<u>5,924,848</u>	<u>-</u>	<u>-</u>	<u>2,958,605</u>	<u>23,469,864</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,925,018</u>	<u>\$ 7,207,149</u>	<u>\$ 702,947</u>	<u>\$ 603,143</u>	<u>\$ 3,385,349</u>	<u>\$ 27,823,606</u>

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

**Exhibit 3
(continued)**

**Town of Indian Trail, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014**

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

Total Fund Balance, Governmental Funds		\$ 23,469,864
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 39,697,078	
Accumulated depreciation	<u>(5,277,986)</u>	34,419,092
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		286,534
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term liabilities (debt and compensated absences) included as net position below (includes the addition of long-term debt and principal payments during the year.	(13,700,167)	
Premiums received on bond issuances	<u>(107,433)</u>	(13,807,600)
Net position of governmental activities		<u><u>\$ 44,367,890</u></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, 2014

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	General Fund	Bond Capital Project Fund	Crooked Creek Park Capital Project Fund	Chestnut Square Park Capital Project Fund		
Revenues						
Ad valorem taxes	\$ 6,851,883	\$ -	\$ -	\$ -	\$ -	\$ 6,851,883
Other taxes and licenses	147,084	-	-	-	-	147,084
Unrestricted intergovernmental	3,512,974	-	-	-	-	3,512,974
Restricted intergovernmental	829,424	-	-	-	445,486	1,274,910
Permits and fees	89,511	-	-	-	-	89,511
Investment earnings	28,732	9,552	-	-	3,620	41,904
Miscellaneous	48,217	-	-	25,000	-	73,217
Total revenues	11,507,825	9,552	-	25,000	449,106	11,991,483
Expenditures						
Current:						
General government	1,125,371	-	-	-	-	1,125,371
Public safety	1,586,979	-	-	-	-	1,586,979
Transportation	667,451	-	-	-	1,580,453	2,247,904
Economic and physical development	929,910	-	-	-	-	929,910
Environmental protection	1,547,315	-	-	-	-	1,547,315
Cultural and recreation	287,026	-	3,241,099	3,253,217	-	6,781,342
Debt service:						
Principal	830,667	-	-	-	-	830,667
Interest and other charges	319,613	-	-	-	-	319,613
Total expenditures	7,294,332	-	3,241,099	3,253,217	1,580,453	15,369,101
Excess of revenues over (under) expenditures	4,213,493	9,552	(3,241,099)	(3,228,217)	(1,131,347)	(3,377,618)
Other Financing Sources (Uses)						
Transfers (to)/from other funds	(3,033,291)	(4,247,672)	3,241,099	3,228,217	1,192,403	380,756
Total other financing sources (uses)	(3,033,291)	(4,247,672)	3,241,099	3,228,217	1,192,403	380,756
Net change in fund balance	1,180,202	(4,238,120)	-	-	61,056	(2,996,862)
Fund balances - beginning	13,406,209	10,162,968	-	-	2,897,549	26,466,726
Fund balances - ending	\$ 14,586,411	\$ 5,924,848	\$ -	\$ -	\$ 2,958,605	\$ 23,469,864

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

**Exhibit 4
(continued)**

**Town of Indian Trail, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014**

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

Net changes in fund balances - total governmental funds \$ (2,996,862)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, less donated capital, exceed depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 8,359,521	
Depreciation expense for governmental assets	(675,058)	
Loss on disposal	<u>(12,089)</u>	7,672,374

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

Change in unavailable revenue for tax revenues (36,697)

The issuance of long-term debt (bonds and notes payable) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of bond premiums	5,654	
Principal payments on long-term debt	<u>830,667</u>	836,321

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 (6,570)

Total changes in net position of governmental activities \$ 5,468,566

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

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, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 6,127,565	\$ 6,256,865	\$ 6,851,883	\$ 595,018
Other taxes and licenses	123,000	123,000	147,084	24,084
Unrestricted intergovernmental	2,673,550	2,673,550	3,512,974	839,424
Restricted intergovernmental	1,467,000	786,200	829,424	43,224
Permits and fees	45,000	45,000	89,511	44,511
Investment earnings	16,000	28,000	28,732	732
Miscellaneous	30,800	62,955	48,217	(14,738)
Total revenues	<u>10,482,915</u>	<u>9,975,570</u>	<u>11,507,825</u>	<u>1,532,255</u>
Expenditures:				
Current:				
General government	1,509,403	1,527,608	1,125,371	402,237
Public safety	1,688,058	1,753,736	1,586,979	166,757
Transportation	2,949,514	1,798,503	667,451	1,131,052
Environmental protection	1,700,600	1,700,600	1,547,315	153,285
Economic and physical development	1,290,671	1,255,141	929,910	325,231
Cultural and recreation	396,972	438,852	287,026	151,826
Debt service:				
Principal	422,818	1,150,281	830,667	1
Interest and other charges			319,613	
Total expenditures	<u>9,958,036</u>	<u>9,624,721</u>	<u>7,294,332</u>	<u>2,330,389</u>
Revenues over (under) expenditures	<u>524,879</u>	<u>350,849</u>	<u>4,213,493</u>	<u>3,862,644</u>
Other Financing Sources (Uses):				
Transfers to other funds	(1,324,879)	(4,896,545)	(3,033,291)	1,863,254
Total other financing sources (uses)	<u>(1,324,879)</u>	<u>(4,896,545)</u>	<u>(3,033,291)</u>	<u>1,863,254</u>
Fund balance appropriated	<u>800,000</u>	<u>4,545,696</u>	<u>-</u>	<u>(4,545,696)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,180,202	<u>\$ 1,180,202</u>
Fund balances - beginning of year			13,406,209	
Fund balances - end of year			<u>\$ 14,586,411</u>	

