



Town of
MatthewsTM
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

Town of Matthews North Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2014**

Prepared By
Department of Finance



**TOWN OF MATTHEWS
NORTH CAROLINA**

**List of Principal Elected Officials
Year Ended June 30, 2014**

James P. Taylor, *Mayor*

Joe Pata, *Mayor Pro Tem*

**John Higdon
Chris Melton
Jeff Miller
W. Kress Query
John Ross**



TOWN OF MATTHEWS, NORTH CAROLINA

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October 20, 2014

The Honorable Mayor
and Members of the Board of Commissioners
Matthews, North Carolina

It is with pleasure that we present to you the 2014 Comprehensive Annual Financial Report (CAFR) of the Town of Matthews, North Carolina for the fiscal year ended June 30, 2014. This report is in compliance with North Carolina General Statutes Section 159-34, which requires an annual independent audit and report on the financial activity of the Town. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Martin Starnes & Associates, CPAs, P.A., and that firm's unqualified opinion is in the Financial Section of this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town of Matthews Department of Finance. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and the results of operations of the various funds of the Town. We believe all disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Comprehensive Annual Financial Report is designed to meet the needs of a wide range of financial statements users. This letter of transmittal is intended to complement the Management Discussion and Analysis and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report. The Statistical Section, which is unaudited, includes selected financial, non-financial and demographic information, much of which is presented on a ten-year basis, as well as required supplementary information. Finally, the Compliance Section presents reports and schedules required by the federal and state Single Audit Acts. The Single Audit Act has allowed us to use our existing independent auditing firm to audit all grants, thereby eliminating the need to hire auditors for each separate grant.

For financial reporting purposes, in accordance with the criteria in GASB Statement No. 14, the Town of Matthews includes all funds, agencies, boards, commissions, and authorities that are controlled by or are financially dependent upon the Town. Control by or financial dependence was determined on the basis of obligation of the Town to finance deficits, guarantee debt, select the governing authority, approve the budget, have authority to make a public levy, and to have ownership of assets. At June 30, 2014, the Town has no component units.

Description of the Town

The Town of Matthews was established in 1879 and is located in the Southern Piedmont section of North Carolina. It has land area of approximately seventeen square miles and the recent census noted a population of 29,464. The Town has a Council/Manager form of government. The elected Board consists of six board members plus the Mayor. The seven members of the Governing Body are elected on a non-partisan basis and serve two-year terms. The Board is responsible for adopting an annual budget, passing ordinances, establishing policies, appointing committees, and hiring the Town Manager. The Town Manager is responsible for implementing policies, overseeing daily operation, and appointing department heads. The Town provides its citizens with a wide range of services that include public safety, public works, environmental protection, planning and zoning, cultural and recreational opportunities, general administration, and others. This report includes all the Town's activities in maintaining these services.

Economic Conditions and Outlook

Beginning in 1980, the Town of Matthews experienced phenomenal growth from a village of 1,648 to a population of over 29,000. Though much of the growth was originally due to annexation, a significant portion is also attributable to increased residential development that has occurred within the Town limits, along with new multi-family developments. In June 2003, the town limits reached their ultimate expansion, so no further annexation is anticipated to ever be possible. The town is constrained by the location of the City of Charlotte to the west and south, the Town of Mint Hill to the north and Union County to the east; so future growth will be characterized more by infill development and more intense redevelopment.

Due to the strength of the Town's economy in prior years, the Town has been able to sustain what it considers to be quality development. The Town benefits from its location in the Charlotte metropolitan region and by the development of a diverse local economy. Corporate offices of several large companies are located in Matthews. Commercial development is a mix of large planned commercial centers and small independent development. A public/private partnership, including the Town Hall/Library building (occupied in August/September 2001) and office/retail development along a new public street significantly expanded the Downtown Business District. In 2010, the town sold two properties, one of which was a vacant lot and the developer constructed a mixed-use facilities that include banking, office space, retail and restaurants in the downtown development. The other property consisted of renovation of a historical house and become home to the Matthews Historical Foundation and Heritage Museum. The Downtown Business District recently received another extensive enhancement, when the area was enlarged by adding a new mixed-use development that includes apartments, office, retail and restaurants. This new addition added connectivity bringing bicycle and pedestrian opportunities by combining working and livable lifestyles together. Interstate Highway 485 from the UNC-Charlotte area to Pineville continues to provide enhanced connectivity of Matthews' businesses to other development in the region.

