

TOWN OF INDIAN TRAIL,  
NORTH CAROLINA

Financial Statements

June 30, 2011

Town Council Members

John Quinn, Mayor  
Jeffrey Goodall, Mayor ProTem  
Roger Stanton  
Gary D'Onofrio  
Robert Allen  
Darlene Luther

Administrative and Financial Staff

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

**Town of Indian Trail, North Carolina**  
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**FINANCIAL SECTION**

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, and each major fund of the Town of Indian Trail, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Indian Trail's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statement of the Town of Indian Trail ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Indian Trail ABC Board, is based solely on the report of another auditor.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the Town of Indian Trail, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2011 on our consideration of The Town of Indian Trail's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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. We and the other auditors, have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Indian Trail, North Carolina. The individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Tinsley + Terry, CPAs, P.A.*

Cornelius, North Carolina  
October 24, 2011

## **Management Discussion and Analysis**

## Management's Discussion and Analysis

As management of the Town of Indian Trail, we offer readers of the Town of Indian Trail's financial statements this narrative overview and analysis of the financial activities of the Town of Indian Trail for the fiscal year ended June 30, 2011. 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

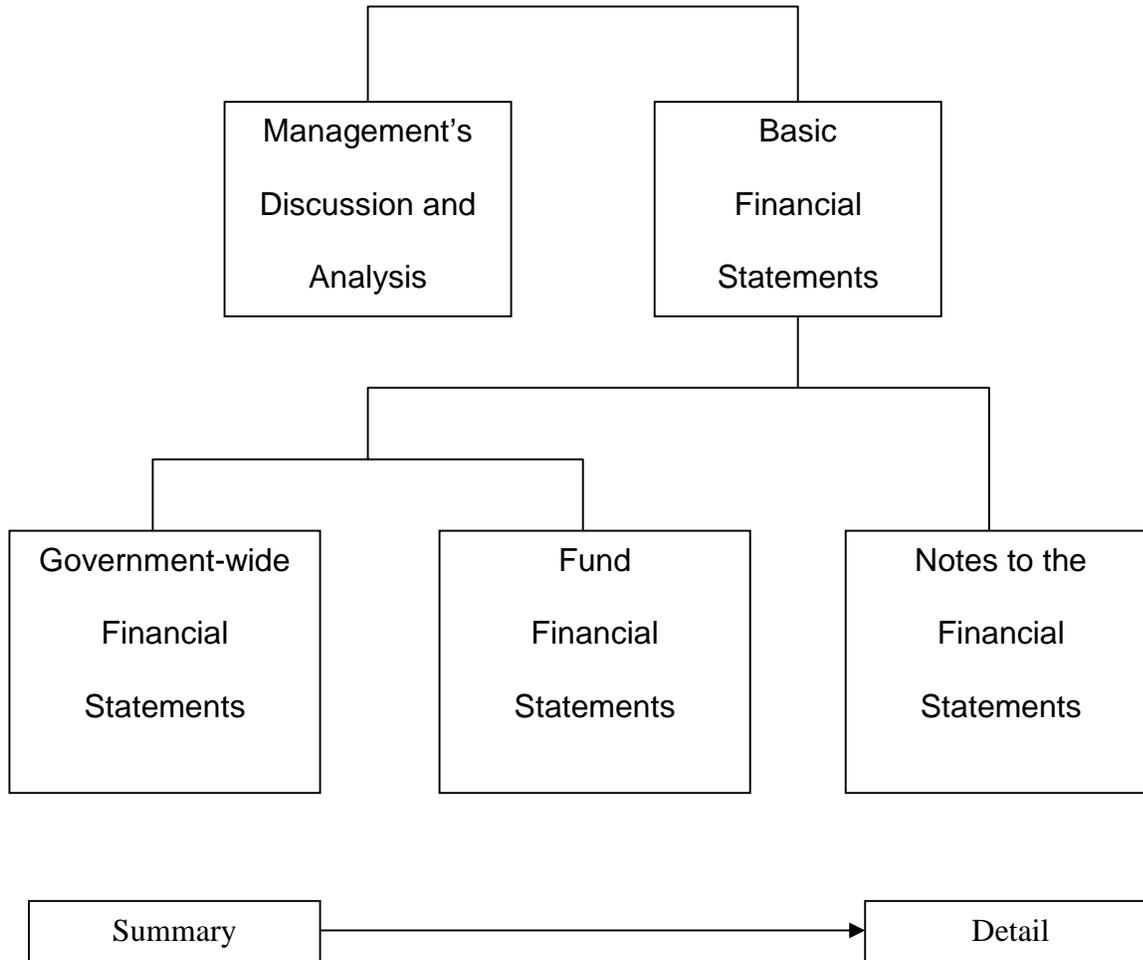
- ... The assets of the Town of Indian Trail exceeded its liabilities at the close of the fiscal year by \$30,999,220 (*net assets*).
- ... The government's total net assets increased by \$5,787,545, primarily due to increases in the Capital Assets for the addition of roads and infrastructure, net of depreciation, of \$3,505,935, purchase of large Community Park land and land improvements to Crossing Paths Park. 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 \$4,919,647, or 57% 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 \$11,976,471 with a net change of \$1,609,257 in fund balance. The combined governmental funds include the General Fund and the Capital Project Fund. Approximately 59% of this total amount, or \$7,056,824, is non spendable, restricted, committed or assigned.
- ... The IT ABC store opened its doors November 10, 2010. The ABC Board is considered a component unit of the Town. The Town exercises control over the ABC Board by appointing its members and the ABC Board is required to distribute 100% of its net profits to the Town.
- ... The Town of Indian Trail purchased approximately 51 acres of land for a new Community Park and incurred debt of \$1,750,000.
- ... The Town of Indian Trail's total debt increased by \$1,611,667 (161%) for a total outstanding of \$2,611,667 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.

