

TOWN OF MINT HILL, NORTH CAROLINA

Audited Financial Statements

For the Fiscal Year Ended June 30, 2013

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

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and the Storm Water Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 43-44 and 45-46, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of Town of Mint Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mint Hill's internal control over financial reporting and compliance.

Rowell, Craven & Short, P.A.

Rowell Craven & Short P.A.

Charlotte, North Carolina

December 18, 2013



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, 2013. 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

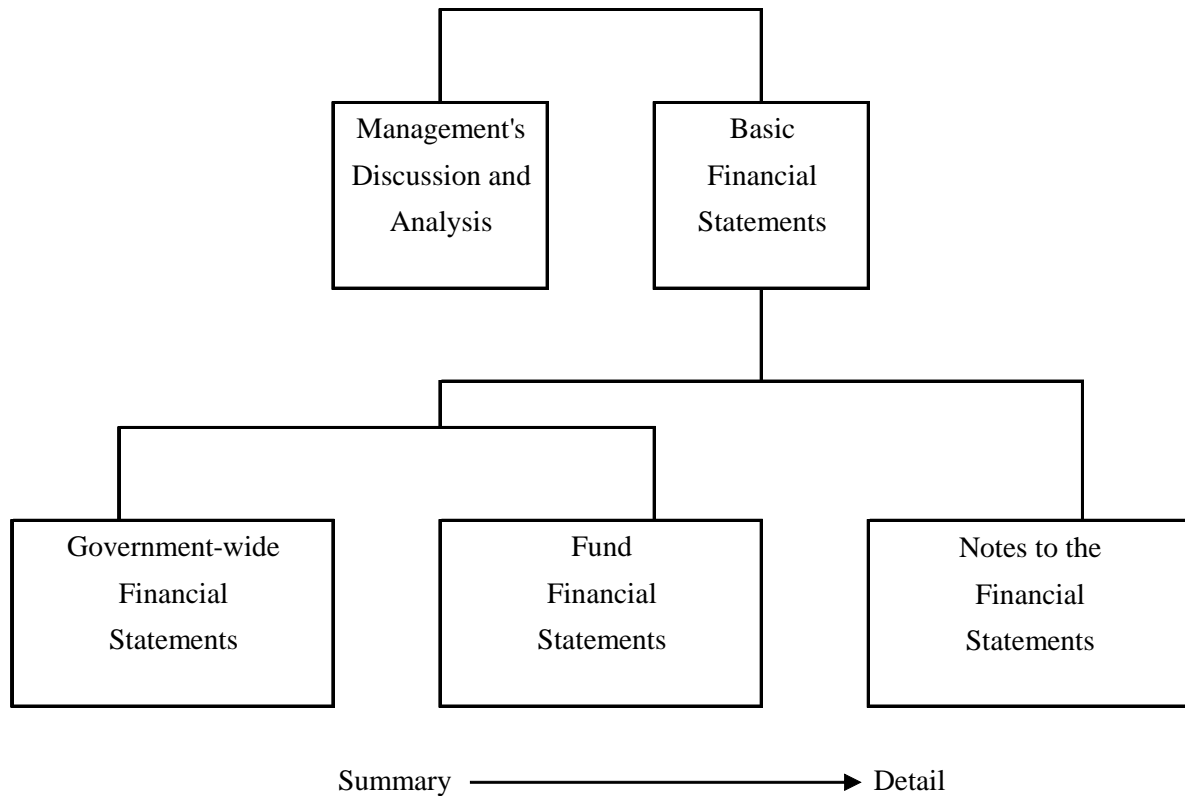
- The assets of the Town *exceeded* its liabilities and deferred inflow of resources at the close of the fiscal year by \$44,434,982.
- The Town's total net position *increased* by \$5,253,144 primarily due to the addition of subdivision roads to the Town's maintenance system and an increase in actual revenues compared to budgeted revenues and expenditures remained steadfast throughout the year. Revenues for the current fiscal year were reduced by \$468,403 due to an accounting error correction adjustment, which, in turn, increased beginning net position by the same amount.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,514,417 a *decrease* of (\$1,247,739) in fund balance. Approximately 18.39% of this total amount or \$1,198,196 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,816,656 or 25.22% of total general fund expenditures for the fiscal year.
- The Town's debt decreased to \$3,026,215 during the current fiscal year.
- The Town maintained its A1 bond rating in fiscal year 2013.

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 position and how they have changed. Net position is the differences between the Town's total assets and total liabilities and deferred inflow of resources. Measuring net position 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 documents that incorporate 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 21 through 42 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 43 through 46 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 Position

Figure 2

	Governmental-Type Activities	
	2013	2012
Current and other assets	\$ 11,112,008	\$ 12,399,602
Capital assets	38,927,187	32,195,246
Total assets	50,039,195	44,594,848
Long-term liabilities outstanding	3,504,968	4,342,364
Other liabilities	1,989,694	1,070,646
Deferred inflows of resources	109,551	
Total liabilities and deferred inflows of resources	5,604,213	5,413,010
Net position:		
Invested in capital assets, net of related debt	35,900,972	28,763,540
Restricted	1,198,196	573,378
Unrestricted	7,335,814	9,844,920
Total net position	\$ 44,434,982	\$ 39,181,838

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Mint Hill exceeded liabilities and deferred inflow of resources by \$44,434,982 as of June 30, 2013. The net position of the Town increased by \$4,784,741 for the fiscal year ended June 30, 2013. However, the largest portion (80.79%) 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's net position \$1,198,196 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,335,814 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.89%, 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 Position