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

Town of Indian Trail, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2014

	Proprietary Fund	
	Stormwater Fund	Total
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,852,359	\$ 1,852,359
Accounts receivable (net)	51,013	51,013
Other receivables	1,934	1,934
Total current assets	<u>1,905,306</u>	<u>1,905,306</u>
Noncurrent assets:		
Capital assets		
Other capital assets, net of depreciation	45,960	45,960
Total noncurrent assets	<u>45,960</u>	<u>45,960</u>
Total assets	<u>\$ 1,951,266</u>	<u>\$ 1,951,266</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,472	\$ 5,472
Total current liabilities	<u>5,472</u>	<u>5,472</u>
Net Position		
Unrestricted	1,945,794	1,945,794
Total net position	<u>\$ 1,945,794</u>	<u>\$ 1,945,794</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 Position
Proprietary Fund
For the Year Ended June 30, 2014

	Proprietary Fund	
	Stormwater Fund	Total
Operating Revenues		
Stormwater management fee	\$ 1,067,876	\$ 1,067,876
Total operating revenues	<u>1,067,876</u>	<u>1,067,876</u>
Operating Expenses		
Administration	252,204	252,204
Repairs and maintenance	41,861	41,861
Depreciation	18,317	18,317
Total operating expenses	<u>312,382</u>	<u>312,382</u>
Operating income	<u>755,494</u>	<u>755,494</u>
Non Operating Revenues (Expenses)		
Investment earnings	4,898	4,898
Interest and other charges	-	-
Total non operating revenues (expenses)	<u>4,898</u>	<u>4,898</u>
Income before contributions and transfers	760,392	760,392
Transfer to other funds	<u>(380,756)</u>	<u>(380,756)</u>
Change in net position	379,636	379,636
Total net position, beginning	<u>1,566,158</u>	<u>1,566,158</u>
Total net position, ending	<u>\$ 1,945,794</u>	<u>\$ 1,945,794</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, 2014

	Proprietary Fund	
	Stormwater Fund	Totals
Cash Flow from Operating Activities		
Cash received from customers	\$ 1,060,725	\$ 1,060,725
Cash paid for goods and services	(73,029)	(73,029)
Cash paid to or on behalf of employees for services	(239,445)	(239,445)
Other revenue	-	-
Net cash provided by operating activities	<u>748,251</u>	<u>748,251</u>
Cash Flow from Non Capital Financing Activities		
Transfers to other funds	<u>(380,756)</u>	<u>(380,756)</u>
Cash Flow From Capital and Related Financing Activities		
Acquisition of capital assets	<u>(8,450)</u>	<u>(8,450)</u>
Cash Flow from Investing Activities		
Interest and dividends	<u>4,898</u>	<u>4,898</u>
Net increase in cash and cash equivalents	363,943	363,943
Balances-beginning of the year	1,488,416	1,488,416
Balances-end of the year	<u>\$ 1,852,359</u>	<u>\$ 1,852,359</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 755,494	\$ 755,494
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,317	18,317
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(7,151)	(7,151)
Increase (decrease) in accounts payable and accrued liabilities	<u>(18,409)</u>	<u>(18,409)</u>
Total adjustments	<u>(7,243)</u>	<u>(7,243)</u>
Net cash provided by operating activities	<u>\$ 748,251</u>	<u>\$ 748,251</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, 2014

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 position 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. All remaining governmental funds are aggregated and reported as non-major funds.

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

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Bond Capital Project Fund. This fund is used to account for bond proceeds related to streets and park improvements.

Crooked Creek Park Capital Project Fund. This fund is used to account for the construction of Crooked Creek Park.

Chestnut Square Park Capital Project Fund. This fund is used to account for the construction of Chestnut Square Park.

The Town reports the following non-major governmental funds:

Town Hall 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 and any related expenditures.

Chestnut Extension Capital Project Fund. This fund is used to account for the construction of the Chestnut Parkway Extension.

Unionville Indian Trail Road Sidewalk Improvements Capital Project Fund. This fund is used to account for the construction of sidewalks along Unionville Indian Trail Road.

Capital Reserve and Debt Service Fund. This fund is used to account for money set aside by the Town for future debt service payments and future capital projects.

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.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

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 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Proprietary Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Bond Capital Project Fund, Chestnut Square Park Capital Project Fund, Town Hall Capital Project Fund, Crooked Creek Park Capital Project Fund, Chestnut Extension Capital Project Fund, Unionville Indian Trail Road Sidewalk Improvements Capital Project Fund and Capital Reserve and Debt Service 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.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by 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. 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

The unexpended bond proceeds of the Bond Capital Project Fund general obligation bonds issued by the Town are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. 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.

<u>Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$1,568,358
Escrow deposits	339,987
Deposits	13,801
Total General Fund	<u>1,922,146</u>
Bond Capital Project Fund	
Capital outlay	<u>7,207,149</u>
Total Governmental Activities	<u>\$9,129,295</u>

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

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, 2013.