In 1994, Novant Health, (formally Presbyterian Hospital) opened a medical facility in Matthews. They recently completed a \$19 million expansion adding a fifth floor. A \$26.8 million expansion to double the women's services center is expected to begin in early 2015. An 89,000 square foot rehabilitant and skilled nursing facility with over 250 new

full time jobs opened in 2013. Novant Health Matthews Medical Center provides a wide range of health services including maternity, surgery, cardiovascular and cancer care. In addition, the hospital offers outpatient services and high-level diagnostic capabilities. The proliferation of physician offices and other medical facilities has occurred around the hospital. They have been recognized as a Magnet Health Care Facility.

In the fall of 1998, a satellite campus of Central Piedmont Community College, the CPCC Levine Campus, opened in Matthews with an enrollment of over 6,000 students. This campus has since expanded its size to an enrollment of over 28,500 students. In 2006, the college dedicated and opened a new automotive technology center that bears the name of Joe Hendrick. This center became a reality because of a \$1,000,000 gift from Rick Hendrick of Hendrick Motorsports. CPCC Levine Campus covers approximately 406,000 square feet, spans 61 acres and has approximately 130 employees. Along with the college campus, there are five public schools in Matthews (three elementary schools, a middle school, and a high school) and two private schools, each fielding classes from pre-kindergarten to high school.

A new senior citizens center opened in 2005. This 20,000 square feet venue which includes an indoor swimming pool, banquet and meeting rooms, full service kitchen, computer/technology area, craft rooms and exercise area will provide a wonderful gathering place and resource center for seniors throughout the metropolitan area. The funding for construction of this center was a partnership between Mr. Leon Levine, whom the center is named after, and the citizens of Matthews thru donations and fundraisers.

As across the nation beginning in late 2008 and early 2009, growth in the Town and the region slowed for the next few years. During that time, Matthews focused on ways to identify and direct future growth. New projects that have been approved and are slate for construction include an expansion of the ACTS Retirement-Life community with the addition of a new skilled nursing building and 49 new independent living units, bringing total available units to 548; the Fountains at Matthews apartment complex, which includes 250 residential apartments and 8,000 square feet of live/work units on 15 acres; the Eden Hall residential development, which includes 90 townhomes on 16.5 acres and the Erickson Living project, a Continuing Care Retirement Community with 900 independent living units.

As growth in the Town and the region continues to rebound, residential development is expected to keep pace with nonresidential and service/employment uses through new subdivisions and infill development. We continue seeing position upward trends with the 2013/2014 year increased building permits issued, along with the total taxable amounts of those permits. In the downtown area, zoning regulations designed to allow varied housing types and styles at higher densities are being utilized. Town homes, cottage homes and multi-family units have been approved and built or are under construction on multiple sites in the downtown area. Two residential communities with 210 duplex and fourplex homes between them are located along North Carolina Highway 51. Both developments are designed to accommodate independent living for mature adults.

To best identify the direction for future growth, the Town of Matthews undertook a long-range, Town-wide visioning process during 2005. Over 250 residents participated in an issue-setting session that evolved into a series of 12 Vision Statements that were adopted in December 2005. These vision statements are being used by elected and appointed officials, staff, Chamber of Commerce representatives, local businesses, developers and the general public to mold and shape the future of Matthews. In 2008,

the Town began the next step to incorporate those vision statements into an actionable Strategic Plan for the Town government. All Town Departments participated in the Strategic Plan Framework process and implementation began in the 2010 budget. Our current framework consist of the Vision Statements, Purpose/Values/Mission, Goals and Strategies/Priorities. Each fiscal year the plan is reviewed to constantly monitor our progress and strengths based on current and future goals outlined by the elected and appointed officials and staff. A dashboard has been created to give elected officials and citizens a quick glance of our Town Strategy, Implementation and Progress.