Figure 3

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 1,077,485	\$ 1,077,889
Capital grants and contributions	5,292,000	6,300,000
General revenues:		
Property taxes	6,164,510	6,151,478
Other taxes	194,625	191,199
Grants and contributions not restricted to specific programs	2,371,689	2,401,925
Other	1,269,013	599,752
Total revenues	<u>16,369,322</u>	<u>16,722,243</u>
Expenses:		
General government	2,002,862	1,961,665
Public safety	4,791,668	4,006,566
Transportation	2,324,280	2,011,625
Environmental protection	1,870,658	1,822,709
Culture and recreation	426,249	391,555
Interest on long-term debt	168,864	200,262
Total expenses	<u>11,584,581</u>	<u>10,394,382</u>
Increase (decrease) in net position position before transfers	4,784,741	6,327,861
Transfers	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>4,784,741</u>	<u>6,327,861</u>
Net position, July 1 (consolidated) as previously reported	39,181,838	32,853,977
Prior period adjustment (Note 2-14)	<u>468,403</u>	<u>-</u>
Net position, July 1 (consolidated) as restated	<u>39,650,241</u>	<u>32,853,977</u>
Net position, June 30	<u>\$ 44,434,982</u>	<u>\$ 39,181,838</u>

Governmental activities. Governmental activities increased the Town's net position by \$4,784,741 thereby accounting for 12.07% growth in the net position of the Town of Mint Hill. Key elements of this increase are as follows:

- Tax revenues increased slightly 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 \$2,816,656 while total fund balance reached \$5,004,576. 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 25.22% of general fund expenditures, while total fund balance represents 44.81% of the same amount.

At June 30, 2013, the governmental funds of the Town reported a combined fund balance of \$6,514,417 with a net decrease in fund balance of (\$1,716,141). 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 completion of construction of the new Town Hall and the remodel of the former town hall for the Police Department totaling \$1,689,159.

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 2012-2013 to appropriate for the remodel and upfit of the former town hall for its police department.
- The Town increased its 2012-2013 General Fund budget by \$652,000 to account for sidewalk construction and the purchase of adjacent land. Powell Bill allocations accounted for \$270,000 of this amount.
- The Town increased its 2012-2013 General Fund budget by \$71,108 to pay for the first installment on a sweeper truck for the public works department.
- The Town increased its 2012-2013 General Fund budget by \$480,000 to account for receipt and distribution of fire district proceeds.
- The Town increased its 2012-2013 General Fund budget by \$32,800 to purchase equipment for the Police Department. Drug forfeiture usage accounted for this increase.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2013, totals \$38,927,187 (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 \$5,292,000.
- Construction costs incurred to complete the Town Hall Complex \$710,144.
- Construction in Progress incurred for the remodel of the former town hall for the Police Department \$1,054,508.
- \$54,301 for capital asset additions for Town vehicles, equipment, and software.
- \$280,798 was spent on sidewalk improvements.
- \$13,680 was spent on improvements at Wilgrove Park.
- \$210,006 was spent for a new sweeper truck for the public works department.

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

Figure 4

	Governmental Activities	
	2013	2012
Land	\$ 3,196,976	\$ 3,146,125
Construction in progress	1,584,721	5,330,519
Buildings	6,078,802	323,354
Land improvements	1,475,003	1,267,665
Transportation equipment	344,448	495,399
General equipment	456,829	200,265
Police equipment	89,530	111,537
Recreation equipment	117,415	134,478
Infrastructure	25,583,463	21,185,904
Total	\$ 38,927,187	\$ 32,195,246

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, 2013, the Town of Mint Hill had total outstanding debt of \$3,026,215. 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>2013</u>	<u>2012</u>
General obligation bonds	\$ 2,800,000	\$ 3,225,000
Installment purchase obligations	<u>226,215</u>	<u>206,706</u>
Total	<u><u>\$ 3,026,215</u></u>	<u><u>\$ 3,431,706</u></u>

The Town of Mint Hill's total debt decreased by \$405,491 or (11.8%) 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 \$189,764,684.

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 was completed on the new Town Hall complex, and the Town took occupancy in September 2012.
- Construction has started on the remodel of the former town hall for the police department and is expected to be completed in September 2013.

Budget Highlights for the Fiscal Year Ending June 30, 2014

The Town of Mint Hill relies on property taxes for approximately 58% 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 \$2,314,887,205. The General Fund tax rate remains at 27¢ per one hundred dollars (\$100) valuation of property with an average collection rate of 98%.

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 2013-2014 sales tax projection is \$1,240,000. Data received from the North Carolina League of Municipalities suggests that this fiscal year's sales tax collections will result in an approximate 3.3% 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 .3 percent lower for fiscal year 2013-2014.

Budgeted expenditures are expected to remain steady fiscal year 2014.

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 Position
June 30, 2013*

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,576,364
Taxes receivable	323,631
Accounts receivable, net	618,413
Bond payments receivable, current	425,000
Prepaid expenses	34,470
Restricted cash and cash equivalents	759,130
Total current assets	<u>8,737,008</u>
Non-current assets:	
Land, non-depreciable improvements, and construction in progress	4,781,697
Other capital assets, net of depreciation	34,145,490
Total capital assets	<u>38,927,187</u>
Bond payments receivable, long-term	2,375,000
Total non-current assets	<u>41,302,187</u>
Total assets	<u><u>\$ 50,039,195</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,303,025
Accrued interest payable	14,081
Internal balances	
Current portion of long-term debt	672,588
Total current liabilities	<u>1,989,694</u>
Long-term liabilities:	
Due in more than one year	3,504,968
Total liabilities	<u>5,494,662</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenues	109,551
Total deferred inflows of resources	<u>109,551</u>
NET POSITION	
Net investment in capital assets	35,900,972
Restricted for:	
Stabilization by state statute	439,066
Streets - Powell Bill	759,130
Unrestricted	7,335,814
Total net position	<u><u>\$ 44,434,982</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, 2013*

