

TOWN OF MINT HILL, NORTH CAROLINA

Audited Financial Statements

For the Fiscal Year Ended June 30, 2012

Board of Commissioners

Ted H. Biggers, Mayor
Lloyd Austin, Mayor Pro Tem
Carl M. Ellington
Brenda McRae
Katrina Ross

Administrative and Financial Staff

Brian L. Welch, Town Manager
D. Lee Bailey, Deputy Town Manager
Naida Sergel, Finance Director

TOWN OF MINT HILL, NORTH CAROLINA

Table of Contents
June 30, 2012

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION:		
INDEPENDENT AUDITOR’S REPORT		1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS		3-11
BASIC FINANCIAL STATEMENTS:		
GOVERNMENT-WIDE FINANCIAL STATEMENTS:		
Statement of Net Assets	1	12
Statement of Activities	2	13
FUND FINANCIAL STATEMENTS:		
Balance Sheet - Governmental Funds	3	14
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	3	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	4	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	5	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	6	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Annually Budgeted Major Special Revenue Fund	6	19
Notes to the Financial Statements		20-41

TOWN OF MINT HILL, NORTH CAROLINA

Table of Contents
June 30, 2012

	<u>Statement/Schedule</u>	<u>Page</u>
 REQUIRED SUPPLEMENTAL FINANCIAL DATA:		
Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress.....		42
Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions		43
Law Enforcement Officers' Special Separation Allowance - Notes to the Required Schedules.....		43
Other Postemployment Benefits - Schedule of Funding Progress.....		44
Other Postemployment Benefits - Schedule of Employer Contributions.....		45
Other Postemployment Benefits - Notes to the Required Schedules.....		45
 SUPPLEMENTAL STATEMENTS AND SCHEDULES:		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	1	46-48
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Stormwater Fund	2	49
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Project Fund-Town Hall.....	1	50
 OTHER SCHEDULES:		
Schedule of Ad Valorem Taxes Receivable.....	2	51
Analysis of Current Tax Levy.....	3	52-53
Schedule of Ten Largest Taxpayers	4	54

TOWN OF MINT HILL, NORTH CAROLINA

Table of Contents
June 30, 2012

	<u>Statement/Schedule</u>	<u>Page</u>
COMPLIANCE SECTION:		
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.....		55-56
Report on Compliance with Requirements Applicable To Each Major State Program And Internal Control over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act.....		57-58
Findings and Questioned Costs	5.....	59-61
Corrective Action Plan.....	6.....	62
Summary Schedule of Prior Audit Findings	7.....	63
Schedule of Expenditures of Federal and State Awards	8.....	64

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Board of Commissioners
Town of Mint Hill, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Mint Hill, North Carolina as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Mint Hill, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. 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 provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Mint Hill, North Carolina as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Stormwater 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 November 27, 2012 on our consideration of Town of Mint Hill's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowances and the Other Postemployment Benefits' Schedule of Funding Progress and Schedule of Employer Contributions, on pages 3 through 11 and 42 through 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Mint Hill's basic financial statements. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of State awards is presented for purposes of additional analysis as required by the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The individual fund statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are stated in all material respects in relation to the basic financial statements taken as a whole.

Rowell, Caren & Short, P.A.

November 27, 2012
Charlotte, North Carolina



Town of Mint Hill
Post Office Box 23457
Mint Hill, North Carolina 28227-0272
Telephone 704-545-9726

Management's Discussion and Analysis

Introduction

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

Financial Highlights of the Year

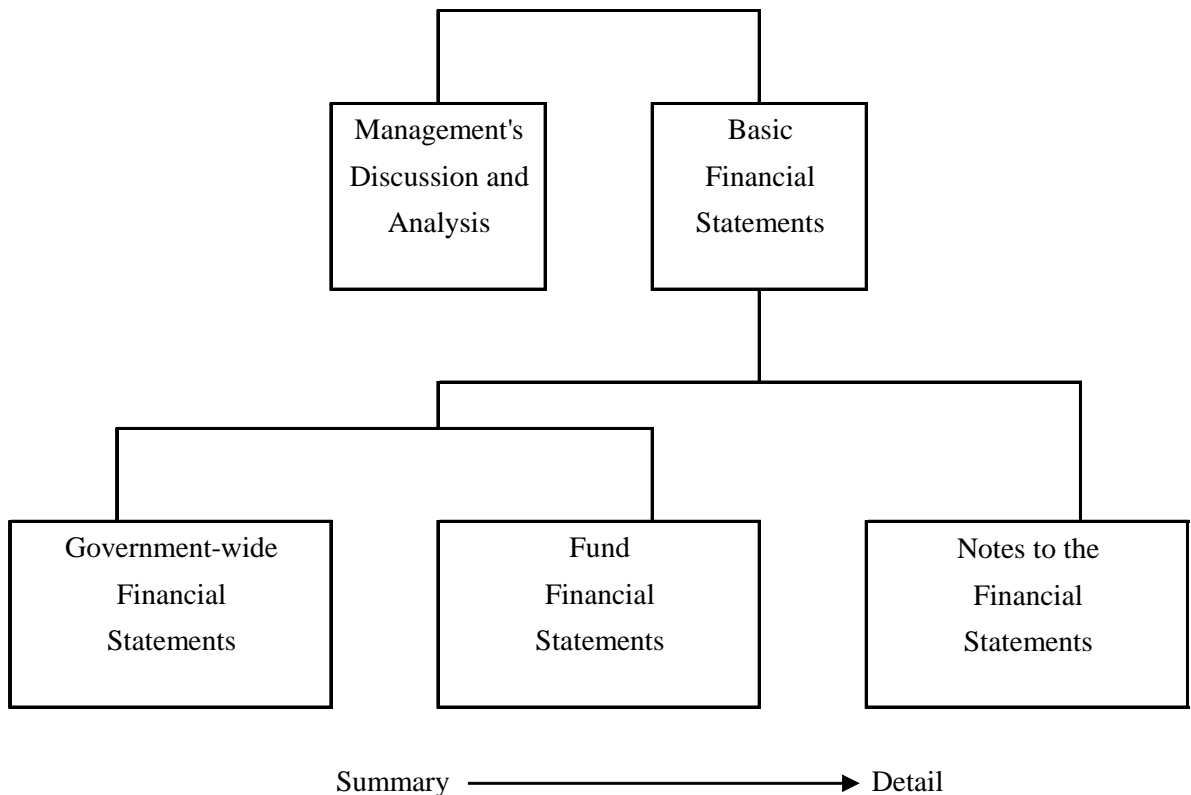
- The assets of the Town *exceeded* its liabilities at the close of the fiscal year by \$39,181,838.
- The Town's total net assets *increased* by \$6,327,861 primarily due to the addition of subdivision roads to the Town's maintenance system and an increase in actual revenues compared to budgeted revenues and expenditures remained steadfast throughout the year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,762,155 a *decrease* of (\$4,052,947) in fund balance. Approximately 21.46% of this total amount or \$1,666,270 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,681,836 or 48.21% of total general fund expenditures for the fiscal year.
- The Town's debt decreased to \$3,431,706 during the current fiscal year.
- The Town maintained its A1 bond rating in fiscal year 2012.