In the fiscal year 2008-2009 budget, the Board approved an economic development program, which included a full-time position. Due to the economic downturn in the fall of 2008, the Assistant Town Manger continues to oversee implementation of the program, along with a citizen appointed advisory board. This program works with the Chamber of Commerce to recruit and attract additional commercial developers to help strengthen our tax base. Annual open Economic Development Submits and held, updating attendees on current initiatives and direction. Breakfast with the Mayor gives business owners an opportunity to get directly involved and stay informed. Economic Development Incentive Grants were established to encourage businesses who are looking for a location to call Matthews home and for businesses already here to be able to stay and expand. In 2012, the town formed a Four-Town Alliance with neighboring towns to increase our strengths. This group of town markets the area together as four communities focusing on quality of life issues. With this expansion, the outlook of Matthews continues to be bright. Our favorable tax rate, small town atmosphere, and easy access to major transportation corridors continue to make Matthews an attractive place to live, work and play, as the town strives to provide the protection and quality of life that Matthews has come to enjoy.

Another allocation included in the 2009 budget was the completion of a four-year phase that transferred full responsibility for fire protection from the Matthews-Morningstar Volunteer Fire Department to the Town of Matthews. With this transition the Fire and EMS divisions merged into one unit. There are sixteen full-time paid staff positions while the town still relies heavily on continued volunteerism.

Alongside the continued growth of the regional economy, the challenge for the Town will be the management of growth to ensure the quality of development, and ultimately, the protection of the safety and quality of life.

Major Initiatives/Changes

In the prior years the Town has undertaken and completed a number of significant capital projects. These projects include:

- Renovation of the Matthews Community Center completed in October 2000.
- Retrofit of an existing 40,000 square foot building into a Public Safety building for Police and EMS, completed in June 2001.
- Construction of Town Hall/Library facility, completed in August 2001.
- Construction of a new Public Works facility, completed in May 2001.
- Renovation of the old Seaboard Train depot, completed in July 2003. This renovation houses a museum and the Matthews Chamber of Commerce.

- Construction of a 12,000 square feet recreation center, completion in May 2006.
- Assisted Mecklenburg County with the purchase of 94 acres of open space for future park development in November 2006. The town negotiated a 50-year lease for the use of this property.
- Purchased 1.27 acres of land, with a 4667 square foot building that adjoins a current downtown park in 2007. Renovation on the back side of the building was completed to include permanent restrooms accessible to the adjoining Stumptown Park.
- Joined partnership with Mecklenburg County Parks and Recreation to design and construct a \$32 million sportsplex. This complex will be located on 160 acres located within the Town. Eleven sports fields plus a 2,700 seat stadium will host regional and national field sport tournaments (soccer, lacrosse, football, etc.) The first phase, including five artificial turf lighted fields and parking is currently under construction, and scheduled to open in Summer 2013.
- In June 2007 a new Rescue/Pumper Fire Apparatus was purchased. This enabled the department to operate more efficiently and allowed increased coverage capabilities. Along with the added equipment, the department occupied space in the Police building (former EMS area) as Fire Station 2, which improves emergency response time throughout the community.
- Accepted full responsibility for all fire protection services in November 2008, formerly maintained by a combination of an independent volunteer fire organization and paid town staff.
- Joined partnership with Mecklenburg County Parks and Recreation to provide funding for the construction of a 2.3 mile greenway project in July 2009. This joint effort allows the project to be completed ahead of schedule while saving over \$1,000,000 due to current economic impact. The greenway was dedicated in 2011 and has become an asset to our community.
- Acquired historical agricultural facility for future expansion of cultural and recreation opportunities. This building is currently under a \$1,000,000 renovation project, with an anticipated completion date of Fall 2012.
- August 2009, secured PARTF Grant in the amount of \$499,895 for renovation of Squirrel Lake Park. The addition of restroom facilities, upgraded park shelters and a new pier have indeed created this as a destination for local families.
- Upgrade / replacement of all 800 MHz public safety radios in 2009 to ensure interoperability with surrounding communities. This equipment has since been upgraded from analog to digital and used by Public Safety, Public Works and Code Enforcement. Mobile CAD systems have also been installed in police vehicles.

