



Town of  
**Matthews**<sup>TM</sup>  
North Carolina

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2013**

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# TOWN OF MATTHEWS, NORTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Town Council  
Town of Matthews, 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 Matthews, 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 from 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 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, 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 Matthews, North Carolina, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***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 Matthews, 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards 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 September 25, 2013 on our consideration of the Town of Matthews' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 Matthews' internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
September 25, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Matthews, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Matthews 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

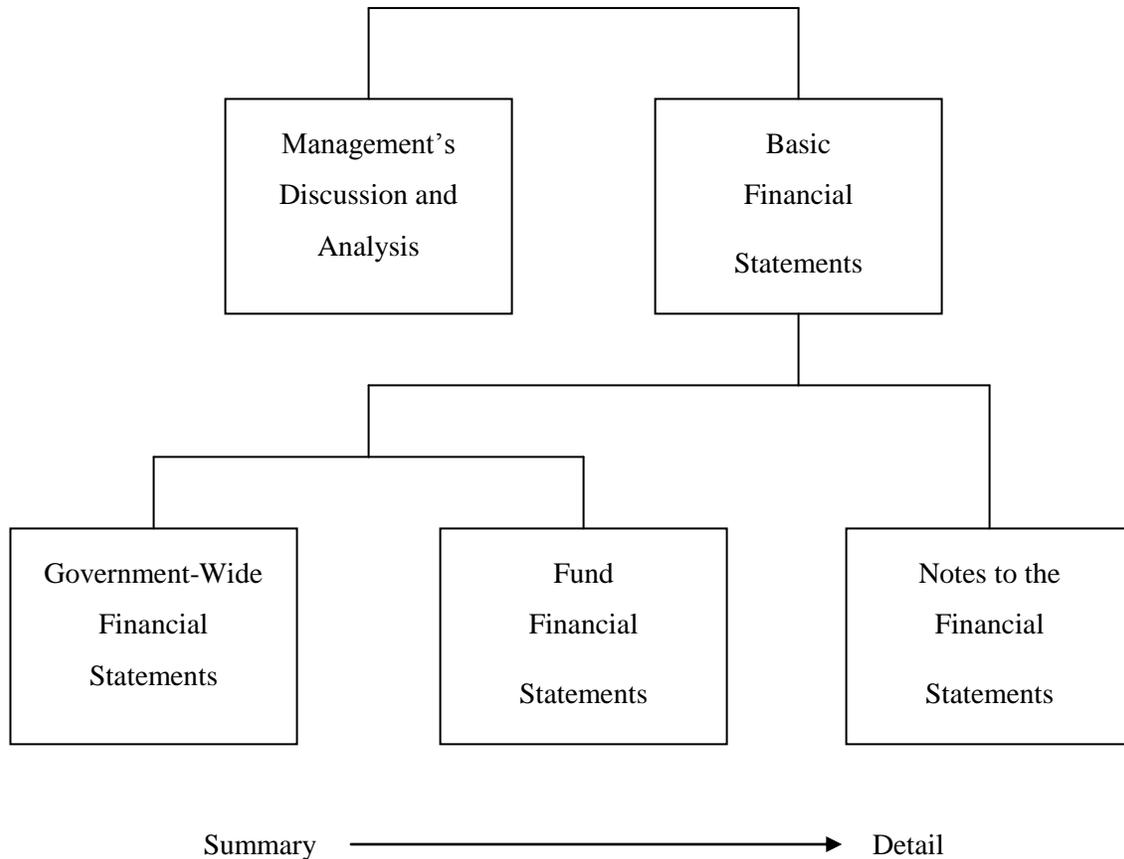
- The assets of the Town of Matthews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$258,400,436 (*net position*).
- The Town's net position decreased by \$2,724,766, primarily due to funding of capital improvement projects. The capital improvement projects consisted of land acquisitions, facility retrofits and upgrades, wayfinding projects, and public safety projects.
- At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$6,927,619, a decrease of \$1,308,663 in comparison with the prior year. Approximately 31% of this total amount, or \$2,176,986, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$4,750,633, or 23.72%, of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews' total debt decreased by \$1,525,812 during the current fiscal year.
- The Town of Matthews decreased fund balance of the Tourism Fund by \$1,993,651. This was due to transfers to capital improvement projects and General Fund operating expenditures. This leaves an ending fund balance of \$171,388, of which \$95,000 was appropriated in fiscal year ending 06/30/2014. The Town anticipates the fund balance to increase in future years by existing debt matures and rolls off.
- The Town holds a bond rating of AA+ with Standards & Poor.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Matthews' basic financial statements. The Town's financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 Matthews.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through F) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than that 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 the basic statements. After the notes, **Supplemental Information** is provided to show details about the Town's nonmajor governmental funds, which are combined in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

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

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

The government-wide statements consist only of governmental activities. The governmental activities include all of the Town's basic services such as general administration, public safety, and public works. Property taxes and State and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits A and B 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 Matthews, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Matthews are governmental funds.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All 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* that 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 Matthews adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 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 Matthews' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

### Government-Wide Financial Analysis

#### Town of Matthews' Net Position Figure 2

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Assets:</b>		
Current and other assets	\$ 9,045,145	\$ 10,772,516
Capital assets, net	<u>256,767,430</u>	<u>259,100,945</u>
Total assets	<u>265,812,575</u>	<u>269,873,461</u>
<b>Liabilities:</b>		
Current liabilities	2,063,172	2,456,422
Non-current liabilities	<u>5,317,667</u>	<u>6,291,837</u>
Total liabilities	<u>7,380,839</u>	<u>8,748,259</u>
<b>Deferred Inflows of Resources:</b>		
Prepaid taxes	<u>31,300</u>	<u>-</u>
Total deferred inflows of resources	<u>31,300</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets	252,890,325	254,103,028
Restricted	2,129,405	2,102,387
Unrestricted	<u>3,380,706</u>	<u>4,919,787</u>
Total net position	<u>\$ 258,400,436</u>	<u>\$ 261,125,202</u>

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 Matthews exceeded liabilities by \$258,400,436 as of June 30, 2013. The Town's net position decreased by \$2,724,766 for the fiscal year ended June 30, 2013. However, the largest portion (98%) 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 Matthews uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Matthews' investments 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. A balance of \$3,380,706 is unrestricted.

Please note the following, which also affects the financial position of the Town:

- Mecklenburg County bills and collects all real property and motor vehicle tax due to the Town of Matthews. The percent of net levy collected for the year ended June 30, 2013 is 98.20.

### Town of Matthews' Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Program revenues:		
Charges for service	\$ 1,849,625	\$ 1,892,484
Operating grants and contributions	908,331	2,251,931
Capital grants and contributions	838,815	798,902
General revenues:		
Property taxes	10,558,073	10,737,237
Other taxes	3,859,093	3,871,729
Unrestricted intergovernmental	1,539,463	1,381,967
Investment earnings	3,201	5,369
Total revenues	19,556,601	20,939,619
<b>Expenses:</b>		
General government	4,886,735	6,058,474
Public safety	8,267,422	8,342,632
Public works	3,345,621	3,201,853
Environmental protection	2,657,708	2,393,995
Cultural and recreation	2,434,493	1,546,301
Economic and physical development	459,159	468,470
Interest on long-term debt	230,229	290,933
Total expenses	22,281,367	22,302,658
Increase (decrease) in net position	(2,724,766)	(1,363,039)
<b>Net Position:</b>		
Beginning of year - July 1	261,125,202	262,488,241
End of year - June 30	\$ 258,400,436	\$ 261,125,202

## **Governmental Activities**

Governmental activities decreased the Town's net position by \$2,724,766. Key elements of this decrease are as follows:

- Increase in depreciation expense in the current year
- Decrease in grant revenue for the 2013 fiscal year due to less capital projects in the current year

## **Financial Analysis of the Town's Funds**

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

### **Governmental Funds**

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

The General Fund is the chief operating fund of the Town of Matthews. At the end of the current fiscal year, Town of Matthews' fund balance available in the General Fund was \$4,750,633, while total fund balance reached \$6,072,387. The Town currently has an available fund balance of 23.72% of General Fund expenditures and transfer to other funds, while total fund balance represents 30.32% of the same amount.