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. Required supplementary information can be found starting on page 26 of this report.

### 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. The assets of the Town of Indian Trail exceeded liabilities by \$30,999,220 as of June 30, 2011.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 12,865,664	\$ 12,133,408	\$ 1,212,873	\$ 707,638	\$ 14,078,537	\$ 12,841,046
Capital assets	20,394,169	15,032,679	-	-	20,394,169	15,032,679
Total assets	33,259,833	27,166,087	1,212,873	707,638	34,472,706	27,873,725
Current liabilities	659,175	1,565,422	69,745	3,678	728,920	1,569,100
Long term liabilities	2,744,566	1,092,950	-	-	2,744,566	1,092,950
Total liabilities	3,403,741	2,658,372	69,745	3,678	3,473,486	2,662,050
Net assets:						
Invested in capital assets	17,782,502	14,032,679	-	-	17,782,502	14,032,679
Restricted for Streets	2,280,260	1,997,582	-	-	2,280,260	1,997,582
Restr Stabilization by State Statute	516,377	249,219	-	-	516,377	249,219
Unrestricted	9,276,953	8,228,235	1,143,128	703,960	10,420,081	8,932,195
Total net assets	\$ 29,856,092	\$ 24,507,715	\$ 1,143,128	\$ 703,960	\$ 30,999,220	\$ 25,211,675

The Town's net assets increased by \$5,787,545 for the fiscal year ended June 30, 2011. However, \$17,782,502 (57.36%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment less any related debt still outstanding that was used to acquire those items). 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 \$2,796,637 (9.02%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,420,081 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 98.04%, excluding registered motor vehicles, which is comparable to the statewide average for towns our size of 97.66%. The registered motor vehicles collection rate is 92.40%.
- ... Sales tax and franchise tax revenues continued to remain stable during this economic downturn.
- ... The Town also booked \$3,505,935 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	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 68,570	\$ 108,888	\$ 1,037,316	\$ 1,021,817	\$ 1,105,886	\$ 1,130,705
Operating grants and contributions	686,239	606,518	25,000	-	711,239	606,518
Capital Grants & Contributions	4,201,790	12,441,626	-	-	4,201,790	12,441,626
General revenues:						
Property taxes	4,906,084	4,858,500	-	-	4,906,084	4,858,500
Other taxes	2,790,255	2,615,767	-	-	2,790,255	2,615,767
Unrestricted investment earnings	38,343	59,212	2,519	1,064	40,862	60,276
Miscellaneous	60,589	213,871	-	-	60,589	213,871
Other						
Stormwater Fund	-	-	-	-	-	-
<b>Total revenues</b>	<b>12,751,870</b>	<b>20,904,382</b>	<b>1,064,835</b>	<b>1,022,881</b>	<b>13,816,705</b>	<b>21,927,263</b>
<b>Expenses:</b>						
General government	1,698,002	1,530,135	-	-	1,698,002	1,530,135
Public safety	1,400,675	1,093,007	-	-	1,400,675	1,093,007
Economic and physical development	792,547	687,703	-	-	792,547	687,703
Transportation	1,328,435	2,812,842	-	-	1,328,435	2,812,842
Environmental protection	2,020,490	1,973,072	-	-	2,020,490	1,973,072
Cultural and recreation	97,421	42,183	-	-	97,421	42,183
Interest on long-term debt	65,923	39,220	-	-	65,923	39,220
Other						
Stormwater Fund	-	-	625,667	910,931	625,667	910,931
<b>Total expenses</b>	<b>7,403,493</b>	<b>8,178,162</b>	<b>625,667</b>	<b>910,931</b>	<b>8,029,160</b>	<b>9,089,093</b>
Increase in net assets before transfers	5,348,377	12,726,220	439,168	111,950	5,787,545	12,838,170
Increase in net assets	5,348,377	12,726,220	439,168	111,950	5,787,545	12,838,170
Net assets, July 1	24,507,715	11,781,495	703,960	592,010	25,211,675	12,373,505
Net assets, June 30	\$ 29,856,092	\$ 24,507,715	\$ 1,143,128	\$ 703,960	\$ 30,999,220	\$ 25,211,675

**Governmental activities.** Governmental activities increased the Town's net assets by \$5,348,377, mainly, due to the booking of the Town's roads and infrastructure, community park land purchase and land improvements at the Crossing Paths Park.

**Business-type activities.** The Stormwater Utility activity increased the Town's net assets by \$439,168, accounting for 7.63% 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 \$9,991,279, while total fund balance reached \$10,527,534. 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 Council from time to time may utilize fund balances that will reduce fund balance below the requirement indicated but in no case below 15% except in extreme emergency for the purpose of providing for:

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

The Town currently has an available fund balance of 98% of budgeted general fund expenditures.

At June 30, 2011, the governmental funds of the Town of Indian Trail reported a combined fund balance of \$11,976,471 with a net increase in fund balance of \$1,609,257. Included in this change in fund balance are the increases in fund balance in the General Fund and the Capital Projects Fund.