- In 2010, the town received grant funding from the Department of Congress through the Commerce, Justice, and Science Appropriation Bill to purchase digital in-car cameras for police vehicles.
- Designed, constructed and dedicated Town's first downtown pocket park – KP Park – in memory of former Assistant Town Manager, Kay Plyler. The park opened in May 2010.
- Spring 2010, the town received \$550,000 in federal stimulus funds from ARRA for road and transportation improvements
- In December 2009, signed a contract for a new 101' Ladder Platform Fire Truck, replacing a 25 year old vehicle. The new truck was placed in service in Fall 2010.
- Purchased two adjoining properties to our downtown park.
- Purchased two contiguous properties, totaling 10 acres to expand our parks and recreational opportunities.
- Acquire the historical agriculture facility and renovated into a functioning art center.

Matthews has aggressively addressed many of its future capital needs with these projects. In 2007 implemented a Capital Improvement Program (CIP) that focuses on the adoption of a rolling five (5) year plan. The plan anticipates projects and equipment needs on a multi-year basis and explores alternative funding methods, while remaining focused on the adopted fund balance policy of retaining 34% of unassigned funds to operating expenses. The Governing Body formally adopts and funds the current fiscal year CIP along with the budget. Each fiscal year this plan is reviewed and updated to continue to rolling (5) year plan.

With major capital projects completed, the Town's efforts have shifted towards an infrastructure and connectivity focus. The Town's goal is to improve interconnections with the existing road grid system. This includes planned improvements for improved traffic flow through the Town. Matthews will continue to investigate ways for alternate means of transportation other than car, including bicycle facilities, greenways, pedestrian walkways, and public transit.

The Matthews Comprehensive Bicycle Plan was adopted in October 2006, and a Parks and Recreation Master Plan, which addressed open space needs, greenways and other recreation needs was adopted in 2007. A 2.3 mile greenway has been completed and our first pocket park was designed, installed and dedicated in May 2010, in downtown. With the completion of the greenway, our focus has shifted to artwork to enhance both the greenway and pocket parks in town. In 2012 the Town will complete a joint Comprehensive Transportation Plan (CTP) with the Town of Stallings, and in addition will be a part of a larger CTP covering all of Mecklenburg County and parts of Union County through the Metropolitan Planning Commission.

In spring 2014 a Pavement Condition Assessment was completed. The results showed that while overall our street system was in "good" condition, we need to continue focus

on addressing maintenance to prevent and decrease major rehabilitation or reconstruction cost. The Board appropriated \$587,500 in fiscal year 2015, by increasing the auto tag fees, to keep addressing these needs. Since December 2012, the town has re-constructed and/or repaved over 20 miles of town streets. This is equivalent to 20% of the town's street mileage. In spring 2010, the town was able to secure \$550,000 of federal funds thru the American Recovery and Reinvestment Act of 2009. Another \$250,000 ARRA grant was obtained on behalf of the NCDOT and used for street resurfacing. North Carolina Department of Transportation oversaw the design work and contracted with a local paving contractor to perform the work. The town continues to research and fund new improved methods to address infrastructure needs.

Work to begin in 2012 on a thoroughfare relocation of Campus Ridge Road, a federal/town funded project and a new connector street in downtown Matthews, a Town CIP funded project. Council remains focused on widening and improving major arteries that affect traffic congestion. The anticipated redesign and construction of various roads would include additional bike lanes and easy access to greenways. The Town Board of Commissioners approved in June 2013 to move forward with the sale of \$5.5 million of voter approved general obligation bonds to be used toward road projects. The bonds were successfully sold on October 7, 2014 with a closing date set for October 28, 2014.