At June 30, 2013, the governmental funds of the Town of Matthews reported a combined fund balance of \$6,927,619 with a net decrease in fund balance of \$1,308,663. Included in this change in fund balance is a decrease in fund balance for the General Fund due to large transfers to the Capital Improvements Fund for approved capital projects. Fund balance increased in the Capital Improvement Program Fund due to large transfers in from the Tourism and General Fund for expenditures for culture and recreation. The Tourism Fund had a decrease in fund balance due to large transfers to the Capital Improvements Fund for approved culture and recreation projects.

### **General Fund Budgetary Highlights**

During fiscal year 2013, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and (3) increase in appropriations that become necessary to maintain services.

At year-end, actual revenues exceeded final amended budget numbers by roughly less than 1%. Actual expenditures were less than final budgetary figures by roughly 6%.

## Capital Assets and Debt Administration

**Capital Assets.** The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2013 totals \$256,767,430 (net of accumulated depreciation). These assets include land, buildings, machinery, equipment, vehicles, and park facilities.

Major capital transactions during the year are detailed below.

- Police cars and equipment purchases - \$867,709
- Disposal of assets - \$104,568
- Land purchases - \$200,000
- Additions to Capital Project Fund – \$702,339

### Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 226,772,319	\$ 226,597,563
Construction in progress	9,969	2,397,439
Buildings	28,413,964	25,984,587
Infrastructure	95,646,784	94,836,134
Equipment	3,219,016	2,696,327
Vehicles and motorized equipment	5,432,546	5,317,068
Accumulated depreciation	<u>(102,727,168)</u>	<u>(98,728,173)</u>
Total capital assets, net	<u>\$ 256,767,430</u>	<u>\$ 259,100,945</u>

Additional information on the Town's capital assets can be found in the notes to basic financial statements on page 29.

**Long-Term Debt.** As of June 30, 2013, the Town of Matthews had total bonded debt outstanding of \$1,810,000, all completely backed by the full faith and credit of the Town.

### Town of Matthews' Outstanding Debt

#### General Obligation Bonds and Notes Payable

Figure 5

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 1,810,000	\$ 2,215,000
Notes payable	<u>3,877,105</u>	<u>4,997,917</u>
Total	<u>\$ 5,687,105</u>	<u>\$ 7,212,917</u>

The Town of Matthews' total General Obligation Bond and notes payable debt decreased by \$1,525,812 (21%) during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Matthews is approximately \$275,850,000.

Additional information regarding the Town of Matthews' long-term debt can be found in the notes to the basic financial statements beginning on page 37.

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

The following key economic indicators reflect the economic condition of the Town.

- The effects of the economic impact from the past five years continues to be a major factor and budgetary concern for the Town. We have gradually accepted and adjusted to the new normal for our Town, area, and region as slow recovery lingers.
- Taxable building permits issued continue pointing to a strengthening economy. During FY 2012-2013, building permits totaling \$20,158,156 were issued. This reflects a 15.25% growth over the previous year.
- Sales & use taxes have remained steady for two consecutive years. This is an indication that citizens are continuing to spend. We realize that we continue to battle strong headwinds; however, progress will continue. Consumers are more likely to make big-ticket purchases as they begin to feel more confident.
- Mecklenburg County performed a property tax revaluation in 2011. Due to the economy status, much controversy ensued regarding the new valuations. This resulted in a higher rate of appeals and refunds for Mecklenburg County and the municipalities located within. Due to lower property tax valuations, Matthews' Board of Commissioners increased the tax rate for FY 2013-2014 to help with the deficient so that services would remain status quo.
- The Town has authorized, but unissued, bonds totaling \$5 million for the addition of parks and "greenways" and \$5.5 million for roadway improvements within Matthews that were voter approved in November 2004. In May 2011, the Board of Commissioners voted to seek an extension in the sale of these bonds. A three-year extension was granted by the North Carolina Local Government Commission. In July 2013, the Board of Commissioners voted to approve the Town moving forward on the process necessary to sale the road bonds.
- A joint interlocal effort between Mecklenburg County Parks and Recreation and the Town of Matthews to develop a regional sportsplex within our Town limits has resulted in bringing additional recreational activities and regional tournaments to our area, along with additional tourism dollars. This 160-acre site is located next to our family entertainment district. The sports facility currently has a scheduled dedication in spring 2014. Matthews is becoming a destination attraction with dining, shopping, entertainment, and recreational opportunities.

## **Budget Highlights for the Fiscal Year Ending June 30, 2014**

### **Governmental Activities**

#### **General Fund**

The Town of Matthews approved a \$18,875,163 General Fund budget for the fiscal year ending June 30, 2014. This represents a 5.5% decrease from the fiscal year ended June 30, 2013. The property tax rate increased 1.5 cent per \$100; however, there were no other fee increases. A significant portion of the decrease is due to streets and roads paving and maintenance. Another portion of the decrease is due to anticipated loss of revenues due to the Mecklenburg County tax revaluation process. A legislative bill passed that a new valuation must be administered. That is currently underway.

The adopted FY14 budget expenditures in the General Fund are used to provide continuation of current service levels, the expectation of moderate cost of fuel along with increased utility rates. It also includes a 3% pool of funds for salary increases based on performance for employees. Unassigned fund balance dollars provide additional security as the economy continues to rebuild. They are also available for unexpected expenditures and/or opportunities.

#### **Tourism Fund**

The Town of Matthews approved a \$1,451,341 Tourism Fund budget for the fiscal year ending June 30, 2014. This includes a fund balance appropriation of \$95,000. Matthews has initiated a wayfinding program to enhance and direct citizens to different venues and events held within the Town. Likewise, the Tourism Fund is used to support, maintain, operate, market, and promote our performing arts centers, auditoriums, and museums. Tourism and tourism-related programs and activities help set Matthews apart in the region.

### **Requests for Information**

This report is designed to provide an overview of the Town of Matthews' finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Matthews, 232 Matthews Station Street, Matthews, North Carolina 28105.

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## TOWN OF MATTHEWS, NORTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 6,080,393
Taxes receivable, net	443,215
Accounts receivable, net	335,668
Due from other governments	1,123,588
Notes receivable	1,014,700
Prepaid items	<u>47,581</u>
Total current assets	<u>9,045,145</u>
Non-current assets:	
Capital assets :	
Non-depreciable	226,782,288
Depreciable, net	<u>29,985,142</u>
Total non-current assets	<u>256,767,430</u>
Total assets	<u>265,812,575</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	580,434
Current portion of compensated absences	40,879
Current portion of long-term liabilities	<u>1,441,859</u>
Total current liabilities	<u>2,063,172</u>
Non-current liabilities:	
Non-current portion of compensated absences	367,915
Non-current portion of long-term liabilities	<u>4,949,752</u>
Total non-current liabilities	<u>5,317,667</u>
Total liabilities	<u>7,380,839</u>
<b>Deferred Inflows of Resources:</b>	
Prepaid taxes	<u>31,300</u>
Total deferred inflows of resources	<u>31,300</u>
<b>Net Position:</b>	
Net invested in capital assets	252,890,325
Restricted for:	
Stabilization by State Statute	1,411,379
Restricted other	718,026
Unrestricted	<u>3,380,706</u>
Total net position	<u>\$ 258,400,436</u>

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

TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs:	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 4,886,735	\$ 110,548	\$ 17,769	\$ 481,550	\$ (4,276,868)
Public safety	8,267,422	455,113	128,576	84,831	(7,598,902)
Public works	3,345,621	613,092	741,986	-	(1,990,543)
Environmental protection	2,657,708	-	-	88,184	(2,569,524)
Economic and physical development	459,159	10,823	-	-	(448,336)
Cultural and recreation	2,434,493	660,049	20,000	184,250	(1,570,194)
Interest on long-term debt	230,229	-	-	-	(230,229)
Total primary government	<u>\$ 22,281,367</u>	<u>\$ 1,849,625</u>	<u>\$ 908,331</u>	<u>\$ 838,815</u>	<u>(18,684,596)</u>
<b>General Revenues:</b>					
Taxes:					
Ad valorem taxes					10,558,073
Local options sales tax					2,200,892
Utility franchise and excise tax					1,658,201
Occupancy tax					442,906
Prepared food tax					689,587
Rental car tax					138,082
Privilege licenses					199,809
Other taxes and licenses					69,079
Investment earnings					<u>3,201</u>
Total general revenues					<u>15,959,830</u>
Change in net position					(2,724,766)
<b>Net Position:</b>					
Beginning of year - July 1					<u>261,125,202</u>
End of year - June 30					<u>\$ 258,400,436</u>