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

Revenues were more than the adopted budget due to additional property taxes, sales tax, and other taxes received for fiscal year ending June 30, 2011. 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 \$1,143,128. The total change in net assets for the fund was \$439,168. 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, 2011, totals \$20,394,169 (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 purchases of 51 acres for a Community Park, land improvements for Crossing Paths Park, small equipment and roads and infrastructure.

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

**Figure 4**

	2011	2010	2011	2010
Land	\$ 2,183,626	\$ 608,429	\$ 2,183,626	\$ 608,429
Construction in progress	489,711	131,739	489,711	131,739
Building and improvements	1,242,541	1,285,983	1,242,541	1,285,983
Computers	17,000	25,094	17,000	25,094
Computer software	12,033	23,930	12,033	23,930
Equipment	12,587	7,528	12,587	7,528
Vehicles	37,655	56,896	37,655	56,896
Infrastructure	16,399,016	12,893,080	16,399,016	12,893,080
<b>Total</b>	<b>\$ 20,394,169</b>	<b>\$ 15,032,679</b>	<b>\$ 20,394,169</b>	<b>\$ 15,032,679</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, 2011, the Town of Indian Trail owes \$2,611,667 in installment loan debt.

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

The Town of Indian Trail's total debt increased by \$ 1,611,667 (161%) during the past fiscal year, primarily due to the government issued \$1,750,000 in installment purchase financing to purchase approximately 51 acres for a Community Park.

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 15<sup>th</sup>, 2011, the legal debt margin for the Town of Indian Trail is \$268,777,214.

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 August 2011, state unemployment rate was 10.4% while Union County's rate was lower at 9.4%.
- ... Due to current economic difficulties, the Town tax rate remained the same at \$0.145 per \$100.
- ... Budgeted expenditure increases were for three new full time Public Works positions, a 7.58% increase for law enforcement, increase in retirement and insurance expenses, a new finance software system, a strategic economic development plan, Town IT equipment and assessment, and first year of debt payments for the Community Park.

### **Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities:** The 2011-2012 operating budget provides for resources to address the Town's daily needs, as well as reflect positive movement on the goals and initiatives as established by the Mayor and Town Council at the March 30<sup>th</sup>, 2011 Goals and Initiatives meeting. List can be found in the Town's Adopted Budget dated May 24<sup>th</sup>, 2011.

**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.

## **Basic Financial Statements**

**Town of Indian Trail, North Carolina**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Primary Government</b>			<b>Town of Indian Trail ABC Board</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 8,093,098	\$ 1,172,724	\$ 9,265,822	\$ 39,897
Restricted cash	4,254,068	-	4,254,068	-
Taxes receivable (net)	230,018	-	230,018	-
Accounts receivable	18,732	34,832	53,564	-
Due from other governments	249,870	5,317	255,187	-
Inventories	-	-	-	186,205
Prepaid expense	19,878	-	19,878	3,187
Total current assets	<u>12,865,664</u>	<u>1,212,873</u>	<u>14,078,537</u>	<u>229,289</u>
<b>Capital assets (Note 1):</b>				
Land, non-depreciable improvements	2,183,626	-	2,183,626	-
Construction in progress	489,711	-	489,711	-
Other capital assets, net of depreciation	17,720,832	-	17,720,832	123,763
Total capital assets	<u>20,394,169</u>	<u>-</u>	<u>20,394,169</u>	<u>123,763</u>
<b>Other assets:</b>				
Deposits	-	-	-	6,304
Total assets	<u>\$ 33,259,833</u>	<u>\$ 1,212,873</u>	<u>\$ 34,472,706</u>	<u>\$ 359,356</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 254,127	\$ 69,745	\$ 323,872	\$ 60,457
Withheld and accrued payroll	-	-	-	3,983
Taxes payable	-	-	-	54,180
Distributions payable	-	-	-	35,483
Deposits in escrow	288,973	-	288,973	-
Unearned revenues	116,075	-	116,075	-
Total current liabilities	<u>659,175</u>	<u>69,745</u>	<u>728,920</u>	<u>154,103</u>
<b>Long-term liabilities:</b>				
Due within one year	329,565	-	329,565	61,038
Due in more than one year	2,415,001	-	2,415,001	136,223
Total long-term liabilities	<u>2,744,566</u>	<u>-</u>	<u>2,744,566</u>	<u>197,261</u>
Total liabilities	<u>3,403,741</u>	<u>69,745</u>	<u>3,473,486</u>	<u>351,364</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	17,782,502	-	17,782,502	-
<b>Restricted for:</b>				
Stabilization by State Statute	516,377	-	516,377	7,992
Streets	2,280,260	-	2,280,260	-
Unrestricted	9,276,953	1,143,128	10,420,081	-
Total net assets	<u>\$ 29,856,092</u>	<u>\$ 1,143,128</u>	<u>\$ 30,999,220</u>	<u>\$ 7,992</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, 2011**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 1,698,002	\$ -	\$ -	\$ 4,201,790
Public safety	1,400,675	42	-	-
Transportation	1,328,435	-	601,581	-
Economic and physical development	792,547	33,378	-	-
Environmental protection	2,020,490	35,150	18,658	-
Cultural and recreation	97,421	-	66,000	-
Interest on long-term debt	65,923	-	-	-
<b>Total governmental activities (See Note 1)</b>	<b>7,403,493</b>	<b>68,570</b>	<b>686,239</b>	<b>4,201,790</b>
Business-type Activity:				
Stormwater Fund	625,667	1,037,316	25,000	-
<b>Total primary government</b>	<b>\$ 8,029,160</b>	<b>\$ 1,105,886</b>	<b>\$ 711,239</b>	<b>\$ 4,201,790</b>
Component Unit				
ABC Board	1,023,905	1,031,897	-	-
<b>Total component unit</b>	<b>\$ 1,023,905</b>	<b>\$ 1,031,897</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