In November 2006, Town Commissioners authorized an Economic Development Strategic Plan to be prepared to guide future land use decisions and to outline effective new marketing strategies the Town can undertake to encourage expansion and retention of all types of business and commercial activities. A focus on creating employment centers was a key component of this plan. The plan was presented in January 2008 and adopted in March 2008. The Board of Commissioners created and appointed an Economic Development Advisory Committee to assist in this plan. They have developed a product inventory (i.e. land, buildings) and continue to work on implementation of a marketing plan. New information is regularly added to our web site to keep both existing and potential businesses and citizens updated.

In 2008, the town began implementing a new branding/identity program. As part of this implementation process, it was identified that the town needed a comprehensive Wayfinding Project. This project encompasses signage for the Town's entryways, parks, municipal buildings, and key destinations. It also included median upgrades, interstate and highway landscaping, creating distinct identity areas, banners, public art and much more. Monies were allocated in multiple years Capital Improvement Project funding to design and plan this project. Phases I and II implementation was successfully completed. Additional phases will be added as funding is appropriated.

Technology continues to be an important avenue for improvement in the Town. In January 2005 a contract was signed to update and install new financial software applications. The financial software gave all town departments and locations access to immediate financial information. The implementation process and startup began in March 2005, went live in July 2005, and continues to be upgraded and enhanced each year with additional applications. With the adoption of fiscal year ending 2010 budget, the board allocated funds to have an information technology assessment performed town-wide. This assessment provided technological advancement opportunities and phased implementation begin in fiscal year 2011. In 2012/2013 a new town-wide telephone system was approved and installed. It not only improve data connectivity between facilities, increase internet services, but enhanced and offered backup and redundancy services in the event of an emergency situation. Anticipated upgrades and enhancements will continue.

Financial Information

The Town of Matthews prepares its annual budget on the modified accrual basis, and maintains its accounting records on that basis in accordance with State law. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for unmatured principal and interest on general long-term debt and certain compensated absences such as accrued vacation benefits. Governmental Fund types, such as the Town's General Fund, Special Revenue Fund and Capital Projects Funds, are reported on the modified accrual basis.

An annual or project budget ordinance, as adopted by the governing body, creates a legal limit on spending authorizations. For Matthews, an annual budget is adopted for the General Fund and Tourism Fund. Multi-year project budgets are adopted for the Capital Project Funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. Appropriations are made at the object level, however, for internal accounting purpose; budgetary control is maintained by object class (line item account). Internal policy requires purchase orders that would create an over encumbrance at that level not be written until additional appropriations are available through budget amendments or inter departmental transfers approved by the Town Manager. The Town Manager also may authorize transfers of functional appropriations within a fund not to exceed ten percent of the appropriated monies for the department whose allocation is reduced. Encumbered amounts lapse at year-end. However, outstanding encumbrances are generally re-appropriated as part of the following year's budget.

The management of the Town is responsible for establishing and maintaining an internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles and maintaining accountability for assets, and (3) compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

As demonstrated by the financial statements and supplemental schedules included in the financial section of this report, we believe that the Town's internal accounting controls adequately protect assets and provide reasonable assurance of the proper recording of financial transactions.

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, service contracts, and various other taxes and licenses. The primary expenditures are for public safety, public works, environmental protection, cultural and recreational, and general

government services.

Other Information

The Town of Matthews is required by state law (G.S. 159-34) to undergo an annual independent financial audit. A compliance audit on federal and state financial assistance programs is also required under the Federal Single Audit Act Amendments of 1996 and the State Single Audit Implementation Act. The Town's independent auditors, Martin Starnes & Associates, CPAs, P.A., were recommended by the Finance Department and approved by the Town Council. The auditor's report on the financial statements is included in the Financial Section of this report. The auditors' reports required as part of a single audit are found in the Compliance Section of this report.

The Town of Matthews intends to submit this report to the Government Finance Officers Association (GFOA) for its Certificate of Achievement for Excellence in Financial Reporting Program. This program recognizes governmental units that publish easily read and efficiently organized Comprehensive Annual Financial Reports that conform to program standards. A Certificate of Achievement is the highest form of recognition awarded in the field of governmental financial reporting.