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

## TOWN OF MATTHEWS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 5,356,164	\$ 724,229	\$ 6,080,393
Taxes receivable, net	443,215	-	443,215
Notes receivable	1,014,700	-	1,014,700
Accounts receivable	247,484	88,184	335,668
Due from other governments	1,074,566	49,022	1,123,588
Prepaid items	47,581	-	47,581
Total assets	<u>\$ 8,183,710</u>	<u>\$ 861,435</u>	<u>\$ 9,045,145</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 574,231	\$ 6,203	\$ 580,434
Total liabilities	<u>574,231</u>	<u>6,203</u>	<u>580,434</u>
<b>Deferred Inflows of Resources:</b>			
Prepaid taxes	31,300	-	31,300
Unavailable taxes	443,215	-	443,215
Unavailable revenue	1,062,577	-	1,062,577
Total deferred inflows of resources	<u>1,537,092</u>	<u>-</u>	<u>1,537,092</u>
<b>Fund Balances:</b>			
Non-spendable:			
Prepays	47,581	-	47,581
Restricted:			
Stabilization by State Statute	1,274,173	137,206	1,411,379
Culture and recreation	-	122,366	122,366
Capital outlay	-	595,660	595,660
Assigned for culture and recreation	14,743	-	14,743
Assigned for public safety	5,000	-	5,000
Assigned for environmental protection - stormwater	221,342	-	221,342
Unassigned	4,509,548	-	4,509,548
Total fund balances	<u>6,072,387</u>	<u>855,232</u>	<u>6,927,619</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,183,710</u>	<u>\$ 861,435</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	256,767,430
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,505,792
Some liabilities, including bonds payable, accrued interest, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,800,405)</u>
Net position of governmental activities	<u>\$ 258,400,436</u>

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

## TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Ad valorem taxes	\$ 10,549,248	\$ -	\$ 10,549,248
Other taxes and licenses	4,097,514	1,271,158	5,368,672
Unrestricted intergovernmental	173,481	-	173,481
Restricted intergovernmental	1,510,280	88,184	1,598,464
Permits and fees	15,000	-	15,000
Sales and services	1,661,044	-	1,661,044
Investment earnings	3,201	-	3,201
Miscellaneous	148,782	-	148,782
Total revenues	<u>18,158,550</u>	<u>1,359,342</u>	<u>19,517,892</u>
<b>Expenditures:</b>			
Current:			
General government	1,941,785	30,000	1,971,785
Public safety	7,443,207	341,178	7,784,385
Public works	3,021,165	44,051	3,065,216
Environmental protection	2,505,548	152,160	2,657,708
Economic and physical development	450,559	-	450,559
Cultural and recreational	1,285,711	1,867,584	3,153,295
Debt service:			
Principal retirement	1,486,526	39,286	1,525,812
Interest and other charges	226,008	4,221	230,229
Total expenditures	<u>18,360,509</u>	<u>2,478,480</u>	<u>20,838,989</u>
Revenues over (under) expenditures	<u>(201,959)</u>	<u>(1,119,138)</u>	<u>(1,321,097)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(1,665,534)	(2,416,464)	(4,081,998)
Transfers from other funds	894,940	3,187,058	4,081,998
Proceeds from sale of capital assets	12,434	-	12,434
Total other financing sources (uses)	<u>(758,160)</u>	<u>770,594</u>	<u>12,434</u>
Net change in fund balances	(960,119)	(348,544)	(1,308,663)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>7,032,506</u>	<u>1,203,776</u>	<u>8,236,282</u>
End of year - June 30	<u>\$ 6,072,387</u>	<u>\$ 855,232</u>	<u>\$ 6,927,619</u>

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

**TOWN OF MATTHEWS, NORTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - governmental funds (Exhibit D)	\$ (1,308,663)
Governmental funds statement report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	1,770,048
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(4,065,852)
In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds statement, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets sold.	(37,711)
The inheritance of capital assets from the Volunteer Fire Department are not reflected in Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement. This adjustment represents the amount of change related to revenues subject to the "availability" criteria.	(442,841)
The issuance of long-term debt provides current financial resources to the governmental funds statement, 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 statement 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.	1,460,238
Expenses related to the increase in vacation and sick pay and the increase in the net OPEB and pension obligations in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds statement. This adjustment is the amount of net change in these balances in the current year.	<u>(99,985)</u>
Changes in net position of governmental activities per Exhibit B	<u>\$ (2,724,766)</u>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF MATTHEWS, NORTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,571,794	\$ 10,571,795	\$ 10,549,248	\$ (22,547)
Other taxes and licenses	4,339,047	4,339,047	4,097,514	(241,533)
Unrestricted intergovernmental	193,000	193,000	173,481	(19,519)
Restricted intergovernmental	1,224,384	1,303,555	1,510,280	206,725
Permits and fees	15,000	15,000	15,000	-
Sales and services	1,567,132	1,569,058	1,661,044	91,986
Investment earnings	5,000	5,500	2,892	(2,608)
Miscellaneous	70,966	134,749	148,782	14,033
Total revenues	<u>17,986,323</u>	<u>18,131,704</u>	<u>18,158,241</u>	<u>26,537</u>
<b>Expenditures:</b>				
Current:				
General government	2,333,531	2,270,295	1,941,785	328,510
Public safety	7,569,852	7,670,710	7,443,207	227,503
Public works	2,877,999	3,180,632	3,021,165	159,467
Environmental protection	2,483,366	2,534,446	2,505,548	28,898
Economic and physical development	490,657	475,323	450,559	24,764
Cultural and recreation	1,246,847	1,315,847	1,285,711	30,136
Contingency	30,000	2,705	-	2,705
Debt service:				
Principal retirement	1,766,184	1,766,184	1,486,526	279,658
Interest and other charges	250,000	250,000	226,008	23,992
Total expenditures	<u>19,048,436</u>	<u>19,466,142</u>	<u>18,360,509</u>	<u>1,105,633</u>
Revenues over (under) expenditures	<u>(1,062,113)</u>	<u>(1,334,438)</u>	<u>(202,268)</u>	<u>1,132,170</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	1,000,000	2,030,000	-	(2,030,000)
Sale of capital assets	5,000	5,000	12,434	7,434
Transfers to other funds	(766,376)	(1,595,502)	(1,594,083)	1,419
Transfers from other funds	823,489	894,940	894,940	-
Total other financing sources (uses)	<u>1,062,113</u>	<u>1,334,438</u>	<u>(686,709)</u>	<u>(2,021,147)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(888,977)</u>	<u>\$ (888,977)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>6,908,381</u>	
End of year - June 30			<u>\$ 6,019,404</u>	

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

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Matthews 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 Matthews, North Carolina (the "Town"), is a municipal corporation that is governed by an elected Mayor and a six-member Town Council. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

#### 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 except for services provided and used which were not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental 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. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental fund:

**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, public works, and general governmental services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The Town reports the following nonmajor governmental funds:

**Tourism Special Revenue Fund.** This fund is used to account for tourism funds received for the exclusive purpose of promoting the Town's activities and events.

**Capital Improvement Program Capital Project Fund.** This fund is used to account for money set aside by the Town to build and construct various projects within the Town.

### 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 are 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes 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 the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Matthews. For motor vehicles registered, 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.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Therefore, the Town's vehicle taxes for vehicles registered in Mecklenburg County from March 2012 through February 2013 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 offset by deferred inflows of resources.

Sales taxes 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 the Tourism Special Revenue Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Recreation and Stormwater Project Special Revenue Fund and the Capital Improvement Program Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town's Manager may make transfers of appropriations between departments not to exceed ten percent of the appropriated monies for the department whose allocation is reduced without seeking approval from the Town Council. During the year, several amendments to the original budgets were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### **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

# **TOWN OF MATTHEWS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

market prices. The securities of the NCCMT Cash Portfolio, and 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. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

### **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.

### **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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, penalties and interest do not accrue until the following January 6<sup>th</sup>. The taxes levied are based on the assessed values as of January 1, 2012.

### **Allowance for Uncollectible Accounts**

Allowances for doubtful accounts are maintained on all types of receivables which historically experience uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

### **Prepaid Items**

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

### **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, \$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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and storm water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-25 years
Buildings	40 years
Improvements	25 years
Vehicles	5 years
Furniture and equipment	5-10 years
Computer equipment	5 years

### Deferred Outflows/Inflows of Resources

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

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable activities fund type in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the term of the related debt.