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenues and
		Operating	Capital	Changes in Net Assets
		Grants and	Grants and	Primary Government
		Contributions	Contributions	Governmental
				Activities
Primary government:				
Governmental activities:				
General government	\$ 2,002,862	\$ 125,318	\$ 5,292,000	\$ 3,414,456
Public safety	4,791,668	-	-	(4,791,668)
Transportation	2,324,280	938,989	-	(1,385,291)
Environmental protection	1,870,658	13,178	-	(1,857,480)
Culture and recreation	426,249	-	-	(426,249)
Interest and other charges	168,864	-	-	(168,864)
Total governmental activities and primary government	\$ 11,584,581	\$ 1,077,485	\$ 5,292,000	(5,215,096)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				6,164,510
Other taxes				194,625
Grants and contributions not restricted to specific programs				2,371,689
Unrestricted investment earnings				178,906
Miscellaneous				1,090,107
Total general revenues, not including transfers				9,999,837
Transfers				0
Total general revenues and transfers				9,999,837
Change in net position				4,784,741
Net position, beginning as previously reported				39,181,838
Prior period adjustment (Note 2-14)				468,403
Net position, beginning as restated				39,650,241
Net position, ending				\$ 44,434,982

TOWN OF MINT HILL, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				Total Governmental Funds
	General	Storm Water	Capital Projects	Non-Major Funds	
ASSETS					
Cash and cash equivalents	\$ 5,184,447	\$ 1,039,178	\$ -	\$ 352,739	\$ 6,576,364
Restricted cash and cash equivalents	759,130	-	-	-	759,130
Taxes receivable	323,831	-	-	-	323,831
Accounts receivable (net)	61,390	-	-	-	61,390
Due from other funds	(97,673)	97,673	-	-	-
Due from other governments	536,739	20,287	-	-	557,026
Prepaid expenses	34,470	-	-	-	34,470
Total assets	<u>\$ 6,802,334</u>	<u>\$ 1,157,138</u>	<u>\$ -</u>	<u>\$ 352,739</u>	<u>\$ 8,312,211</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,302,987	\$ 36	\$ -	\$ -	\$ 1,303,023
Total liabilities	<u>1,302,987</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>1,303,023</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	323,831				323,831
Auto taxes and fees receivable	61,389				61,389
Unearned revenue	109,551				109,551
Total deferred inflows of resources	<u>494,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,771</u>
FUND BALANCES					
Non-Spendable					
Prepaid expenses	34,470	-	-	-	34,470
Restricted					
Stabilization by state statute	439,066	-	-	-	439,066
Streets - Powell Bill	759,130	-	-	-	759,130
Committed					
Environmental projects	-	1,157,102	-	-	1,157,102
Tourism	253,475	-	-	-	253,475
Capital projects	-	-	-	352,739	352,739
Assigned					
Subsequent year's expenditures	701,779	-	-	-	701,779
Unassigned	2,816,656	-	-	-	2,816,656
Total fund balances	<u>5,004,576</u>	<u>1,157,102</u>	<u>-</u>	<u>352,739</u>	<u>6,514,417</u>
Total fund balances, deferred inflows of resources and fund balances	<u>\$ 6,802,334</u>	<u>\$ 1,157,138</u>	<u>\$ -</u>	<u>\$ 352,739</u>	<u>\$ 8,312,211</u>

TOWN OF MINT HILL, NORTH CAROLINA

***Exhibit 3,
Continued***

***Reconciliation of Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2013***

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

Total fund balance- governmental funds	\$	6,514,417
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$ 48,270,289	
Accumulated depreciation	<u>(9,343,102)</u>	38,927,187
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		2,800,000
Liabilities for earned but deferred revenues in fund statements.		385,020
Accrued interest		(14,082)
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>(4,177,560)</u>
Net position of governmental activities	\$	<u>44,434,982</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, 2013**

	Major Funds				Total Governmental Funds
	General	Storm Water	Capital Projects	Non-Major Funds	
REVENUES					
Ad valorem taxes	\$ 6,143,267	\$ -	\$ -	\$ -	\$ 6,143,267
Other taxes	188,611	-	-	-	188,611
Unrestricted intergovernmental	2,362,051	-	-	-	2,362,051
Restricted intergovernmental	785,550	299,271	-	-	1,084,821
Investment earnings	9,105	1,641	-	-	10,746
Miscellaneous	1,685,456	114	-	-	1,685,570
Total revenues	11,174,040	301,026	-	-	11,475,066
EXPENDITURES					
Current:					
General government	1,638,411	180,604	-	-	1,819,015
Public safety	4,856,639	-	-	-	4,856,639
Transportation	1,779,025	-	-	-	1,779,025
Environmental protection	1,870,658	-	-	-	1,870,658
Culture and recreation	238,306	-	-	-	238,306
Storm water repairs	-	76,702	-	-	76,702
Debt Service:					
Principal retirement	615,491	-	-	-	615,491
Interest and other charges	170,714	-	-	-	170,714
Capital outlay	-	210,006	1,764,651	-	1,974,657
Total expenditures	11,169,244	467,312	1,764,651	-	13,401,207
Excess (deficiency) of revenues over expenditures	4,796	(166,286)	(1,764,651)	-	(1,926,141)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	1,689,159	-	1,689,159
Transfers to other funds	(1,689,159)	-	-	-	(1,689,159)
Installment purchase obligation issued	-	210,000	-	-	210,000
Total other financing sources (uses)	(1,689,159)	210,000	1,689,159	-	210,000
Net change in fund balance	(1,684,363)	43,714	(75,492)	-	(1,716,141)
Fund balance, beginning as previously reported	6,241,032	1,092,892	75,492	352,739	7,762,155
Prior period adjustment (Note 2-14)	447,907	20,496	-	-	468,403
Fund balance, beginning as restated	6,688,939	1,113,388	75,492	352,739	8,230,558
Fund balance, ending	\$ 5,004,576	\$ 1,157,102	\$ -	\$ 352,739	\$ 6,514,417

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, 2013***

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

Net changes in fund balances - total governmental funds	\$(1,716,141)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures, which were capitalized	2,934,520	
Depreciation expense for government assets	<u>(1,494,612)</u>	1,439,908

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	5,292,000	
Change in deferred revenues	<u>27,257</u>	5,319,257

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.