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 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment	5-7
Signage and improvements	10-15

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meets the criterion for this category - property taxes receivable, prepaid taxes and advances on improvements.

9. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 210 hours of 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'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.

11. Net Position/Fund Balances

Net Position

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

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

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 is not an available resource because it represents prepaid expenditures that are not in 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.

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for certain capital project expenditures.

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.

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

Committed for Debt Service and Capital Reserves - portion of fund balance that has been set aside by the Board for future debt service obligations and capital projects.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

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 budget officer 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-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The Town 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.

12. 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.

13. 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 position 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

2. Contractual Violations

None

B. Deficit Fund Balance or Net Position of Individual Funds

None

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

II. Stewardship, Compliance, and Accountability (Continued)

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, 2014, the Town's deposits had a carrying amount of \$5,772,486 and a bank balance of \$6,132,100. Of the bank balance, \$1,096,493 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2014, the Town's petty cash fund totaled \$850.

The carrying amount of deposits for the ABC Board was \$152,539 and the bank balance was \$244,118. All of the bank balance was covered by federal depository insurance.

2. Investment

At June 30, 2014, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Cash Portfolio	\$ 8,593,998	N/A	AAAm
NC Capital Management Trust – Term Portfolio	12,303,096	0.23 yrs	Unrated
Total	\$ 20,897,094		

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.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2014. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. Government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

Governmental Activities	Beginning			Ending
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 3,870,159	\$24,953	\$ -	\$ 3,895,112
Construction in progress	1,609,813	7,360,562	-	8,970,375
Total capital assets not being depreciated	<u>5,479,972</u>	<u>\$7,385,515</u>	-	<u>12,865,487</u>
Capital assets being depreciated:				
Buildings	1,566,032	-	-	1,566,032
Other improvements	413,177	-	-	413,177
Infrastructure	23,387,517	762,556	-	24,150,073
Equipment	177,035	211,450	-	388,485
Computer	48,536	-	-	48,536
Computer software	126,998	-	-	126,998
Vehicles and motorized equipment	154,409	-	16,119	138,290
Total capital assets being depreciated	<u>25,873,704</u>	<u>\$974,006</u>	<u>\$16,119</u>	<u>26,831,591</u>
Less accumulated depreciation for:				
Buildings	410,072	43,281	-	453,353
Other improvements	49,056	27,545	-	76,601
Infrastructure	3,802,751	511,308	-	4,314,059
Equipment	112,741	61,446	-	174,187
Computer	32,247	6,217	-	38,464
Computer software	78,677	13,524	-	92,201
Vehicles and motorized equipment	121,413	11,737	4,029	129,121
Total accumulated depreciation	<u>4,606,957</u>	<u>\$ 675,058</u>	<u>\$ 4,029</u>	<u>5,277,986</u>
Total capital assets being depreciated, net	<u>21,266,747</u>			<u>21,553,605</u>
Governmental activity capital assets, net	<u>\$ 26,746,719</u>			<u>\$ 34,419,092</u>

Depreciation expense by function:

General government	\$ 67,294
Public safety	1,109
Transportation	532,818
Cultural and recreation	61,305
Economic and physical development	12,532
	<u>\$ 675,058</u>

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Business-type activities				
Stormwater Fund				
Capital assets being depreciated				
Equipment	\$ 41,945	\$ 8,450	\$ -	\$ 50,395
Vehicles and motorized equipment	41,701	-	-	41,701
Total capital assets being depreciated	<u>83,646</u>	<u>8,450</u>	<u>-</u>	<u>92,096</u>
Less accumulated depreciation for:				
Equipment	14,681	9,977	-	24,658
Vehicles and motorized equipment	13,138	8,340	-	21,478
Total accumulated depreciation	<u>27,819</u>	<u>\$ 18,317</u>	<u>\$ -</u>	<u>46,136</u>
Total capital assets being depreciated, net	<u>55,827</u>			<u>45,960</u>
Stormwater fund capital assets, net	<u>\$ 55,827</u>			<u>\$ 45,960</u>

Construction Commitments

The government has active construction projects as of June 30, 2014. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
Unionville-Indian Trail Sidewalks	\$ 762,556	\$ 465,059
Chestnut Square Park	\$4,212,187	\$1,071,726
Crooked Creek Park	\$3,497,020	\$2,500,254
Chestnut Extension	\$1,150,704	\$ 711,186

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Equipment	\$ 42,287	\$ 3,798	\$ -	\$ 46,085
Signage and improvements	91,575	-	-	91,575
Total capital assets being depreciated	<u>133,862</u>	<u>\$ 3,798</u>	<u>\$ -</u>	<u>137,660</u>
Less accumulated depreciation by type:				
Equipment	18,314	7,463	-	25,777
Signage and improvements	18,373	6,521	-	24,894
Total accumulated depreciation	<u>36,687</u>	<u>\$ 13,984</u>	<u>\$ -</u>	<u>50,671</u>
Total capital assets, net	<u>\$97,175</u>			<u>\$ 86,989</u>

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

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 7.07% 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, 2014, 2013, and 2012 were \$106,646, \$102,076 and \$158,541, 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. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The Plan is established in conformity with section 401(k) of the Internal Revenue Code of 1986 as amended. 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, 2014 were \$81,995, which consisted of \$20,624 from the Town and \$61,371 from employees.