Overview of the Financial Statements

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

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 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison 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 can also 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 differences 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 statement has one category: 1) governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state grants funds finance most of these activities.

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

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 are on pages 20 through 41 of this report.

Other Information- In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Mint Hill's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 through 45 of this report.

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

Government-Wide Financial Analysis

The Town of Mint Hill's Net Assets

Figure 2

	Governmental-Type Activities	
	2012	2011
Current and other assets	\$ 12,399,602	\$ 16,020,719
Capital assets	32,195,246	21,900,958
Total assets	44,594,848	37,921,677
Long-term liabilities outstanding	4,342,364	4,845,862
Other liabilities	1,070,646	221,838
Total liabilities	5,413,010	5,067,700
Net assets:		
Invested in capital assets, net of related debt	28,763,540	17,784,095
Restricted	573,378	2,674,960
Unrestricted	9,844,920	12,394,922
Total net assets	\$ 39,181,838	\$ 32,853,977

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 Mint Hill exceeded liabilities by \$39,181,838 as of June 30, 2012. The net assets of the Town increased by \$6,327,861 for the fiscal year ended June 30, 2012. However, the largest portion (73.41%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Mint Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mint Hill's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Mint Hill's net assets \$1,666,270 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,752,028 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 97.90%, which is comparable to the statewide average of 97.42%.
- Continued low cost of debt due to the Town's high bond rating and on-going relationship with financing source(s).

Town of Mint Hill Changes in Net Assets

Figure 3

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 1,077,889	\$ 1,037,639
Capital grants and contributions	6,300,000	4,004,000
General revenues:		
Property taxes	6,151,478	5,652,798
Other taxes	191,199	184,694
Grants and contributions not restricted to specific programs	2,401,925	2,177,308
Other	599,752	(42,622)
Total revenues	<u>16,722,243</u>	<u>13,013,817</u>
Expenses:		
General government	1,961,665	2,163,228
Public safety	4,006,566	4,248,426
Transportation	2,011,625	1,416,300
Environmental protection	1,822,709	1,792,256
Culture and recreation	391,555	343,871
Interest on long-term debt	200,262	232,202
Total expenses	<u>10,394,382</u>	<u>10,196,283</u>
Increase in net assets	6,327,861	2,817,534
Net assets, beginning	<u>32,853,977</u>	<u>30,036,443</u>
Net assets, ending	<u><u>\$ 39,181,838</u></u>	<u><u>\$ 32,853,977</u></u>

Governmental activities. Governmental activities increased the Town's net assets by \$6,327,861 thereby accounting for 19.26% growth in the net assets of the Town of Mint Hill. Key elements of this increase are as follows:

- Tax revenues increased from previous year
- Contribution relating to addition of roads to the Town's maintenance system.

Financial Analysis of the Town Funds

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

Governmental Funds. The focus of the Town of Mint Hill's governmental funds is to provide information on near-term inflows and outflows. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Mint Hill. At the end of the current fiscal year, the Town's unassigned fund balance in the General Fund was \$4,681,836 while total fund balance reached \$6,241,032. The Governing Body of the Town has determined that the Town should maintain an available fund balance of 40% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the Town. The Town currently has an available fund balance of 48.21% of general fund expenditures, while total fund balance represents 64.27% of the same amount.

At June 30, 2012, the governmental funds of the Town reported a combined fund balance of \$7,762,155 with a net decrease in fund balance of (\$4,052,947). Included in this change in fund balance are decreases in fund balance in both the General and Special Revenues Fund. The main reason for the decrease was a transfer from the General Fund to the Capital Project Fund for construction of the new Town Hall totaling \$4,923,739.

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

Budgetary revisions in the Town were as follows:

- The Town adopted a project ordinance in 2011-2012 to appropriate for the construction of a new town hall.
- The Town increased its 2011-2012 Tourism Fund budget by \$2,000 to account for additional funding received and spending on cultural events.
- The Town increased its 2011-2012 General Fund budget by \$40,000 to account for sidewalk construction and additional legal fees incurred.
- The Town increased its 2011-12 General Fund budget by \$309,450 to appropriately account for additional sidewalk construction, the purchase of a new vehicle for the Fire Department and the NCDOT portion of the street reclamation project in Ashe Plantation.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2012, totals \$32,195,246 (net of accumulated depreciation). These assets include land, buildings, roads, machinery and equipment, park facilities and vehicles. Major capital asset transactions during the year include the following additions and disposals.

- Addition of streets to the Town's maintenance system of \$6,300,000.
- Construction in Progress incurred for the Town Hall Complex \$4,848,246.
- Construction in Progress (appraisal, survey and design services) incurred for the Police Department \$15,000.
- \$240,517 for capital asset additions for Town vehicles, equipment, and software.
- \$94,791 was spent on sidewalk improvements.
- \$8,150 was spent on improvements at Wilgrove Park.
- \$13,780 was spent on a new copier.

**Town of Mint Hill's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities	
	2012	2011
Land	\$ 3,146,125	\$ 3,146,125
Land improvements	1,267,665	1,349,927
Buildings	323,354	342,011
Machinery and equipment	446,281	411,523
Infrastructure	21,185,904	15,582,396
Vehicles and motorized equipment	495,399	601,704
Construction in progress	5,330,518	467,272
Total	\$ 32,195,246	\$ 21,900,958

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2012, the Town of Mint Hill had total outstanding debt of \$3,431,706. The entire debt is backed by the full faith and credit of the Town.

**Town of Mint Hill's Outstanding Debt
General Obligation Bonds and Installment Purchase Obligations**

Figure 5

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 3,225,000	\$ 3,650,000
Installment purchase obligations	<u>206,706</u>	<u>466,863</u>
Total	<u><u>\$ 3,431,706</u></u>	<u><u>\$ 4,116,863</u></u>

The Town of Mint Hill's total debt decreased by \$685,157 or (16.6%) during the past fiscal year.

As mentioned in the financial highlights section of this document, the Town maintained its A1 bond ratings from Moody's. This bond rating is a clear indication of the sound financial condition of the Town. The Town is one of the few municipal governments in the country that maintains the highest financial rating from major rating agencies. This achievement is a primary factor in keeping interest costs low on the Town's outstanding debt.

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. The legal debt margin for the Town is \$181,247,505.

Additional information regarding the Town's long-term debt can be found in Note 2.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- Construction has started on a new Town Hall complex, expected to open in September 2012
- Mint Hill approved two new home sub-division lots in fiscal year 2012.
- Additionally, Mint Hill approved one new conditional use permit.
- Remodel of former Town Hall is expected to begin in 2012-2013.

Budget Highlights for the Fiscal Year Ending June 30, 2013

The Town of Mint Hill relies on property taxes for approximately 57% of the General Fund Budget Revenues. The assessment of all property located in the Town of Mint Hill is provided to us by Mecklenburg County. The assessed property value is projected at \$2,295,354,227. The General Fund tax rate remains at 27¢ per one hundred dollars (\$100) valuation of property with an average collection rate of 95%.

