

***\$8,000,000***  
***Town of Indian Trail, North Carolina***  
***General Obligation Bonds, Series 2013***

BONDS DATED: May 1, 2013

SOLD: April 16, 2013

***CLOSING MEMORANDUM***

*Containing an Index of Closing Documents*

**CLOSING:** Wednesday, May 1, 2013, by mail with documents available at the offices of Parker Poe Adams & Bernstein LLP, 401 South Tryon Street, Suite 3000, Charlotte, North Carolina

**PARTICIPANTS**

<b>TOWN</b>	-	Town of Indian Trail, North Carolina
<b>ORIGINAL PURCHASER</b>	-	Stifel, Nicolaus & Company, Inc.
<b>COUNSEL TO TOWN</b>	-	Hamilton Stephens Steele & Martin, PLLC
<b>BOND COUNSEL</b>	-	Parker Poe Adams & Bernstein LLP

## INDEX OF CLOSING DOCUMENTS

This Transcript should be used in conjunction with the transcript for the issuance of the \$3,000,000 Town of Indian Trail, North Carolina General Obligation Bond, Series 2012 on December 6, 2012 which contains the documents authorizing the Bond Orders adopted by the Town Council on July 12, 2011 related to Street Bonds and Thoroughfare Bonds. This Transcript contains the documents authorizing the Bond Order adopted on June 26, 2012 related to Parks and Recreation Bonds.

The following documents, reports, letters and certificates, executed or conformed, as appropriate, are to be delivered at or before the time of delivery of and payment for the Bonds.

### **I. DOCUMENTS DELIVERED BY OR ON BEHALF OF THE TOWN RELATED TO PARKS AND RECREATION BONDS AUTHORIZATION:**

1. Certified copy of the Resolution directing the publication of notice of intention to apply to the Local Government Commission, with affidavit of publication attached thereto
2. Certified copy of (A) the Resolution authorizing the filing of an Application for Approval of the issuance of the Bonds with the Local Government Commission and (B) the Resolution making certain statements of fact with respect to the Bonds
3. Proceedings relating to the Bond Orders:
  - A. Introduction of the Bond Order and Resolution Calling a Public Hearing thereon
  - B. Affidavit of Publication relating to the Notice of Public Hearing
  - C. Extract of Minutes of Public Hearings and Approval of the Bond Order
  - D. Affidavit of Publication relating to Notice of Adoption of the Bond Order
  - E. Resolution Setting a Special Election and Directing and Approving the Publication of a Notice of Intention to Call for a Referendum
  - F. Affidavits of publication relating to the Referendum
  - G. Resolution Certifying and Declaring the Results of the Special Election and affidavit of publication relating thereto
4. Certified copy of the Sworn Statement of Debt

### **II. DOCUMENTS DELIVERED BY OR ON BEHALF OF THE TOWN RELATED TO BONDS:**

5. Notice of Sale and Bid Form for the Bonds, certified by the Town Clerk
6. Copies of all Bids received for the Bonds, certified by the Finance Director
7. Incumbency Certificate of Town Clerk

8. General and Non-Litigation Certificate of the Town
9. Certificate Concerning Official Statement by the Mayor, the Town Manager and the Finance Director of the Town
10. Certificate of Delivery and Payment as to Bonds
11. Specimen Bond
12. Certified copy of the Bond Resolution providing for the issuance of the Bonds
13. Preliminary Official Statement
14. Executed copy of the Official Statement
15. Arbitrage and Tax Regulatory Certificate
16. Internal Revenue Service Form 8038-G

**III. DOCUMENTS DELIVERED BY OR ON BEHALF OF THE LOCAL GOVERNMENT COMMISSION AT CLOSING:**

17. Certificate relating to the Bonds, including certified copy of proceedings before the Local Government Commission approving the Bonds and other matters
18. Certificate of the Local Government Commission
19. Receipt of Deputy State Treasurer for Bond Proceeds

**IV. DOCUMENTS DELIVERED BY OR ON BEHALF OF THE ORIGINAL PURCHASER:**

20. Receipt of Original Purchaser

**V. MISCELLANEOUS DOCUMENTS:**

21. Letter of Representation to The Depository Trust Company
22. Rating Letters from Moody's Investors Service and Standard & Poor's Ratings Service

**VI. OPINIONS OF COUNSEL:**

23. Opinion of Counsel to the Town
24. Opinion of Bond Counsel

1. Certified copy of the Resolution directing the publication of notice of intention to apply to the Local Government Commission, with affidavit of publication attached thereto
2. Certified copy of (A) the Resolution authorizing the filing of an Application for Approval of the issuance of the Bonds with the Local Government Commission and (B) the Resolution making certain statements of fact with respect to the Bonds
3. Proceedings relating to the Bond Orders:
  - A. Introduction of the Bond Order and Resolution Calling a Public Hearing thereon
  - B. Affidavit of Publication relating to the Notice of Public Hearing
  - C. Extract of Minutes of Public Hearings and Approval of the Bond Order
  - D. Affidavit of Publication relating to Notice of Adoption of the Bond Order
  - E. Resolution Setting a Special Election and Directing and Approving the Publication of a Notice of Intention to Call for a Referendum
  - F. Affidavits of publication relating to the Referendum
  - G. Resolution Certifying and Declaring the Results of the Special Election and affidavit of publication relating thereto
4. Certified copy of the Sworn Statement of Debt

[ON FILE WITH BOND COUNSEL]

**CERTIFICATE AS TO NOTICE OF SALE AND BID FORM FOR BONDS**

I, Peggy S. Piontek, Town Clerk of the Town of Indian Trail, North Carolina (the "*Town*"), *DO HEREBY CERTIFY* that attached hereto is a true and correct copy of the Notice of Sale and Bid Form relating to \$8,000,000 aggregate principal amount of the Town's General Obligation Bonds, Series 2013, which were presented at the meeting of the Town Council duly called and held on March 26, 2013 and which is in the form approved by said Town Council by resolution duly adopted at said meeting.

*WITNESS* my hand as of the 1st day of May, 2013.

---

Town Clerk  
Town of Indian Trail, North Carolina

**CERTIFICATE AS TO BIDS RECEIVED FOR BONDS**

I, Marsha G. Sutton, Finance Director of the Town of Indian Trail, North Carolina (the "*Town*"), *DO HEREBY CERTIFY* that attached hereto is a true and correct copy of all bids received at 11:00 a.m., North Carolina Time, April 16, 2013, at the office of the Local Government Commission in Raleigh, North Carolina or via BiDCOMP/PARITY, relating to \$8,000,000 aggregate principal amount of the Town's General Obligation Bonds, Series 2013.

*WITNESS* my hand as of the 1st day of May, 2013.

---

Finance Director  
Town of Indian Trail, North Carolina

**INCUMBENCY CERTIFICATE OF THE TOWN CLERK  
OF THE TOWN OF INDIAN TRAIL, NORTH CAROLINA**

I, PEGGY S. PIONTEK, Town Clerk of the Town of Indian Trail, North Carolina (the "Town"), *DO HEREBY CERTIFY*, as follows:

1. At all times from March 26, 2013 to the date hereof, each of the persons who were members of the Town Council was elected to such office and the term to which such persons were elected has not expired.

2. Michael Alvarez serves as Mayor of the Town.

3. Joseph A. Fivas is the Town Manager of the Town, having been appointed to such office by the Town Council of the Town for a term of office expiring at the pleasure of the Town Council.

4. Marsha G. Sutton is the Finance Director of the Town, having been appointed to such office by the Town Manager of the Town for a term of office expiring at the pleasure of the Town Manager.

5. The undersigned, Peggy S. Piontek, has served as Town Clerk, having been appointed to such office by the Town Council of the Town for a term of office expiring at the pleasure of the Town Manager.

6. Each of the persons hereinabove described, prior to the beginning of his or her respective term of office, duly qualified for his or her office by taking the oath prescribed by law, and, where required by law, by giving an official bond, complying with all legal requirements. None of such persons has died and none of such persons has resigned his or her office.

7. None of the persons hereinbefore named has held or executed any office or place of trust or profit under the United States, or any department thereof, or under the State of North Carolina, or under any other State or government at the time or since his or her election or appointment to the respective office to which he or she was elected or appointed as hereinabove stated, except the respective office to which he or she was elected or appointed as hereinabove stated.

8. The seal, an impression of which appears below, is the official corporate seal of the Town. Such seal is the legally adopted, proper and only seal of the Town.

*IN WITNESS WHEREOF*, I have hereunto set my hand and the seal of the Town, as of the 1st day of May, 2013.

[SEAL]

---

Town Clerk  
Town of Indian Trail, North Carolina

## GENERAL AND NON-LITIGATION CERTIFICATE

*WE*, the undersigned, acting on behalf of the Town of Indian Trail, North Carolina (the "*Town*"), created and existing under the laws of the State of North Carolina, *DO HEREBY SEVERALLY CERTIFY*, as follows:

1. We are on the date of this Certificate the duly chosen, qualified and acting officers of the Town as indicated below. Neither the corporate existence of the Town nor the title of any of us to our respective offices is being contested.

2. Acting pursuant to authority given to us by proceedings taken by the Town for that purpose, we have duly executed \$8,000,000 of the Town's General Obligation Bonds, Series 2013 (the "*Bonds*"), consisting of bonds registered as to principal and interest, dated May 1, 2013 and maturing and bearing interest as described therein.

3. No litigation of any nature is now pending or, to our knowledge, threatened, to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon or in any manner questioning the validity of the statutes authorizing the Bonds or the authority or proceedings under which the Bonds are issued, or authorizing the levy or collection of such taxes.

4. The Town has authorized by all necessary action the issuance and delivery of the Bonds and has duly executed and delivered the Bonds to the original purchaser thereof. The Town has authorized by all necessary action the execution, delivery, receipt and due performance of the transactions contemplated in the Bonds and the Official Statement related to the Bonds dated April 16, 2013.

*IN WITNESS WHEREOF*, we have hereunto set our hands and have caused this certificate to be delivered, as of the 1st day of May, 2013.

	<u>OFFICE</u>	<u>SIGNATURE</u>
Michael Alvarez	Mayor	_____
Peggy S. Piontek	Town Clerk	_____
Marsha G. Sutton	Finance Director	_____

*I HEREBY CERTIFY* that I know the persons whose signatures appear above and that I am familiar with their signatures, and that I have examined their signatures on this Certificate and that such signatures are genuine and that said persons are officers of the Town as stated in said Certificate.

**TOWN OF INDIAN TRAIL, NORTH CAROLINA**

By: \_\_\_\_\_  
Joseph A. Fivas  
Town Manager

Dated: May 1, 2013

**TOWN CERTIFICATE CONCERNING OFFICIAL STATEMENT**

The undersigned, Michael Alvarez, Joseph A. Fivas and Marsha G. Sutton, being the Mayor, Town Manager and Finance Director, respectively, of the Town of Indian Trail, North Carolina (the "Town"), *DO HEREBY SEVERALLY CERTIFY*, as follows:

1. We have assisted the Local Government Commission of North Carolina (the "LGC") in gathering and assembling the information contained in the Preliminary Official Statement dated April 5, 2013, together with the Final Official Statement dated April 16, 2013 (collectively, the "Official Statement"), distributed by the LGC to prospective bond purchasers in connection with the issuance of \$8,000,000 aggregate principal amount of the Town's General Obligation Bonds, Series 2013 (the "Bonds"). We have examined and are familiar with the contents of the Official Statement, a true and correct copy of which is included in the transcript of which this Certificate forms a part.