2. Deferred Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Advances on improvements	\$ -	\$ 55,852
Prepaid taxes	-	83,111
Taxes receivable (General Fund)	286,534	-
	\$ 286,534	\$138,963

**The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

III. Detail Notes on All Funds (Continued)

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. The Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insured value, and workers' compensation coverage. 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. The Town is not located in a flood zone but has elected to carry flood insurance through a commercial carrier of \$1,000,000.

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 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. The monthly rental payment includes the following: common area maintenance fees, insurance and real estate taxes.

Rent and related expenses in the amount of \$107,034 was incurred during the year ended June 30, 2014.

The following is the lease payment schedule:

<u>Year Ending June 30.</u>	
2015	\$ 112,707
2016	<u>47,552</u>
	<u>\$ 160,259</u>

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 \$40,000, plus interest through October 2022. The annual interest rate is 3.7%.

Annual debt service payments of the installment financing as of June 30, 2014, including \$113,220 of interest is as follows:

<u>Year Ending June 30.</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 80,000	\$ 24,420
2016	80,000	21,460
2017	80,000	18,500
2018	80,000	15,540
2019	80,000	12,580
2020-2023	<u>280,000</u>	<u>20,720</u>
Total	<u>\$ 680,000</u>	<u>\$ 113,220</u>

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

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, 2014, including \$272,898 of interest is as follows:

Year Ending June 30,	<u>Governmental Activities</u>	
	Principal	Interest
2015	\$ 116,667	\$ 44,494
2016	116,667	40,539
2017	116,667	36,584
2018	116,667	32,629
2019	116,667	28,674
2020-2024	583,335	84,045
2025-2026	174,997	5,933
Total	<u>\$ 1,341,667</u>	<u>\$ 272,898</u>

In July 2012, the Town obtained a \$1,250,000 loan from a bank to finance the purchase of land. The loan agreement requires 20 semi-annual payments of \$62,500, plus interest through July 2022. The annual interest rate is 2.19%.

Annual debt service payments of the installment financing as of June 30, 2014, including \$104,709 of interest is as follows:

Year Ending June 30,	<u>Governmental Activities</u>	
	Principal	Interest
2015	\$ 125,000	\$ 22,584
2016	125,000	19,847
2017	125,000	17,109
2018	125,000	14,372
2019	125,000	11,634
2020-2023	437,500	19,163
Total	<u>\$ 1,062,500</u>	<u>\$ 104,709</u>

C. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the acquisition and construction of streets, sidewalks, parks and related improvements. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2014 are comprised of the following individual issues:

In December 2012, the Town issued \$3,000,000 Streets and Sidewalk serial bonds, Series 2012. Principal installments are due annually on February 1 with semiannual interest payments due on August and February, at an annual interest rate of 2.15%.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

In April 2013, the Town issued \$8,000,000 Parks, Streets and Thoroughfare serial bonds, Series 2013. Principal installments are due annually on May 1, with semiannual interest payments due on November 1 and May 1, at interest rates from 1.5% to 2.625%.

Annual debt service requirements as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 509,000	\$ 208,127
2016	509,000	199,816
2017	509,000	191,505
2018	509,000	183,194
2019	509,000	174,883
2020-2024	2,136,000	741,284
2025-2029	3,810,000	409,789
2030-2033	2,000,000	101,500
	<u>\$ 10,491,000</u>	<u>\$ 2,210,098</u>

At June 30, 2014, the Town had bonds authorized but unissued of \$14,500,000 and had a legal debt limit margin of \$285,923,288.

D. Changes in Long-Term Liabilities

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Portion</u>
					<u>of Balance</u>
Governmental activities:					
General obligation bonds	\$ 11,000,000	\$ -	\$ 509,000	\$ 10,491,000	\$ 509,000
Premiums on issuance	113,087	-	5,654	107,433	5,654
Bank loans	3,405,833	-	321,666	3,084,167	321,667
Compensated absences	118,432	125,000	118,432	125,000	125,000
Total	<u>\$ 14,637,352</u>	<u>\$ 125,000</u>	<u>\$ 954,752</u>	<u>\$ 13,807,600</u>	<u>\$ 961,321</u>

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

The ABC Board has no outstanding notes payable as of June 30, 2014.

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

5. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2014, consist of the following:

Due from the General Fund:	
To Unionville Indian Trail Road Capital Project Fund	\$ 15,370
To Chestnut Square Park Project Fund	603,143
To Crooked Creek Park Capital Project Fund	702,947
To Chestnut Extension Capital Project Fund	377,254
Due from Bond Capital Project Fund:	
To General Fund	\$1,282,301
Due from Capital Reserve and Debt Service Fund:	
To General Fund	\$ 34,120

The interfund balances resulted from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to (from) other funds at June 30, 2014, consist of the following:

	General Fund	Bond Capital Project Fund	Crooked Creek Park Capital Project Fund	Chestnut Square Park Capital Project Fund	Non Major Funds	Stormwater Fund
Chestnut Extension Capital Project Fund	\$ 168,686	\$ 656,410	\$ -	\$ -	(\$ 825,096)	\$ -
Chestnut Square Park Capital Project Fund	1,457,982	1,116,876	-	(3,228,217)	503,795	149,564
Crooked Creek Park Capital Project Fund	347,639	2,474,386	(3,241,099)	-	187,882	231,192
Unionville Indian Trail Sidewalk Improvements Capital Project Fund	309,871	-	-	-	(309,871)	-
Capital Reserve and Debt Service Fund	749,113	-	-	-	(749,113)	-
Total – Exhibit 4	\$3,033,291	\$4,247,672	(\$3,241,099)	(\$3,228,217)	(\$1,192,403)	\$380,756

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

Transfers are used to move monies to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Transfers to the Chestnut Square Park Capital Project Fund, Crooked Creek Park Capital Project Fund, Chestnut Extension Capital Project Fund, and Unionville Indian Trail Road Sidewalk Improvements Capital Project Fund are for funding capital needs. Transfers from the Stormwater Fund to the Chestnut Square Park Capital Project Fund and Crooked Creek Park Capital Project Fund are for stormwater related upfits within the capital project. All transfers were one time transfers.