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Town of Indian Trail ABC Board</b>
\$ 2,503,788	\$ -	\$ 2,503,788	\$ -
(1,400,633)	-	(1,400,633)	-
(726,854)	-	(726,854)	-
(759,169)	-	(759,169)	-
(1,966,682)	-	(1,966,682)	-
(31,421)	-	(31,421)	-
(65,923)	-	(65,923)	-
<u>(2,446,894)</u>	<u>-</u>	<u>(2,446,894)</u>	<u>-</u>
-	436,649	436,649	-
<u>(2,446,894)</u>	<u>436,649</u>	<u>(2,010,245)</u>	<u>-</u>
-	-	-	7,992
-	-	-	<u>\$ 7,992</u>
4,906,084	-	4,906,084	-
2,790,255	-	2,790,255	-
38,343	2,519	40,862	-
60,589	-	60,589	-
<u>7,795,271</u>	<u>2,519</u>	<u>7,797,790</u>	<u>-</u>
-	-	-	-
<u>7,795,271</u>	<u>2,519</u>	<u>7,797,790</u>	<u>-</u>
5,348,377	439,168	5,787,545	7,992
24,507,715	703,960	25,211,675	-
<u>\$ 29,856,092</u>	<u>\$ 1,143,128</u>	<u>\$ 30,999,220</u>	<u>\$ 7,992</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, 2011**

	Major Funds		Total Governmental Funds
	General Fund	Capital Project Fund	
<b>Assets</b>			
Cash and cash equivalents	\$ 8,093,098	\$ -	\$ 8,093,098
Restricted cash	2,805,131	1,448,937	4,254,068
Receivables, net:			
Taxes	230,018	-	230,018
Accounts	18,732	-	18,732
Due from other governments	249,870	-	249,870
Prepaid expenditures	19,878	-	19,878
Total assets	\$ 11,416,727	\$ 1,448,937	\$ 12,865,664

**Liabilities and Fund Balances**

Liabilities:

Accounts payable and accrued liabilities	\$ 254,127	\$ -	\$ 254,127
Deposits in escrow	288,973	-	288,973
Unearned revenue	116,075	-	116,075
Deferred revenue	230,018	-	230,018
Total liabilities	889,193	-	889,193

Fund Balances:

Non-spendable			
Prepaid expenditures	19,878	-	19,878
Restricted			
Stabilization by State statute	516,377	-	516,377
Streets-Powell bill	2,280,260	-	2,280,260
Committed			
Road improvements	2,039,309	-	2,039,309
Parks improvements	236,760	-	236,760
Town hall	-	1,448,937	1,448,937
Assigned			
Subsequent years expenditures	515,303	-	515,303
Unassigned	4,919,647	-	4,919,647
Total fund balances	10,527,534	1,448,937	11,976,471
Total liabilities and fund balances	\$ 11,416,727	\$ 1,448,937	

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	23,754,023	
Accumulated depreciation	(3,359,854)	20,394,169

Some liabilities, including debt and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (2,744,566)

Liabilities for earned but deferred revenues in fund statements.	230,018
Net assets of governmental activities	\$ 29,856,092

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, 2011**

	Major Funds		Total Governmental Funds
	General Fund	Capital Project Fund	
<b>Revenues</b>			
Ad valorem taxes	\$ 4,876,838	\$ -	\$ 4,876,838
Other taxes and licenses	125,520	-	125,520
Unrestricted intergovernmental	2,664,735	-	2,664,735
Restricted intergovernmental	620,239	-	620,239
Permits and fees	68,570	-	68,570
Investment earnings	33,890	4,453	38,343
Miscellaneous	126,589	-	126,589
Total revenues	8,516,381	4,453	8,520,834
<b>Expenditures</b>			
Current:			
General government	1,589,336	-	1,589,336
Public safety	1,399,566	-	1,399,566
Transportation	720,976	-	720,976
Economic and physical development	784,174	-	784,174
Environmental protection	2,020,490	-	2,020,490
Cultural and recreation	1,942,779	-	1,942,779
Debt service:			
Principal	138,333	-	138,333
Interest and other charges	65,923	-	65,923
Total expenditures	8,661,577	-	8,661,577
Excess of revenues over (under) expenditures	(145,196)	4,453	(140,743)
<b>Other Financing Sources (Uses)</b>			
Proceeds from long-term debt obligations	1,750,000	-	1,750,000
Transfers of other funds	-	-	-
Total other financing sources (uses)	1,750,000	-	1,750,000
Net change in fund balance	1,604,804	4,453	1,609,257
Fund balances - beginning	8,922,730	1,444,484	10,367,214
Fund balances - ending	\$ 10,527,534	\$ 1,448,937	\$ 11,976,471

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, 2011**

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

Net changes in fund balances - total governmental funds \$ 1,609,257

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	\$ 1,943,018	
Depreciation expense for governmental assets	<u>(783,318)</u>	1,159,700

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	4,201,790	
Change in deferred revenue for tax revenues	<u>29,246</u>	4,231,036

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	(1,750,000)	
Principal payments on long-term debt	<u>138,333</u>	(1,611,667)