New long-term debt issued	(210,000)	
Principal payments on bond receivable	(425,000)	
Principal payments on long-term debt	615,491	
Decrease in accrued interest payable	<u>1,879</u>	(17,630)

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	(24,777)	
Other postemployment benefits	(180,809)	
Net pension obligation	<u>(35,067)</u>	<u>(240,653)</u>

Total changes in net position of governmental activities	<u><u>\$ 4,784,741</u></u>
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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, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 6,020,000	\$ 6,020,000	\$ 6,143,267	\$ 123,267
Other taxes	175,000	175,000	188,611	13,611
Unrestricted intergovernmental	2,210,000	2,210,000	2,362,051	152,051
Restricted intergovernmental	736,100	736,100	785,550	49,450
Investment earnings	31,550	31,550	9,105	(22,445)
Miscellaneous	728,975	1,571,775	1,685,456	113,681
Total revenues	9,901,625	10,744,425	11,174,040	429,615
Expenditures:				
Current:				
General government	1,777,371	1,829,371	1,638,411	190,960
Public safety	4,712,349	5,525,149	4,856,639	668,510
Transportation	1,729,267	2,329,267	1,779,025	550,242
Environmental protection	1,915,000	1,915,000	1,870,658	44,342
Culture and recreation	272,703	272,703	238,306	34,397
Debt service:				
Principal retirement	544,443	615,551	615,491	60
Interest and other charges	336,077	336,077	170,714	165,363
Total expenditures	11,287,210	12,823,118	11,169,244	1,653,874
Revenues over (under) expenditures	(1,385,585)	(2,078,693)	4,796	2,083,489
Other financing uses:				
Transfers to other funds	620,000	(1,351,928)	(1,689,159)	(337,231)
Total other financing sources	620,000	(1,351,928)	(1,689,159)	(337,231)
Fund balance appropriated	765,585	3,430,621	-	(3,430,621)
Net change in fund balance	\$ -	\$ -	(1,684,363)	\$ (1,684,363)
Fund balance, beginning as previously reported			-	
Prior period adjustment (Note 2-14)			6,241,032	
Fund balance, beginning as as restated			447,907	
Fund balance, ending			6,688,939	
			\$ 5,004,576	

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, 2013***

	Storm Water Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Restricted intergovernmental	\$ 300,000	\$ 300,000	\$ 299,271	\$ (729)
Miscellaneous	-	-	114	114
Investment earnings	4,000	4,000	1,641	(2,359)
Total revenues	<u>304,000</u>	<u>304,000</u>	<u>301,026</u>	<u>(2,974)</u>
Expenditures:				
Current:				
General government	216,111	216,111	180,604	35,507
Storm water repairs	160,000	160,000	76,702	83,298
Capital outlay	255,000	255,000	210,006	44,994
Total expenditures	<u>631,111</u>	<u>631,111</u>	<u>467,312</u>	<u>163,799</u>
Revenues over (under) expenditures	<u>(327,111)</u>	<u>(327,111)</u>	<u>(166,286)</u>	<u>160,825</u>
Other financing sources (uses)				
Installment purchase obligation	255,000	255,000	210,000	45,000
Total other financing sources	<u>255,000</u>	<u>255,000</u>	<u>210,000</u>	<u>45,000</u>
Fund balance appropriated	<u>72,111</u>	<u>72,111</u>	<u>-</u>	<u>(72,111)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	43,714	<u>\$ 133,714</u>
Fund balance, beginning as previously reported			1,092,892	
Prior period adjustment (Note 2-14)			20,496	
Fund balance, beginning as restated			<u>1,113,388</u>	
Fund balance, ending			<u>\$ 1,157,102</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, 2013

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 position 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, 2013

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.

Capital Project Fund- Mint Hill Police Department. This fund is used to account for the upfit of the former town hall for the Police Department.

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

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The Town considers all revenues available if they are collected within 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, 2013. 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 position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and 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, 2013

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. These taxes are based on the assessed values as of January 1, 2012.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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 position 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. Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

7. 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

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

applicable bond premiums or discounts. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

8. 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.

9. Net Position/Fund Balances

Net position

Net position in government-wide financial statements are classified as invested in capital assets, restricted; and unrestricted. Restricted net position 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.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

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

The governmental fund types classify fund balances as follows:

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)].

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.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

10. 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

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

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. At June 30, 2013, The Town's deposits had a carrying amount of \$6,576,470 and a bank balance of \$6,896,999. Of the bank balance, \$698,525 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash fund totaled \$130.

2. Investments

At June 30, 2013 the Town had \$406,154 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, 2013 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, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,146,125	\$ 50,851	\$ -	\$ 3,196,976
Construction in progress	5,330,519	2,151,432	(5,897,230)	1,584,721
Total capital assets not being depreciated	8,476,644	2,202,283	(5,897,230)	4,781,697