6. Net Investment in Capital Assets

Capital assets, Governmental Activities	\$34,419,092
General obligation bonds	(10,491,000)
Bank loans	(3,084,167)
Unamortized bond premiums	(107,433)
Cash remaining from general obligation bonds	7,207,149
Net investment in capital assets	\$27,943,641

7. 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>\$14,586,411</i>
Less:	
Inventories	4,465
Prepaid Expenditures	427,014
Stabilization by State Statute	1,018,376
Streets-Powell Bill	1,623,799
Committed for Parks	345,599
Committed for Roads	1,607,545
Committed for Hanson Brick	8,000
Appropriated Fund Balance in 2015 Budget	403,650
Fund Balance Policy	2,704,181
Remaining Fund Balance	6,443,782

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>
	\$429,568	\$ -

The Town of Indian Trail, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 and was renewed through June 2017.

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 affect of any of these legal matters will not have a material effect on the Town's financial position.

Contingent Liability

The Town and a vendor are in a dispute regarding satisfactory completion of a project in a timely manner. A third party has calculated that the Town is due approximately \$78,500 in liquidating damages and has deducted this amount from the final payment on the contract. Management has evaluated this liquidating damages and determined that while it is possible that payment will be made, it is not probable. Therefore, no provision has been made in these financial statements for this liability.

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.

VI. Date of Management's Review

Management has evaluated subsequent events through October 29, 2014, 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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Ad valorem taxes		\$ 6,059,695	
Automobile taxes		771,836	
Interest		20,352	
Total	\$ 6,256,865	6,851,883	\$ 595,018
Other taxes and licenses:			
Gross receipts tax vehicle rental		34,968	
Privilege license		112,116	
Total	123,000	147,084	24,084
Unrestricted intergovernmental:			
Local option sales taxes		1,671,220	
Utility franchise tax		1,584,123	
ABC profit distribution		104,500	
Gas tax refund		1,050	
Beer and wine tax		152,081	
Total	2,673,550	3,512,974	839,424
Restricted intergovernmental:			
Powell Bill allocation		808,181	
Solid waste disposal distribution		21,243	
Total	786,200	829,424	43,224
Permits and fees:			
Planning revenue		89,318	
Other		193	
Total	45,000	89,511	44,511
Investment earnings	28,000	28,732	732
Miscellaneous:			
Contributions		5,000	
Other		43,217	
Total	62,955	48,217	(14,738)
Total revenues	9,975,570	11,507,825	1,532,255