2. To the best of our knowledge, the Official Statement did not, as of its date and as of the sale date, and does not, as of the date of this Certificate, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which the Official Statement is to be used or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

*IN WITNESS WHEREOF*, we have hereunto set our hands, as of the 1st day of May, 2013.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Town Manager

\_\_\_\_\_  
Finance Director

**CERTIFICATE OF DELIVERY AND PAYMENT AS TO BONDS**

I, Marsha G. Sutton, Finance Director of the Town of Indian Trail, North Carolina (the "Town"), DO HEREBY CERTIFY as follows:

1. On the 1st day of May, 2013, the Town officially issued and signed its General Obligation Bonds, Series 2013 (the "Bonds"), being fully registered bonds without coupons in denominations of \$5,000 each or any integral multiple thereof, in the aggregate principal amount of \$8,000,000, dated May 1, 2013, which shall mature, consistent with the bid resulting in the lowest true interest cost to the Town, on May 1 of the years and in the amounts and bear interest as follows:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2014	\$405,000	2.00%	2024	\$405,000	2.00%
2015	405,000	1.50	2025	405,000	2.00
2016	405,000	1.50	2026	400,000	2.00
2017	405,000	1.50	2027	400,000	2.00
2018	405,000	1.50	2028	400,000	2.00
2019	405,000	1.50	2029	400,000	2.25
2020	405,000	1.50	2030	400,000	2.375
2021	405,000	1.75	2031	400,000	2.50
2022	405,000	1.75	2032	400,000	2.50
2023	345,000	1.75	2033	400,000	2.625

The Bonds have this day been delivered to Stifel, Nicolaus & Company, Inc., on payment of the purchase price thereof as follows:

Par Amount of Bonds	\$8,000,000.00
Plus Premium Bid	71,964.75
Less Bid Check	<u>(160,000.00)</u>
Total Amount Paid	<u>\$7,911,964.75</u>

2. The proceeds of the Bonds have been deposited pursuant to the Resolution of the Town adopted March 26, 2013.

WITNESS my hand this 1st day of May, 2013.

**TOWN OF INDIAN TRAIL, NORTH CAROLINA**

\_\_\_\_\_  
Finance Director

11. Specimen Bond
12. Certified copy of the Bond Resolution providing for the issuance of the Bonds
13. Preliminary Official Statement
14. Executed counterpart of the Official Statement
15. Arbitrage and Tax Regulatory Certificate
16. Internal Revenue Service Forms 8038-G

[TO BE FURNISHED BY BOND COUNSEL AT CLOSING]

17. Certificate relating to the Bonds, including certified copy of proceedings before the Local Government Commission approving the Bonds and other matters
18. Certificate of the Local Government Commission
19. Receipt of Deputy State Treasurer for Bond Proceeds

[TO BE FURNISHED BY THE LOCAL GOVERNMENT COMMISSION AT CLOSING]

**RECEIPT OF ORIGINAL PURCHASER FOR BONDS**

The undersigned, **STIFEL, NICOLAUS & COMPANY, INC.**, as the purchaser of \$8,000,000 aggregate principal amount of the Town of Indian Trail, North Carolina General Obligation Bonds, Series 2013 (the “*Bonds*”), dated May 1, 2013, and bearing interest and maturing on the dates and in the amounts set forth in the bid of **STIFEL, NICOLAUS & COMPANY, INC.**, submitted to the Local Government Commission on April 16, 2013 hereby acknowledges receipt on this date of the Bonds by The Depository Trust Company, for the account of **STIFEL, NICOLAUS & COMPANY, INC.**.

Dated: May 1, 2013

**STIFEL, NICOLAUS & COMPANY, INC.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

21. Letter of Representation to The Depository Trust Company

[TO BE FURNISHED BY BOND COUNSEL AT CLOSING]

22. Rating Letters from Moody's and S&P

[TO BE FURNISHED BY THE TOWN AT CLOSING]

[Letterhead of Town Attorney]

May 1, 2013

Town of Indian Trail, North Carolina  
Indian Trail, North Carolina

Parker Poe Adams & Bernstein LLP  
Charlotte, North Carolina

**\$8,000,000**  
***Town of Indian Trail, North Carolina***  
***General Obligation Bonds, Series 2013***

Ladies and Gentlemen:

We have acted as counsel to the Town of Indian Trail, North Carolina (the "*Town*") in connection with the issuance and sale of \$8,000,000 aggregate principal amount of its General Obligation Bonds, Series 2013 (the "*Bonds*"), under the terms of a Resolution adopted on March 26, 2013 (the "*Resolution*") by the Town Council of the Town (the "*Town Council*") which authorized the issuance of the Bonds by the Town pursuant to and under the provisions of Sections 159-43 *et seq.*, General Statutes of North Carolina (the "*Act*").

In such capacity, we have examined the following:

(a) The Act;

(b) Certified copies of (i) bond orders adopted by the Town Council on July 12, 2011, each of which was approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 8, 2011, (ii) the bond order adopted by the Town Council on June 26, 2012, approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 6, 2012 (collectively, the "*Bond Orders*") and (iii) the Bond Resolution;

(c) An executed copy of the Preliminary Official Statement dated April 5, 2013, together with the Final Official Statement dated April 16, 2013 (collectively, the "*Official Statement*") distributed by the Local Government Commission in connection with the issuance and sale of the Bonds; and

(d) Such other laws, documents, instruments, proceedings and opinions as I deemed relevant in rendering this opinion.

From such examination, we are of the opinion that:

1. The Town is a municipal corporation duly organized and existing under the Constitution and laws of the State of North Carolina.

2. The Town has the power and authority to adopt the Bond Orders and the Resolution. The Bond Orders and the Resolution have been duly adopted by the Town, are in full force and effect and have not been amended, altered or repealed as of the date hereof.

3. The Town has full legal right, power and authority to issue, sell and deliver the Bonds, and the Bonds have been duly and validly authorized and issued in accordance with the laws of the State of North Carolina, including the Act. The Bonds are legal, valid and binding obligations of the Town enforceable in accordance with their terms and the terms of the Resolution, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting generally the enforcement of creditors' rights heretofore or hereinafter enacted or by equitable principles. The Bonds are general obligations of the Town.

4. All consents, approvals or authorizations of any governmental entity and all filings required on the part of the Town in connection with the issuance of the Bonds and the consummation of the transactions contemplated by the Official Statement have been obtained and are in full force and effect.

5. To the best of our knowledge, after reasonable investigation, there is no action, suit, proceeding or governmental investigation at law or in equity before or by any court, public board or body, pending of which the Town has been served with a summons, summons and complaint or other notice of commencement, or threatened against the Town, either (a) to restrain or enjoin the issuance or delivery of the Bonds or (b) to question in any manner the authority of the Town to issue, or the issuance or validity of any proceedings authorizing the Bonds or the levy or collection of taxes to pay the Bonds, nor is the existence or boundaries or the title of any of the officers of the Town to their respective offices being contested. There is no litigation of any nature now pending or threatened by or against the Town wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Town or adversely affect the power of the Town to levy, collect and enforce the collection of taxes or other revenues for the payment of the Bonds or any other bonds which has not been disclosed in the Official Statement.

6. The Town has duly consented to the use of the Town's financial statements in the Official Statement, and the information in the Official Statement with respect to the Town is correct in all material respects and does not omit any matter necessary in order to make the statements made therein regarding such matters, in the light of the circumstances in which such statements are made, not misleading.

Respectfully submitted,

[Letterhead of Bond Counsel]

May 1, 2013

Town of Indian Trail, North Carolina  
Indian Trail, North Carolina

*Town of Indian Trail, North Carolina  
General Obligation Bonds  
Series 2013*

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the Town of Indian Trail, North Carolina (the "*Town*") of \$8,000,000 aggregate principal amount of its General Obligation Bonds, Series 2013 (the "*Bonds*").

The Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the Bond Resolution adopted by the Town Council of the Town (the "*Town Council*") on March 26, 2013 (the "*Bond Resolution*").

In connection with the issuance of the Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- a. Certified copies of (i) bond orders adopted by the Town Council on July 12, 2011, each of which was approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 8, 2011, (ii) the bond order adopted by the Town Council on June 26, 2012, approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 6, 2012 and (iii) the Bond Resolution;
- b. A specimen Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the "*State*"), including The Local Government Bond Act, Sections 159-43 *et seq.*, of the General Statutes of North Carolina.

2. The Bonds are legal, valid and binding general obligations of the Town. The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

3. The Town has pledged its faith and credit for the payment of the principal of and the interest on the Bonds, and the Town is authorized to levy on all real property taxable by the Town such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Town comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Town has designated the Bonds as a "*qualified tax-exempt obligation*" under Section 265(b)(3) of the Code, and in the case of certain financial institutions (within the meaning of 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to the interest on the Bonds.

6. The interest on the Bonds is exempt from State of North Carolina income taxation.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, and documents and proceedings.

Respectfully submitted,

**PARKER POE ADAMS & BERNSTEIN LLP**

Ratings:  
Moody's: Aa2  
S&P: AA+  
(See "Ratings" herein)

**NEW ISSUE—Book-Entry Only**

*This Official Statement has been prepared by the Local Government Commission of North Carolina and the Town of Indian Trail, North Carolina to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.*

**\$8,000,000**

**Town of Indian Trail, North Carolina**  
**General Obligation Bonds, Series 2013**

**Dated: Date of Delivery**

**Due: As shown on inside cover page**

*Tax Exemption*

In the opinion of Parker Poe Adams & Bernstein LLP Bond Counsel, under existing law the interest on the Bonds (1) is excludable from gross income for federal income tax purposes, (2) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) is exempt from State of North Carolina income taxation. See "TAX STATUS" herein.

*Redemption*

The Bonds are subject to optional redemption at the times and prices as set forth herein.

*Security*

The Bonds constitute general obligations of the Town, secured by a pledge of the faith and credit and taxing power of the Town.

*Interest Payment Dates*

May 1 and November 1, commencing November 1, 2013.

*Denominations*

\$5,000 or any integral multiple thereof.

*Expected Closing/Settlement*

May 1, 2013

*Bond Counsel*

Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina

*Financial Advisor*

Davenport & Company LLC, Raleigh, North Carolina

*The date of this Official Statement is April 16, 2013*

## MATURITY SCHEDULE

### \$8,000,000 General Obligation Bonds, Series 2013

#### Due May 1 of the Year Indicated

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>1</sup></u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>1</sup></u>
2014	\$405,000	2.00%	0.20%	2024	\$405,000	2.00%	1.70% <sup>2</sup>
2015	405,000	1.50	0.30	2025	405,000	2.00	1.80 <sup>2</sup>
2016	405,000	1.50	0.45	2026	400,000	2.00	1.90 <sup>2</sup>
2017	405,000	1.50	0.55	2027	400,000	2.00	2.00
2018	405,000	1.50	0.75	2028	400,000	2.00	2.10
2019	405,000	1.50	0.95	2029	400,000	2.25	2.30
2020	405,000	1.50	1.15	2030	400,000	2.375	2.40
2021	405,000	1.75	1.35	2031	400,000	2.50	2.50
2022	405,000	1.75	1.50	2032	400,000	2.50	2.60
2023	345,000	1.75	1.60	2033	400,000	2.625	2.65

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<sup>1</sup>Information obtained from underwriters of the Bonds.