TOWN OF MINT HILL, NORTH CAROLINA

*Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013*

NOTE 2- DETAIL NOTES ON ALL FUNDS - Continued

Governmental activities:- Continued	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings	1,054,831	5,908,834	-	6,963,665
Land improvements	2,394,621	297,874	-	2,692,495
Transportation equipment	3,250,023	35,540	-	3,285,563
General equipment	870,429	345,409	(40,750)	1,175,088
Police equipment	448,768	24,165	-	472,933
Recreation equipment	330,382	13,680	-	344,062
Infrastructure	23,258,786	5,296,000	-	28,554,786
Total capital assets being depreciated	<u>31,607,840</u>	<u>11,921,502</u>	<u>(40,750)</u>	<u>43,488,592</u>
Less accumulated depreciation for:				
Buildings	731,479	153,384	-	884,863
Land improvements	1,126,956	90,536	-	1,217,492
Transportation equipment	2,754,624	186,491		2,941,115
General equipment	670,164	88,845	(40,750)	718,259
Police equipment	337,231	46,172	-	383,403
Recreation equipment	195,904	30,743	-	226,647
Infrastructure	2,072,882	898,441	-	2,971,323
Total accumulated depreciation	<u>7,889,240</u>	<u>1,494,612</u>	<u>(40,750)</u>	<u>9,343,102</u>
Total capital assets being depreciated, net	<u>23,718,600</u>			<u>34,145,490</u>
Governmental activity capital assets, net	<u><u>\$ 32,195,244</u></u>			<u><u>\$ 38,927,187</u></u>

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

General government	\$ 237,942
Public safety	126,295
Transportation	928,752
Culture and recreation	201,623
	<u>\$ 1,494,612</u>

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

Construction Commitment

The Town has an active construction project as of June 30, 2013. At year-end, the Town's commitments with contractors is as follows:

Project	Spent-to-date	Remaining Commitment
Police Department Upfit	\$ 1,054,508	\$ 988,528

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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$247,873, \$220,733, and \$193,284, respectively. The contributions made by the Town equaled the required contributions for each year.

B. 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

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

B. Law Enforcement Officers Special Separation Allowance - continued

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, 2012, 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><u>34</u></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, 2012 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.

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

B. Law Enforcement Officers Special Separation Allowance - 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	\$ 38,507
Interest on net pension obligation	10,549
Adjustment to annual required contribution	<u>(13,130)</u>
Annual pension cost	35,926
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	35,926
Net pension obligation beginning of fiscal year	<u>210,983</u>
Net pension obligation end of fiscal year	<u><u>\$ 246,909</u></u>

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 35,926	0.00%	\$ 246,909
2012	\$ 32,663	0.00%	\$ 210,983
2011	\$ 33,201	0.00%	\$ 178,320

Funded Status and Funding Progress. As of December 31, 2012, 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 \$ 261,020. The covered payroll (annual payroll of active employees covered by the plan) was \$1,455,898 and the ratio of the UAAL to covered payroll was 17.93%.

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.

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

2. Supplemental Retirement Income Plan - 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, 2013 and 2012, were \$157,194 and \$158,107, respectively

3. Other Postemployment Benefits

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, 2012, the date of the latest actuarial valuation:

	General	Law	
	Employees	Enforcement	
		Officer	Firefighters
Retirees and dependents receiving benefits.	4	-	-
Terminated plan members entitled to but not yet receiving benefits.	-	-	-
Active plan members.	20	34	21
Total	24	34	21

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 four retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2013, the Town made payments for post-employment health benefit premiums of \$6,340. 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, 2013

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

3. Other Postemployment Benefits - continued

A. Healthcare Benefits - continued

The current ARC rate is 6.04% of annual covered payroll. For the current year, the Town contributed \$6,340 or 2.0% 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	\$ 190,860
Interest on net OPEB obligation	16,763
Adjustment to annual required contribution	16,014
Annual OPEB cost (expense)	191,609
Contributions made	10,800
Increase in net OPEB obligation	180,809
Net OPEB obligation, beginning of year	419,067
Net OPEB obligation, end of year	<u>\$ 599,876</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, 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 191,609	5.60%	\$ 599,876
2012	\$ 142,103	2.20%	\$ 419,067
2011	\$ 136,305	4.10%	\$ 280,111

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

3. Other Postemployment Benefits - continued

A. Healthcare Benefits - continued

Funded Status and Funding Progress. As of December 31, 2012, 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 \$1,208,942. The covered payroll (annual payroll of active employees covered by the plan) was \$3,233,815, and the ratio of the UAAL to the covered payroll was 37.4 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

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

3. Other Postemployment Benefits - continued

B. Other Employment Benefits - continued

are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's 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.

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.

4. Deferred Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Taxes receivable	\$ 323,831	\$ -
Special vehicle tax receivable	61,390	
Unspent funds - Police Department drug forfeiture		98,938
Unspent funds - Police Department fund raiser		10,613
	<u>\$ 385,221</u>	<u>\$109,551</u>

5. 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 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.

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

5. Risk Management - continued

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

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.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2013, 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.

7. 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, 2013 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%	\$ 1,900,000
\$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%	900,000
	<u>\$ 2,800,000</u>

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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
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>\$ 2,800,000</u>	<u>\$ 560,100</u>	<u>\$ 3,360,100</u>

Installment purchases payable at June 30, 2013 are comprised of the following individual issues:

Installment Purchase

\$262,000 long-term debt - \$90,903 annually secured by equipment, with interest at 2.03% until October 2013.	\$ 89,094
\$210,000 - \$71,107.10 annually secured by equipment w/interest at 1.5% until September 2014	<u>142,214</u>
Total installment purchase payments	\$ 231,308
Less: Amount representing interest	<u>(5,093)</u>
Total installment purchase obligation	<u>\$ 226,215</u>

The future minimum principal and interest payments for the Town's installment purchase agreements as of June 30, 2013 are as follows:

June 30	Principal	Interest	Total
2014	156,221	3,980	160,201
2015	69,994	1,113	71,107
	<u>\$ 226,215</u>	<u>\$ 5,093</u>	<u>\$ 231,308</u>

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

8. Legal Debt Margin

At June 30, 2013, the Town of Mint Hill had a legal debt margin of \$189,764,684.