The State of North Carolina grants local governments the authority to levy a local sales tax of up to 2.5%, with the state sales tax. Mecklenburg County levies this tax with Mint Hill receiving sales tax revenues based on an Ad Valorem basis. The fiscal year 2012-2013 sales tax projection is \$1,200,000. Data received from the North Carolina League of Municipalities suggests that this fiscal year's sales tax collections will result in an approximate 3% increase over the last fiscal year.

The Town has not annexed any industrial or residential areas that will significantly impact Franchise Tax revenue, and should, therefore, expect for this revenue source to remain flat.

State estimates report that the Powell Bill distribution will be 1.5 percent higher for fiscal year 2012-2013.

Budgeted expenditures are expected to remain steady fiscal year 2013.

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 Brian L. Welch, Town Manager at (704)545-9726, bwelch@admin.minthill.com.

TOWN OF MINT HILL, NORTH CAROLINA

Exhibit 1

*Statement of Net Assets
June 30, 2012*

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,354,609
Taxes receivable, net	302,388
Accounts receivable, net	155,690
Bond payments receivable, current	425,000
Prepaid	34,470
Restricted cash	327,445
Total current assets	<u>9,599,602</u>
Non-current assets:	
Land and construction in progress	8,476,643
Other capital assets, net of depreciation	23,718,603
Total capital assets	<u>32,195,246</u>
Bond payments receivable, long-term	2,800,000
Total non-current assets	<u>34,995,246</u>
Total assets	<u><u>\$ 44,594,848</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 944,710
Accrued interest payable	15,960
Unearned revenue	109,976
Current portion of long-term debt	626,545
Total current liabilities	<u>1,697,191</u>
Long-term liabilities:	
Due in more than one year	3,715,820
Total liabilities	<u>5,413,010</u>
NET ASSETS	
Invested in capital assets, net of related debt	28,763,540
Restricted for:	
Stabilization by state statute	258,791
Streets - Powell Bill	314,587
Unrestricted	9,844,920
Total net assets	<u><u>\$ 39,181,838</u></u>

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

TOWN OF MINT HILL, NORTH CAROLINA

Exhibit 2

*Statement of Activities
For the Fiscal Year Ended June 30, 2012*

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets Primary Government
		Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses			Governmental Activities
<u>Functions/Programs:</u>				
Primary government:				
Governmental activities:				
General government	\$ 1,961,665	\$ 146,959	\$ 6,300,000	\$ 4,485,294
Public safety	4,006,566	-	-	(4,006,566)
Transportation	2,011,625	915,586	-	(1,096,039)
Environmental protection	1,822,709	15,344	-	(1,807,365)
Culture and recreation	391,555	-	-	(391,555)
Interest and other charges	200,262	-	-	(200,262)
Total governmental activities and primary government	\$ 10,394,382	\$ 1,077,889	\$ 6,300,000	(3,016,493)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				6,151,478
Other taxes				191,199
Grants and contributions not restricted to specific programs				2,401,925
Unrestricted investment earnings				234,143
Miscellaneous				359,703
Loss on disposal of assets				5,906
Total general revenues				9,344,354
Change in net assets				6,327,861
Net assets, beginning				32,853,977
Net assets, ending				\$ 39,181,838

TOWN OF MINT HILL, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2012

	Major Funds				Total Governmental Funds
	General	Storm Water	Capital Project	Non-Major Funds	
ASSETS					
Cash and cash equivalents	\$ 6,709,478	\$ 1,292,392	\$ -	\$ 352,739	\$ 8,354,609
Receivables, net:					
Taxes	302,388	-	-	-	302,388
Accounts	55,375	-	75,492	-	130,867
Due from other funds	203,337	(203,337)	-	-	-
Due from other governments	20,987	3,837	-	-	24,824
Prepaid	34,470	-	-	-	34,470
Restricted cash	327,445	-	-	-	327,445
Total assets	<u>\$ 7,653,480</u>	<u>\$ 1,092,892</u>	<u>\$ 75,492</u>	<u>\$ 352,739</u>	<u>\$ 9,174,603</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 944,710	\$ -	\$ -	\$ -	\$ 944,710
Deferred revenue	357,762	-	-	-	357,762
Unearned revenue	109,976	-	-	-	109,976
Total liabilities	<u>1,412,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,412,448</u>
Fund balances:					
Restricted					
Stabilization by state statute	258,791	-	-	-	258,791
Streets - Powell Bill	314,587	-	-	-	314,587
Committed					
Stormwater	-	1,092,892	-	-	1,092,892
Tourism	220,233	-	-	-	220,233
Capital projects	-	-	75,492	352,739	428,231
Assigned					
Subsequent year's expenditures	765,585	-	-	-	765,585
Unassigned	4,681,836	-	-	-	4,681,836
Total fund balances	<u>6,241,032</u>	<u>1,092,892</u>	<u>75,492</u>	<u>352,739</u>	<u>7,762,155</u>
Total liabilities and fund balances	<u>\$ 7,653,480</u>	<u>\$ 1,092,892</u>	<u>\$ 75,492</u>	<u>\$ 352,739</u>	<u>\$ 9,174,603</u>

TOWN OF MINT HILL, NORTH CAROLINA

***Exhibit 3,
Continued***

***Reconciliation of Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2012***

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

Total fund balance- governmental funds	\$	7,762,155
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$ 40,084,483	
Accumulated depreciation	<u>(7,889,237)</u>	32,195,246
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
		3,225,000
Liabilities for earned but deferred revenues in fund statements.		357,762
Some liabilities, including bonds payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		
		<u>(4,358,325)</u>
Net assets of governmental activities	\$	<u>39,181,838</u>

TOWN OF MINT HILL, NORTH CAROLINA

Exhibit 4

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2012**

	Major Funds				Total Governmental Funds
	General	Storm Water	Capital Project	Non-Major Funds	
REVENUES					
Ad valorem taxes	\$ 6,152,313	\$ -	\$ -	\$ -	\$ 6,152,313
Other taxes	184,167	-	-	-	184,167
Unrestricted intergovernmental	2,340,069	-	-	-	2,340,069
Restricted intergovernmental	837,421	300,964	-	-	1,138,385
Investment earnings	39,766	4,906	-	-	44,672
Miscellaneous	1,008,408	-	-	-	1,008,408
 Total revenues	 10,562,144	 305,870	 -	 -	 10,868,014
EXPENDITURES					
Current:					
General government	1,741,169	203,337	-	-	1,944,506
Public safety	3,972,293	-	-	-	3,972,293
Transportation	1,040,761	-	-	-	1,040,761
Environmental protection	1,822,709	-	-	-	1,822,709
Culture and recreation	246,027	-	-	-	246,027
Storm water repairs	-	141,062	-	-	141,062
Debt Service:					
Principal retirement	685,157	-	-	-	685,157
Interest and other charges	202,117	-	-	-	202,117
Capital outlay	-	18,082	4,848,247	-	4,866,329
 Total expenditures	 9,710,233	 362,481	 4,848,247	 -	 14,920,961
 Excess (deficiency) of revenues over expenditures	 851,911	 (56,611)	 (4,848,247)	 -	 (4,052,947)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	4,923,739	-	4,923,739
Transfers to other funds	(4,923,739)	-	-	-	(4,923,739)
 Total other financing sources (uses)	 (4,923,739)	 -	 4,923,739	 -	 -
 Net change in fund balance	 (4,071,828)	 (56,611)	 75,492	 -	 (4,052,947)
Fund balance, beginning	10,312,860	1,149,503	-	352,739	11,815,102
Fund balance, ending	\$ 6,241,032	\$ 1,092,892	\$ 75,492	\$ 352,739	\$ 7,762,155

TOWN OF MINT HILL, NORTH CAROLINA

Exhibit 5

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012***

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

Net changes in fund balances - total governmental funds	\$(4,052,947)
---	---------------

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 in the current period.