In the 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 for the actual debt proceeds received, are reported as debt service expenditures.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### **Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of the 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

In lieu of such payment, the employee is entitled to additional time off for such holiday hours worked. In lieu of payment for overtime hours worked, an employee may take additional hours off. 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 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.

### **Net Position/Fund Balances**

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

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:

### **Non-Spendable Fund Balance**

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

*Prepays* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not expendable, available resources.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### **Restricted Fund Balance**

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Stabilization by State Statute* – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

*Culture and Recreation* – portion of fund balance that is restricted for use only on tourism related activities to promote culture and recreation.

*Capital Outlay* – portion of fund balance that is restricted for use only for approved capital outlay projects in the Capital Improvements Fund.

### **Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

### **Assigned Fund Balance**

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

*Assigned for Environmental Protection* – portion of fund balance budgeted by the board for use for environmental incentives and projects.

*Assigned for Culture and Recreation* – portion of fund balance budgeted by the Board for use for culture and recreation projects.

*Assigned for Public Safety* – portion of fund balance budget by the Board for use for the public safety volunteer program.

### **Unassigned Fund Balance**

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-Town funds, and Town funds.

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

The Town has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	\$ 6,072,387
<b>Less:</b>	
Prepays	47,581
Stabilization by State statute	<u>1,274,173</u>
Total available fund balance	<u>\$ 4,750,633</u>

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds

Fund balance, ending (Exhibit F)	\$ 6,019,404
Capital Reserve Fund	
Investment earnings	309
Transfers out	(71,451)
Fund balance, beginning	<u>124,125</u>
Fund balance, ending (Exhibit D)	<u>\$ 6,072,387</u>

A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds (Exhibit 4). Fund balance for the General Fund is reconciled as follows:

#### F. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 2. Detail Notes On All Funds

#### A. Assets

##### Deposits

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

At June 30, 2013, the Town's deposits had a carrying amount of \$700,550 and a bank balance of \$856,223. Of the bank balance, \$621,073 was covered by federal depository insurance, and \$235,150 was covered by collateral held under the Pooling Method.

##### Investments

At June 30, 2013, the Town had \$5,379,843 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

As a means of limiting the Town's exposure to fair value losses arising from interest rate fluctuations, the Town's investment policy allows the maximum amount to be invested in an instrument as follows: US Treasury obligations, US Government agencies, and certificates of deposit, 100% of total portfolio; North Carolina Management Trust, 90% of total portfolio; bankers acceptances/commercial paper, 40% of total portfolio; and repurchase agreements, 25% of total portfolio. In addition, the Town limits the maximum amount of each instrument that can be invested in a given financial institution to the following: banker's acceptances/commercial paper, 25%; repurchase agreements, 15%; certificates of deposits, 75%; and North Carolina Management Trust, 90%.

**TOWN OF MATTHEWS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Receivables - Allowances for Doubtful Accounts**

The receivables shown in Exhibit A at June 30, 2013 were as follows:

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Total</u>
<b>Governmental Activities:</b>					
Governmental	\$ 543,215	\$ 1,123,588	\$ 335,668	\$ 1,014,700	\$ 3,017,171
Allowance for doubtful accounts	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total governmental activities	<u>\$ 443,215</u>	<u>\$ 1,123,588</u>	<u>\$ 335,668</u>	<u>\$ 1,014,700</u>	<u>\$ 2,917,171</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 396,838
Other taxes and licenses	216,299
Franchise tax	416,886
Sales tax refund receivable	<u>93,565</u>
Total	<u>\$ 1,123,588</u>

The Town has entered into an agreement with Charlotte Mecklenburg Utility Department (CMUD), whereby CMUD pays the Town the principal and interest due on the bonds issued by the Town to finance the construction of water and sewer projects. Title to the assets has been transferred to CMUD who operates the facilities. The note receivable balance as of June 30, 2013, was \$1,014,700.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2013</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 226,597,563	\$ 200,000	\$ (25,244)	\$ -	\$ 226,772,319
Construction in progress	<u>2,397,439</u>	<u>702,339</u>	<u>-</u>	<u>(3,089,809)</u>	<u>9,969</u>
Total non-depreciable capital assets	<u>228,995,002</u>	<u>902,339</u>	<u>(25,244)</u>	<u>(3,089,809)</u>	<u>226,782,288</u>
<b>Depreciable Capital Assets:</b>					
Buildings & improvements	25,984,587	150,218	-	2,279,159	28,413,964
Equipment	2,696,327	530,125	(7,436)	-	3,219,016
Vehicles and motorized equipment	5,317,068	187,366	(71,888)	-	5,432,546
Infrastructure	<u>94,836,134</u>	<u>-</u>	<u>-</u>	<u>810,650</u>	<u>95,646,784</u>
Total depreciable capital assets	<u>128,834,116</u>	<u>867,709</u>	<u>(79,324)</u>	<u>3,089,809</u>	<u>132,712,310</u>
<b>Less Accumulated Depreciation:</b>					
Buildings & improvements	6,727,639	657,818	-	-	7,385,457
Equipment	1,822,705	300,407	(7,436)	-	2,115,676
Vehicles and motorized equipment	4,136,058	426,529	(59,421)	-	4,503,166
Infrastructure	<u>86,041,771</u>	<u>2,681,098</u>	<u>-</u>	<u>-</u>	<u>88,722,869</u>
Total accumulated depreciation	<u>98,728,173</u>	<u>\$ 4,065,852</u>	<u>\$ (66,857)</u>	<u>\$ -</u>	<u>102,727,168</u>
Total depreciable capital assets, net	<u>30,105,943</u>				<u>29,985,142</u>
Capital assets, net	<u>\$ 259,100,945</u>				<u>\$ 256,767,430</u>

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

<b>Governmental Activities:</b>	
General government	\$ 2,725,219
Public safety	1,001,000
Public works	305,565
Economic and physical development	8,600
Cultural and recreational	<u>25,468</u>
Total	<u>\$ 4,065,852</u>

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2013 is composed of the following elements:

	<u>Governmental Activities</u>
Capital assets	\$ 256,767,430
Long-term debt	(5,687,105)
Debt for assets not capitalized by the Town	1,810,000
Net investment in capital assets	<u>\$ 252,890,325</u>

### B. Liabilities

#### Pension Plan Obligations

##### Local Government Employees' Retirement System

**Plan Description.** The Town contributes to the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.77% and 6.74%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are 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 \$760,188, \$617,297, and \$551,485, respectively. The contributions made by the Town equaled the required contributions for the year.

##### Supplemental Retirement Income Plan For Law Enforcement Officers

**Plan Description.** The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

CAFR includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12 E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013, were \$219,141 which consisted of \$144,633 from the Town and \$74,508 from the law enforcement officers.

### General Employees

The Town has elected to contribute to the Supplemental Retirement Income Plan for general employees as well as for law enforcement officers. Participation begins at the date of employment. The Town has elected to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013, were \$290,490 which consisted of \$174,294 from the Town and \$116,196 from the employees.

### 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.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>58</u>
Total	<u>58</u>

A separate report was not issued for the Plan.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### Summary of Significant Accounting Policies

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

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

### Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

**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:

Annual required contribution	\$ 108,009
Interest on net pension obligation	29,541
Adjustment to annual required contribution	<u>(36,768)</u>
Annual pension cost	100,782
Contributions made	<u>14,638</u>
Increase in net pension obligation	86,144
Net pension obligation:	
Beginning of year - July 1	<u>590,830</u>
End of year - June 30	<u>\$ 676,974</u>

**TOWN OF MATTHEWS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 119,536	17.29%	\$ 505,309
2012	100,159	14.61%	590,830
2013	100,782	14.52%	676,974

**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 \$905,013. The covered payroll (annual payroll of active employees covered by the plan) was \$2,834,902, and the ratio of the UAAL to the covered payroll was 31.92 percent. 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.

**Other Post-Employment Benefits**

**Plan Description.** Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). In 1992, the Town adopted a resolution whereby the Town provided post-employment healthcare benefits to retirees of the Town, provided they met certain qualifications. Under this resolution, the Town agreed to pay for the cost of the Medicare supplement for retirees over age 65 with twenty-five years of continuous service with the Town. Shortly thereafter, the Town amended this resolution to no longer include this post-employment benefit, therefore, currently; only one retiree is eligible for post-employment benefits. The Town obtains health care coverage through private insurers. In 1994, the Town amended the personnel policy to allow for employees with 20 years of service to maintain health coverage as part of the Town’s health insurance policy at the employee’s expense. For the fiscal year ended June 30, 2013, there were no post-employment employees on the revised Town policy. A separate report was not issued for the plan.