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Governing Board			
Salaries and employee benefits		38,333	
Contracted services		-	
Other operating expenditures		7,290	
Total	<u>57,195</u>	<u>45,623</u>	<u>11,572</u>
Administration			
Salaries and employee benefits		240,620	
Contracted services		32,152	
Capital outlay		29,442	
Other operating expenditures		69,209	
Total	<u>640,531</u>	<u>371,423</u>	<u>269,108</u>
Fleet Maintenance			
Other operating expenditures		6,510	
Total	<u>21,555</u>	<u>6,510</u>	<u>15,045</u>
Finance			
Salaries and employee benefits		214,903	
Contracted services		17,000	
Other operating expenditures		104,946	
Total	<u>410,402</u>	<u>336,849</u>	<u>73,553</u>
Tax			
Salaries and employee benefits		110,039	
Contracted services		1,670	
Other operating expenditures		9,973	
Total	<u>124,955</u>	<u>121,682</u>	<u>3,273</u>
Human Resources			
Salaries and employee benefits		106,842	
Contracted services		963	
Other operating expenditures		57,632	
Total	<u>184,670</u>	<u>165,437</u>	<u>19,233</u>
Legal Cost Center			
Contracted services		77,847	
Total	<u>88,300</u>	<u>77,847</u>	<u>10,453</u>
Total general government	<u>1,527,608</u>	<u>1,125,371</u>	<u>402,237</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety:			
Police			
Contracted services		1,578,102	
Other operating expenditures		8,877	
Total public safety	<u>1,753,736</u>	<u>1,586,979</u>	<u>166,757</u>
Transportation:			
Transportation Improvement			
Salaries and employee benefits		127,559	
Street lights		293,106	
Contracted services		35,324	
Capital outlay		7,213	
Other operating expenditures		-	
Total	<u>544,488</u>	<u>463,202</u>	<u>81,286</u>
Engineering			
Salaries and employee benefits		57,186	
Contracted services		350	
Capital outlay		491	
Other operating expenditures		4,110	
Total	<u>85,625</u>	<u>62,137</u>	<u>23,488</u>
Powell Bill			
Salaries and employee benefits		46,840	
Capital outlay		8,450	
Other operating expenditures		86,822	
Total	<u>1,168,390</u>	<u>142,112</u>	<u>1,026,278</u>
Total transportation	<u>1,798,503</u>	<u>667,451</u>	<u>1,131,052</u>
Environmental Protection:			
Contracted services solid waste		1,547,315	
Total environmental protection	<u>1,700,600</u>	<u>1,547,315</u>	<u>153,285</u>
Economic and Physical Development:			
Public Works			
Salaries and employee benefits		84,323	
Capital outlay		19,479	
Other operating expenditures		34,487	
Total	<u>273,933</u>	<u>138,289</u>	<u>135,644</u>
Planning			
Salaries and employee benefits		416,310	
Contracted services		37,363	
Other operating expenditures		20,244	
Total	<u>542,046</u>	<u>473,917</u>	<u>68,129</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Code Enforcement			
Salaries and employee benefits		103,242	
Other operating expenditures		1,448	
Total	<u>144,237</u>	<u>104,690</u>	<u>39,547</u>
Community and Economic Development			
Salaries and employee benefits		166,120	
Contracted services		17,248	
Other operating expenditures		29,646	
Total	<u>294,925</u>	<u>213,014</u>	<u>81,911</u>
Total economic and physical develop	<u>1,255,141</u>	<u>929,910</u>	<u>325,231</u>
Cultural and Recreation:			
Recreation			
Salaries and employee benefits		43,078	
Contracted services		487	
Capital outlay		227,904	
Other operating expenditures		4,549	
Total	<u>423,024</u>	<u>276,018</u>	<u>147,006</u>
Cultural Arts Center			
Other operating expenditures	<u>15,828</u>	<u>11,008</u>	<u>4,820</u>
Total cultural and recreation	<u>438,852</u>	<u>287,026</u>	<u>151,826</u>
Debt Service:			
Principal retirement		830,667	
Interest and other charges		319,613	
Total debt service	<u>1,150,281</u>	<u>1,150,280</u>	<u>1</u>
Total expenditures	<u>9,624,721</u>	<u>7,294,332</u>	<u>2,330,389</u>
Revenue over (under) expenditures	<u>350,849</u>	<u>4,213,493</u>	<u>3,862,644</u>
Other Financing Sources (Uses)			
Transfers to other funds	<u>(4,896,545)</u>	<u>(3,033,291)</u>	<u>1,863,254</u>
Total other financing sources and uses	<u>(4,896,545)</u>	<u>(3,033,291)</u>	<u>1,863,254</u>
Fund balance appropriated	<u>4,545,696</u>	<u>-</u>	<u>(4,545,696)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,180,202</u>	<u>\$ 1,180,202</u>
Fund balances:			
Beginning of year, July 1		<u>13,406,209</u>	
End of year, June 30		<u>\$ 14,586,411</u>	

Town of Indian Trail, North Carolina
Bond 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, 2014

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenue:					
Investment earnings	\$ -	\$ 3,900	\$ 9,552	\$ 13,452	\$ 13,452
Total revenues	-	3,900	9,552	13,452	13,452
Expenditures:					
Debt service	163,000	160,991	-	160,991	2,009
Total expenditures	163,000	160,991	-	160,991	2,009
Revenues over (under) expenditures	(163,000)	(157,091)	9,552	(147,539)	15,461
Other Financing Sources (Uses):					
Proceeds from 2012 General Obligation Bonds	3,000,000	3,000,000	-	3,000,000	-
Proceeds from 2013 General Obligation Bonds	8,113,087	8,113,087	-	8,113,087	-
Transfers to other funds	(10,950,087)	(793,028)	(4,247,672)	(5,040,700)	5,909,387
	163,000	10,320,059	(4,247,672)	6,072,387	5,909,387
Net change in fund balance	\$ -	\$ 10,162,968	(4,238,120)	\$ 5,924,848	\$ 5,924,848
Fund balance:					
Beginning of year, July 1			10,162,968		
End of year, June 30			\$ 5,924,848		

Town of Indian Trail, North Carolina
Crooked Creek Park 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, 2014

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenue:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Capital outlay	5,997,274	255,922	3,241,099	3,497,021	2,500,253
Total expenditures	5,997,274	255,922	3,241,099	3,497,021	2,500,253
Revenues over (under) expenditures	(5,997,274)	(255,922)	(3,241,099)	(3,497,021)	2,500,253
Other Financing Sources (Uses):					
Transfers from other funds	5,997,274	255,922	3,241,099	3,497,021	(2,500,253)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

Town of Indian Trail, North Carolina
Chestnut Square Park 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, 2014

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
Miscellaneous	\$ 25,000	\$ -	\$ 25,000	\$ 25,000	\$ -
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Expenditures:					
Capital outlay	<u>5,283,913</u>	<u>958,969</u>	<u>3,253,217</u>	<u>4,212,186</u>	<u>1,071,727</u>
Total expenditures	<u>5,283,913</u>	<u>958,969</u>	<u>3,253,217</u>	<u>4,212,186</u>	<u>1,071,727</u>
Revenues over (under) expenditures	<u>(5,258,913)</u>	<u>(958,969)</u>	<u>(3,228,217)</u>	<u>(4,187,186)</u>	<u>1,071,727</u>
Other Financing Sources (Uses):					
Transfers from other funds	<u>5,258,913</u>	<u>958,969</u>	<u>3,228,217</u>	<u>4,187,186</u>	<u>(1,071,727)</u>
	<u>5,258,913</u>	<u>958,969</u>	<u>3,228,217</u>	<u>4,187,186</u>	<u>(1,071,727)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</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, 2014