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>(39,949)</u>
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Total changes in net assets of governmental activities		<u><u>\$ 5,348,377</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, 2011**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,592,373	\$ 4,592,373	\$ 4,876,838	\$ 284,465
Other taxes and licenses	102,000	102,000	125,520	23,520
Unrestricted intergovernmental	2,327,315	2,327,315	2,664,735	337,420
Restricted intergovernmental	582,500	582,500	620,239	37,739
Permits and fees	95,000	97,000	68,570	(28,430)
Investment earnings	55,000	55,000	33,890	(21,110)
Miscellaneous	46,100	146,862	126,589	(20,273)
Total revenues	<u>7,800,288</u>	<u>7,903,050</u>	<u>8,516,381</u>	<u>613,331</u>
<b>Expenditures:</b>				
Current:				
General government	1,815,089	1,828,134	1,589,336	238,798
Public safety	1,375,199	1,408,766	1,399,566	9,200
Transportation	3,220,481	3,287,846	720,976	2,566,870
Environmental protection	2,054,715	2,080,715	2,020,490	60,225
Economic and physical development	1,019,458	1,018,812	784,174	234,638
Cultural and recreation	421,847	2,384,654	1,942,779	441,875
Debt service:				
Principal	116,250	138,333	138,333	-
Interest and other charges	-	65,927	65,923	4
Total expenditures	<u>10,023,039</u>	<u>12,213,187</u>	<u>8,661,577</u>	<u>3,551,610</u>
Revenues over (under) expenditures	<u>(2,222,751)</u>	<u>(4,310,137)</u>	<u>(145,196)</u>	<u>4,164,941</u>
<b>Other financing sources (uses):</b>				
Proceeds from long-term debt obligations	-	1,750,000	1,750,000	-
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
Fund balance appropriated	<u>2,222,751</u>	<u>2,560,137</u>	<u>-</u>	<u>(2,560,137)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,604,804</u>	<u>\$ 1,604,804</u>
Fund balances - beginning of year			8,922,730	
Fund balances - end of year			<u>\$ 10,527,534</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, 2011**

	<b>Proprietary Fund</b>	
	<b>Stormwater Fund</b>	<b>Total</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,172,724	\$ 1,172,724
Accounts receivable (net)	34,832	34,832
Other receivables	5,317	5,317
Total current assets	1,212,873	1,212,873
Total assets	\$ 1,212,873	\$ 1,212,873
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 69,745	\$ 69,745
Total current liabilities	69,745	69,745
<b>Net Assets</b>		
Unrestricted	1,143,128	1,143,128
Total net assets	\$ 1,143,128	\$ 1,143,128

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, 2011**

	<b>Proprietary Fund</b>	
	<b>Stormwater Fund</b>	<b>Total</b>
<b>Operating Revenues</b>		
Stormwater management fee	\$ 1,037,316	\$ 1,037,316
Other revenues	25,000	25,000
Total operating revenues	<u>1,062,316</u>	<u>1,062,316</u>
<b>Operating Expenses</b>		
Administration	202,737	202,737
Repairs and maintenance	422,930	422,930
Depreciation	-	-
Total operating expenses	<u>625,667</u>	<u>625,667</u>
Operating income	<u>436,649</u>	<u>436,649</u>
<b>Non Operating Revenues (Expenses)</b>		
Investment earnings	2,519	2,519
Interest and other charges	-	-
Total non operating revenues (expenses)	<u>2,519</u>	<u>2,519</u>
Change in net assets	439,168	439,168
Total net assets, beginning	<u>703,960</u>	<u>703,960</u>
Total net assets - ending	<u>\$ 1,143,128</u>	<u>\$ 1,143,128</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, 2011**

	<b>Proprietary Fund</b>	
	<b>Stormwater Fund</b>	<b>Totals</b>
<b>Cash Flow from Operating Activities</b>		
Cash received from customers	\$ 1,030,579	\$ 1,030,579
Cash paid for goods and services	(366,284)	(366,284)
Cash paid to or on behalf of employees for services	(193,316)	(193,316)
Other revenue	25,000	25,000
Net cash provided by operating activities	<u>495,979</u>	<u>495,979</u>
<b>Cash Flow from Investing Activities</b>		
Interest and dividends	<u>2,519</u>	<u>2,519</u>
Net increase in cash and cash equivalents	498,498	498,498
Balances-beginning of the year	674,226	674,226
Balances-end of the year	<u>\$ 1,172,724</u>	<u>\$ 1,172,724</u>
<b>Operating Activities</b>		
Operating income	\$ 436,649	\$ 436,649
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,737)	(6,737)
Increase (decrease) in accounts payable and accrued liabilities	<u>66,067</u>	<u>66,067</u>
Total adjustments	<u>59,330</u>	<u>59,330</u>
Net cash provided by operating activities	<u>\$ 495,979</u>	<u>\$ 495,979</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, 2011**

**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, 2011**

**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.

**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 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 of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (Continued)

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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. 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.

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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

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, 2010.

**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 ABC Board is valued at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (Continued)

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 as a Phase III government has opted 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, 2011**

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.

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.

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

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (Continued)

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 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

2. Contractual Violations

None

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

II. Stewardship, Compliance, and Accountability (Continued)

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, 2011, the Town's deposits had a carrying amount of \$4,326,585 and a bank balance of \$4,541,813. Of the bank balance, \$1,250,000 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 \$37,315 and the bank balance was \$68,966. All of the bank balance was covered by federal depository insurance. At June 30, 2011, the Town's petty cash fund totaled \$850.