9. Changes in Long-Term Liabilities

	Balance			Balance	Current
	July 01, 2012	Increases	Decreases	June 30, 2013	Portion
Governmental Activities:					Balance
Compensated absences	\$ 279,779	\$ 35,363	\$ 10,586	\$ 304,556	\$ 91,367
Installment purchase	206,706	210,000	190,491	226,215	156,221
General obligation bonds	3,225,000	-	425,000	2,800,000	425,000
Other postemployment benefits	419,067	191,609	10,800	599,876	-
LEO Pension obligation	211,842	35,067	-	246,909	-
	<u>\$ 4,342,394</u>	<u>\$ 472,039</u>	<u>\$ 636,877</u>	<u>\$ 4,177,556</u>	<u>\$ 672,588</u>

Compensated absences typically have been liquidated in the General Fund.

10. 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, 2013, the plan asset value was \$20,925.

11. Commitments

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

12. Interfund Activity

Balances due to/from other funds at June 30, 2013, consist of the following;

	Receivable	Payable
General Fund	\$ -	\$ 97,673
Stormwater	\$ 97,673	\$ -

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

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

12. Interfund Activity - continued

Transfer from the General Fund to the Capital Project Fund- Town Hall totaled \$1,689,159. The transfer was budgeted to move unrestricted revenues to finance the completion of the new Town Hall project and to remodel the former town hall for the Police Department.

13. 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	\$ 5,004,576
Less:	
Non-Spendable Funds	34,470
Stabilization by state statute	439,066
Streets - Powell Bill	759,130
Committed for Tourism	253,475
Appropriated Fund Balance in 2012 Budget	701,779
Unassigned	2,816,656

There were no outstanding encumbrances at year end.

14. Prior Period Adjustment

During the fiscal year ended June 30, 2013, the Town determined the financial statements as of June 30, 2012 contained the following errors: (1) understatement of property taxes receivable by \$447,907 and (2) understatement of accounts receivable (net) by \$20,496. Net position as of July 1, 2012 has increased by \$468,403 to correct the aggregate effect of the errors. Fund balance for the General Fund at July 1, 2012 increased by \$447,907 and fund balance for the Storm Water Fund at July 1, 2012 increased by \$20,496.

NOTE 3- **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 to the Council during the fiscal year ended June 30, 2013.

- Continued -

TOWN OF MINT HILL, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 4- 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 5- CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

NOTE 6- DATE OF MANagements' REVIEW

In preparing the financial statements, the Town of Mint Hill has evaluated events and transactions for potential recognition or disclosure through December 18, 2013, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

<p>This section contains additional information required by generally accepted accounting principles.</p>

- 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%
12/31/2012	-	261,020	261,020	0.00%	1,455,898	17.93%

Note: Actuarial valuation done at December 31, 2012 determined annual required contributions for June 30, 2013.

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%
2013	35,926	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:	12/31/2012
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay closed
Remaining amortization period:	18 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%
Cost-of-living adjustments	N/A

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)
12/31/2007	-	\$ 824,214	\$ 824,214	0.00%	\$2,333,563	35.30%
12/31/2009	-	\$ 836,017	\$ 836,017	0.00%	\$2,670,449	31.30%
12/31/2011	-	\$1,219,513	\$1,219,513	0.00%	\$3,162,366	38.60%
12/31/2012	-	\$1,208,942	\$1,208,942	0.00%	\$3,233,815	37.40%

Note: Actuarial valuation done at December 31, 2012 determined annual required contributions for June 30, 2013.

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>
2011	136,305	4.10%
2012	142,103	2.20%
2013	191,609	5.60%

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:	12/31/2012
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	8.50%-5.00%
Post-Medicare trend rate	6.25%-5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

SUPPLEMENTAL SCHEDULES

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 1
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General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 6,113,951	\$ -
Interest		29,316	
	6,020,000	6,143,267	123,267
Other taxes:			
Motor vehicle tax	175,000	188,611	13,611
Unrestricted intergovernmental:			
Beer and wine tax		94,230	
Utility franchise tax		917,005	
ABC profit distribution		60,924	
Local option sales taxes		1,289,892	
Total	2,210,000	2,362,051	152,051
Restricted intergovernmental			
Powell Bill allocation		638,904	
Solid Waste Fee		13,178	
Tourism tax		120,301	
Federal and state grants		13,167	
Total	736,100	785,550	49,450
Investment earnings	31,550	9,105	(22,445)
Bond repayment		593,975	
Arts and sciences local grant		2,500	
Miscellaneous		1,088,981	
Total	1,571,775	1,685,456	113,681
Total revenues	10,744,425	11,174,040	429,615

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 1
Page 2 of 3

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	\$ -	\$ 540,986	\$ -
Other operating expenditures		9,748	
Total administration	630,829	550,734	80,095
Planning:			
Salaries and employee benefits		292,198	
Professional services		-	
Other operating expenditures		13,056	
Total planning	332,992	305,254	27,738
Non-Departmental:			
Professional services		178,129	
Town hall maintenance		69,585	
Donations		139,500	
Other operating expenditures		340,908	
Capital outlay		54,301	
Total non-departmental	865,550	782,423	83,127
Total general government	1,829,371	1,638,411	190,960
Public Safety:			
Police:			
Salaries and employee benefits		2,143,229	
Professional services		15,511	
Vehicle maintenance		197,231	
Other operating expenditures		481,178	
Capital outlay		251,111	
Total police	3,511,196	3,088,260	422,936
Fire:			
Salaries and employee benefits		1,111,399	
Other operating expenditures		656,980	
Total fire	2,013,953	1,768,379	245,574
Total public safety	5,525,149	4,856,639	668,510