<sup>2</sup>Yield to the May 1, 2023 call date at 100%.

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TOWN OF INDIAN TRAIL, NORTH CAROLINA

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TOWN COUNCIL

Michael Alvarez ..... Mayor

David Cohn ..... Mayor Pro-Tempore

Robert Allen

Chris King

David Waddell

Darlene Luther

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TOWN STAFF

Joseph Fivas ..... Town Manager

Marsha Sutton ..... Finance Director

Keith Merritt ..... Town Attorney

Peggy Piontek ..... Town Clerk

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Financial Advisor

Davenport & Company LLC  
Charlotte, North Carolina

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Bond Counsel

Parker Poe Adams & Bernstein LLP  
Charlotte, North Carolina



STATE OF NORTH CAROLINA  
**DEPARTMENT OF STATE TREASURER**

State and Local Government Finance Division  
and the Local Government Commission

JANET COWELL  
TREASURER

T. VANCE HOLLOMAN  
DEPUTY TREASURER

**INTRODUCTION**

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the purchase of \$8,000,000 General Obligation Bonds, Series 2013 (the "Bonds"), of the Town of Indian Trail, North Carolina (the "Town").

The information furnished herein includes a brief description of the Town and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The Town has assisted the Local Government Commission of North Carolina (the "Commission") in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date hereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). In accordance with the requirements of the Rule, the Town has agreed in a resolution adopted by the Town Council of the Town to certain continuing disclosure obligations. See the caption "Continuing Disclosure" herein.

**THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA**

The Commission, a division of the Department of State Treasurer, State of North Carolina (the "State"), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A to this Official Statement contains additional information concerning the Commission and its functions.

**THE BONDS**

**Description**

The Bonds will be dated their date of delivery and will bear interest from their date. Interest on the Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2013. The Bonds will mature, subject to the optional redemption provisions set forth below, on the dates set forth on the inside cover page of this Official Statement.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and in accordance with the practices and procedures of DTC. See Appendix E hereto for a description of the book-entry system and DTC.

## **Redemption Provisions**

The Bonds maturing on or before May 1, 2023 are not subject to redemption before maturity. The Bonds maturing on or after May 1, 2024 are subject to redemption prior to maturity at the option of the Town, from any moneys that may be made available for purpose, either in whole or in part on any date on or after May 1, 2023, at the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption, without a premium. If less than all of the Bonds are called for redemption, the Town shall select the maturity or maturities of the Bonds to be redeemed in such manner as the Town in its discretion may determine and DTC and its participants shall determine which of the Bonds within a maturity are to be redeemed by lot provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or integral multiples thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by \$5,000.

Notice of redemption shall be given by the Town, not less than 30 days nor more than 60 days before the redemption date by certified or registered United States mail to DTC (or as otherwise may be permitted by DTC's rules and procedures). The Town will not be responsible for sending or mailing notice of redemption to anyone other than DTC, its nominee or another securities depository unless no qualified securities depository is the registered owner of the Bonds.

## **Authorizations and Purposes**

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina. The Bonds are to be issued pursuant to bond orders adopted by the Town Council of the Town (the "Town Council") on July 12, 2011 and May 22, 2012 respectively, which were approved by the vote of a majority of the voters who voted thereon at referenda duly called and held on November 8, 2011 and November 6, 2012 respectively. Terms of the Bonds were established in a resolution duly adopted by the Town Council on March 26, 2013 (the "Bond Resolution"). The Bonds are being issued to finance the capital costs of various Town street and sidewalk improvements and parks and recreation improvements.

## **Security**

The Town is authorized and required by law to levy on all property taxable by the Town such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

## **THE TOWN**

### **General Description**

The Town incorporated in 1907 and located in the Union County (the "County"), can trace its beginnings to the 1750's and the establishment of a trade route between Virginia and the Waxhaw Indian settlement. The economy evolved from a trading and gold mining community to an agriculture and transportation hub with the development of the railroad in the 1870's. Since the suburban trend emerged, the Town has experienced residential growth as the Town's population has grown from 2,400 in 1990 to approximately 33,500 according to the 2010 Census report. In a study performed by the UNC Charlotte Urban Institute, the Town was named the 9<sup>th</sup> fastest growing city in the nation and the fastest growing city within the State and the County. The County ranked 13<sup>th</sup> in the nation for growth and was recognized in 2009 by CNNMoney "Where the Jobs Are" for being one of the fastest growing areas for job growth from 2000-2008 at a rate of 57.5%.

In 2009, the Town was named a U.S. Top Ten "Best Places for Families," by Family Circle Magazine, in which the Town received high marks for affordable housing, neighborhoods, substantial green space, and schools. In 2011 CNN published a story which highlighted the growth in the Town. The Town is less than 20 miles from the City of Charlotte, where residents have access to professional and college sports, dining, shopping, museums and other amenities of a larger city. The Town is approximately 22 miles from Charlotte Douglas International Airport which is the sixth busiest airport in the world by takeoffs and landings and the twenty-fifth busiest airport in the world by passengers. The Town is also minutes away from a regional airport, Charlotte-Monroe Airport, and has instant access to US Highway 74 and Interstate 485 business loop. Two higher education institutions border the Town, South Piedmont Community College and Central Piedmont Community College.

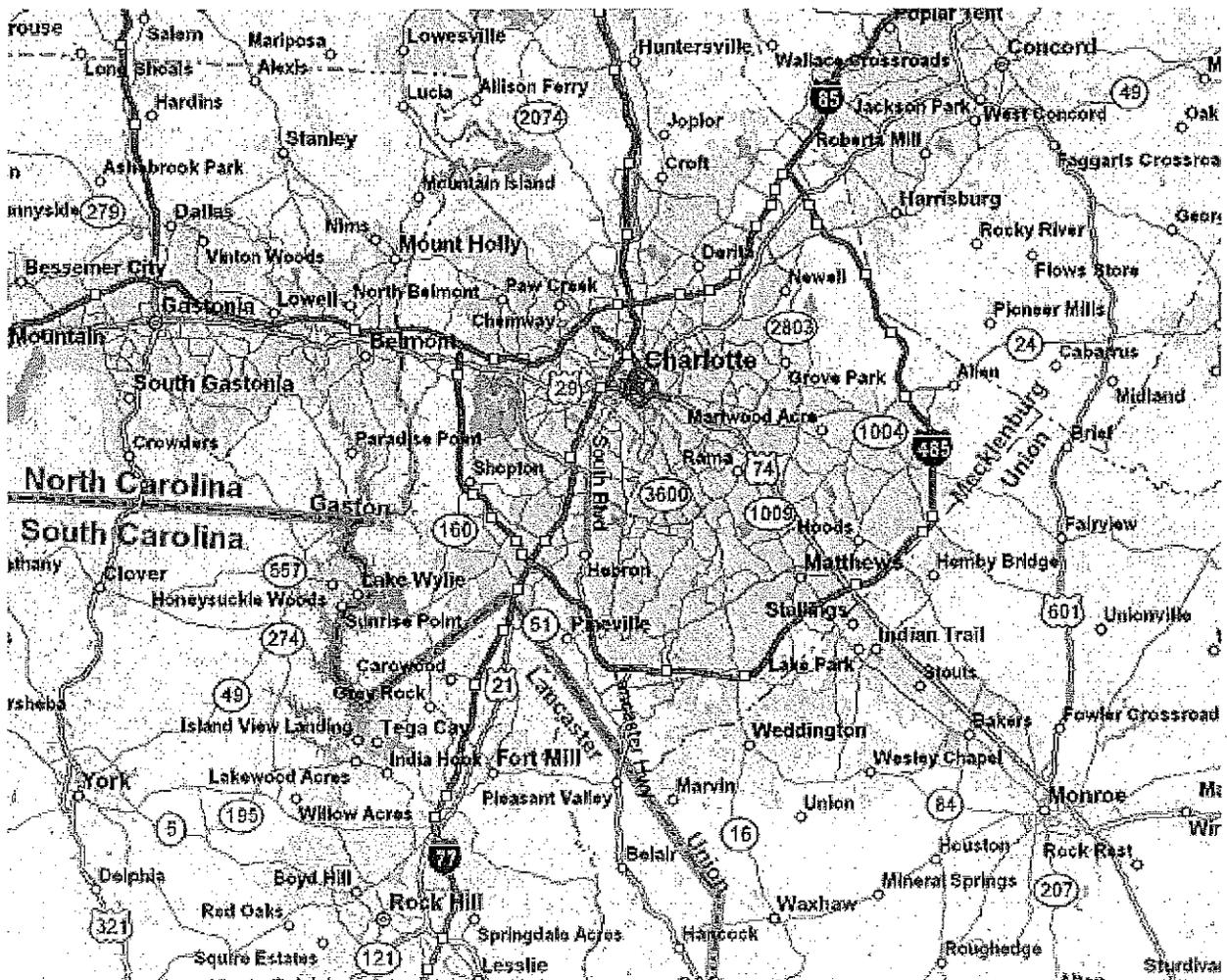
The Town works in partnership with local civic organizations and community businesses to foster orderly growth and offer a variety of local activities including festivals, events and concerts throughout the year in Crossing Paths Park, which opened in May of 2011.

20 plus Square Miles in Indian Trail

Distance from Indian Trail:

New York, New York 637 miles

Washington, DC 409 miles



## Demographic Characteristics

According to the United States Department of Commerce, Bureau of the Census, the population of the Town has been recorded as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>
2,400	11,749	33,518

The North Carolina Office of State Budget and Management have estimated the 2011 population of the Town to be 34,308.

Per capita income data for the County and the State are presented in the following table:

<u>Year</u>	<u>County<sup>1</sup></u>	<u>State</u>
2006	\$32,570	\$33,373
2007	33,641	34,761
2008	34,470	35,741
2009	33,003	34,147
2010	34,184	35,007

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<sup>1</sup>Separate data for the Town are not available.

Source: United States Department of Commerce, Bureau of Economic Analysis.

## Commerce and Industry

Located on the southeastern side of the Charlotte Metropolitan Statistical Area (MSA), the Town is less than 20 miles from Charlotte. With US Highway 74 bisecting the community, Town residents have direct access to the eastern coastline which holds the port of Wilmington, North Carolina or the western side of the state which holds the Blue Ridge Mountains. Both areas are approximately a 2.5 to 3 hour drive from the Town. The Town is about 1.5 miles from the Interstate 485 loop which accesses Interstate 77 to the South or Interstate 85 to the North. The Town benefits from its location in the MSA and close proximity to Charlotte, but is also considered a halfway point between the Atlanta, GA and Washington DC markets as well. The Town is also approximately a 3.5 hour drive from the port of Charleston, SC which has the deepest channels in the South Atlantic. This port also is the only port with a next-generation harbor deepening project underway in preparation for the Panama Canal's expansion in 2014.

The Town's economy and jobs range from corporate headquarters, manufacturing, governmental and retail. The Town is actively targeting the technology and R&D sectors with a proposed 400 plus acre technology park which will sit at the entrance of the Town. The business park is expected to include a recreational park, proposed hotel, restaurants, shopping and multi-family housing.

The Town has recently created a Community and Economic Development Department to work with local businesses and community leaders to chart an economic course and economic development strategy for the Town.