The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication of the Finance Department team. The Mayor, Town Board, and Town Manager continue to be very supportive of our efforts to produce the best financial reports possible for our citizens. We appreciate your support in granting us the time and funding to generate this document, and allowing us to submit it to the GFOA for its consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. Surratt". The signature is written in a cursive, flowing style.

Christine L. Surratt
Finance Director

Certificate of Achievement



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Matthews
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Matthews for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

APPOINTED AND ADMINISTRATIVE POSITIONS

H. Hazen Blodgett, III
Town Manager

James Justice	Assistant Town Manager/ Human Resource Director
Lori Canapinno	Town Clerk/Executive Assistant
Christine Surratt	Finance Director
Dennis Green	Fire/EMS Director
Corey King	Parks & Recreation and Cultural Resources Director
Kathi Ingrish	Planning & Zoning Director
Rob Hunter	Police Chief
Ralph Messera	Public Works Director

BOARDS AND COMMITTEES

The Town of Matthews has numerous boards and advisory committees that help make recommendations to the Town Board of Commissioners. These boards and committees are an integral part in helping shape the future of the Town. Citizens are invited and encouraged to participate. Please note that the following boards are presented in summary only.

Appearance / Tree Advisory Committee

Responsibilities: The Matthews Appearance/Tree Advisory Committee makes a study of the visual characteristics and needs of the Town and promotes those activities and programs that enhance the Town character, preserving and beautifying the landscape, in order to make Matthews a cleaner, greener, and more aesthetically pleasing community.

Board of Adjustment

Responsibilities: The Board of Adjustment is a quasi-judicial board that interprets town ordinances and policies for unique situations or special cases related to the town Zoning Ordinance. The Board of Adjustment meets as needed on the first Thursday of the month at 7:00 pm in the Hood Room in the Matthews Town Hall located at 232 Matthews Station Street.

Economic Development Advisory Committee

Responsibilities: The Economic Development Advisory Committee (EDAC) markets the Town to facilitate the economic development process. Major emphasis is placed on the retention and expansion of existing business and industry, the attraction of new business opportunities, and the continued revitalization of the Town's economic base.

Environmental Advisory Committee

Responsibilities: To advise and assist the Matthews Board of Commissioners in resolving air pollution, water pollution, noise pollution, sedimentation control and floodway control problems reported by the residents of Matthews. They also provide input to the Board of Commissioners on solid waste and recycling programs and activities.

Historic Preservation Advisory Committee

Responsibilities: The Matthews Historic Preservation Advisory Committee focuses on the preservation of properties and artifacts, education of the community, and partnerships with municipal and civic organizations, including the Matthews Historical Foundation and the Charlotte-Mecklenburg Historic Landmarks Commission, to advance the cause of historic preservation.

Parks, Recreation and Cultural Resource Advisory Committee

Responsibilities: The Parks, Recreation and Cultural Resource Advisory Committee serves as an advisory body in matters affecting recreation and special events including planning, promotion and marketing of same. The Committee provides input for the long-range planning of resources towards park projects, acquisition of land and other indoor/outdoor recreational activities. Additionally, the Committee ensures that Matthews has a current cultural plan which include arts, science and history programs both at the Matthews Community Center and in the community at large.