TOWN OF MINT HILL, NORTH CAROLINA

*Schedule 1
Page 3 of 3*

General Fund

***Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013***

Transportation:			
Streets and highways:			
Salaries and employee benefits	\$ -	\$ 269,831	\$ -
Street maintenance		633,302	
Other operating expenditures		385,088	
Capital outlay		490,804	
Total transportation	2,329,267	1,779,025	550,242
Environmental protection:			
Solid waste			
Contracted services		1,611,267	
Landfill fees		259,391	
Total environmental protection	1,915,000	1,870,658	44,342
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		49,720	
Professional services		92,039	
Other operating expenses		82,867	
Capital outlay		13,680	
Total culture and recreation	272,703	238,306	34,397
Debt Service:			
Principal retirement		615,491	
Interest and other charges		170,714	
Total debt service	951,628	786,205	165,423
Total expenditures	12,823,118	11,169,244	1,653,874
Revenues over (under) expenditures	(2,078,693)	4,796	2,083,489
Other financing uses:			
Transfer to Capital Project Fund		(1,689,159)	
Total other financing uses	(1,351,928)	(1,689,159)	(337,231)
Fund balance appropriated	3,430,621	-	(3,430,621)
Net change in fund balance	\$ -	(1,684,363)	\$ (1,684,363)
Fund balance, beginning as previously reported		6,241,032	
Prior period adjustment (Note 2-14)		447,907	
Fund balance, beginning as restated		6,688,939	
Fund balance, ending		\$ 5,004,576	

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 2

Stormwater Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Storm water fees collected	\$ -	\$ 299,271	\$ 299,271
Other miscellaneous revenue		114	
Investment earnings		1,641	1,641
Total revenues	304,000	301,026	(2,974)
Expenditures:			
Storm water repairs		76,702	(76,702)
Administrative costs		180,604	(180,604)
Capital outlay		210,006	(210,006)
Total expenditures	631,111	467,312	163,799
Revenues over (under) expenditures	(327,111)	(166,286)	(166,773)
Other financing sources (uses):			
Installment purchase obligations issued	255,000	210,000	45,000
Due to General Fund	-	-	-
Total other financing sources (uses)	255,000	210,000	45,000
Fund balance appropriated	72,111	-	(72,111)
Net change in fund balance	\$ -	43,714	43,714
Fund balance, beginning as as previously reported		1,092,892	
Prior period adjustment (Note 2-14)		20,496	
Fund balance, end of year		\$ 1,157,102	

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 3

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, 2013

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Design	\$ 75,000	\$ 74,054	\$ 8,300	\$ 82,354	\$ (7,354)
Construction	5,126,086	4,568,531	559,276	5,127,807	(1,721)
Furnishings and moving	320,000	147,846	140,257	288,103	31,897
Special inspections and testing	35,000	23,161	2,311	25,472	9,528
Contingency	130,000	34,654	-	34,654	95,346
Total expenditures	5,686,086	4,848,246	710,144	5,558,390	127,696
Revenues under expenditures	(5,686,086)	(4,848,246)	(710,144)	(5,558,390)	127,696
Other financing sources:					
Transfer from the General Fund	5,686,086	4,923,739	634,651	5,558,390	(127,696)
Total other financing sources	5,686,086	4,923,739	634,651	5,558,390	(127,696)
Revenues and other sources over expenditures	\$ -	\$ 75,493	(75,493)	\$ -	\$ -
Fund balance, beginning of year			75,493		
Fund balance, end of year			\$ -		

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 4

Capital Project Fund-Mint Hill Police Department
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Design	\$ 50,000	\$ -	\$ 13,669	\$ 13,669	\$ 36,331
Construction	1,758,036	-	1,032,692	1,032,692	725,344
Furnishings and moving	100,000	-	5,325	5,325	94,675
Special inspections and testing	35,000	-	2,822	2,822	32,178
Contingency	100,000	-	-	-	100,000
Total expenditures	<u>2,043,036</u>	<u>-</u>	<u>1,054,508</u>	<u>1,054,508</u>	<u>988,528</u>
Revenues under expenditures	<u>(2,043,036)</u>	<u>-</u>	<u>(1,054,508)</u>	<u>(1,054,508)</u>	<u>988,528</u>
Other financing sources:					
Transfer from the General Fund	<u>2,043,036</u>	<u>-</u>	<u>1,054,508</u>	<u>1,054,508</u>	<u>(988,528)</u>
Total other financing sources	<u>2,043,036</u>	<u>-</u>	<u>1,054,508</u>	<u>1,054,508</u>	<u>(988,528)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ -</u>		

OTHER SCHEDULES

This section contains additional information required on property taxes.
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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Schedule of Ten Largest Taxpayers

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 5

***Schedule of Ad Valorem Taxes Receivable
June 30, 2013***

	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012 - 2013	\$ -	\$ 6,162,361	\$ 6,032,054	\$ 130,307
2011 - 2012	128,278	-	80,831	47,447
2010 - 2011	51,358	-	10,865	40,493
2009 - 2010	27,764	-	4,594	23,170
2008 - 2009	23,057	-	2,054	21,003
2007 - 2008	23,575	-	1,441	22,134
2006 - 2007	21,360	-	1,956	19,404
2005 - 2006	13,995	-	596	13,399
2004 - 2005	6,552	-	78	6,474
2003 - 2004	6,449	-	6,449	-
	<u>\$ 302,388</u>	<u>\$ 6,162,361</u>	<u>\$ 6,140,918</u>	<u>\$ 323,831</u>

Reconcilement with revenues:

Ad Valorem Taxes - General Fund	\$ 6,143,267
Reconciling items:	
Interest collected	(29,316)
Taxes written off	6,449
Refunds/Adjustments	20,518
Total collections and credits	<u>\$ 6,140,918</u>