2. Investment

At June 30, 2011, the Town of Indian Trail had \$9,192,751 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 has no policy regarding credit risk.

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

III. Detail Notes on All Funds (Continued)

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2011, was as follows:

<b>Governmental Activities</b>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 608,429	\$1,575,197	\$ -	\$ 2,183,626
Construction in progress	131,739	357,972	-	489,711
	<hr/>			<hr/>
Total capital assets not being depreciated	740,168	1,933,169	-	2,673,337
Capital assets being depreciated by type:				
Buildings	1,566,032	-	-	1,566,032
Infrastructure	15,018,126	4,201,790	-	19,219,916
Equipment	80,481	9,849	-	90,330
Computer	32,202	-	-	32,202
Computer software	59,498	-	-	59,498
Vehicles and motorized equipment	112,708	-	-	112,708
	<hr/>			<hr/>
Total capital assets being depreciated	16,869,047	\$ 4,211,639	\$ -	21,080,686
Less accumulated depreciation by type:				
Buildings	280,049	43,442	-	323,491
Infrastructure	2,125,046	695,854	-	2,820,900
Equipment	71,302	6,441	-	77,743
Computer	8,759	6,443	-	15,202
Computer software	35,568	11,897	-	47,465
Vehicles and motorized equipment	55,812	19,241	-	75,053
	<hr/>			<hr/>
Total accumulated depreciation	2,576,536	\$ 783,318	\$ -	3,359,854
	<hr/>			<hr/>
Total capital assets being depreciated, net	14,292,511			17,720,832
Governmental activity capital assets, net	<u>\$ 15,032,679</u>			<u>\$ 20,394,169</u>

Depreciation expense by function:

General government	\$ 68,717
Public safety	1,109
Transportation	705,119
Economic and physical development	8,373
	<hr/>
	<u>\$ 783,318</u>

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

III. Detail Notes on All Funds (Continued)

**Construction Commitments**

The government has active construction projects as of June 30, 2011. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
Stormwater improvements	\$ 69,215	\$ 211,975
Road improvements	\$ 38,315	\$ 42,481

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending 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	-	4,001
Signage and improvements	-	5,493	-	5,493
Total accumulated depreciation	-	\$ 9,494	\$ -	9,494
Total capital assets, net	<u>\$ -</u>			<u>\$ 123,763</u>

4. Donated Assets

The Town received donated assets in the form of roads within the Town limits on July 1, 2010. These assets have been recorded as infrastructure additions at industry standard construction costs per linear foot for 2010, 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

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

III. Detail Notes on All Funds (Continued)

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 10.06%, 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, 2011, 2010, and 2009 were \$144,362, \$107,768 and \$100,456, 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, 2011 were \$61,589, which consisted of \$14,616 from the Town and \$46,973 from employees.

2. Deferred / Unearned Revenues

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

	<u>Deferred</u> <u>Revenue</u>	<u>Unearned</u> <u>Revenue</u>
Road assessment	\$ -	\$ 48,458
Performance deposits	-	288,973
Privilege license	-	67,617
Taxes receivable (General Fund)	<u>230,018</u>	<u>-</u>
	<u>\$ 230,018</u>	<u>\$405,048</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.

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

III. Detail Notes on All Funds (Continued)

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 \$ 1,080.

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 \$ 48,920 was incurred during the year ended June 30, 2011.

The following is the lease payment schedule:

<u>Year Ending June 30,</u>	
2012	\$ 85,000
2013	86,892
2014	90,383
2015	93,783
2016	<u>39,667</u>
	<u>\$ 395,725</u>

B. Installment Financing

In October 2007, the Town obtained a \$1,200,000 loan from a bank to finance the purchase of a building. The loan agreement which was modified in October 2008, requires 28 semi-annual payments of \$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, 2011, including \$ 204,240 of interest is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 80,000	\$ 33,300
2013	80,000	30,340
2014	80,000	27,380
2015	80,000	24,420
2016	80,000	21,460
2017-2021	400,000	62,900
2022-2023	<u>120,000</u>	<u>4,440</u>
Total	<u>\$ 920,000</u>	<u>\$ 204,240</u>

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

III. Detail Notes on All Funds (Continued)

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

Annual debt service payments of the installment financing as of June 30, 2011, including \$ 430,107 of interest is as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 116,666	\$ 56,359
2013	116,666	52,404
2014	116,666	48,449
2015	116,666	44,494
2016	116,666	40,539
2017-2021	583,330	143,368
2022-2026	<u>525,007</u>	<u>44,494</u>
Total	<u>\$1,691,667</u>	<u>\$ 430,107</u>

C. Changes in Long-Term Liabilities

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
Governmental activities:					
Bank loan	\$ 1,000,000	\$ 1,750,000	\$ 138,333	\$ 2,611,667	\$ 196,666
Compensated absences	<u>92,950</u>	<u>39,949</u>	<u>-</u>	<u>132,899</u>	<u>132,899</u>
Total	<u>\$ 1,092,950</u>	<u>\$ 1,789,949</u>	<u>\$ 138,333</u>	<u>\$ 2,744,566</u>	<u>\$ 329,565</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 \$197,260 at June 30, 2011. 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, 2011.

Year Ending June 30,	
2012	\$ 61,038
2013	63,259
2014	65,561
2015	<u>7,402</u>
	<u>\$ 197,260</u>

5. Interfund Balances and Activity

There were no balances due to/from other funds at June 30, 2011.