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

Retirees and dependents receiving benefits      1

**Funding Policy.** The Town agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. Members that retire with at least 20 years of service are allowed to purchase health insurance at their own expense. The Town has chosen to fund the benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) is \$10,535 and no annual payroll is covered because the Town has closed the plan and no longer offers post-retirement healthcare benefits to active members. For fiscal year 2013, the Town contributed \$4,900. There were no contributions by employees for the fiscal year ended June 30, 2013. The Town’s obligation to contribute to the HCB plan is established and may be amended by the Town.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

**Summary of Significant Accounting Policies.** Benefit expenditures are made from the General Fund, which is reported 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 post-retirement benefits:

Annual required contribution	\$	10,535
Interest on net OPEB obligation		1,263
Adjustment to annual required contribution		<u>(10,940)</u>
Annual OPEB cost (expense)		858
Contributions made		<u>(4,900)</u>
Increase (decrease) in net OPEB obligation		(4,042)
Net OPEB obligation:		
Beginning of year - July 1		<u>31,574</u>
End of year - June 30	\$	<u><u>27,532</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost (AOC)</u>	<u>Percentage</u> <u>of AOC</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 858	571.10%	\$ 27,532
2012	840	559.52%	31,574
2011	16,871	27.82%	37,114

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$30,404. There was no covered payroll (annual payroll of active employees covered by the plan) because the Town no longer offers post-retirement healthcare benefits to its active members. 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.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 is increasing or decreasing over time relative to the actuarial accrued liabilities for 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.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.00% and (b) a 9.5% - 5.00% medical cost trend rate with 2018 the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as level dollar amount on a closed basis. The remaining amortization period at December 31, 2011 was 3 years.

### Other Employment Benefits

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

### Accounts Payable – Disaggregate Information

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	\$ 574,231	\$ -	\$ 574,231
Other governmental	6,203	-	6,203
Total governmental activities	\$ 580,434	\$ -	\$ 580,434

**TOWN OF MATTHEWS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Deferred Inflows of Resources**

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

	<b>Unavailable Revenues</b>	<b>Unearned Revenues</b>
Taxes receivable (General Fund)	\$ 443,215	\$ -
Prepaid taxes (General Fund)	-	31,300
General billing receivables (General Fund)	29,038	-
Privilege license receivable (General Fund)	18,839	-
Note receivable (General Fund)	1,014,700	-
Total	\$ 1,505,792	\$ 31,300

**Commitments**

**Sanitation** - The Town of Matthews has entered into contracts with Browning-Ferris Industries of South Atlantic, Inc. for the curbside pick-up and disposal of rubbish, yard waste and recyclable materials, and the use of a sanitary landfill. The contracts have various dates and terms and have renewal options of like terms. The costs of such contracts are dependent upon usage and consumer price index adjustments.

**Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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 \$1,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2,000,000 lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability 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 flood insurance through the Interlocal Risk Financing Fund of North Carolina for \$5,000,000 of coverage per structure.

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

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

### Claims and Judgments

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.

### Long-Term Obligations

#### General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the water and sewer lines. 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:

#### General Obligation Bonds - Serviced by the General Fund:

\$5,930,000 Water and Sewer Refunding Bonds dated April 1, 2004  
and due in increasing annual principal installments through June 1, 2012;  
installments through June 1, 2018; interest at variable rates from 2.0%  
to 4.0%.

\$ 1,810,000

**TOWN OF MATTHEWS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Notes Payable**

As of June 30, 2013, the Town was obligated under the following notes payable to banks used to renovate buildings and acquire equipment. The notes payable were as follows:

Note payable requiring monthly payments of \$6,926, including principal and interest at the rate of 3.580% per annum; secured by various equipment	\$ 427,486
Note payable requiring monthly payments of \$5,000 to \$70,000, including principal and interest at the rate of 3.52% per annum through June 2017; secured by real estate and equipment	2,174,006
Note payable requiring monthly payments of \$14,000 to \$40,000, including principal and interest at the rate of 3.52% per annum through January 2015; secured by real estate and equipment	450,438
Note payable requiring semi-annual payments of \$20,000 to \$24,000, including principal and interest at the effective rate of 2.00% per annum through November 2018; secured by real estate	176,785
Note payable requiring annual payments of \$113,603, including interest at the rate of 5.38% per annum; secured by equipment	<u>648,390</u>
<b>Total</b>	<u><u>\$ 3,877,105</u></u>

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

<b>Year Ended June 30</b>	<b>General Obligation Bonds</b>		<b>Notes Payable</b>		<b>Total Debt Due</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 410,000	\$ 63,388	\$ 1,031,859	\$ 130,322	\$ 1,441,859	\$ 193,710
2015	400,000	50,062	822,948	96,951	1,222,948	147,013
2016	395,000	37,062	752,365	66,137	1,147,365	103,199
2017	385,000	23,238	820,190	38,079	1,205,190	61,317
2018	220,000	8,800	235,920	18,470	455,920	27,270
2019-2020	-	-	<u>213,823</u>	<u>17,115</u>	<u>213,823</u>	<u>17,115</u>
<b>Total</b>	<u><u>\$ 1,810,000</u></u>	<u><u>\$ 182,550</u></u>	<u><u>\$ 3,877,105</u></u>	<u><u>\$ 367,074</u></u>	<u><u>\$ 5,687,105</u></u>	<u><u>\$ 549,624</u></u>

At June 30, 2013, the Town of Matthews had a legal debt margin of \$275,850,000.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the fiscal year ending June 30, 2013.

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 2,215,000	\$ -	\$ (405,000)	\$ 1,810,000	\$ 410,000
Less deferred amount for loss on defeasance	65,574	-	(65,574)	-	-
Total general obligation bonds	2,149,426	-	(339,426)	1,810,000	410,000
Notes payable	4,997,917	-	(1,120,812)	3,877,105	1,031,859
Compensated absences	390,911	51,130	(33,247)	408,794	40,879
OPEB liability	31,574	858	(4,900)	27,532	-
Net pension obligation	590,830	100,782	(14,638)	676,974	-
Governmental activity long-term liabilities	<u>\$ 8,160,658</u>	<u>\$ 152,770</u>	<u>\$(1,513,023)</u>	<u>\$ 6,800,405</u>	<u>\$1,482,738</u>

Compensated absences, net pension liabilities, and OPEB liabilities for governmental activities have typically been liquidated in the General Fund.

### C. Interfund Balances and Activities

#### Transfers To/From Other Funds

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Improvement Fund	\$ 1,594,083	To offset cost of construction in progress
Capital Reserve Fund	General Fund	71,451	To offset operating costs
Tourism Fund	Capital Improvement Fund	1,592,975	To offset cost of construction in progress
Tourism Fund	General Fund	823,489	To offset operating costs

### 4. Summary Disclosure of Significant Commitments and Contingencies

#### Federal and State-Assisted Programs

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

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 5. Change in Accounting Principles/Restatement

The City 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.