In addition, the Town began efforts at multi-jurisdictional collaboration to further economic development efforts with the nearby towns of Stallings, Matthews and Mint Hill. Town leaders and key staff members are part of a committee charged with the task of looking at the benefits that can be obtained by the four towns working together toward common goals. These goals could include balancing a local tax base, recruiting new businesses with joint marketing efforts, pooling resources together whether it is financial or service oriented, and sharing of land, infrastructure and development costs.

Small business is still a major part of the Town's economy. In 2012, Stone Movie Theatre Complex opened in the Sun Valley Commons commercial district. The theatre anchors a 53 acre mixed-use development with investment totaling close to \$60 million and will create up to 500 jobs for the area when completely built out. Stone Theatre is a state of the art movie theatre with 14 screens and over 2,800 seats. Fisher Textiles recently relocated and expanded with a new 30,000 square foot building and 30 employees. Carolina Courts, which specializes in volleyball and basketball, is expanding its business to 48,000 square feet with an investment of \$5 million and 20 jobs. Parks Heating and Cooling has recently moved into a 20,000+ square foot building bringing 70 jobs with them.

The Town is a Southeastern regional youth and amateur sports destination. The Town's two largest sporting venues are Extreme Ice Center and Carolina Courts. Extreme Ice Center, at 87,000 square feet, is a hockey and ice-skating facility which attracts approximately 200,000 people a year domestically and internationally. It also serves as the practice facility for the minor league AHL Charlotte Checkers Hockey Team. Recent events have included Special Olympics, Paralympics, and USA Hockey Sled Cup Championship. Carolina Courts also attracts approximately 200,000 visitors each year with events ranging from AAU tournaments to specialized camps/workshops for all ages.

Downtown Indian Trail is an area of diverse culture with a variety of community activity. The Town had the opening of its first Cultural Arts Center in 2012. The center hosts local artist displays and shows. Along with craft events and other cultural workshops, the center has been a boost to the local artist scene and has encouraged local businesses to contribute time and money to help with children's events and social events for the community. The 12,000 square foot Union West Public Library, located in downtown Indian Trail, opened to the public in 2002 and currently holds over 28,000 items. Also located in the downtown area are the Town's government offices, public works facility and civic building.

The following table lists by corporate name, service or product, and approximate number of employees the top manufacturing and non-manufacturing employers in the Town:

<u>Company or Institution</u>	<u>Service or Product</u>	<u>Number of Employees (approx.)</u>
<i>Manufacturing</i>		
Harris Teeter Distribution	Grocery	400
Hanson Brick	Brick supplier	200
Berry Plastics	Containers/Packaging	180
RSC Chemical Solutions	Cleaners/Lubricants	170
<i>Non-Manufacturing</i>		
Walmart	Retail	500
Sun Valley Schools (Elem, Middle, High)	Education	250
Porter Ridge Schools (Elem, Middle, High)	Education	250
Area Elementary Schools (6)	Education	230
Lowe's Home Improvement	Retail	175

Construction activity in the Town for the five calendar years ended December 31, 2012 is indicated by the building permit data in the following table:

Calendar Year	<i>Commercial</i>			<i>Residential</i>		Total Permits Issued	Combined Value
	Number of Permits	Value	Number of Permits	Value			
2008	22	\$27,588,139	338	\$44,384,933	360	\$71,973,072	
2009	7	6,982,682	219	20,743,900	226	27,726,582	
2010	5	1,779,889	214	18,288,808	219	20,068,697	
2011	8	12,968,357	215	20,360,726	223	33,329,083	
2012	9	4,450,474	275	30,171,316	284	34,621,790	

Source of Information – Union County Building Department

Residential Development does not include mobile homes

Total taxable sales in the County for the five fiscal years ended June 30, 2008 through 2012 and the six-month period ended December 31, 2012 are shown in the following table:

Fiscal Year Ended or Ending <u>June 30</u>	Total Taxable Sales	Increase (Decrease) Over Previous Year
2008	\$1,200,307,872	(1.4)%
2009	1,162,890,543	(3.1)
2010	1,071,443,605	(7.9)
2011	1,122,433,771	4.8
2012	1,197,951,434	6.7
2013 (6 mos.) <sup>1</sup>	640,342,150	—

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

<sup>1</sup>The comparative taxable sales for the six-month period ended December 31, 2011 totaled \$621,491,886.

### Employment

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the County<sup>1</sup> to be as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>		<u>2010</u>	<u>2011</u>	<u>2012</u>
January	11.4%	10.0%	9.0%	8.6%	July	10.1%	9.7%	8.6%
February	11.6	9.7	8.9	N/A	August	9.5	9.4	8.3
March	11.0	9.1	8.3	N/A	September	9.0	9.1	7.6
April	10.3	8.9	7.7		October	9.2	9.2	7.4
May	10.0	9.0	8.0		November	9.7	8.9	7.8
June	10.1	9.6	8.6		December	9.4	9.0	8.1

<sup>1</sup>Separate data for the Town is not available.

### Government and Major Services

#### GOVERNMENT STRUCTURE

The Town has a council-manager form of government. The Indian Trail Town Council is comprised of one Mayor and five (5) Council members. Council members are elected by the residents of Indian Trail in November of an election year. Each position serves for four years and the individual member terms are staggered.

The Mayor and Town Council formulate policy for the administration of the Town. The Council appoints the Town Manager to serve as the town's Chief Administrative Officer. The Town Manager is responsible for implementing the policies of the Council, directing business and administrative procedures, and appointing departmental managers. At the present time, the Town Manager is assisted by the Town Clerk, and eight departments: Tax Department, Human Resources

Department, Parks & Recreation Department, Community & Economic Development Department, Planning and Neighborhood Services Department, Engineering and Public Works Department, GIS and IT Services Department, and Finance Department.

EDUCATION

Students within the Town are served by the Union County Public School System (the "School District"). The responsibility for the organization and administration of the public school system is primarily a State function which is supplemented by the counties. North Carolina law provides a basic minimum educational program for each school administration unit or district. Counties are responsible for capital improvements, maintenance of physical plant, instructional supplies and insurance.

The School District operates sixteen schools that serve the students in the Town. Ten are classified as elementary, three are middle schools, and three are high schools. Additionally, residents also have the option of several state authorized charter schools in the area. The Town has no financial responsibility for schools.

The School District is governed by a separately elected, non-partisan Board of Education made up of nine members which serves as the policy-making authority for the school district. The board appoints a superintendent, who is the chief executive officer with administrative responsibility for the School District.

In addition to receiving appropriations from state, federal and county sources, the School District has independent tax levying authority however does not levy any taxes at this time. The following table illustrates the number of schools, and school enrollment, by average daily membership ("ADM"), for the School District for the five most recent school years:

Elementary Grades			Middle Grades		Secondary Grades		Combined ADM
School Year	Number	ADM	Number	ADM	Number	ADM	
2008-09	9	6283	3	4042	3	4484	14,809
2009-10	10	6261	3	3560	3	4045	13,866
2010-11	10	6305	3	3514	3	4064	13,883
2011-12	10	6366	3	3640	3	4124	14,130
2012-13	10	6187	3	3834	3	4133	14,154

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

The area is also served by two community colleges, the Old Charlotte Highway Campus of South Piedmont Community College ("SPCC") located at the Town's jurisdictional boundary with the City of Monroe, and the Levine Campus of Central Piedmont Community College ("CPCC") located approximately one mile from our northern jurisdictional boundary. Both community colleges are part of the North Carolina Community College System with multiple locations. SPCC, with an enrollment of approximately 12,084 students, offers adult basic skill program, college credit programs, continuing education programs, and trains many workers for local industries. CPCC has an enrollment of more than 12,000 students offering basic adult skill programs and continuing education as well as specialized programs such as the Joe Hendrick Center for Automotive Technology.

## TRANSPORTATION

The Town is situated in the presence of a strong transportation network being centrally traversed by U.S. Highway 74, CSX Rail, and Interstate 485 to the northwest, North Carolina Highway 218 to the northeast, North Carolina Highway 84 to the southwest, and North Carolina Highway 200 to the southeast.

There are approximately 190 linear miles of paved streets in the Town. The Town and state maintain 100 miles and 55 miles, respectively, while the remaining 35 miles are privately maintained streets. Major expansion, improvement, and maintenance of primary and secondary highway thoroughfares are the responsibility of the State, but the Town has participated in the construction and improvement of many state maintained roads over the past several years.

The Town is approximately a 22 mile drive to Charlotte Douglas International Airport which ranks 6th in number of flights in the world. It is served by 10 different airlines with 138 non-stop destinations including both national and international locations. U.S. Airways maintains an operational hub at the airport. CSX Rail operates an intermodal freight terminal at the airport and provides bulk commodity transloading services between railcars and trucks. The Charlotte-Monroe Executive Airport is located adjacent to the Town and will soon offer a customs department for international flights.

Town residents passed two transportation bond referenda in November of 2011. Proceeds from a \$10 million bond referendum will be used to alleviate traffic congestion on Old Monroe Road by widening from two lanes to four lanes and a \$7 million bond referendum will be used to alleviate traffic congested intersections, local streets, build new sidewalks/walkways to connect neighborhoods with schools and commerce areas, and the beautification of the Town.

## PUBLIC SERVICE ENTERPRISES

The County owns and operates a water and sewer enterprise system that serves residents of the Town. The water system consists of a raw water pumping station, an existing 36.0 million gallon per day (MGD) water treatment facility, and approximately 972 miles of water transmission and distribution lines. In addition Union County has water purchase contracts with Anson County, the city of Monroe, and the Joint Venture Catawba River Water Treatment Plant for a total of 25.0 MGD. The County's water is drawn from both the Catawba and Pee Dee River. The water system has approximately 43,000 customers.

The wastewater system consists of approximately 550 miles of gravity sewer collection lines and sewer force mains, 5 wastewater treatment facilities totaling 8.2 MGD, and 65 sewer pumping stations. In addition Union County has sewer purchase contracts with Charlotte Mecklenburg Utilities and the city of Monroe for a total of 5.7 MGD. The wastewater system has approximately 29,000 customers.

The County is in the process of implementing its 2011 Master Plan which identifies significant improvements to the wastewater collection system over the next several years to meet service needs. These improvements include approximately 8 miles of new gravity

sewer and relief sewer, various pump station upgrades, and extensive sewer collection line rehabilitation.

#### MEDICAL FACILITIES

Novant Health, Matthews Medical Center, previously known as Presbyterian Matthews Hospital, is located approximately 5 miles from Town limits and is a private, not-for-profit organization. After its recent 26,000 square foot, \$16.6 million expansion it has approximately 135 beds with 264 full-time registered nurses. Carolinas Medical Center (CMC) in Monroe is approximately 9 miles from the Town. It is a part of the Carolinas Healthcare System which is the largest healthcare system in the Carolinas and is the third largest public, non-profit organization in the nation. With 239 beds, 293 full-time registered nurses and 160 part-time registered nurses, this facility recently was approved for \$57 million in renovations which will include a new three-story women's center with 24 beds.

#### RECREATION

At the heart of the Town's downtown is the two year old Crossing Paths Park which is a 1 plus acre park that features a walking path, park benches, playground and performance stage. The Town recently purchased over 200 acres of land to develop into larger recreational parks. Also, Town residents recently passed an \$8.5 million bond referendum to assist in the development of these two parks. The first community park is located near Indian Trail Road and US Highway 74. The second community park is located near Sardis Elementary School and Unionville-Indian Trail Road. These parks will include: baseball/softball fields; multi-purpose fields for soccer, lacrosse, football and similar field sports; walking/running paths; bike paths; playgrounds; nature center; tennis courts; volleyball courts; splash pad; pavilions and dog parks.