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Stormwater management fee		\$ 1,067,876	
Other revenues		-	
Total revenues		1,067,876	
Non operating revenues:			
Interest		4,898	
Total revenues	\$ 1,018,000	1,072,774	\$ 54,774
Expenditures:			
Administration:			
Administrative expenditures		12,759	
Stormwater operations:			
Salaries and employee benefits		239,445	
Contracted maintenance		41,861	
Capital outlay		8,450	
Total		289,756	
Total expenditures	771,360	302,515	468,845
Revenues over (under) expenditures	246,640	770,259	523,619
Other financing sources (uses):			
Transfers to other funds	(825,091)	(380,756)	444,335
Appropriation of fund balance	578,451	-	(578,451)
Total other financing sources (uses)	(246,640)	(380,756)	(134,116)
Revenues over expenditures and other financing sources (uses)	\$ -	389,503	\$ 389,503
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Capital outlay		8,450	
Depreciation		(18,317)	
Principal payments on debt		-	
Total reconciling items		(9,867)	
Net Income		\$ 379,636	

Town of Indian Trail, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Town Hall Capital Project Fund	Chestnut Extension Capital Project Fund	Unionville Indian Trail Road Sidewalk Improvements Capital Project Fund	Capital Reserve and Debt Service Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,461,003	\$ -	\$ -	\$ 1,531,722	\$ 2,992,725
Due from other funds	-	377,254	15,370	-	392,624
Total assets	\$ 1,461,003	\$ 377,254	\$ 15,370	\$ 1,531,722	\$ 3,385,349
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 377,254	\$ 15,370	\$ -	\$ 392,624
Due to other funds	-	-	-	34,120	34,120
Total liabilities	-	377,254	15,370	34,120	426,744
Fund balances:					
Committed					
Town Hall	1,461,003	-	-	-	1,461,003
Debt service	-	-	-	1,497,602	1,497,602
Total fund balances	1,461,003	-	-	1,497,602	2,958,605
Total liabilities and fund balances	\$ 1,461,003	\$ 377,254	\$ 15,370	\$ 1,531,722	\$ 3,385,349

Town of Indian Trail, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Town Hall Capital Project Fund	Chestnut Extension Capital Project Fund	Unionville Indian Trail Road Sidewalk Improvements Capital Project Fund	Capital Reserve and Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ 445,486	\$ -	\$ 445,486
Investment earnings	3,493	-	-	127	3,620
Total revenues	<u>3,493</u>	<u>-</u>	<u>445,486</u>	<u>127</u>	<u>449,106</u>
Expenditures:					
Transportation	-	825,096	755,357	-	1,580,453
Excess of revenues over (under) expenditures	<u>3,493</u>	<u>(825,096)</u>	<u>(309,871)</u>	<u>127</u>	<u>(1,131,347)</u>
Other Financing Sources (Uses)					
Transfers from other funds	-	825,096	309,871	57,436	1,192,403
Net change in fund balance	3,493	-	-	57,563	61,056
Fund balance - beginning	1,457,510	-	-	1,440,039	2,897,549
Fund balance - ending	<u>\$ 1,461,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,497,602</u>	<u>\$ 2,958,605</u>

Town of Indian Trail, North Carolina
Town Hall 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, 2014

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
Investment earnings	\$ -	\$ 267,033	\$ 3,493	\$ 270,526	\$ 270,526
Total revenues	-	267,033	3,493	270,526	270,526
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)	(83,352)	3,493	(79,859)	920,141
Other Financing Sources (Uses):					
Transfers from other funds	1,000,000	1,540,862	-	1,540,862	540,862
Net change in fund balance	\$ -	\$ 1,457,510	3,493	\$ 1,461,003	\$ 1,461,003
Fund balance:					
Beginning of year, July 1			1,457,510		
End of year, June 30			<u>\$ 1,461,003</u>		

Town of Indian Trail, North Carolina
Chestnut Extension 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, 2014

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Capital outlay	1,861,890	325,608	825,096	1,150,704	711,186
Total expenditures	1,861,890	325,608	825,096	1,150,704	711,186
Revenues over (under) expenditures	(1,861,890)	(325,608)	(825,096)	(1,150,704)	711,186
Other Financing Sources (Uses):					
Transfers from other funds	1,861,890	325,608	825,096	1,150,704	(711,186)
	1,861,890	325,608	825,096	1,150,704	(711,186)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

Town of Indian Trail, North Carolina
Unionville Indian Trail Road Sidewalk Improvements 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, 2014

	Project Authorization	Prior Year	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenue:					
Restricted intergovernmental	\$ 509,776	\$ -	\$ 445,486	\$ 445,486	\$ (64,290)
Investment earnings	-	-	-	-	-
Total revenues	<u>509,776</u>	<u>-</u>	<u>445,486</u>	<u>445,486</u>	<u>(64,290)</u>
Expenditures:					
Capital outlay	1,227,615	7,198	755,357	762,555	465,060
Total expenditures	<u>1,227,615</u>	<u>7,198</u>	<u>755,357</u>	<u>762,555</u>	<u>465,060</u>
Revenues over (under) expenditures	<u>(717,839)</u>	<u>(7,198)</u>	<u>(309,871)</u>	<u>(317,069)</u>	<u>400,770</u>
Other Financing Sources (Uses):					
Transfers from other funds	717,839	7,198	309,871	317,069	(400,770)
	<u>717,839</u>	<u>7,198</u>	<u>309,871</u>	<u>317,069</u>	<u>(400,770)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