## TOWN OF MATTHEWS, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2013

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2003	\$ -	\$ 353,330	\$ 353,330	0.00%	\$ 2,136,249	16.54%
12/31/2004	-	406,148	406,148	0.00%	2,044,552	19.86%
12/31/2005	-	357,202	357,202	0.00%	2,226,099	16.05%
12/31/2006	-	403,306	403,306	0.00%	2,486,737	13.60%
12/31/2007	-	496,452	496,452	0.00%	2,640,727	18.80%
12/31/2008	-	728,727	728,727	0.00%	2,686,047	27.13%
12/31/2009	-	1,136,609	1,136,609	0.00%	2,954,932	38.46%
12/31/2010	-	871,535	871,535	0.00%	2,895,935	30.10%
12/31/2011	-	870,636	870,636	0.00%	2,979,150	29.22%
12/31/2012	-	905,013	905,013	0.00%	2,834,902	31.92%

**TOWN OF MATTHEWS, NORTH CAROLINA**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>
2003	\$ 37,745	0.00%
2004	49,163	8.81%
2005	53,365	8.12%
2006	55,496	10.54%
2007	58,496	17.65%
2008	55,855	133.70%
2009	61,000	26.49%
2010	78,725	33.87%
2011	120,973	17.08%
2012	105,038	13.94%
2013	108,009	13.55%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/12
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
Cost-of-living adjustments	None

\*Includes inflation at 3.00 %

## TOWN OF MATTHEWS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b - a) / c)
		Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
12/31/2008	\$ -	\$ 166,478	\$ 166,478	0.00%	\$ 6,176,736	2.70%
12/31/2011	-	30,404	30,404	0.00%	-	N/A

## Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 10,535	46.51%
2012	10,535	44.61%
2011	16,734	28.05%
2010	16,734	26.06%
2009	16,734	24.92%

## Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization period	3 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	9.5% - 5.0%
Year of ultimate trend rate	2018

\* Includes inflation at 3.00%

## TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total General Fund</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 10,549,248	\$ -	\$ 10,549,248
Other taxes and licenses	4,097,514	-	4,097,514
Unrestricted intergovernmental	173,481	-	173,481
Restricted intergovernmental	1,510,280	-	1,510,280
Permits and fees	15,000	-	15,000
Sales and services	1,661,044	-	1,661,044
Investment earnings	2,892	309	3,201
Miscellaneous	148,782	-	148,782
Total revenues	<u>18,158,241</u>	<u>309</u>	<u>18,158,550</u>
<b>Expenditures:</b>			
Current:			
General government	1,941,785	-	1,941,785
Public safety	7,443,207	-	7,443,207
Public works	3,021,165	-	3,021,165
Environmental protection	2,505,548	-	2,505,548
Economic and physical development	450,559	-	450,559
Cultural and recreational	1,285,711	-	1,285,711
Debt service:			
Principal retirement	1,486,526	-	1,486,526
Interest and other charges	226,008	-	226,008
Total expenditures	<u>18,360,509</u>	<u>-</u>	<u>18,360,509</u>
Revenues over (under) expenditures	<u>(202,268)</u>	<u>309</u>	<u>(201,959)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(1,594,083)	(71,451)	(1,665,534)
Transfers from other funds	894,940	-	894,940
Proceeds from sale of capital assets	12,434	-	12,434
Total other financing sources (uses)	<u>(686,709)</u>	<u>(71,451)</u>	<u>(758,160)</u>
Net change in fund balances	(888,977)	(71,142)	(960,119)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>6,908,381</u>	<u>124,125</u>	<u>7,032,506</u>
End of year - June 30	<u>\$ 6,019,404</u>	<u>\$ 52,983</u>	<u>\$ 6,072,387</u>

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 10,496,795	\$ 10,458,196	\$ (38,599)	\$ 10,637,656
Motor vehicle tax	35,000	43,317	8,317	34,788
Penalties and interest	40,000	47,735	7,735	50,852
Total	10,571,795	10,549,248	(22,547)	10,723,296
<b>Other Taxes and Licenses:</b>				
Local option sales tax	2,342,047	2,200,892	(141,155)	2,223,793
Piped natural gas excise tax	205,000	218,116	13,116	170,462
Utility franchise tax	895,000	864,716	(30,284)	866,046
Telecommunications sales tax	417,000	368,314	(48,686)	400,998
Tipping tax	20,000	13,154	(6,846)	18,657
Tax refunds	2,500	-	(2,500)	2,736
Animal control license	27,500	25,458	(2,042)	29,545
Cablevision franchise fees	230,000	207,055	(22,945)	210,430
Privilege licenses	200,000	199,809	(191)	188,017
Total	4,339,047	4,097,514	(241,533)	4,110,684
<b>Unrestricted Intergovernmental:</b>				
Beer and wine tax	135,000	112,557	(22,443)	118,396
ABC profit distribution	58,000	60,924	2,924	58,024
Total	193,000	173,481	(19,519)	176,420
<b>Restricted Intergovernmental:</b>				
Powell Bill allocation	730,334	726,986	(3,348)	698,539
CMUD bond payment reimbursement	481,550	481,550	-	499,875
Police grant - D. A. R. E.	14,794	14,894	100	12,024
In lieu of land dedication fees	-	17,769	17,769	-
Miscellaneous grants	76,877	269,081	192,204	50,071
Total	1,303,555	1,510,280	206,725	1,260,509
<b>Permits and Fees:</b>				
Planning revenue	15,000	15,000	-	15,000
Total	15,000	15,000	-	15,000

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Sales and Services:</b>				
Stormwater fees	590,000	590,539	539	591,689
Rental fees	220,203	222,916	2,713	227,763
Recreation program revenues	171,500	216,889	45,389	229,596
Community center revenues	195,000	229,563	34,563	277,809
Zoning ordinance sales	15,000	10,823	(4,177)	13,106
Rescue/EMS assistance	90,000	112,403	22,403	105,856
Police services	24,426	23,122	(1,304)	34,310
Other police contracts	130,736	131,075	339	130,736
Police agreement	132,193	123,714	(8,479)	123,702
Total	<u>1,569,058</u>	<u>1,661,044</u>	<u>91,986</u>	<u>1,734,567</u>
<b>Investment Earnings</b>	<u>5,500</u>	<u>2,892</u>	<u>(2,608)</u>	<u>4,988</u>
<b>Miscellaneous:</b>				
Other	<u>134,749</u>	<u>148,782</u>	<u>14,033</u>	<u>130,141</u>
Total	<u>134,749</u>	<u>148,782</u>	<u>14,033</u>	<u>130,141</u>
Total revenues	<u>18,131,704</u>	<u>18,158,241</u>	<u>26,537</u>	<u>18,155,605</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Salaries and employee benefits	18,906	18,906	-	19,633
Expenses allowance	35,500	34,284	1,216	35,588
Operating expenses	<u>151,420</u>	<u>152,755</u>	<u>(1,335)</u>	<u>152,073</u>
Total	<u>205,826</u>	<u>205,945</u>	<u>(119)</u>	<u>207,294</u>
<b>Administration:</b>				
Salaries and employee benefits	1,511,963	1,112,284	399,679	1,352,002
Operating expenditures	529,506	608,840	(79,334)	605,088
Capital outlay	<u>23,000</u>	<u>14,716</u>	<u>8,284</u>	<u>24,890</u>
Total	<u>2,064,469</u>	<u>1,735,840</u>	<u>328,629</u>	<u>1,981,980</u>
Total general government	<u>2,270,295</u>	<u>1,941,785</u>	<u>328,510</u>	<u>2,189,274</u>

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	4,878,597	4,856,520	22,077	4,942,767
Operating expenditures	1,045,009	854,593	190,416	837,847
Capital outlay	289,941	285,498	4,443	256,665
Total	6,213,547	5,996,611	216,936	6,037,279
<b>Fire:</b>				
Salaries and employee benefits	830,003	820,756	9,247	800,095
Operating expenditures	384,799	395,458	(10,659)	322,051
Donation to volunteer fire departments	144,000	144,000	-	148,000
Capital outlay	5,730	5,729	1	45,131
Total	1,364,532	1,365,943	(1,411)	1,315,277
<b>Animal Control:</b>				
Salaries and employee benefits	55,706	53,466	2,240	51,889
Other operating expenses	36,925	27,187	9,738	30,775
Total	92,631	80,653	11,978	82,664
Total public safety	7,670,710	7,443,207	227,503	7,435,220
<b>Public Works:</b>				
<b>Street Department:</b>				
Salaries and employee benefits	1,515,004	1,459,823	55,181	1,514,548
Operating expenses	1,439,719	1,348,495	91,224	1,208,248
Capital outlay	225,909	212,847	13,062	42,315
Total	3,180,632	3,021,165	159,467	2,765,111
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Contracted services	1,847,994	1,833,625	14,369	1,784,905
<b>Storm Water:</b>				
Salaries and employee benefits	409,436	403,148	6,288	395,105
Operating expenses	218,615	209,265	9,350	213,985
Total	686,452	671,923	14,529	609,090
Total environmental protection	2,534,446	2,505,548	28,898	2,393,995