There were no transfers to/from other funds at June 30, 2011.

**The Town of Indian Trail, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

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

**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>\$10,527,534</i>
Less:	
Prepaid Expenditures	19,878
Stabilization by State Statute	516,377
Streets-Powell Bill	2,280,260
Committed for Parks	236,760
Committed for Roads	2,039,309
Appropriated Fund Balance in 2012 Budget	515,303
Remaining Fund Balance	4,919,647

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>
	\$247,775

**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.

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.

In 2011, the Town entered into a contract for engineering services. As of June 30, 2011, \$42,481 remained open on this contract and is included in encumbrances.

**V. Summary Disclosure of Significant Contingencies**

**Lawsuits**

The Town is a named party in a lawsuit with respect to condemnation of a small piece of property needed for a roadway. The amount of the deposit is below materiality; however, there is a possibility that it could be settled for an amount higher than materiality. At the date of issuance, this case had been settled for an amount equal to bonds being held in escrow.

**The Town of Indian Trail, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

V. 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.

Subsequent Events

Management has evaluated subsequent events through October 24, 2011, the date which the statements were available to be issued and determined there were no subsequent events for disclosure.

## **Supplementary Statements**

**Town of Indian Trail, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Ad valorem taxes		\$ 4,507,677	
Automobile taxes		369,161	
Total	\$ 4,592,373	4,876,838	\$ 284,465
Other taxes and licenses:			
Gross receipts tax vehicle rental		32,421	
Privilege license		93,099	
Total	102,000	125,520	23,520
Unrestricted intergovernmental:			
Local option sales taxes		1,066,671	
Utility franchise tax		1,468,318	
ABC reimbursement		7,893	
Gas tax refund		544	
Beer and wine tax		121,309	
Total	2,327,315	2,664,735	337,420
Restricted intergovernmental:			
Powell Bill allocation		601,581	
Solid waste disposal distribution		18,658	
Total	582,500	620,239	37,739
Permits and fees:			
Yard debris		24,285	
Refunds on recyclables		10,865	
Planning revenue		33,378	
Other		42	
Total	97,000	68,570	(28,430)
Investment earnings	55,000	33,890	(21,110)
Miscellaneous:			
Contributions		102,595	
Other		23,994	
Total	146,862	126,589	(20,273)
Total revenues	7,903,050	8,516,381	613,331

**Town of Indian Trail, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General Government:			
Governing Board			
Salaries and employee benefits		40,498	
Contracted services		-	
Other operating expenditures		14,512	
Total	<u>56,509</u>	<u>55,010</u>	<u>1,499</u>
Administration			
Salaries and employee benefits		337,783	
Contracted services		4,391	
Capital outlay		-	
Other operating expenditures		97,507	
Total	<u>573,330</u>	<u>439,681</u>	<u>133,649</u>
Finance			
Salaries and employee benefits		175,259	
Contracted services		18,023	
Other operating expenditures		12,806	
Total	<u>211,314</u>	<u>206,088</u>	<u>5,226</u>
Tax			
Salaries and employee benefits		197,993	
Contracted services		3,062	
Other operating expenditures		9,055	
Total	<u>211,971</u>	<u>210,110</u>	<u>1,861</u>
Human Resources			
Salaries and employee benefits		47,088	
Contracted services		917	
Other operating expenditures		41,139	
Total	<u>92,917</u>	<u>89,144</u>	<u>3,773</u>
GIS and Information Technology			
Salaries and employee benefits		68,641	
Contracted services		55,200	
Capital outlay		24,741	
Other operating expenditures		1,324	
Total	<u>170,776</u>	<u>149,906</u>	<u>20,870</u>
Legal Cost Center			
Contracted services	103,092	98,167	
Total	<u>103,092</u>	<u>98,167</u>	<u>4,925</u>

**Town of Indian Trail, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Facilities			
Salaries and employee benefits		23,996	
Street lights		249,597	
Other operating expenditures		67,637	
Total	<u>408,225</u>	<u>341,230</u>	<u>66,995</u>
Total General Government	<u>1,828,134</u>	<u>1,589,336</u>	<u>238,798</u>
Public Safety			
Police:			
Contracted services		1,355,699	
Other operating expenditures		43,867	
Total public safety	<u>1,408,766</u>	<u>1,399,566</u>	<u>9,200</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits		211,718	
Maintenance		200,000	
Contracted services		8,300	
Other operating expenditures		8,932	
Total	<u>802,043</u>	<u>428,950</u>	<u>373,093</u>
Powell Bill:			
Salaries and employee benefits		2,933	
Capital outlay		287,900	
Other operating expenditures		1,193	
Total	<u>2,485,803</u>	<u>292,026</u>	<u>2,193,777</u>
Total transportation	<u>3,287,846</u>	<u>720,976</u>	<u>2,566,870</u>
Environmental Protection:			
Contracted services solid waste		2,016,627	
Tree City USA		3,168	
Other operating expenditures		695	
Total environmental protection	<u>2,080,715</u>	<u>2,020,490</u>	<u>60,225</u>
Economic and Physical Development:			
Planning			
Salaries and employee benefits		542,845	
Contracted services		3,896	
Other operating expenditures		38,341	
Total	<u>699,699</u>	<u>585,082</u>	<u>114,617</u>