**Town of Indian Trail, North Carolina
Capital Reserve and Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue:					
Investment earnings	\$ -	\$ 310	\$ 127	\$ 437	\$ 437
Total revenues	-	310	127	437	437
Expenditures:					
Debt service	1,276,703	-	-	-	1,276,703
Total expenditures	1,276,703	-	-	-	1,276,703
Revenues over (under) expenditures	(1,276,703)	310	127	437	1,277,140
Other Financing Sources (Uses):					
Transfers to/from other funds	1,276,703	1,439,729	57,436	1,497,165	220,462
	<u>1,276,703</u>	<u>1,439,729</u>	<u>57,436</u>	<u>1,497,165</u>	<u>220,462</u>
Net change in fund balance	<u>\$ -</u>	<u>\$1,440,039</u>	57,563	<u>\$ 1,497,602</u>	<u>\$ 1,497,602</u>
Fund balance:					
Beginning of year, July 1			<u>1,440,039</u>		
End of year, June 30			<u>\$ 1,497,602</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, 2014

<u>Fiscal Year</u>	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 6,789,805	\$ 6,688,957	\$ 100,848
2012-2013	169,139	7,720	108,618	68,241
2011-2012	48,567	-	17,939	30,628
2010-2011	35,889	-	9,806	26,083
2009-2010	33,355	-	5,910	27,445
2008-2009	11,964	-	882	11,082
2007-2008	6,780	-	289	6,491
2006-2007	9,660	-	100	9,560
2005-2006	2,001	-	21	1,980
2004-2005	2,082	-	14	2,068
2003-2004	2,111	-	3	2,108
2002-2003	1,683	-	1,683	-
	<u>\$ 323,231</u>	<u>\$ 6,797,525</u>	<u>\$ 6,834,222</u>	<u>\$ 286,534</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 6,851,883
Reconciling items:	
Interest and penalties received	(20,352)
Other adjustments	2,691
Total collections and credits	<u>\$ 6,834,222</u>

Town of Indian Trail, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2014

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 3,670,164,865	0.185	\$ 6,789,805	\$ 6,052,822	\$ 736,983
Total property valuation	<u>\$ 3,670,164,865</u>				
Net levy			6,789,805	6,052,822	736,983
Uncollected taxes at June 30, 2014			<u>(100,848)</u>	<u>(90,722)</u>	<u>(10,126)</u>
Current year taxes collected			<u>\$ 6,688,957</u>	<u>\$ 5,962,100</u>	<u>\$ 726,857</u>
Current levy collection percentage			<u>98.51%</u>	<u>98.50%</u>	<u>98.63%</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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Indian Trail, North Carolina's basic financial statements and have issued our report thereon dated October 29, 2014. Our report includes a reference to other auditors who 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 auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Indian Trail ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

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 29, 2014.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tinsley & Terry, CPAs, P.A.

Tinsley & Terry, CPAs, P.A.
Cornelius, North Carolina
October 29, 2014

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

Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Indian Trail, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Indian Trail's major state programs for the year ended June 30, 2014. The Town of Indian Trail's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of Indian Trail complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Tinsley & Terry, CPAs, P.A.

Tinsley & Terry, CPAs, P.A.
Cornelius, North Carolina
October 29, 2014

Town of Indian Trail, North Carolina
Schedule of State Awards
For the Fiscal Year Ended June 30, 2014

	<u>State/ Pass-through Grantor's Number</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Total Expenditures</u>	<u>Grant Revenue</u>
State Grants:					
Cash Programs:					
N.C. Department of Transportation					
Powell Bill	DOT-4	1,566,063	-	1,566,063	808,181
Total Cash Assistance -State Programs		<u>1,566,063</u>	<u>-</u>	<u>1,566,063</u>	<u>808,181</u>
Total Assistance		<u>\$ 1,566,063</u>	<u>\$ -</u>	<u>\$ 1,566,063</u>	<u>\$ 808,181</u>

Notes to the Schedule of Expenditures of State Awards:

1. The accompanying schedule of expenditures of State awards includes the State grant activity of the Town of Indian Trail and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Reconciliation of Powell Bill expenses reported on this schedule to amounts reported on the Powell Bill report submitted to the State in August 2014.

Total expenditures per Powell Bill Report submitted - Cash Basis	\$ 1,566,063
Total expenditures included in accounts payable at June 30, 2014	936
Total expenditures included in accounts payable at June 30, 2013	(9,137)
Capital Project Funds - Powell Bill expenditures	(1,415,750)
Total Powell Bill Expenditures (Page 33)	<u>\$ 142,112</u>

3. Reconciliation of Powell Bill cash balance to fund balance:

Cash per Powell Bill Report submitted - Cash Basis	\$ 1,568,358
Interfund payables	(24,260)
Accounts payable	(936)
Reimbursements receivable	80,637
Powell Bill Fund Balance, June 30, 2014	<u>\$ 1,623,799</u>

Town of Indian Trail, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

None.

Section IV – State Award Findings and Questioned Costs

None reported.