The Town currently has 14 events during the year and two parades at July 4<sup>th</sup> and Christmas. The biggest event, Family Fun Day, celebrating the end of the school year and the beginning of summer brought in approximately 14,000 people in 2011. The Town recently entered into a public-private partnership with local business Carolina Courts that will allow residents up to 1300 hours of indoor basketball or volleyball court time during the year with no admission fee charged and also gives the Town up to 8 indoor events. Carolina Courts will also provide an indoor walking track for inclement weather days for residents as well.

Town residents have professional sporting event opportunities available to them within a short drive including an NFL football team, the Carolinas Panthers, at Bank of America Stadium; and the NBA's Charlotte Bobcats at Time Warner Cable Arena. Under construction is a new baseball stadium in downtown Charlotte for the relocated triple-A minor league baseball team, the Charlotte Knights. The minor league AHL Charlotte Checkers also play at the Time Warner Cable Arena. The U.S. National Whitewater Center, located approximately 40 minutes from Indian Trail, is a 400 acre outdoor center that includes, rafting, kayaking, mountain bike riding, rock climbing, ropes course and zip-lining. In August 2012, athletes competed in kayaking and canoeing to qualify for the London Summer Olympics.

**Debt Information**

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the Town had the statutory capacity to incur additional net general obligation debt in the amount of \$228,887,000 as of February 28, 2013. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

<b>General Obligation Bonds</b>	<b>Principal Outstanding as of February 28, 2013</b>
Street Bonds	\$ <u>3,000,000</u>
Total Debt Outstanding	\$ 3,000,000

<sup>1</sup>Bonds Issued:

2012-13 \$3,000,000 General Obligation Bonds, Series 2012, 2.15% net interest cost.

GENERAL OBLIGATION DEBT RATIOS

<u>At July 1</u>	<u>Total GO Debt</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population<sup>1</sup></u>	<u>Total Go Debt Per Capita</u>
2012	\$ 3,000,000	\$ 3,179,838,983	.09%	34,308	\$ 87.44
After Bonds now offered are issued	\$ 11,000,000	\$ 3,179,838,983	.35%	34,308	\$ 320.62

<sup>1</sup>Estimates of the North Carolina Office of State Budget and Management.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

Fiscal Year	Existing General Obligation Debt		Bonds Now Offered
	Principal	Principal & Interest	
2012-13	\$ —	\$ 9,854.17	\$ —
2013-14	104,000	168,500.00	405,000
2014-15	104,000	166,264.00	405,000
2015-16	104,000	164,028.00	405,000
2016-17	104,000	161,792.00	405,000
2017-18	104,000	159,556.00	405,000
2018-19	104,000	157,320.00	405,000
2019-20	104,000	155,084.00	405,000
2020-21	104,000	152,848.00	405,000
2021-22	104,000	150,612.00	405,000
2022-23	264,000	308,376.00	345,000
2023-24	303,000	341,700.00	405,000
2024-25	303,000	335,185.50	405,000
2025-26	362,000	387,671.00	400,000
2026-27	416,000	433,888.00	400,000
2027-28	416,000	424,944.00	400,000
2028-29			400,000
2029-30			400,000
2030-31			400,000
2031-32			400,000
2032-33			400,000
	<u>\$ 3,000,000</u>	<u>\$ 3,677,622.67</u>	<u>\$ 8,000,000</u>

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

Purpose	Date Approved	Balance Authorized and Unissued	Bonds Now Offered	Balance
Street and Sidewalk	11/08/2011	\$ 4,000,000	\$1,500,000	\$2,500,000
Thoroughfare	11/08/2011	10,000,000	500,000	9,500,000
Parks and Recreation	11/06/2012	8,500,000	6,000,000	2,500,000
		<u>\$ 22,500,000</u>	<u>\$8,000,000</u>	<u>\$14,500,000</u>

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF FEBRUARY 28, 2013

Unit	2011 Population <sup>1</sup>	Assessed Valuation	Tax Rate Per \$100	Debt Authorized and Unissued		Total GO Debt		Total GO Debt Per Capita
				Utility	Other	Utility	Other	
Union County	205,717	\$23,239,422,895	\$ .660	\$ —	\$ —	\$ —	\$478,840,000	\$2,327.66

<sup>1</sup>Estimate of North Carolina Office of State Budget and Management.

OTHER LONG-TERM COMMITMENTS

As of June 30, 2012, the Town is obligated under various installment financing agreements, secured by financed land and facilities. These agreements are subject to annual appropriation and are payable as follows:

In October 2007, the Town obtained a \$1,200,000 loan from a local financial institution 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, 2012, including \$170,940 of interest is as follows:

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

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

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 116,666	\$ 52,404
2014	116,667	48,449
2015	116,667	44,494
2016	116,667	40,539
2017	116,666	36,584
2018-2022	583,330	123,592
2023-2027	408,337	27,686
Total	<u>\$ 1,575,000</u>	<u>\$ 373,748</u>

Subsequent Events

On July 26, 2012, the Town purchased 140 acres of land for \$1,250,000 and borrowed the funds from a local financial institution. The loan agreement requires 20 semi-annual payments of \$62,500, plus interest, through July 2022. The annual interest rate is 2.19%.

<u>Year Ending June 30.</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 62,500	\$ 13,688
2014	125,000	25,322
2015	125,000	22,584
2016	125,000	19,847
2017	125,000	17,109
2018-2022	625,000	44,485
2023	62,500	684
Total	<u>\$1,250,000</u>	<u>\$143,719</u>

DEBT OUTLOOK

On December 6, 2012, the Town issued its first bond issue for \$3,000,000 as a private placement with a local financial institution. The debt agreement requires annual principal payments as indicated below, plus a coupon rate of 2.15%, through February 2028.

<u>Year Ending June 30.</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Coupon</u>
2013		\$ 9,854
2014	\$ 104,000	64,500
2015	104,000	62,264
2016	104,000	60,028
2017	104,000	57,792
2018-2022	520,000	255,420
2023-2028	2,064,000	167,765
Total	<u>\$ 3,000,000</u>	<u>\$ 677,623</u>

The Town evaluates future capital needs on a continuing basis, as well as during the annual budget process. The Town currently has \$22.5 million in authorized but unissued general obligation bonds for street improvements and parks and recreation improvements. The Town expects to issue such general obligation bonds over the next seven years. New general obligation bond authorizations and installment financings for other priorities will be considered on an as needed basis.

As directed by Town Council a four cent tax increase was approved during the 2012-13 budget process. These funds were used to establish a Debt Service and Capital Reserve Fund. These four cents 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.

## Tax Information

### GENERAL INFORMATION

	Fiscal Year Ended/Ending June 30			
	2010	2011	2012	2013
Assessed Valuation:				
Assessment Ratio	100%	100%	100%	100%
Real and Personal property	\$3,055,007,987	\$3,074,150,380	\$3,103,340,970	\$3,136,454,912
Public Service Companies	\$37,395,728	\$41,242,768	\$41,693,311	\$43,384,071
Total Assessed Valuation	\$3,092,403,715	\$3,115,393,148	\$3,145,034,281	\$3,179,838,983
Rate per \$100	0.145	0.145	0.145	0.185
Levy	\$4,483,985	\$4,517,320	\$4,560,299	\$5,882,702

### 2013 Estimate

Note: Revaluation of real property became effective with the 2008-09 tax levy. The next revaluation of real property will become effective with the 2015-16 tax levy.

### Tax Collections

Fiscal Year Ended or Ending June 30	Prior Year's Levies Collected	Current Year's Levy Collected	Percentage of Current Year's Levy Collected
2008	\$24,218	\$3,381,521	98.28%
2009	52,276	4,303,885	97.77
2010	76,029	4,424,042	97.72
2011	61,880	4,451,840	97.87
2012	74,660	4,496,408	98.00
2013 (thru January)	43,031	5,653,540	96.10

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2012-13

Name	Type of Business	Assessed Valuation	Tax Levy	Percentage of Total Assessed Valuation
Harris Teeter Inc	Food Chain	\$41,457,314	\$76,696	1.26%
Hanson Brick/Boren Clay	Manufacturer	20,959,768	38,775	0.64
Wal-Mart	Retailer	20,391,544	37,724	0.62
Monroe Investors	Auto Dealership	17,305,590	32,015	0.52
Covington Meridian Acquisition	Apartment Complex	14,086,371	26,060	0.43
Berry Tri-Plas Corp	Manufacturer	13,310,763	24,625	0.40
Lowe's	Home Improvement Retailer	12,909,915	23,883	0.39
Radiator Specialty	Manufacturer	12,180,290	22,533	0.37
Wallace Indian Land LLC	Retail Center	9,759,610	18,055	0.29
LR & FR LLC	Investor	9,451,840	17,486	0.29
		<u>\$171,813,005</u>	<u>\$317,852</u>	<u>5.21%</u>

**2012-13 Budget Commentary**

A four cent tax increase was included to establish a Debt Service and Capital Reserve Fund. The tax rate is \$0.185 per \$100. Funds appropriated will 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.

**Law Enforcement:** The law enforcement contract with the Union County Sheriff's Office increased by 6.92%, an increase of \$93,839. The budget included the addition of three new Deputy Sheriff positions. Of these positions, the Town Council approved one new Deputy Sheriff while the County applied for and received a Governor's Highway Safety Grant for the other two Deputy positions. The matching costs for these two additional Deputies' were included in the budget. The approximate cost to the Town over the next three years for the GHSP Grant positions is \$197,046.

The Town converted its administrative building along Indian Trail Road into an Indian Trail Cultural Arts Center. The Center opened for business in the fall of 2012. The Center is a place where senior adults, children, adults and artisans can interact on arts, cultural and/or historical

discussions. During the first year, the Town plans to have approximately 10 events. These events would include art classes, day camps, storytelling, book clubs, or historical symposiums for all age groups. Startup costs for this program is \$18,000.

Many communities in North Carolina have annual Citizen Academy sessions to educate residents about all aspects of town government. The Town is planning an Indian Trail Citizen Academy pilot project in 2013. The Town should have 6-8 sessions for a group of residents to learn how town government affects the quality of life in the Town through lectures, hands-on activities and interactions. This pilot project is budgeted for \$1,000.

The Town built a temporary public works location adjacent to its Blythe Drive building. The location includes a fenced in area to protect the Town's equipment and supplies, a small pole barn, and a water well which can provide irrigation for watering park properties and cleaning the public works area. In the future, the Town anticipates it will need a much larger public works facility, and at that time the infrastructure and location can be converted into a building and property maintenance area for the current buildings and park property.

The Town Council is to begin work on developing a new standard business and development incentive program to give incentives to businesses that the Town Council wants to attract to the Town. With the adoption of the budget the 'Business Friendly Act' has been allowed to sunset, as the Town begins the process of establishing a new incentive program.

The Town Manager working with the Mayor and Town Council to identify areas for the future public facilities. It will assist the Town in making well planned strategic decisions based on the vision of future public facilities. The Town has budgeted funds to assist with this process.