**Town of Indian Trail, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Community and Economic Development			
Salaries and employee benefits		126,645	
Contracted services		16,650	
Other operating expenditures		<u>55,797</u>	
Total	<u>319,113</u>	<u>199,092</u>	<u>120,021</u>
Total economic and physical develop	<u>1,018,812</u>	<u>784,174</u>	<u>234,638</u>
Cultural and Recreation:			
Recreation			
Capital outlay		1,843,178	
Other operating expenditures		<u>99,601</u>	
Total cultural and recreation	<u>2,384,654</u>	<u>1,942,779</u>	<u>441,875</u>
Debt Service:			
Principal retirement		138,333	
Interest and other charges		<u>65,923</u>	
Total debt service	<u>204,260</u>	<u>204,256</u>	<u>4</u>
Total expenditures	<u>12,213,187</u>	<u>8,661,577</u>	<u>3,551,610</u>
Revenues over (under) expenditures	<u>(4,310,137)</u>	<u>(145,196)</u>	<u>4,164,941</u>
<b>Other Financing Sources and Uses:</b>			
Transfers from other funds	-	-	-
Proceeds from debt	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
Total other financing sources and uses	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
Fund balance appropriated	<u>2,560,137</u>	<u>-</u>	<u>(2,560,137)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,604,804</u>	<u>\$ 1,604,804</u>
Fund balances:			
Beginning of year, July 1		<u>8,922,730</u>	
End of year, June 30		<u>\$ 10,527,534</u>	

**Town of Indian Trail, North Carolina**  
**Capital Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2011**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenue:</b>					
Investment earnings	\$ -	\$ 254,007	\$ 4,453	\$ 258,460	\$ 258,460
Total revenues	-	254,007	4,453	258,460	258,460
<b>Expenditures:</b>					
Capital outlay	1,000,000	350,385	-	350,385	649,615
Total expenditures	1,000,000	350,385	-	350,385	649,615
Revenues over (under) expenditures	(1,000,000)	(96,378)	4,453	(91,925)	908,075
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	1,000,000	1,540,862	-	1,540,862	540,862
Net change in fund balance	\$ -	\$ 1,444,484	4,453	\$ 1,448,937	\$ 1,448,937
Fund balance:					
Beginning of year, July 1			1,444,484		
End of year, June 30			<u>\$ 1,448,937</u>		

**The Town Of Indian Trail, North Carolina**  
**Stormwater Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual ( Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating revenues:</b>			
Stormwater management fee		\$ 1,037,316	
Other revenues		25,000	
Total revenues	\$ 1,022,000	1,062,316	\$ 40,316
<b>Non operating revenues:</b>			
Interest	3,000	2,519	(481)
Total revenues	1,025,000	1,064,835	39,835
<b>Expenditures:</b>			
Administration:			
Administrative expenditures		-	
Stormwater operations:			
Salaries and employee benefits		202,737	
Contracted maintenance		422,930	
Total		625,667	
Total expenditures	1,303,663	625,667	677,996
Revenues over (under) expenditures	(278,663)	439,168	717,831
<b>Other financing sources (uses):</b>			
Appropriation of fund balance	278,663	-	(278,663)
Total other financing sources (uses)	278,663	-	(278,663)
Revenues over expenditures and other financing sources (uses)	\$ -	439,168	\$ 439,168
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Capital outlay		-	
Depreciation		-	
Principal payments on debt		-	
Total reconciling items		-	
Net Income		\$ 439,168	

## Other Schedules

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This section contains additional information required on property taxes.

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Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

**Town of Indian Trail, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2011**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 4,891,064	\$ 4,774,848	\$ 116,216
2009-2010	123,924	-	64,375	59,549
2008-2009	36,083	-	14,638	21,445
2007-2008	15,071	-	2,953	12,118
2006-2007	13,948	-	3,491	10,457
2005-2006	2,449	-	33	2,416
2004-2005	2,372	-	43	2,329
2003-2004	2,514	-	90	2,424
2002-2003	2,062	-	91	1,971
2001-2002	1,119	-	26	1,093
2000-2001	791	-	791	-
1999-2000	439	-	439	-
	<u>\$ 200,772</u>	<u>\$ 4,891,064</u>	<u>\$ 4,861,818</u>	<u>\$ 230,018</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 4,876,838
Reconciling items:	
Interest and penalties received	(13,739)
Other adjustments	(1,281)
Total collections and credits	<u>\$ 4,861,818</u>

**Town of Indian Trail, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2011**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 3,373,147,586	0.145	\$ 4,891,064	\$ 4,528,510	\$ 362,554
Total property valuation	<u>\$ 3,373,147,586</u>				
Net levy			4,891,064	4,528,510	362,554
Uncollected taxes at June 30, 2011			<u>(116,216)</u>	<u>(88,667)</u>	<u>(27,549)</u>
Current year taxes collected			<u>\$ 4,774,848</u>	<u>\$ 4,439,843</u>	<u>\$ 335,005</u>
Current levy collection percentage			<u>97.62%</u>	<u>98.04%</u>	<u>92.40%</u>

## Compliance Section

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit and each major fund, of the Town of Indian Trail, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town of Indian Trail, North Carolina's basic financial statements and have issued our report thereon dated October 24, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Town of Indian Trail ABC Board, as described in our report on the Town of Indian Trail's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Indian Trail ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Indian Trail, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of the Town of Indian Trail, North Carolina in a separate letter dated October 24, 2011.

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

Tinsley + Terry, CPAs, P.A.  
Cornelius, North Carolina  
October 24, 2011