Capital outlay expenditures, which were capitalized	5,229,041	
Depreciation expense for government assets	(1,195,825)	
Loss on disposal of assets	<u>(38,929)</u>	3,994,287

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	6,300,000	
Change in deferred revenues	<u>6,198</u>	6,306,198

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

Principal payments on bond receivable	(425,000)	
Principal payments on long-term debt	685,157	
Decrease in accrued interest payable	<u>1,825</u>	261,982

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	(10,070)	
Other postemployment benefits	(138,956)	
Net pension obligation	<u>(32,633)</u>	<u>(181,659)</u>

Total changes in net assets of governmental activities	<u><u>\$ 6,327,861</u></u>
--	----------------------------

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

TOWN OF MINT HILL, NORTH CAROLINA

Exhibit 6

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,554,000	\$ 5,594,000	\$ 6,152,313	\$ 558,313
Other taxes	170,000	170,000	184,167	14,167
Unrestricted intergovernmental	2,115,000	2,115,000	2,340,069	225,069
Restricted intergovernmental	748,600	750,600	837,421	86,821
Investment earnings	75,450	75,450	39,766	(35,684)
Miscellaneous	748,175	1,057,575	1,008,408	(49,167)
Total revenues	9,411,225	9,762,625	10,562,144	799,519
Expenditures:				
Current:				
General government	1,757,638	1,776,638	1,741,169	35,469
Public safety	4,282,571	4,319,021	3,972,293	346,728
Transportation	1,144,718	1,440,718	1,040,761	399,957
Environmental protection	1,860,000	1,860,000	1,822,709	37,291
Culture and recreation	271,520	271,470	246,027	25,443
Debt service:				
Principal retirement	685,158	685,158	685,157	1
Interest and other charges	202,221	202,221	202,117	104
Total expenditures	10,203,826	10,555,226	9,710,233	844,993
Revenues over (under) expenditures	(792,601)	(792,601)	851,911	1,644,512
Other financing uses:				
Transfers to other funds	-	(5,686,086)	(4,923,739)	762,347
Total other financing sources	-	(5,686,086)	(4,923,739)	762,347
Fund balance appropriated	792,601	6,478,687	-	(6,478,687)
Net change in fund balance	\$ -	\$ -	(4,071,828)	\$ (4,071,828)
Fund balance, beginning			10,312,860	
Fund balance, ending			\$ 6,241,032	

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

TOWN OF MINT HILL, NORTH CAROLINA

*Exhibit 6,
Continued*

***Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012***

	Storm Water Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Restricted intergovernmental	\$ 300,000	\$ 300,000	\$ 300,964	\$ 964
Investment earnings	12,000	12,000	4,906	(7,094)
Total revenues	<u>312,000</u>	<u>312,000</u>	<u>305,870</u>	<u>(6,130)</u>
Expenditures:				
Current:				
General government	205,745	205,745	203,337	2,408
Storm water repairs	160,000	160,000	141,062	18,938
Capital outlay	50,000	50,000	18,082	31,918
Total expenditures	<u>415,745</u>	<u>415,745</u>	<u>362,481</u>	<u>53,264</u>
Revenues over (under) expenditures	<u>(103,745)</u>	<u>(103,745)</u>	<u>(56,611)</u>	<u>47,134</u>
Fund balance appropriated	<u>103,745</u>	<u>103,745</u>	<u>-</u>	<u>(103,745)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(56,611)</u>	<u>\$ (56,611)</u>
Fund balance, beginning			<u>1,149,503</u>	
Fund balance, ending			<u>\$ 1,092,892</u>	

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

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Mint Hill 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 Mint Hill is a municipal corporation that is governed by an elected mayor and a four member council. As required by generally accepted accounting principles, these are the Town of Mint Hill's financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and sanitation services.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Stormwater Special Revenue Fund. This fund receives stormwater fees from the county to be used for stormwater repairs and maintenance.

Capital Project Fund- Town Hall. This fund is used to account for the construction of a new town hall.

The Town has the following non-major funds:

Capital Projects Fund. This fund is used to account for the construction of water-sewer lines that have been completed.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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 resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Town considers all revenues available if they are collected within 90 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, Mecklenburg County is responsible for billing and collecting property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Mint Hill. 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 Mecklenburg County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes collected and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. 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.

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 Special Revenue Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and project level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State Law (G.S. 159-31). The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town 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 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.

3. Restricted Assets

Powell Bill funds are 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 G.S. 136-41.4.

4. Ad Valorem Taxes Receivable

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

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. 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 as follows: land and right of way easements, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. 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 has elected not to report major general infrastructure assets retroactively in the Statement of Net Assets as permitted for Phase Three governments under Governmental Auditing Standards Board Statement 34. Thus, any amounts for infrastructure prior to July 1, 2003, are not reported as capital assets. 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
Infrastructure	30
Buildings	39
Improvements	15
Vehicles	3-7
Furniture and equipment	5-10
Computer equipment	3

6. 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to either thirty days or sixty days earned vacation leave with such leave being fully vested when earned. The amount of days depends on whether your hire date was before or after April 12, 2007. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

8. Net Assets/Fund Balances

Net Assets

Net assets in government-wide 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:

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(a)].

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 the Town of Mint Hill'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 Environmental Projects- portion of fund balance assigned by the Board for infrastructure and stormwater expenditures.

Committed for Tourism Projects- portion of fund balance assigned by the Board for tourism expenditures.

Committed for Capital Projects – portion of fund balance assigned by the Board for water sewer lines and town hall.

Assigned fund balance – portion of fund balance that the Town of Mint Hill intends to use for specific purposes.

Subsequent year's expenditures- portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriation within funds as manager believes necessary.

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

For the purpose of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Mint Hill has 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 they maintain at least 40% of the previous year's General Fund's actual expenditures.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2- DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Deposits

All the deposits of the Town 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 agent in the Town'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, these deposits are considered to be held by the Town'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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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 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.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

At June 30, 2012, The Town's deposits had a carrying amount of \$8,116,931 and a bank balance of \$8,236,142. Of the bank balance, \$547,462 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2012, the Town's petty cash fund totaled \$130.

2. Investments

At June 30, 2012 the Town had \$212,254 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 entered into an agreement with the Charlotte/Mecklenburg Utility Department (CMUD) to install water and sewer lines in the Town. The agreement was structured so that the proceeds from the Water/Sewer Bond sale would be on deposit with CMUD. The Town has elected to account for the unexpended funds as an investment. At June 30, 2012 the unexpended funds were \$352,739 and the project has been completed.

3. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,146,125	\$ -	\$ -	\$ 3,146,125
Construction in progress	467,272	4,863,246	-	5,330,518
Total capital assets not being depreciated	3,613,397	4,863,246	-	8,476,643

TOWN OF MINT HILL, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

Governmental activities:- Continued	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings	1,046,274	8,557	-	1,054,831
Land improvements	2,394,621	-	-	2,394,621
Transportation equipment	3,233,451	94,506	77,934	3,250,023
General equipment	765,733	159,791	55,095	870,429
Police equipment	448,768	-	-	448,768
Recreation equipment	322,232	8,150	-	330,382
Infrastructure	16,863,995	6,394,791	-	23,258,786
Total capital assets being depreciated	<u>25,075,074</u>	<u>6,665,795</u>	<u>133,029</u>	<u>31,607,840</u>
Less accumulated depreciation for:				
Buildings	704,263	27,214	-	731,477
Land improvements	1,044,694	82,262	-	1,126,956
Transportation equipment	2,631,747	173,819	50,942	2,754,624
General equipment	673,918	39,405	43,159	670,164
Police equipment	293,257	43,974	-	337,231
Recreation equipment	158,035	37,868	-	195,903
Infrastructure	1,281,599	791,283	-	2,072,882
Total accumulated depreciation	<u>6,787,513</u>	<u>1,195,825</u>	<u>94,101</u>	<u>7,889,237</u>
Total capital assets being depreciated, net	<u>18,287,561</u>			<u>23,718,603</u>
Governmental activity capital assets, net	<u><u>\$ 21,900,958</u></u>			<u><u>\$ 32,195,246</u></u>

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

General government	\$ 190,374
Public safety	101,049
Transportation	743,085
Culture and recreation	161,317
	<u><u>\$ 1,195,825</u></u>

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS – Continued**

Construction Commitment

The Town has an active construction project as of June 30, 2012. At year-end, the Town's commitments with contractors is as follows:

Project	Spent-to-date	Remaining Commitment
Town Hall	\$ 4,848,247	\$ 837,839

B. LIABILITIES

1. Pension Plan and Postemployment Obligations

A. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 7.35%, respectively, of annual covered payroll. The contribution requirement of members is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$220,733, \$193,284, and \$133,080, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS – Continued**

A. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of the F.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active Plan Members	<u>34</u>
Total	<u>34</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 33,714
Interest on net pension obligation	8,958
Adjustment to annual required contribution	<u>(10,009)</u>
Annual pension cost	32,663
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	32,663
Net pension obligation beginning of fiscal year	<u>179,179</u>
Net pension obligation end of fiscal year	<u><u>\$ 211,842</u></u>

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 21,070	0.00%	\$ 145,119
2011	34,060	0.00%	179,179
2012	32,663	0.00%	211,842

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$ 229,839. The covered payroll (annual payroll of active employees covered by the plan) was \$1,358,606 and the ratio of the UAAL to covered payroll was 16.92%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Supplemental Retirement Income Plan

Plan Description. The Town of Mint Hill contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other full-time Town employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other full-time Town employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 and 2011, were \$158,107 and 150,808, respectively

3. Other Postemployment Benefit

A. Healthcare Benefits

Plan Description. According to a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Government Employees' Retirement System and have completed at least ten years of creditable service, of which five must be with the Town, and are eligible to participate in the Town's Health Insurance Plan. The Town will contribute to the cost of retiree health insurance premiums based on a percentage depending on the number of years of service with the Town. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General	Law	
	Employees	Enforcement	
		Officer	Firefighters
Retirees and dependents receiving benefits.	2	-	-
Terminated plan members entitled to but not yet receiving benefits.	-	-	-
Active plan members.	20	34	16
Total	22	34	16

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Board of Commissioners. The Town's retirees may continue dependent coverage, and pay the full cost of this coverage, if enrolled in dependent coverage at the time of retirement. Currently two retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2012, the Town made payments for post-employment health benefit premiums of \$3,147. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

The current ARC rate is 6.04% of annual covered payroll. For the current year, the Town contributed \$3,147 or 2.2% of annual covered payroll. The Town obtains health care coverage through Mutual of Omaha. There were no contributions made by employees to the plan. The Town's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on *the annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 140,566
Interest on net OPEB obligation	11,204
Adjustment to annual required contribution	<u>(9,667)</u>
Annual OPEB cost (expense)	142,103
Contributions made	<u>(3,147)</u>
Increase in net OPEB obligation	138,956
Net OPEB obligation, beginning of year	<u>280,111</u>
Net OPEB obligation, end of year	<u><u>\$ 419,067</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 were as follows:

<u>For Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 142,103	2.21%	\$ 419,067
2011	\$ 136,305	4.10%	\$ 280,111
2010	\$ 152,787	2.22%	\$ 149,391

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,219,513. The covered payroll (annual payroll of active employees covered by the plan) was \$3,162,366, and the ratio of the UAAL to the covered payroll was 38.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities and benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

B. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Revenues/Unearned Revenues

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

Deferred Revenues

Taxes receivable	\$ 302,388
Special vehicle tax receivable	<u>55,375</u>
	<u>\$ 357,763</u>

Unearned Revenues

Unearned revenues at year-end represent unspent monies of \$109,976 from the drug forfeiture revenue awarded to the Mint Hill Police Department.

4. 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 disaster. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to statutory limits, and employee health coverage of up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance with a \$5 million aggregate limit. The Town, based on prior year's experience, feels that their insurance coverage is adequate for their entity.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **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 is bonded for \$50,000 whereas the tax collector and treasurer are bonded for \$10,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2012, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long Term Obligations

The Town's general obligation bonds serviced by the governmental funds were issued for the installation of water-sewer lines within the Town's borders. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2012 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

\$5,500,000, 1996 issue of Sewer serial bonds due December and June in installments of \$225,000 through June 2020; interest at 4.9% - 5.25%	\$ 2,125,000
\$4,500,000 1995 issue of Water/Sewer serial bonds due December and June in installments of \$200,000 through June 2018; interest at 5.20% - 5.25%	1,100,000
	<u>\$ 3,225,000</u>

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2013	\$ 425,000	\$ 168,975	\$ 593,975
2014	425,000	146,775	571,775
2015	425,000	124,575	549,575
2016	425,000	102,375	527,375
2017	425,000	80,063	505,063
2018-2020	1,100,000	106,312	1,206,312
	<u>\$ 3,225,000</u>	<u>\$ 729,075</u>	<u>\$ 3,954,075</u>

Installment purchases payable at June 30, 2012 are comprised of the following individual issues:

Installment Purchase

\$435,000, long-term debt \$24,015 per quarter secured by fire truck, with interest at 3.85% until September 2012.	\$ 23,741
\$120,000 long-term debt \$6,625 per quarter secured by bucket truck, with interest at 3.85% until September 2012.	6,549
\$262,000 long-term debt \$90,903 annually secured by equipment, with interest at 2.03% until October 2013.	176,416
	<u>\$ 206,706</u>

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2013	\$ 117,611	\$ 3,873	\$ 121,484
2014	89,095	1,809	90,904
	<u>\$ 206,706</u>	<u>\$ 5,682</u>	<u>\$ 212,388</u>

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

7. Legal Debt Margin

At June 30, 2012, the Town of Mint Hill had a legal debt margin of \$181,247,505.