The Mayor and Town Council are currently working on the development of a 51-acre property adjacent to Blythe Drive and a new property on Oakwood Lane. Included in this budget is \$330,000 for community parks development and plans to build four sidewalk areas; on Unionville-Indian Trail Road, Poplin Road, Chestnut Road, and on Roger's Road.

With the adopted budget, the Town has maintained the same number of full-time staff positions, shifted one part-time employee to the Public Works area and created a new part-time building maintenance staff member. The majority of the cost will be made up by savings from the current janitorial contract. The budget included a 1.9 percent COLA adjustment for staff and some merit increases for employees. The Town is also proposing to petition the County to start its own Building Inspection Program similar to some other cities in the County.

The Town anticipates applying for grants and find regional partners for improving quality in the Town. The Town plans to implement a new permit module system for the organization to assist with efficiencies of the time consuming process.

### **Pension Plans**

The Town participates in the North Carolina Local Governmental Employees' Retirement System and a voluntary folk pension plan.

*North Carolina Local Governmental Employees' Retirement System* — The North Carolina Local Governmental Employees' Retirement System is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the system.

The system provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, is currently 6.74 percent of eligible payroll for general employees. The Town currently contract Law Enforcement Services with the County. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits for general employees are available at age 65, with at least five years of creditable service or at age 60 with at least 25 years of creditable service; and for law enforcement officers are available at age 55, with at least five years creditable service, or for all members, after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age factor if the individual is not eligible for unreduced benefits.

Contributions to the system are determined on an actuarial basis.

For information concerning the Town's participation in the North Carolina Local Governmental Employees' Retirement System see the Notes to the Town's Basic Financial Statements in Appendix D.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Comprehensive Annual Financial Report ("CAFR") for the State. Please refer to the State's CAFR for additional information.

#### **Other Post-Employment Benefits**

The Town provides no post-employment health care benefits to retirees of the Town.

#### **Litigation**

The Town is not aware of any litigation which, in the opinion of the Town Attorney, would materially adversely affect the Town's ability to meet its financial obligations.

#### **CONTINUING DISCLOSURE**

In accordance with the requirements of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 ("*Rule 15c2-12*"), the Town has undertaken in the Bond Resolution to provide:

- (1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2013, to the Municipal Securities Rulemaking Board (the "*MSRB*"), in an electronic format prescribed by the MSRB the audited financial statements of the Town for the preceding Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited

financial statements of the Town for such Fiscal Year to be replaced subsequently by audited financial statements of the Town to be delivered within 15 days after such audited financial statements become available for distribution;

- (2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2013, to the MSRB, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included in *Appendix C* under the captions “**THE TOWN—DEBT INFORMATION**” and “**—TAX INFORMATION**” (excluding any information for overlapping units);
- (3) in a timely manner not in excess of 10 Business Days after the occurrence of the event, to the MSRB notice of any of the following events with respect to the Bonds:
  - (a) principal and interest payment delinquencies;
  - (b) non-payment related defaults, if material;
  - (c) unscheduled draws on the debt service reserves reflecting financial difficulties;
  - (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
  - (e) substitution of any credit or liquidity providers, or their failure to perform;
  - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - (g) modification of the rights of the Beneficial Owners of the Bonds, if material;
  - (h) call of any of the Bonds, if material, and tender offers;
  - (i) defeasance of any of the Bonds;
  - (j) release, substitution or sale of any property securing repayment of the Bonds, if material;
  - (k) rating changes;
  - (l) bankruptcy, insolvency, receivership or similar event of the Town;

(m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and

(n) the appointment of a successor or additional trustee, or the change in the name of a trustee, if material;

(4) in a timely manner, to the MSRB, notice of a failure of the Town to provide required annual financial information described in (1) and (2) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires that the Town's financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The Bond Resolution also provides that the Town's undertaking pursuant to Rule 15c2-12 is intended to be for the benefit of the registered owners and the beneficial owners of the Bonds and is enforceable by any of the registered owners and the beneficial owners of the Bonds, including an action for specific performance of the Town's obligations described in this Section, but a failure to comply will not be an event of default and will not result in acceleration of the payment of the Bonds. An action must be instituted, had and maintained in the manner provided in the Bond Order for the benefit of all of the registered owners and beneficial owners of the Bonds.

The Town may modify from time to time, consistent with Rule 15c2-12, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Town, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Town; (2) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12 as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the registered owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the Bonds. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The Town's Rule 15c2-12 undertakings will terminate on payment, or provision having been made for payment in a manner consistent with the Rule 15c2-12, in full of the principal of and interest on the Bonds.

All documents provided to the MSRB as described above will be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The Town may discharge its undertaking described above by

transmitting those documents or notices in a manner subsequently required by the SEC in lieu of the manner described above.

The Bonds will be the first issue for which the Town as agreed to the continued disclosure obligations under Rule 15c2-12.

### APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is attached hereto as Appendix E.

### TAX STATUS

#### General

On the date of issuance of the Bonds, Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina ("*Bond Counsel*"), will render an opinion that, under existing law and assuming compliance by the City with certain provisions of the Internal Revenue Code of 1986, as amended (the "*Code*"), the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The interest on the Bonds will be taken into account in determining adjusted current earnings of certain corporations (as defined for federal income tax purposes) and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its federal alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the Town rebate certain excess earnings on proceeds and amounts treated as proceeds of the Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the Town subsequent to issuance of the Bonds to maintain the excludability of the interest on the Bonds from gross income for federal income tax purposes. Bond Counsel's opinion is given in reliance on certifications by representatives of the Town as to certain facts material to the opinion and the requirements of the Code.

The Town has covenanted in the Bond Resolution to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the Town with such covenants, and Bond Counsel has not been retained to monitor compliance by the Town with such covenants subsequent to the date of issuance of the Bonds. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt or accrual of interest with respect to the Bonds.

If the interest on the Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the Town to comply with any requirements described above, the Bond Resolution does not require the Town to redeem the Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Bonds. Prospective purchasers and owners of the Bonds are advised that, if the Internal Revenue Service does audit the Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the Town as the taxpayer, and the owners of the Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds and the accrual or receipt of interest on the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Bonds to be subject directly or indirectly to federal or State of North Carolina income taxation, adversely affect the market price or marketability of the Bonds or otherwise prevent the owners of the Bonds from realizing the full current benefit of the status of the interest on the Bonds.

Bond Counsel is further of the opinion that, under existing law, the interest on the Bonds is exempt from State of North Carolina income taxation.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the Town, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## Original Issue Discount

As indicated on the inside cover page, the Bonds maturing on May 1, 2028 to 2030, inclusive, and 2032 and 2033 (the "OID Bonds"), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of the OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals. However, it should be noted that with respect to certain corporations (as defined for federal income tax purposes), a portion of the original issue discount that accrues to such corporate owners of an OID Bonds in each year will be taken into account in determining the adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on such corporations and may result in other collateral federal income tax consequences for certain taxpayers in the year of accrual. Consequently, corporate owners of an OID Bond should be aware that the accrual of original issue discount on any OID Bond in each year may result in a federal alternative minimum tax liability or other collateral federal income tax consequences, even though such corporate owners may not have received any cash payments attributable to such original issue discount in such year.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such OID Bond) at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be allocated in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price difference from the initial offering price during the initial offering of the Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state income tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

## Original Issue Premium

As indicated on the inside cover page, the Bonds maturing on May 1, 2014 to 2026, inclusive (the "Premium Bonds"), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds is sold and (b) the principal amount payable at maturity of such Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

## RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services, and the North Carolina Municipal Council have given the Bonds ratings of Aa2, AA+, and 85, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

## FINANCIAL ADVISOR

Davenport & Company LLC, Charlotte, North Carolina, has acted as financial advisor to the Town in connection with the issuance of the Bonds.

## UNDERWRITING

The underwriters for the Bonds are Stifel, Nicolaus & Co., Inc. and Stephens Inc.<sup>1</sup>

The underwriters for the Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters anticipate total selling compensation of \$41,122.50.<sup>1</sup> The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

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<sup>1</sup>Information provided by underwriters of the Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Board of Commissioners of the Town.

LOCAL GOVERNMENT COMMISSION  
OF NORTH CAROLINA

By  
*/s/T. Vance Holloman*  
*Secretary of the Commission*

TOWN OF INDIAN TRAIL, NORTH CAROLINA

By  
*/s/Michael Alvarez*  
*Mayor*

By  
*/s/Joseph Fivas*  
*Town Manager*

By  
*/s/Marsha Sutton*  
*Finance Director*

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## THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the "Commission") is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. All general obligation issues are customarily sold on the basis of formal sealed bids submitted at the Commission's offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems and practices. The Commission's staff also counsels the units of local government in treasury and cash management, budget preparation and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission in order to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors in order to assist the unit in working out a plan for refinancing, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue with respect to a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed in accordance with such plan.

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE  
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF  
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL  
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

**Constitutional Provisions**

The North Carolina Constitution (the "Constitution") requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit's outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for "public purposes." The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather, it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit--wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

### **The Local Government Bond Act**

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other

lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

"Net debt" is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum

period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits "balloon installments" in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

### **Short-Term Obligations**

*Bond Anticipation Notes* - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

*Tax Anticipation Notes* - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

*Revenue Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

*Grant Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

## **The Local Government Budget and Fiscal Control Act**

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the "Fiscal Control Act"), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units.

*Budget* - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

*Fiscal Control* - The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

## Major General Fund Revenue Sources

*Ad Valorem Tax* - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

*Tax Base* - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
  - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
  - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
  - (c) Certain pollution abatement and resource recovery equipment.

- (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
  - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
  - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.
- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use.

*Appraisal Standard* - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

*Frequency of Appraisal* - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

*Tax Day* - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

*Tax Levy* - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

*Tax Collection* - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

### **Local Government Sales and Use Taxes**

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible

personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

Counties were previously authorized under the Third One-Half Cent Local Government Sales and Use Tax Act, to levy an additional one-half cent local option sales tax. However, as a part of a Medicaid relief package for the counties, this third one-half cent tax was replaced by the Local Government Hold Harmless Provision. Effective October 1, 2008, this tax was reduced to one-fourth cent and the remaining one-fourth cent was eliminated effective October 1, 2009. The phase out of this tax is part of an effort to allow the State to assume the County's portion of the Medicaid expense over a three year period. The State must guarantee that each county's gain will be at least \$500,000 for each fiscal year as a result of the State assuming the county Medicaid share. Once the Third One-Half Cent tax was completely phased out on October 1, 2009, if the amount of a county's Medicaid cost assumed by the State plus \$500,000 is less than the county's repealed local sales tax amount, the State must reimburse the county for the amount of the difference. Counties are to hold municipalities that were incorporated as of October 1, 2008, harmless for the phase-out of the Third One-Half Cent tax. The hold harmless funds are paid to municipalities by the Secretary of Revenue each month from funds obtained by reducing the county's monthly allocation of the one-percent local sales and use tax proceeds. The Medicaid relief package also provides for corresponding increases in the State sales tax to accompany the reduction of the Third One-Half Cent tax that was effective October 1,

2008 and repealed on October 1, 2009. Thus, the State sales tax was increased by one-quarter cent on October 1, 2008 and by another one quarter cent on October 1, 2009.