TOWN OF MINT HILL, NORTH CAROLINA

*Schedule 6
Page 1 of 2*

*Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2013*

	Town-wide		Total Levy	
	Property Valuation	Rate	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:				
Property taxed at current year's rate	\$ 2,100,001,367	0.27	\$ 5,670,004	\$ -
Motor vehicles taxed at current year's rate	<u>190,079,078</u>	0.27	<u>513,214</u>	<u>513,214</u>
Total	2,290,080,445		5,670,004	513,214
Discoveries:				
Current year taxes	<u>37,126,863</u>	0.27	<u>100,243</u>	<u>155</u>
Abatements	<u>(44,851,247)</u>	0.27	<u>(114,218)</u>	<u>(6,880)</u>
Total property valuation	<u><u>\$ 2,282,356,061</u></u>			
Net levy			6,162,361	506,489
Less, uncollected tax at June 30, 2013			<u>130,307</u>	<u>56,278</u>
Current year's taxes collected			<u>\$ 6,032,054</u>	<u>\$ 450,211</u>
Current levy collection percentage			<u>97.89%</u>	<u>88.89%</u>

TOWN OF MINT HILL, NORTH CAROLINA

*Schedule 6
Page 2 of 2*

*Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2013*

Secondary Market Disclosures:

Assessed Valuation:

Assessment ratio	100%
Real property	\$ 2,094,767,996
Personal property	<u>187,588,063</u>
Total assessed valuation at 0.27 rate	\$ 2,282,356,059
Tax rate per \$100	<u>0.27</u>
Total levy (includes discoveries, releases and abatements)	<u><u>\$ 6,162,361</u></u>

TOWN OF MINT HILL, NORTH CAROLINA*Schedule 7****Schedule of Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2013***

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
CMF 7 Portfolio, LLC	Apartments	17,599,910	0.84%
Mint Hill Retirement Residence, LLC	Retirement Facility	17,187,600	0.82%
Regions Bank	Bank	13,965,700	0.67%
Duke Energy	Power/Utility	12,866,494	0.61%
Hampton Ridge Partners, LLC	Apartments	12,530,000	0.60%
DB Aster III LLC	Real Estate Development	11,466,700	0.55%
Bank of America N.A.	Bank	11,036,208	0.53%
Eastway Crossing II- Charlotte, LLC	Shopping Center	10,936,800	0.52%
Albemarle Road Associates, LLC	Industrial Development	8,216,200	0.39%
ZM Park, LLC	Distributive Business Park	8,173,100	0.39%

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***

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2013, which collectively comprises the Town of Mint Hill's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 2013-1.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of 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 2013-2.

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.

Purpose of this Report

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

Rowell, Curran & Shurt, P.A.

December 18, 2013
Charlotte, North Carolina

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the Town of Mint Hill, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Mint Hill's major state programs for the year ended June 30, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Mint Hill's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Mint Hill's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Mint Hill complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Rowell, Craven & Short P.A.
Charlotte, North Carolina
December 18, 2013

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 8
Page 1 of 3

Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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 yes X 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, 2013

Section II. Financial Statement Findings

MATERIAL WEAKNESS

2013-1 Prior Period Adjustment due to Correction of Accounting Error

Criteria: Restatement of previously issued financial statements due to correction of an accounting error.

Condition: Restatement of previously issued financial statements due to correction of an accounting error.

Effect: Understatement of property taxes receivable by \$447,907 and understatement of accounts receivable by \$20,496 resulting in an aggregate understatement of beginning net position of \$468,403.

Cause: Reliance on previous accountant that failure to accrue receipt of distributions received after the end of the fiscal year was immaterial due to passed adjustments in the prior fiscal year. Current accountant analyzed the passed adjustments for the fiscal year ended June 30, 2012 in conjunction with distributions received after fiscal year ended June 30, 2013 and determined the difference was material.

Recommendation: Accounting personnel should record all distributions pertaining to the fiscal year in the correct period.

NONCOMPLIANCE

2013-2 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 for fiscal year ended June 30, 2013.

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.

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 8
Page 3 of 3

Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section III. State Award Findings and Questioned Costs

None reported.

*Corrective Action Plan
For the Fiscal Year Ended June 30, 2013*

Section II. Financial Statement Findings

MATERIAL WEAKNESS

2013-1 Failure to record distributions for fiscal year in the correct period.

Name of contact person: Naida Sergel, Finance Director

Corrective Action: Accounting personnel will accrue all distributions in the correct accounting period.

Proposed Completion Date: Finance Director will implement the above procedure immediately.

NONCOMPLIANCE

2013-2 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 reminder notices.

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

***Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2013***

Finding: 2012-1 Vendor Approval Process

Status: Procedures have been implemented to obtain Form W-9 from each vendor doing business with the Town. We found no issues of noncompliance with this control procedure.

Finding: 2012-2 Payroll Calculation

Status: Procedures have been implemented that require the Finance Director to reconcile to control totals prior to submitting payroll. We found no issues of noncompliance with this control procedure in our payroll tests.

Finding: 2012-3 Requirement to file annual financial information

Status: Required annual financial information should be reported to EMMA by January 31st. For the fiscal year ended June 30, 2012, the financial information was not reported until February 1st.

Procedures were implemented to update a calendar of pending deadlines with advance reminder notices. The Finance Director is very aware of the requirement and mentioned it during our audit. We will continue to report this finding for one more year as required by the federal clearing house.

TOWN OF MINT HILL, NORTH CAROLINA

Schedule 11

***Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013***

	<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 Justice:</u>					
Passed through the N.C. Department of Justice					
Byrne JAG Program (Recovery Act)	16.804		\$ 3,736	\$ -	\$ -
Byrne JAG Program	16.738		9,431	-	-
			<u>13,167</u>	<u>-</u>	<u>-</u>
Total Assistance-Federal Programs					
			<u>13,167</u>	<u>-</u>	<u>-</u>
State Grants:					
<u>N.C. Department of Transportation:</u>					
Powell Bill			\$ -	\$ 638,904	\$ -
Total Assistance -State Programs			-	638,904	-
			<u>-</u>	<u>638,904</u>	<u>-</u>
Total Federal and State Assistance			\$ 13,167	\$ 638,904	\$ -
			<u>13,167</u>	<u>638,904</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.