8. Changes in Long-Term Liabilities

	Balance			Balance	Current
Governmental Activities:	July 01, 2011	Increases	Decreases	June 30, 2012	Portion Balance
Compensated absences	\$ 269,709	\$ 26,853	\$ 16,783	\$ 279,779	\$ 83,934
Installment purchase	466,863	-	260,157	206,706	117,611
General obligation bonds	3,650,000	-	425,000	3,225,000	425,000
Other postemployment benefits	280,111	142,103	3,147	419,067	-
LEO Pension obligation	179,179	32,633	-	211,812	-
	<u>\$ 4,845,862</u>	<u>\$ 201,589</u>	<u>\$ 705,087</u>	<u>\$ 4,342,364</u>	<u>\$ 626,545</u>

Compensated absences typically have been liquidated in the General Fund.

9. Deferred Compensation

The Town has established a deferred compensation program. This program allows each employee the option to defer savings on a pre-tax basis. The Town has chosen not to contribute to this program. Thus, the plan asset values are exclusive employee contributions. According to the unaudited, Prudential insurance report of June 30, 2012, the plan asset value was \$49,950.

10. Commitments

The Town has a lease agreement for facilities to house its police department. The agreement provides for an annual rental of \$69,600.

11. Interfund Activity

Balances due to/from other funds at June 30, 2012, consist of the following;

	Receivable	Payable
General Fund	\$ 203,337	\$ -
Stormwater	\$ -	\$ 203,337

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 2- **DETAIL NOTES ON ALL FUNDS - Continued**

Transfer from the General Fund to the Capital Project Fund- Town Hall totaled \$4,923,739. The transfer was budgeted to move unrestricted revenues to finance the new Town Hall project.

12. Fund Balance

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

Total fund balance-General Fund	\$ 6,241,032
Less:	
Stabilization by state statute	258,791
Streets - Powell Bill	314,587
Committed for Tourism	220,233
Appropriated Fund Balance in 2012 Budget	765,585
Unassigned	4,681,836

There were no outstanding encumbrances at year end.

NOTE 3- **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

1. The Annual Secondary Market Filing (Rule 15c2-12) as required by the continuing disclosure terms of your bond documents were not filed on February 1, 2012 which did not meet the January 31, 2012 deadline. Failure to file timely is a breach of the contract which was signed when the debt was issued. The Town will ensure that the required filings will be filed timely in the future.

NOTE 4- **JOINTLY GOVERNED ORGANIZATION**

The Centralina Council of Governments (Council) was formed in 1968. Funding comes from member dues, state and federal grants, and fees for services. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$5,130 to the Council during the fiscal year ended June 30, 2012.

-Continued-

TOWN OF MINT HILL, NORTH CAROLINA

***Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012***

NOTE 5- 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 would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 6- DATE OF MANAGERMENTS' REVIEW

In preparing the financial statements, the Town of Mint Hill has evaluated events and transactions for potential recognition or disclosure through November 27, 2012, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.
--

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officer's Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Notes to the Required Schedules for the Other Postemployment Benefits.

TOWN OF MINT HILL, NORTH CAROLINA

***Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2007	-	124,049	124,049	0.00%	1,002,276	12.38%
12/31/2009	-	204,538	204,538	0.00%	1,147,215	17.83%
12/31/2011	-	229,839	229,839	0.00%	1,358,606	16.92%

Note: Actuarial valuation done at December 31, 2011 determined annual required contributions for June 30, 2012.

TOWN OF MINT HILL, NORTH CAROLINA

***Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions***

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	20,795	0.00%
2008	20,927	0.00%
2009	21,321	0.00%
2010	21,070	0.00%
2011	34,060	0.00%
2012	32,663	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedule was determined as part of an actuarial valuation as follows:

Valuation date:	12/31/2011
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay closed
Remaining amortization period:	19 years
Asset valuation method:	Market Value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25-7.85%
*Includes inflation at	3.00%

TOWN OF MINT HILL, NORTH CAROLINA

***Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2009	-	836,017	836,017	0.00%	2,670,449	31.3%
12/31/2011	-	1,219,513	1,219,513	0.00%	3,162,366	38.60%

Note: Actuarial valuation done at December 31, 2011 determined annual required contributions for June 30, 2012. No actuarial valuation done in prior years.

TOWN OF MINT HILL, NORTH CAROLINA

***Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions***

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	152,787	2.22%
2011	135,485	4.12%
2012	142,103	2.22%

Notes to the Required Schedules:

The information presented in the required supplementary schedule was determined as part of an actuarial valuation as follows:

Valuation date:	12/31/2011
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay open
Remaining amortization period:	30 years
Asset valuation method:	Market Value of Assets
Actuarial Assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	9.50%-5.00%
Post-Medicare trend rate	7.00%-5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

SUPPLEMENTAL STATEMENTS

TOWN OF MINT HILL, NORTH CAROLINA

Statement 1
Page 1 of 3

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 6,114,559	\$ -
Interest		37,754	
	5,594,000	6,152,313	558,313
Other taxes:			
Motor vehicle tax	170,000	184,167	14,167
Unrestricted intergovernmental:			
Beer and wine tax		98,686	
Utility franchise tax		906,209	
ABC profit distribution		57,333	
Local option sales taxes		1,277,841	
Total	2,115,000	2,340,069	225,069
Restricted intergovernmental			
Powell Bill allocation		612,919	
Solid Waste Fee		15,344	
Tourism tax		110,459	
Other grants		98,699	
Total	750,600	837,421	86,821
Investment earnings	75,450	39,766	(35,684)
Bond repayment		616,175	
Miscellaneous		392,233	
Total	1,057,575	1,008,408	(49,167)
Total revenues	9,762,625	10,562,144	799,519

TOWN OF MINT HILL, NORTH CAROLINA

*Statement 1
Page 2 of 3*

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	\$ -	\$ 567,380	\$ -
Other operating expenditures		8,512	
Capital outlay		2,756	
Total administration	<u>605,728</u>	<u>578,648</u>	<u>27,080</u>
Planning:			
Salaries and employee benefits		288,002	
Professional services		11,151	
Other operating expenditures		9,961	
Capital outlay		5,512	
Total planning	<u>322,860</u>	<u>314,626</u>	<u>8,234</u>
Non-Departmental:			
Professional services		188,459	
Town hall maintenance		58,283	
Donations		177,975	
Other operating expenditures		322,586	
Capital outlay		100,592	
Total non-departmental	<u>848,050</u>	<u>847,895</u>	<u>155</u>
Total general government	<u>1,776,638</u>	<u>1,741,169</u>	<u>35,469</u>
Public Safety:			
Police:			
Salaries and employee benefits		1,956,840	
Professional services		16,288	
Vehicle maintenance		165,380	
Other operating expenditures		475,595	
Capital outlay		76,049	
Total police	<u>2,970,203</u>	<u>2,690,152</u>	<u>280,051</u>
Fire:			
Salaries and employee benefits		929,138	
Other operating expenditures		319,545	
Capital Outlay		33,458	
Total fire	<u>1,348,818</u>	<u>1,282,141</u>	<u>66,677</u>
Total public safety	<u>4,319,021</u>	<u>3,972,293</u>	<u>346,728</u>