### **Alcoholic Beverage Control Store Profits**

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

### **Intragovernmental Shared Revenues**

The excise tax levied by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and cities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 23.75% of beer tax revenue, 62% of unfortified wine tax revenue and 22% of fortified wine tax revenue. A city or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold, the city or county shares only in the excise tax for that beverage. Two hundred thousand dollars (\$200,000) from the net proceeds of the excise tax collected on unfortified wine is appropriated quarterly to the Department of Commerce to be used to promote the North Carolina grape and wine industry. The local share of these collections is computed on the net proceeds after deducting the transfer to the Department of Commerce. Some counties and municipalities do not permit the sale of either beer or wine and thus do not receive any share of this revenue.

Under the utility franchise tax law, the State levies a gross receipts tax on certain public utilities at rates of 3.22% to 6%. Cities receive quarterly distributions equal to 3.09% of taxable gross receipts from sales within municipalities of electricity during the preceding calendar quarter, minus one-fourth of the city's hold back amount and one fourth of the city's proportionate share of the annual cost to administer.

The State levies a sales tax on the gross receipts of telecommunications and ancillary services at a statutorily prescribed rate. The rate is equal to the sum of the State's sales tax rate and the rates of local sales taxes levied in each of the 100 Counties. Each quarter, the State distributes to cities 18.7 percent of these proceeds from that quarter, minus \$2,620,948.

The State imposes a State excise tax on the distribution of piped natural gas, with statutorily prescribed rates that decrease with the amount of piped natural gas used by each customer. The State distributes quarterly to each city served by piped natural gas one-half of the tax attributed to sales within that city.

Cities and towns receive annually a motor fuel tax allocation equal to the amount produced during the year by a 1.75 cents tax on each gallon of motor fuel sold in the State. Payments are made from the collections of the prior fiscal year. Under the present distribution formula, 75% of the funds are allocated on the basis of population of eligible municipalities and 25% are allocated on the basis of the mileage of public streets within cities and towns that are not a part of the State highway system.

All cities and counties receive shares of three State sales taxes on local cable franchise system revenues which currently are 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. The distributions can be used for any public purpose after earmarking provisions are met. The first \$2 million of the local share of the proceeds from these three taxes must be used by the local governments to support local public, educational, or governmental (PEG) access channels. A city or county that imposed subscriber fees during the first six months of the 2006-07 fiscal year must use a portion of the funds distributed to it for the operation and support of PEG channels, equal to two times the amount of subscriber fee revenue the county or city certifies that it imposed during the period. In addition, a city or county that used part of its franchise tax revenue in fiscal year 2005-06 for the operation and support of PEG channels, or a publicly owned and operated television station, must continue the same level of support.

### **State and Local Fiscal Relations**

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

*Public Schools and Community Colleges* -- The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

*Court System* -- The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

*Correctional System* -- The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

*Highway System* -- The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

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**Management Discussion and Analysis**

The following is Management's Discussion and Analysis of the financial activities of the Town, lifted from the audited financial statements for the Town of Indian Trail for the fiscal year ended June 30, 2012. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the Town's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the Town have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

## Management's Discussion and Analysis

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

### Financial Highlights

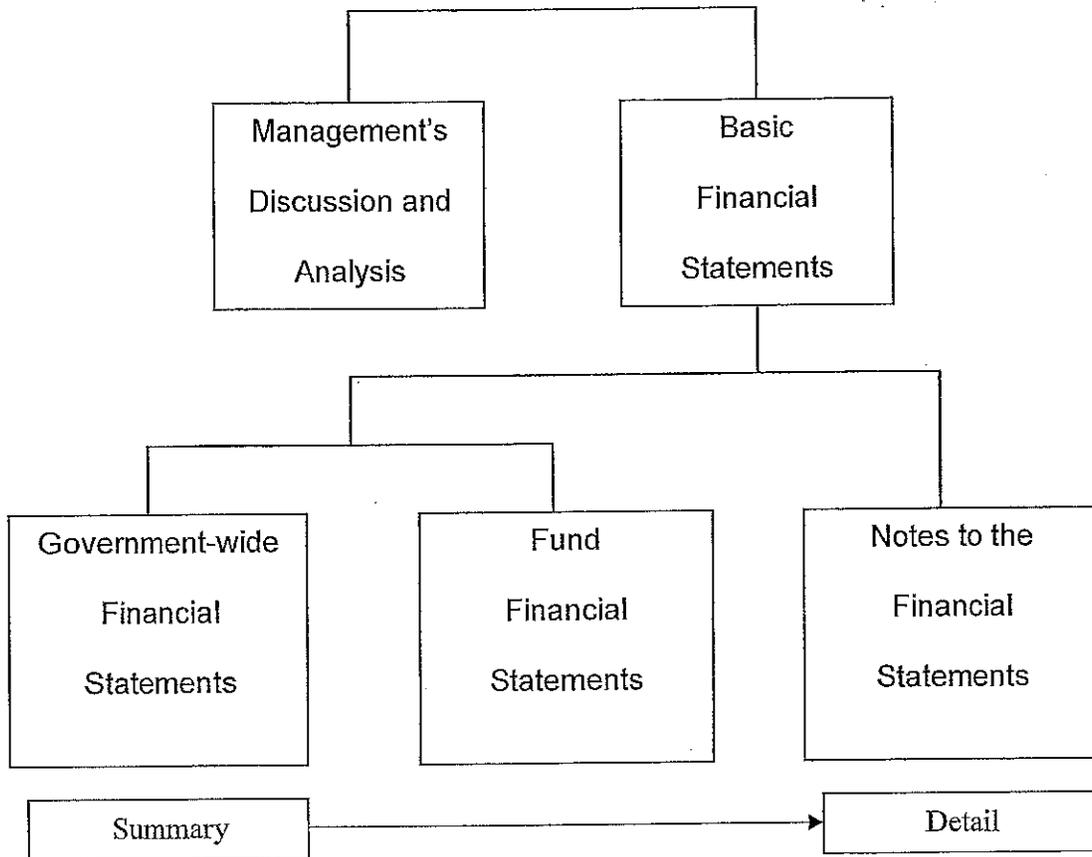
- ... The assets of the Town of Indian Trail exceeded its liabilities at the close of the fiscal year by \$36,169,194 (*net assets*).
- ... The government's total net assets increased by \$5,169,974, primarily due to increases in the Capital Assets for the addition of roads and infrastructure, net of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

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

## Government-Wide Financial Statements

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

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

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

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

## Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Indian Trail, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Indian Trail can be divided into two categories: governmental funds, and proprietary funds.

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

The Town of Indian Trail adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town of Indian Trail, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied

With the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – The Town of Indian Trail uses an *Enterprise Fund* to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Indian Trail uses enterprise funds to account for its stormwater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 11 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Indian Trail's progress in funding its obligation to provide retirement benefits to its employees. Required supplementary information can be found starting on page 27 of this report.

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

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

Figure 2

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

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

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

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

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

## Town of Indian Trail Changes in Net Assets

**Figure 3**

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

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

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

### Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Indian Trail. At the end of the current fiscal year, the Town of Indian Trail's fund balance available in the General Fund was \$11,937,630, while total fund

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

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

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

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

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

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

### **Capital Asset and Debt Administration**

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

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

**Figure 4**

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

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

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

**The Town of Indian Trail's Outstanding Debt**

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

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

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

## Economic Factors and Next Year's Budgets and Rates

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

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

### Budget Highlights for the Fiscal Year Ending June 30, 2013

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

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

### Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Indian Trail, P. O. Box 2430, Indian Trail, North Carolina, 28079. You can also call (704) 821-5401, visit our website [www.indiantrail.org](http://www.indiantrail.org) or send an email to [financedirector@admin.indiantrail.org](mailto:financedirector@admin.indiantrail.org).

## Financial Information

### Financial Statements

The financial statements of the Town have been audited by certified public accountants for the fiscal years ended June 30, 2012, 2011 and 2010. Copies of these financial statements containing the reports of the independent certified public accountants are available in the office of Ms. Marsha Sutton, Finance Director, 130 Blythe Drive, Indian Trail, North Carolina, 28079, (704) 821-5401.

The Town financial statements are presented under Government Accounting Standards Board Statement No. 34 (GASB 34) model. This model, in addition to presenting the government-wide financial statements which are shown on pages D-3 through D-5 of this official statement, also includes fund and budgetary reporting.

The government-wide financial statements are prepared on the full accrual basis of accounting, which in the past has only been used to report the assets, liabilities, revenues, and expenses of providing enterprise-type services. The government-wide statements as prepared under GASB Statement No. 34 now report capital assets and all long-term obligations, for both its governmental-type and business-type activities. As a result, government officials can now demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the Town's ability to manage and estimate its resources. See page D-9 for the presentation of the Town's budgetary statement.

The following financial statements are the Basic Financial Statements of the Town and the notes thereto, lifted from the Annual Financial Report of the Town for the fiscal year ended June 30, 2012.

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

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

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

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

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

General revenues:

Taxes:

Property taxes, levied for general purpose  
Other taxes

Unrestricted investment earnings

Miscellaneous

Total general revenues, not including transfers

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets-beginning

Net assets-ending

Exhibit 2

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

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

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

Exhibit 3

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

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	27,116,460	
Accumulated depreciation	<u>(3,969,810)</u>	23,146,650
Some liabilities, including debt and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(2,534,274)
Liabilities for earned but deferred revenues in fund statements.		253,451
Net assets of governmental activities		<u>\$ 34,789,203</u>

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

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

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

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

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

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

Net changes in fund balances - total governmental funds \$ 1,946,905

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Indian Trail is a municipal corporation that is governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Indian Trail ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Indian Trail ABC Board, Post Office Box 2932, Indian Trail, NC 28079.

B. Basis of Presentation

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

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

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

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

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

I. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

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

The Town reports the following non major governmental fund:

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

The Town reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General

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

I. Summary of Significant Accounting Policies (Continued)

capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Proprietary Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina.

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

**I. Summary of Significant Accounting Policies (Continued)**

Also, the Town and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

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

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

I. Summary of Significant Accounting Policies (Continued)

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for the following: improvements, furniture and equipment, vehicles, computer software and equipment; all values for land and buildings; and \$100,000 for streets and sidewalks. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The Town elected not to adopt retroactive capitalization of general infrastructure assets acquired prior to July 1, 2003, pursuant to GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

8. Long-Term Obligations

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

9. Compensated Absences

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

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

I. Summary of Significant Accounting Policies (Continued)

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

10. Net Assets/Fund Balances

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

I. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The Finance Officer uses resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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

11. Management Estimates

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

12. Total Governmental Fund Columns

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None

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

II. Stewardship, Compliance, and Accountability (Continued)

2. Contractual Violations

None

B. Deficit Fund Balance or Net Assets of Individual Funds

None

C. Excess of Expenditures over Appropriations

None

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their name.

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

Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

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

2. Investment

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

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

III. Detail Notes on All Funds (Continued)

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

3. Capital Assets

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

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

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

III. Detail Notes on All Funds (Continued)

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

**Construction Commitments**

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

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

**Discretely presented component unit**

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

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

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

**III. Detail Notes on All Funds (Continued)**

**4. Donated Assets**

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

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

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

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

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

**b. Supplemental Retirement Income Plan**

*Plan Description.* The Town employees contribute to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan is established in conformity with section 401(k) of the Internal Revenue Code of 1986 as amended. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* The Town employees have elected to contribute to the Supplemental Retirement Income Plan. The Town matches 50% of the first 4% of employee deferrals. Contributions for the year ended June 30, 2012 were \$68,251, which consisted of \$16,524 from the Town and \$51,727 from employees.