Planning Board

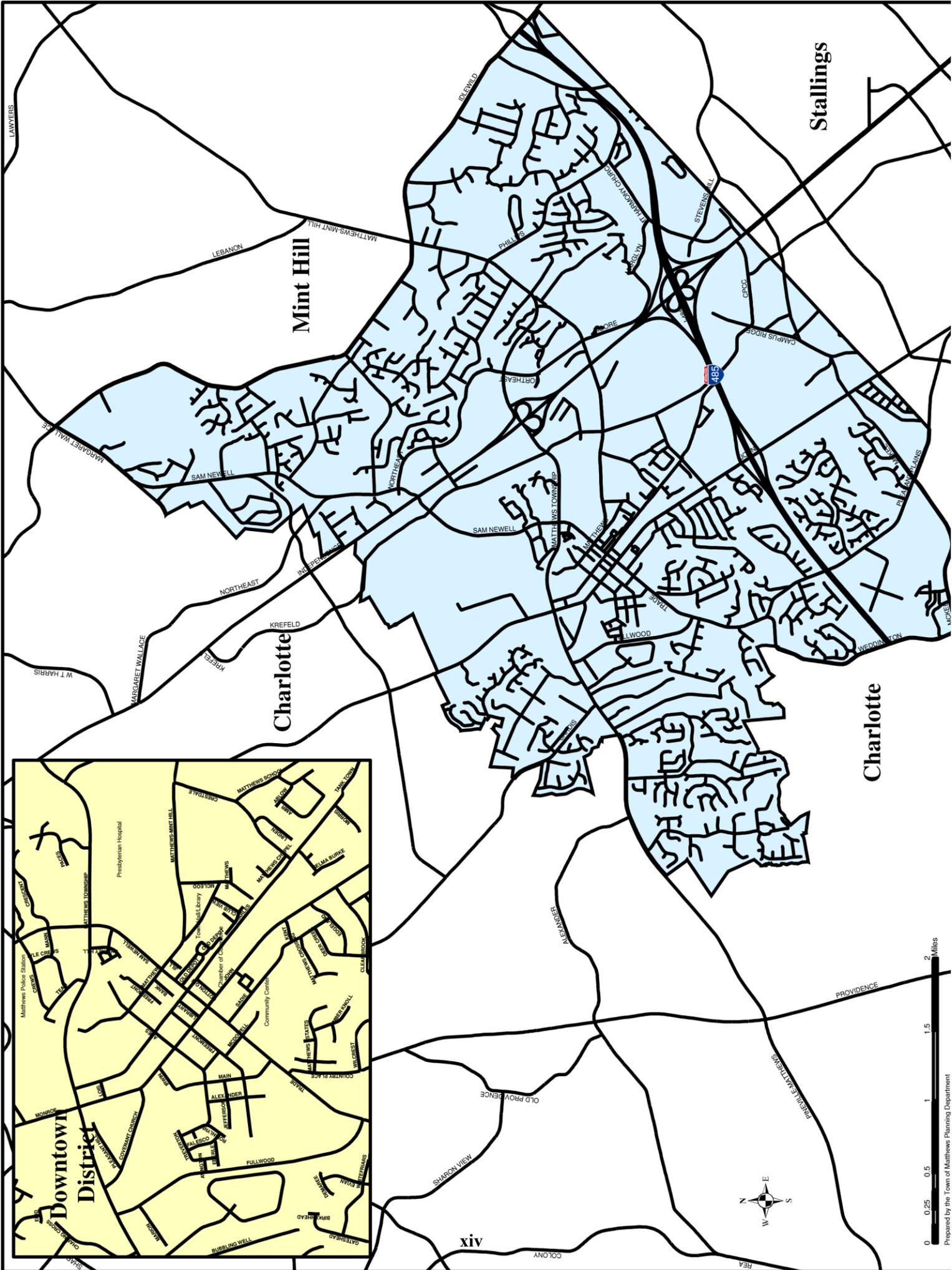
Responsibilities: The Planning Board investigates Town plans and growth and makes recommendations to the Board of Commissioners.

Special Needs Advisory Committee

Responsibilities: The Special Needs Advisory Committee (SNAC) assist and aids the Town Board of Commissioners to identify ways to work and serve the Special Needs and Senior Populations living in Matthews. Their efforts are to ensure that the needs of this segment of the town's population are met.

Transportation Advisory Committee

Responsibilities: The Transportation Advisory Committee (TAC) assists in the development of a master transportation system plan to include, but not be limited to, current and future roads and location of same; mass transit corridors and infrastructure types; car-van-bus pools/park & ride solutions; pedestrian greenways; and bike paths. The TAC also makes recommendations to the Matthews Town Board of Commissioners on issues such as speed hump placement, traffic calming, etc., and provides review input on major projects that may affect transportation such as major area rezonings.