TOWN OF MINT HILL, NORTH CAROLINA

*Statement 1
Page 3 of 3*

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	\$ -	\$ 305,005	\$ -
Street maintenance		407,786	
Other operating expenditures		211,350	
Capital outlay		116,620	
Total transportation	<u>1,440,718</u>	<u>1,040,761</u>	<u>399,957</u>
Environmental protection:			
Solid waste			
Contracted services		1,562,823	
Landfill fees		259,886	
Total environmental protection	<u>1,860,000</u>	<u>1,822,709</u>	<u>37,291</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		46,771	
Professional services		91,434	
Other operating expenses		92,033	
Capital outlay		15,789	
Total culture and recreation	<u>271,470</u>	<u>246,027</u>	<u>25,443</u>
Debt Service:			
Principal retirement		685,157	
Interest and other charges		202,117	
Total debt service	<u>887,379</u>	<u>887,274</u>	<u>105</u>
Total expenditures	<u>10,555,226</u>	<u>9,710,233</u>	<u>844,993</u>
Revenues over (under) expenditures	(792,601)	851,911	1,644,512
Other financing uses:			
Transfer to Capital Project Fund		(4,923,739)	
Total other financing uses	<u>(5,686,086)</u>	<u>(4,923,739)</u>	<u>762,347</u>
Fund balance appropriated	<u>6,478,687</u>	<u>-</u>	<u>(6,478,687)</u>
Net change in fund balance	<u>\$ -</u>	<u>(4,071,828)</u>	<u>\$ (4,071,828)</u>
Fund balance, beginning of year		<u>10,312,860</u>	
Fund balance, end of year		<u>\$ 6,241,032</u>	

TOWN OF MINT HILL, NORTH CAROLINA

Statement 2

Stormwater Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Storm water fees collected	\$ 300,000	\$ 300,964	\$ 964
Investment earnings	12,000	4,906	(7,094)
Total revenues	312,000	305,870	(6,130)
Expenditures:			
Storm water repairs	160,000	141,062	18,938
Administrative costs	205,745	203,337	2,408
Capital outlay	50,000	18,082	31,918
Total expenditures	415,745	362,481	53,264
Revenues over (under) expenditures	(103,745)	(56,611)	47,134
Fund balance appropriated	103,745	-	(103,745)
Net change in fund balance	\$ -	(56,611)	\$ (56,611)
Fund balance, beginning of year		1,149,503	
Fund balance, end of year		\$ 1,092,892	

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 1

Capital Project Fund-Town Hall
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Design	\$ 75,000	\$ -	\$ 74,054	\$ 74,054	\$ 946
Construction	5,126,086	-	4,568,532	4,568,532	557,554
Furnishings and moving	320,000	-	147,846	147,846	172,154
Special inspections and testing	35,000	-	23,161	23,161	11,839
Contingency	130,000	-	34,654	34,654	95,346
Total expenditures	5,686,086	-	4,848,247	4,848,247	837,839
Revenues under expenditures	(5,686,086)	-	(4,848,247)	(4,848,247)	837,839
Other financing sources:					
Transfer from the General Fund	5,686,086	-	4,923,739	4,923,739	(762,347)
Total other financing sources	5,686,086	-	4,923,739	4,923,739	(762,347)
Revenues and other sources over expenditures	\$ -	\$ -	75,492	\$ 75,492	\$ 75,492
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 75,492		

OTHER SCHEDULES

This section contains additional information required on property taxes.
--

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Schedule of Ten Largest Taxpayers

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 2

***Schedule of Ad Valorem Taxes Receivable
June 30, 2012***

	Uncollected Balance June 30, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011 - 2012	\$ -	\$ 6,117,103	\$ 5,988,825	\$ 128,278
2010 - 2011	152,792	-	101,434	51,358
2009 - 2010	35,030	-	7,266	27,764
2008 - 2009	29,244	-	6,187	23,057
2007 - 2008	27,464	-	3,889	23,575
2006 - 2007	24,646	-	3,286	21,360
2005 - 2006	15,981	-	1,986	13,995
2004 - 2005	7,562	-	1,010	6,552
2003 - 2004	7,125	-	676	6,449
2002 - 2003	3,379	-	3,379	-
	<u>\$ 303,223</u>	<u>\$ 6,117,103</u>	<u>\$ 6,117,938</u>	<u>\$ 302,388</u>

Reconcilement with revenues:

Ad Valorem Taxes - General Fund	\$ 6,152,313
Reconciling items:	
Interest collected	(37,754)
Taxes written off	<u>3,379</u>
Total collections and credits	<u>\$ 6,117,938</u>

TOWN OF MINT HILL, NORTH CAROLINA

*Schedule 3
Page 1 of 2*

*Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2012*

	Property Valuation	Town-wide Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,104,278,114	0.27	\$ 5,681,551	\$ 5,681,551	\$ -
Motor vehicles taxed at current year's rate	<u>190,079,078</u>	0.27	<u>513,214</u>	<u>-</u>	<u>513,214</u>
Total	2,294,357,192		6,194,764	5,681,551	513,214
Discoveries:					
Current year taxes	<u>9,837,293</u>	0.27	<u>26,561</u>	<u>26,466</u>	<u>94</u>
Abatements	<u>(38,600,667)</u>	0.27	<u>(104,222)</u>	<u>(98,451)</u>	<u>(5,770)</u>
Total property valuation	<u><u>\$ 2,265,593,818</u></u>				
Net levy			6,117,103	5,609,566	507,537
Less, uncollected tax at June 30, 2012			<u>128,278</u>	<u>75,408</u>	<u>52,870</u>
Current year's taxes collected			<u><u>\$ 5,988,825</u></u>	<u><u>\$ 5,534,158</u></u>	<u><u>\$ 454,667</u></u>
Current levy collection percentage			<u><u>97.90%</u></u>	<u><u>98.66%</u></u>	<u><u>89.58%</u></u>

TOWN OF MINT HILL, NORTH CAROLINA

*Schedule 3
Page 2 of 2*

*Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2012*

Secondary Market Disclosures:

Assessed Valuation:

Assessment ratio	100%
Real property	\$ 2,077,616,985
Personal property	<u>187,976,833</u>
Total assessed valuation at 0.27 rate	\$ 2,265,593,818
Tax rate per \$100	<u>0.27</u>
Total levy (includes discoveries, releases and abatements)	<u><u>\$ 6,117,103</u></u>

TOWN OF MINT HILL, NORTH CAROLINA*Schedule 4****Schedule of Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2012***