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

III. Detail Notes on All Funds (Continued)

2. Deferred / Unearned Revenues

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

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

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance based on management's evaluation of risk loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

4. Long-Term Obligations

A. Operating Leases

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

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

The following is the lease payment schedule:

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

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

III. Detail Notes on All Funds (Continued)

B. Installment Financing

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

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

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

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

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

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

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

III. Detail Notes on All Funds (Continued)

C. Changes in Long-Term Liabilities

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

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

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

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

5. Interfund Balances and Activity

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

6. Fund Balance

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

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

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

III. Detail Notes on All Funds (Continued)

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

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

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

IV. Summary Disclosure of Commitments

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

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

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

V. Summary Disclosure of Significant Contingencies

Lawsuits

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

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Other

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

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

**VII. Summary Disclosure of Significant Contingencies**

**Subsequent Events**

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

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

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

The following financial statements have been compiled from the audited financial statements of the Town for the fiscal years ended June 30, 2012, 2011 and 2010.

Town of Indian Trail, North Carolina  
**General Fund**  
**Balance Sheet**  
As of June 30, 2012, 2011, and 2010

	2012	2011	2010
<b>Assets</b>			
Cash and cash equivalents	\$ 9,739,176	\$ 8,093,098	\$ 10,238,932
Restricted cash	3,066,798	2,805,131	-
Receivables, net:			
Taxes	253,451	230,018	200,772
Accounts	14,651	18,732	22,847
Due from other governments	256,497	249,870	226,373
Inventory	1,928	-	-
Prepaid expenditures	196	19,878	-
Total assets	\$ 13,332,697	\$ 11,416,727	\$ 10,688,924
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 283,703	\$ 254,127	\$ 1,188,448
Deposits in escrow	207,888	288,973	261,048
Unearned revenue	117,730	116,075	115,926
Deferred revenue	253,451	230,018	200,772
Total liabilities	862,772	889,193	1,766,194
 <b>Fund balances:</b>			
<b>Non Spendable</b>			
Inventory	1,928	-	-
Prepaid items	196	19,878	-
<b>Restricted</b>			
Stabilization by State statute	530,171	516,377	507,943
Streets - Powell Bill	2,650,452	2,280,260	1,997,582
<b>Committed</b>			
Road improvements	2,194,038	2,039,309	1,695,484
Parks improvements	393,918	236,760	294,957
Hanson Brick	20,000	-	-
<b>Assigned</b>			
Subsequent years' expenditures	-	515,303	432,751
Unassigned	6,679,222	4,919,647	3,994,013
Total fund balances	12,469,925	10,527,534	8,922,730
Total liabilities and fund balances	\$ 13,332,697	\$ 11,416,727	\$ 10,688,924

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

Town of Indian Trail, North Carolina  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
For the Fiscal Years Ended June 30, 2012, 2011, and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Ad valorem taxes	\$ 4,937,279	\$ 4,876,838	\$ 4,832,016
Other taxes and licenses	122,678	125,520	118,276
Unrestricted intergovernmental	2,894,164	2,664,735	2,497,491
Restricted intergovernmental	810,462	620,239	606,518
Permits and fees	61,866	68,570	108,888
Investment earnings	34,311	33,890	53,473
Miscellaneous	98,430	126,589	213,871
Total revenues	<u>8,959,190</u>	<u>8,516,381</u>	<u>8,430,533</u>
Expenditures:			
General government	1,370,771	1,589,336	1,541,173
Public safety	1,362,988	1,399,566	1,099,014
Transportation	922,174	720,976	2,319,884
Economic and physical development	930,316	784,174	682,402
Environmental protection	2,098,541	2,020,490	1,973,072
Cultural and recreational	45,684	1,942,779	42,183
Debt service:			
Principal	196,666	138,333	80,000
Interest and other charges	89,659	65,923	39,220
Total expenditures	<u>7,016,799</u>	<u>8,661,577</u>	<u>7,776,948</u>
Excess of revenues over (under) expenditures	<u>1,942,391</u>	<u>(145,196)</u>	<u>653,585</u>
Other Financing Sources			
Proceeds from long-term debt obligations	-	1,750,000	-
Total other financing sources	<u>                    </u>	<u>1,750,000</u>	<u>                    </u>
Net change in fund balances	1,942,391	1,604,804	653,585
Fund balances, beginning of year	10,527,534	8,922,730	8,269,145
Fund balances, end of year	<u>\$ 12,469,925</u>	<u>\$ 10,527,534</u>	<u>\$ 8,922,730</u>

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

Town of Indian Trail, North Carolina  
**Stormwater Fund**  
**Balance Sheet**  
As of June 30, 2012, 2011 and 2010

	2012	2011	2010
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,306,878	\$ 1,172,724	\$ 674,226
Accounts receivable (net)	40,647	34,832	32,993
Other receivables	3,541	5,317	419
Total current assets	1,351,066	1,212,873	707,638
Noncurrent assets:			
Capital assets			
Other capital assets, net of depreciation	72,556	-	-
Total noncurrent assets	72,556	-	-
Total assets	\$ 1,423,622	\$ 1,212,873	\$ 707,638
 <b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	43,631	69,745	3,678
Total current liabilities	43,631	69,745	3,678
Net assets:			
Unrestricted	1,379,991	1,143,128	703,960
Total net assets	\$ 1,379,991	\$ 1,143,128	\$ 703,960

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

Town of Indian Trail, North Carolina

Stormwater Fund

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Years Ended June 30, 2012, 2011, and 2010

	2012	2011	2010
Operating revenues:			
Stormwater management fee	\$ 1,048,141	\$ 1,037,316	\$ 1,021,817
Other revenues	-	25,000	-
Total operating revenues	<u>1,048,141</u>	<u>1,062,316</u>	<u>1,021,817</u>
Operating expenses:			
Administration	260,381	202,737	224,447
Repairs and maintenance	544,314	422,930	686,484
Depreciation	11,090	-	-
Total operating expenses	<u>815,785</u>	<u>625,667</u>	<u>910,931</u>
Operating income	<u>232,356</u>	<u>436,649</u>	<u>110,886</u>
Non Operating Revenues			
Investment earnings	4,507	2,519	1,064
Total non operating revenues	<u>4,507</u>	<u>2,519</u>	<u>1,064</u>
Change in net assets	236,863	439,168	111,950
Net assets, beginning of year	<u>1,143,128</u>	<u>703,960</u>	<u>592,010</u>
Net assets, end of year	<u>\$ 1,379,991</u>	<u>\$ 1,143,128</u>	<u>\$ 703,960</u>

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

Town of Indian Trail, North Carolina  
**Stormwater Fund**  
**Statement of Cash Flows**  
For the Fiscal Years Ended June 30, 2012, 2011, and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,044,103	\$ 1,030,579	\$ 1,046,433
Cash paid for goods and services	(830,810)	(534,600)	(917,909)
Net cash provided by operating activities	<u>213,293</u>	<u>495,979</u>	<u>128,524</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(83,646)</u>	-	-
Cash flows from investing activities:			
Interest and dividends	<u>4,507</u>	<u>2,519</u>	<u>1,063</u>
Net increase in cash and cash equivalents equivalents	134,154	498,498	129,587
Balances - beginning of the year	<u>1,172,724</u>	<u>674,226</u>	<u>544,639</u>
Balances - end of the year	<u>\$ 1,306,878</u>	<u>\$ 1,172,724</u>	<u>\$ 674,226</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 232,356	\$ 436,649	\$ 110,886
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	11,090	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(4,038)	(6,737)	24,198
Increase (decrease) in accounts payable and accrued liabilities	(26,115)	66,067	(6,560)
Total adjustments	<u>(19,063)</u>	<u>59,330</u>	<u>17,638</u>
Net cash provided by operating activities	<u>\$ 213,293</u>	<u>\$ 495,979</u>	<u>\$ 128,524</u>

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

## Notes to the Compiled Financial Statements

### Reclassification

**General Fund** – In the fiscal year ending June 30, 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the City restated fund balance for the fiscal year ending June 30, 2010 to conform to the June 30, 2011 presentation.

**Enterprise Fund** – For comparability purposes, the operating activities section on the Statement of Cash Flows for the fiscal years ending June 30, 2011 and 2010 has been changed to conform to the June 30, 2012 presentation.

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The following budget statement has been compiled from the budget ordinances and related amendments of the Town for the fiscal year ending June 30, 2013.

Town of Indian Trail, North Carolina  
**Compiled Budget - Annually Budgeted Funds**  
For the Fiscal Year Ending June 30, 2013

	General Fund	Enterprise Fund
Estimated revenues:		
Ad valorem taxes	\$ 5,904,749	\$ -
Other taxes and licenses	121,000	-
Unrestricted intergovernmental	2,465,550	-
Restricted intergovernmental	767,000	-
Permits and fees	39,000	-
Sales and services	-	990,960
Investment earnings	25,000	
Other revenues	212,800	
Total estimated revenues	9,535,099	990,960
Appropriations:		
General government	1,314,800	-
Public safety	1,586,900	-
Transportation	2,991,795	-
Economic and physical development	1,281,492	-
Environmental protection	1,705,000	-
Cultural and recreational	495,445	-
Stormwater operations	-	940,960
Debt service:		
Principal	328,667	-
Interest and other charges	110,773	-
Capital outlay	-	50,000
Total appropriations	9,814,872	990,960
Estimated revenues over (under) appropriations	(279,773)	-
Other financing sources (uses):		
Transfers to other funds:		
Capital Reserve Fund	(1,276,703)	-
Appropriated fund balances	1,556,476	-
Total other financing sources (uses)	279,773	-
Estimated revenues and other sources over (under) appropriations and other uses	\$ -	\$ -

May \_\_\_\_, 2013

Town of Indian Trail, North Carolina  
Indian Trail, North Carolina

*Town of Indian Trail, North Carolina  
General Obligation Bonds  
Series 2013*

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the Town of Indian Trail, North Carolina (the "Town") of \$8,000,000 aggregate principal amount of its General Obligation Bonds, Series 2013 (the "Bonds").

The Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the Bond Resolution adopted by the Town Council of the Town (the "Town Council") on March 26, 2013 (the "Bond Resolution").

In connection with the issuance of the Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

a. Certified copies of (i) bond orders adopted by the Town Council on July 12, 2011, each of which was approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 8, 2011, (ii) the bond order adopted by the Town Council on June 26, 2012, approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 6, 2012 and (iii) the Bond Resolution;

b. A specimen Bond; and

c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the "State"), including The Local Government Bond Act, Sections 159-43 *et seq.*, of the General Statutes of North Carolina.

2. The Bonds are legal, valid and binding general obligations of the Town. The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

3. The Town has pledged its faith and credit for the payment of the principal of and the interest on the Bonds, and the Town is authorized to levy on all real property taxable by the Town

such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. The opinion set forth in the preceding sentence is subject to the condition that the Town comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Town has designated the Bonds as a "*qualified tax-exempt obligation*" under Section 265(b)(3) of the Code, and in the case of certain financial institutions (within the meaning of 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to the interest on the Bonds.

6. The interest on the Bonds is exempt from State of North Carolina income taxation.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, and documents and proceedings.

Respectfully Submitted,

Parker Poe Adams & Bernstein LLP

## BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company ("DTC"), New York, New York, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Town or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption premiums, if any, is the Town's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the Town takes no responsibility for the accuracy thereof.

The Town cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct

Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE TOWN HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

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