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Economic and Physical Development:</b>				
<b>Planning and Zoning:</b>				
Salaries and employee benefits	403,733	405,986	(2,253)	408,728
Operating expenses	70,590	44,573	26,017	48,806
Capital outlay	1,000	-	1,000	-
Total	475,323	450,559	24,764	457,534
<b>Cultural and Recreational:</b>				
<b>Parks:</b>				
Salaries and employee benefits	600,490	578,382	22,108	626,552
Operating expenses	692,357	684,631	7,726	632,576
Capital outlay	23,000	22,698	302	381,739
Total	1,315,847	1,285,711	30,136	1,640,867
<b>Debt Service:</b>				
Principal retirement	1,766,184	1,486,526	279,658	1,627,533
Interest and other charges	250,000	226,008	23,992	258,252
Total	2,016,184	1,712,534	303,650	1,885,785
Contingency	2,705	-	2,705	-
Total expenditures	19,466,142	18,360,509	1,105,633	18,767,786
Revenues over (under) expenditures	(1,334,438)	(202,268)	1,132,170	(612,181)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	2,030,000	-	(2,030,000)	-
Sale of capital assets	5,000	12,434	7,434	25,224
Transfer to other funds	(1,595,502)	(1,594,083)	1,419	(1,353,275)
Transfer from other funds	894,940	894,940	-	706,188
Total other financing sources (uses):	1,334,438	(686,709)	(2,021,147)	(621,863)
Net change in fund balance	\$ -	(888,977)	\$ (888,977)	(1,234,044)
<b>Fund Balance:</b>				
Beginning of year - July 1		6,908,381		8,142,425
End of year - June 30		\$ 6,019,404		\$ 6,908,381

## TOWN OF MATTHEWS, NORTH CAROLINA

**CAPITAL RESERVE FUND - RECREATION AND STORMWATER PROJECTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 185,922	\$ 309	\$ 186,231	\$ 186,231
Miscellaneous:					
Land dedication ordinance fees	<u>1,483,923</u>	<u>1,451,924</u>	<u>-</u>	<u>1,451,924</u>	<u>(31,999)</u>
Total revenues	<u>1,483,923</u>	<u>1,637,846</u>	<u>309</u>	<u>1,638,155</u>	<u>154,232</u>
<b>Expenditures:</b>					
Cultural and recreational:					
Recreation Center	<u>1,235,929</u>	<u>1,234,882</u>	<u>-</u>	<u>1,234,882</u>	<u>1,047</u>
Total expenditures	<u>1,235,929</u>	<u>1,234,882</u>	<u>-</u>	<u>1,234,882</u>	<u>1,047</u>
Revenues over (under) expenditures	<u>247,994</u>	<u>402,964</u>	<u>309</u>	<u>403,273</u>	<u>155,279</u>
<b>Other Financing Sources (Uses):</b>					
Transfer to other funds	(1,595,854)	(1,485,139)	(71,451)	(1,556,590)	39,264
Transfer from other funds	284,360	247,800	-	247,800	(36,560)
Appropriated fund balance	105,000	-	-	-	(105,000)
Proceeds from Depot land sale	<u>958,500</u>	<u>958,500</u>	<u>-</u>	<u>958,500</u>	<u>-</u>
Total other financing sources (uses)	<u>(247,994)</u>	<u>(278,839)</u>	<u>(71,451)</u>	<u>(350,290)</u>	<u>(102,296)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 124,125</u>	<u>(71,142)</u>	<u>\$ 52,983</u>	<u>\$ 52,983</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>124,125</u>		
End of year - June 30			<u>\$ 52,983</u>		

## TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013

	<b>Nonmajor Special Revenue Fund</b>	<b>Nonmajor Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 122,388	\$ 601,841	\$ 724,229
Accounts receivable	-	88,184	88,184
Due from other governments	49,022	-	49,022
Total assets	<u>\$ 171,410</u>	<u>\$ 690,025</u>	<u>\$ 861,435</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ 22</u>	<u>\$ 6,181</u>	<u>\$ 6,203</u>
Total liabilities	<u>22</u>	<u>6,181</u>	<u>6,203</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by State statute	49,022	88,184	137,206
Culture and recreation	122,366	-	122,366
Capital outlay	-	595,660	595,660
Total fund balances	<u>171,388</u>	<u>683,844</u>	<u>855,232</u>
Total liabilities and fund balances	<u>\$ 171,410</u>	<u>\$ 690,025</u>	<u>\$ 861,435</u>

## TOWN OF MATTHEWS, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Nonmajor Special Revenue Fund</u>	<u>Nonmajor Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 1,271,158	\$ -	\$ 1,271,158
Restricted intergovernmental	-	88,184	88,184
Total revenues	<u>1,271,158</u>	<u>88,184</u>	<u>1,359,342</u>
<b>Expenditures:</b>			
Cultural and recreational	848,345	1,019,239	1,867,584
General government	-	30,000	30,000
Public works	-	44,051	44,051
Public safety	-	341,178	341,178
Environmental protection	-	152,160	152,160
Debt service:			
Principal	-	39,286	39,286
Interest	-	4,221	4,221
Total expenditures	<u>848,345</u>	<u>1,630,135</u>	<u>2,478,480</u>
Revenues over (under) expenditures	<u>422,813</u>	<u>(1,541,951)</u>	<u>(1,119,138)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	<u>(2,416,464)</u>	<u>3,187,058</u>	<u>770,594</u>
Total other financing sources (uses)	<u>(2,416,464)</u>	<u>3,187,058</u>	<u>770,594</u>
Net change in fund balances	(1,993,651)	1,645,107	(348,544)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>2,165,039</u>	<u>(961,263)</u>	<u>1,203,776</u>
End of year - June 30	<u>\$ 171,388</u>	<u>\$ 683,844</u>	<u>\$ 855,232</u>

## TOWN OF MATTHEWS, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUND - TOURISM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses:			
Occupancy tax	\$ 372,345	\$ 442,906	\$ 70,561
Prepared food tax	690,209	689,587	(622)
Rental car tax	113,300	138,082	24,782
Sales and services	<u>1,250</u>	<u>583</u>	<u>(667)</u>
Total revenues	<u>1,177,104</u>	<u>1,271,158</u>	<u>94,054</u>
<b>Expenditures:</b>			
Cultural and recreational:			
Tourism	<u>874,365</u>	<u>848,345</u>	<u>26,020</u>
Total expenditures	<u>874,365</u>	<u>848,345</u>	<u>26,020</u>
Revenues over (under) expenditures	<u>302,739</u>	<u>422,813</u>	<u>120,074</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	2,113,725	-	(2,113,725)
Transfer to other funds	<u>(2,416,464)</u>	<u>(2,416,464)</u>	<u>-</u>
Total other financing sources (uses)	<u>(302,739)</u>	<u>(2,416,464)</u>	<u>(2,113,725)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,993,651)</u>	<u>\$ (1,993,651)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,165,039</u>	
End of year - June 30		<u>\$ 171,388</u>	

TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

Project Authorization	Actual			Variance Over/Under
	Prior Years	Current Year	Total to Date	
<b>Revenues:</b>				
Investment earnings	\$ 11,188	\$ -	\$ 11,188	
Restricted intergovernmental	2,481,538	88,184	2,569,722	
Miscellaneous	80,851	-	80,851	
Donations	2,400	-	2,400	
Total revenues	<u>\$ 3,988,187</u>	<u>88,184</u>	<u>2,664,161</u>	\$ (1,324,026)
<b>Expenditures:</b>				
<b>Cultural and Recreational:</b>				
Greenway-Old P/W Building	127,929	8,600	136,529	
Park equipment replacement	-	41,538	41,538	
KP Pocket Park	45,205	-	45,205	
4 Mile Greenway	1,454,002	-	1,454,002	
Stumptown Park restrooms	6,675	-	6,675	
PARTF expenses	887,170	28,045	915,215	
Wayfinding system	24,575	301,006	325,581	
AG Building renovations	574,015	640,050	1,214,065	
Total cultural and recreational	<u>3,119,571</u>	<u>1,019,239</u>	<u>4,138,810</u>	
<b>Public Safety:</b>				
Police Radio System Upgrade	62,598	237,991	300,589	
COPS Grant	149,875	125	150,000	
Fire/EMS Command Vehicle	24,958	-	24,958	
Volunteer fire truck	90,000	30,000	120,000	
Ladder fire truck	868,292	-	868,292	
Police Mobile CAD	192,984	73,062	266,046	
Vehicle Safety Coordinator	19,193	-	19,193	
SCBA's	237,949	-	237,949	
Rescue vehicle replacement	63,547	-	63,547	
FEMA expenditures	57,505	-	57,505	
Fire station improvements	376,201	-	376,201	
Total public safety	<u>2,143,102</u>	<u>341,178</u>	<u>2,484,280</u>	
<b>Public Works:</b>				
W. Charles Street Connector Project	163,258	-	163,258	
Buckley Way Project	-	9,969	9,969	
N. Trade Street Project	40,192	-	40,192	
S. Trade Street Project	460,866	12,661	473,527	
ARRA projects	746,195	-	746,195	
Weddington Road Sidewalk Project	96,498	-	96,498	
4x4 pick-up truck	7,739	-	7,739	
Right-of-way tractor	684	-	684	
Habitat for Humanity Road Project	39,718	-	39,718	
McKee Road Project Segment A	366,042	-	366,042	

TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
McKee Road Project Segment B		214,050	9,000	223,050	
McKee Road Project Segment C		58,300	-	58,300	
Crack sealer trailer		42,525	-	42,525	
Tandem dump truck		88,344	-	88,344	
Utility service truck		21,884	-	21,884	
F-450 Class 1 1/2 ton truck		16,830	-	16,830	
Small pick-up truck		23,993	1,465	25,458	
Public works vehicle		13,545	-	13,545	
Salt/Plow spreader		29,461	-	29,461	
Transportation plan		79,463	10,956	90,419	
Total public works		<u>2,509,587</u>	<u>44,051</u>	<u>2,553,638</u>	
<b>Economic and Physical Development:</b>					
Large document scanner/printer		18,543	-	18,543	
Vehicle replacement		15,766	-	15,766	
Planning and zoning update		105,098	-	105,098	
Total economic and physical development		<u>139,407</u>	<u>-</u>	<u>139,407</u>	
<b>Environmental Protection:</b>					
Campus Ridge Project		-	152,160	152,160	
<b>Information systems:</b>					
Financial software		17,084	30,000	47,084	
<b>Debt Service:</b>					
Principal		1,778,940	39,286	1,818,226	
Interest		75,264	4,221	79,485	
Total debt service		<u>1,854,204</u>	<u>43,507</u>	<u>1,897,711</u>	
Total expenditures	<u>14,564,852</u>	<u>9,782,955</u>	<u>1,630,135</u>	<u>11,413,090</u>	<u>3,151,762</u>
Revenues over (under) expenditures	<u>(10,576,665)</u>	<u>(7,206,978)</u>	<u>(1,541,951)</u>	<u>(8,748,929)</u>	<u>1,827,736</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from other funds	7,793,919	3,402,918	3,187,058	6,589,976	(1,203,943)
Long-term debt issued	2,736,246	2,649,788	-	2,649,788	(86,458)
Proceeds from sale of capital assets	46,500	193,009	-	193,009	146,509
Total other financing sources (uses)	<u>10,576,665</u>	<u>6,245,715</u>	<u>3,187,058</u>	<u>9,432,773</u>	<u>(1,143,892)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (961,263)</u>	1,645,107	<u>\$ 683,844</u>	<u>\$ 683,844</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			(961,263)		
End of year - June 30			<u>\$ 683,844</u>		

## TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 10,645,625	\$ 10,453,998	\$ 191,627
2011-2012	194,772	-	131,644	63,128
2010-2011	109,664	-	14,603	95,061
2009-2010	55,457	-	12,632	42,825
2008-2009	49,045	-	10,920	38,125
2007-2008	46,970	-	5,077	41,893
2006-2007	30,590	-	2,126	28,464
2005-2006	16,181	-	247	15,934
2004-2005	10,560	-	200	10,360
2003-2004	15,970	-	172	15,798
2002-2003	20,184	-	20,184	-
Total	<u>\$ 549,393</u>	<u>\$ -</u>	<u>\$ 10,651,803</u>	<u>543,215</u>
Less: Allowance for uncollectible accounts				<u>(100,000)</u>
Ad valorem taxes receivable, net				<u>\$ 443,215</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 10,549,248
Reconciling items:				
Penalties and interest collected				(47,735)
Amounts written off due to Statute of Limitations				20,184
Prior year releases and other adjustments				<u>130,106</u>
Total collections and credits				<u>\$ 10,651,803</u>

## TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2013

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 3,152,285,289	\$ 0.3025	\$ 9,535,663	\$ 9,535,663	\$ -
Registered motor vehicles taxed at current year's rate	<u>356,834,050</u>	0.3025	<u>1,079,423</u>	<u>-</u>	<u>1,079,423</u>
Total	3,509,119,339		10,615,086	9,535,663	1,079,423
<b>Discoveries:</b>					
Prior years' taxes	66,700,496	0.3025	201,769	201,284	485
<b>Abatement:</b>					
	<u>(56,604,959)</u>	0.3025	<u>(171,230)</u>	<u>(158,758)</u>	<u>(12,472)</u>
Total property valuation	<u>\$ 3,519,214,876</u>				
<b>Net Levy</b>			10,645,625	9,578,189	1,067,436
Uncollected taxes at June 30, 2013			<u>(191,627)</u>	<u>(81,609)</u>	<u>(110,018)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 10,453,998</u>	<u>\$ 9,496,580</u>	<u>\$ 957,418</u>
<b>Current Levy Collection Percentage</b>			<u>98.20%</u>	<u>99.15%</u>	<u>89.69%</u>
<b><u>Secondary Market Disclosures:</u></b>					
<b>Assessed Valuation:</b>					
Assessment ratio <sup>1</sup>					100%
Real property				\$ 3,152,285,289	
Personal property				356,834,050	
Public service companies <sup>2</sup>				<u>61,915,728</u>	
Total assessed valuation				3,519,214,876	
Tax rate per \$100				<u>0.3025</u>	
Levy (includes discoveries, releases and abatements) <sup>3</sup>				<u>\$ 10,645,625</u>	

<sup>1</sup> Percentage of appraised value has been established by statute.<sup>2</sup> Valuation of railroads, telephone companies, and other utilities as determined by North Carolina Property Tax Commission.<sup>3</sup> The levy includes interest and penalties.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **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  
Members of the Town Council  
Town of Matthews, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Matthews' basic financial statements, and have issued our report thereon dated September 25, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Matthews' 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 Matthews' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency, 2013-001 described in the accompanying Schedule of Findings, Responses, and Questioned Costs to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Matthews' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing*.

## **Town of Matthews' Response to Finding**

The Town of Matthews' response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
September 25, 2013

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## **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  
Members of the Town Council  
Town of Matthews, North Carolina

#### **Report on Compliance for Each Major State Program**

We have audited the Town of Matthews, 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 Matthews' major State programs for the year ended June 30, 2013. The Town of Matthews' major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, 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 Matthews' 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and 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 non-compliance 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 Matthews' 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 Matthews' compliance.

## **Opinion on Each Major State Program**

In our opinion, the Town of Matthews 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 Matthews 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 Matthews' internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the types of auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 of Matthews' 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, non-compliance 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 non-compliance 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.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
September 25, 2013

**TOWN OF MATTHEWS, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?   X   Yes        No
- Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   No

Non-compliance material to financial statements noted?        Yes   X   No

**State Awards**

Internal control over major State programs:

- Material weaknesses identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   No

Type of auditors' report issued on compliance for major State programs: Unmodified

Any 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:

Powell Bill

# TOWN OF MATTHEWS, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

### Section II. Financial Statements Findings

#### Finding 2013-001

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board (GASB) requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure GAAP financial statements.

**Context:** The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

**Effect:** Errors in full accrual, full disclosure, financial reporting could occur.

**Cause:** Limited Town resources as it relates to the preparation of full accrual, full disclosure, year-end financial statements.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

**Name of Contact Person:** Christine Surratt

**Corrective Action/Management Response:** Management in the future will exercise due care in reviewing the financial statements drafted by the external auditor, as the Town is responsible for the accuracy of the audited financial statements.

### Section III. State Award Findings and Questioned Costs

None reported.

**TOWN OF MATTHEWS, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Finding: 2012-01**

Status: Repeated as Finding 2013-001

**Finding: 2012-02**

Status: Corrected

**TOWN OF MATTHEWS, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b>State Programs:</b>				
N.C. Department of Environment and Natural Resources:				
Parks and Recreation Trust Fund		2009-601	\$ -	\$ 184,250
N.C. Department of Transportation:				
Powell Bill		DOT-4	-	<u>727,143</u>
Total State expenditures			<u>\$ -</u>	<u>\$ 911,393</u>

**Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town of Matthews and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.