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Mint Hill Retirement Residence, LLC	Retirement Facility	\$ 17,825,400	0.86%
Albemarle Road Associates, LLC	Industrial Development	13,803,500	0.66%
CMF 7 Portfolio, LLC	Apartments	12,941,110	0.62%
Hampton Ridge Partners, LLC	Apartments	12,530,000	0.60%
Duke Energy	Power/Utility	11,514,999	0.55%
Eastway Crossing II- Charlotte, LLC	Shopping Center	10,112,000	0.49%
Time Warner Entertainment	Cable Service/Utility	8,787,296	0.42%
ZM Park, LLC	Distributive Business Park	8,270,700	0.40%
Charter Development Co, LLC	Charter School	7,096,794	0.34%
Pine Lake Country Club, Inc.	Country/Golf Club	6,790,756	0.33%

COMPLIANCE SECTION

**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
Board of Commissioners
Town of Mint Hill, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the Town of Mint Hill, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises the Town of Mint Hill's basic financial statements, and have issued our report thereon dated November 27, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Mint Hill is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Mint Hill'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 Mint Hill'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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness as 2012-1.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies, described in the accompanying schedule of findings and responses, to be significant deficiencies as 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mint Hill'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as 2012-3.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, members of the Board of Commissioners, 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.

Rawell, Craven & Short, P.A.

November 27, 2012
Charlotte, North Carolina

**Report on Compliance with Requirements Applicable To Each Major State Program And
Internal Control over Compliance In Accordance With OMB Circular A-133 and the State Single
Audit Implementation Act**

To the Honorable Mayor and
Board of Commissioners
Town of Mint Hill, North Carolina

Compliance

We have audited Town of Mint Hill, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. The Town of Mint Hill's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Mint Hill's management. Our responsibility is to express an opinion on the Town of Mint Hill's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Mint Hill's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Mint Hill's compliance with those requirements.

In our opinion, the Town of Mint Hill, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town of Mint Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Mint Hill's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the organization, members of the Board of Commissioners, 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.

Rawell, Caren E. Short, P.A.

November 27, 2012
Charlotte, North Carolina

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 5
Page 1 of 3

Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
 - Significant Deficiency(s) identified that are not considered to be material weaknesses X yes no
- Noncompliance material to financial statements noted X yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses yes X no

Type of auditor's report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act yes X no

Identification of major State programs:

Program Name
Powell Bill

Dollar threshold used to determine Type A Programs: \$300,000

The only major State program for the Town of Mint Hill is the Powell Bill program from the Department of State Transportation. Therefore, this program has been included in the list of major programs above.

*Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012*

Section II. Financial Statement Findings

MATERIAL WEAKNESS

2012-1 Vendor Approval Process

Criteria: The vendor approval process should be supplemented to provide additional assurance that vendors exist.

Condition: There are deficiencies in the existing vendor approval process.

Effect: False vendors could be mishandled or paid inappropriately.

Cause: Existing vendor approval process does not verify vendor existence.

Recommendation: The Finance Director currently obtains a W-9 on each new vendor for which an invoice is submitted. In addition the Finance Director should verify the vendor's existence by checking the secretary of state website, making a phone call to the phone number listed on the invoice, inquiring of the Better Business Bureau, or checking with credit rating agencies such as Dunn & Bradstreet.

SIGNIFICANT DEFICIENCY

2012-2 Payroll Calculation

Criteria: Communication and training should exist between the Accounting Department and all Department Heads regarding preparation of timesheets and calculation of payroll.

Condition: Clerical error in preparing timesheets.

Effect: Employees were overpaid for overtime earned.

Cause: Department heads were miscalculating hours presented for payment on timesheets.

Recommendation: Additional training is needed to ensure all department heads understand the payroll for which they are responsible. Timesheets should be used that contain features to prevent miscalculation of hours. Annual training sessions should be established between the accounting personnel and department heads to assist them in complying with payroll processes. An annual meeting between the Finance Director, Human Resources Director and each department head to ensure all parties involved with payroll are up to date on processes and procedures.

Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II. Financial Statement Findings

NONCOMPLIANCE

2012-3 Requirement to file annual financial information

Criteria: Required annual financial information should be reported to EMMA by January 31st.

Condition: Required annual financial information was filed on February 1st.

Effect: Noncompliance with bond requirements and a breach of contract signed when the debt was issued.

Cause: Filing deadline was incorrectly thought to be March 31st.

Recommendation: Accounting personnel should keep a chart of all pending deadlines available for constant review.

Section III. State Award Findings and Questioned Costs

None reported.

*Corrective Action Plan
For the Fiscal Year Ended June 30, 2012*

Section II. Financial Statement Findings

MATERIAL WEAKNESS

2012-1 Vendor Approval Process

Name of contact person: Brian L.Welch, Town Manager

Corrective Action: The formal vendor approval process will be supplemented to include verification of vendor's existence. The Finance Director currently obtains a W-9 on each new vendor. Going forward, the vendor's existence will be verified by checking the secretary of state website, making a phone call to the phone number listed on the invoice, inquiring of the Better Business Bureau, and/or checking with credit rating agencies such as Dunn & Bradstreet

Proposed Completion Date: The Board will implement the above procedure immediately.

SIGNIFICANT DEFICIENCY

2012-2 Payroll Calculation

Name of contact person: Brian L.Welch, Town Manager

Corrective Action: Additional training will be implemented to ensure all department heads understand the payroll for which they are responsible. Timesheets will be used that contain features to prevent miscalculation of hours. Annual training sessions will be established between the accounting personnel and department heads to assist them in complying with payroll processes. An annual meeting between the Finance Director, Human Resources Director and each department head will occur to ensure all parties involved with payroll are up to date on processes and procedures.

Proposed Completion Date: The Board will implement the above procedure immediately.

NONCOMPLIANCE

2012-3 Requirement to file annual financial information

Name of contact person: Brian L.Welch, Town Manager

Corrective Action: Accounting personnel will update their calendar of all pending deadlines to ensure they are correctly reflected with advance remainder notices.

Proposed Completion Date: The Board will implement the above procedure immediately.

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 7

*Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012*

Finding: None reported.

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 8

***Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2012***

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Grantor/Pass-Through Grantor/Program Title</u>					
Federal Grants:					
<u>U.S. Department of Transportation:</u>					
Passed-through the N.C. Department of Transportation:					
Governor's Highway Safety Program	20.600		\$ 44,307	\$ -	\$ -
<u>U.S. Department of Justice:</u>					
Bulletproof Vest Partnership	16.607		1,891		
Byrne JAG Program	16.738		5,905	-	-
			<u>52,103</u>	<u>-</u>	<u>-</u>
Total Assistance-Federal Programs			<u>52,103</u>	<u>-</u>	<u>-</u>
State Grants:					
N.C. Department of Transportation:					
Powell Bill			\$ -	\$ 444,577	\$ -
Pedestrian Plan			-	31,500	-
			<u>-</u>	<u>476,077</u>	<u>-</u>
Total Assistance -State Programs			<u>-</u>	<u>476,077</u>	<u>-</u>
Total Federal and State Assistance			<u>\$ 52,103</u>	<u>\$ 476,077</u>	<u>\$ -</u>

Note to the Schedule of Expenditures of Federal and State Financial Awards

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Mint Hill and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.