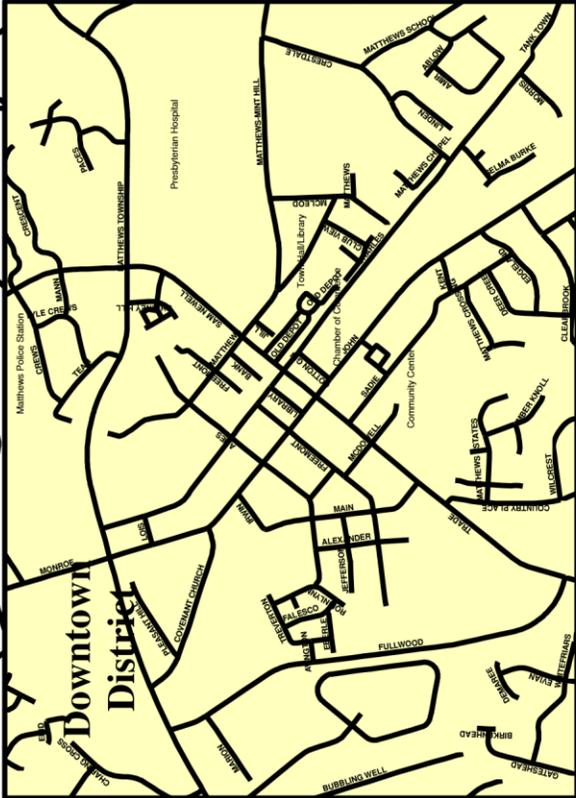


Mint Hill

Stallings

Charlotte

Charlotte



Downtown District



HISTORY AND DESCRIPTION OF THE TOWN OF MATTHEWS

Matthews began as a small farming community in the 1800's. Cotton farmers completely cleared the land, leaving tree stumps in every direction; thus, the first name for the community became Stumptown. In 1925, the name changed to Fullwood for John Fullwood who operated the Stagecoach Inn and became the first postmaster for this area. Nearby residents received mail at the inn, and the stagecoach made regular stops on its way from Charlotte to Monroe.

In 1874, the Carolina Central Railway Company built a railroad through the Town as a part of the line from Wilmington, North Carolina to Tennessee. The first train rolled into the community on December 15, 1874 and people from miles around came to see the "Iron Horse." The name of the Town was changed to Matthews in honor of Watson Matthews, a director of the railroad. The Town was incorporated in 1879 and the first census in 1880 showed a population of 191. When originally surveyed, the Town of Matthews was laid out to include a one-mile radius from what is now the Town square at the intersection of John and Trade Streets. Election records of 1886 show that 51 people voted for the mayor – Wilson T. Carpenter, 24 years old, a teacher and a registered pharmacist. Mr. (or Doctor as he was sometimes addressed) Carpenter was born March 22, 1855 and is buried in the Matthews Cemetery. T. M. Chambers was the first Marshall of the Town and, like his counterparts in the Wild West, dispensed justice with a gun slung on his hip.

As cotton farming covered the South, around the turn of the century, small towns flourished as suppliers for farmers' needs. The railroad became the lifeline of Matthews. Five passenger trains and eight freight trains came through Town each day and the Depot did thousands of dollars in business. By 1901, Matthews downTown boated two cotton gins, three general stores, a bank, two doctors, a pharmacy, a gristmill, a blacksmith shop, a livery table and a hotel.

Baptist, Methodist and Presbyterian churches were organized around 1877. The churches at first operated private schools until 1895 when a three-room public school was build in Carpenter's Grove, where Stumptown Park now stands. All too soon, the little wooden schoolhouse was overflowing and in 1906 a modern brick building was erected at the cost of \$14,000. The property was purchased by the Town; in 1994, and is now known as the Matthews Community and Performing Arts Center. It is recognized as a Charlotte-Mecklenburg Historic Property and renovations to the structure have recently been completed.

Dr. Selma Burk, world-renowned sculptress and creator of the image of President Roosevelt on the dime, has her roots in Matthews. She credits the "good Matthews mud" as the beginning of her artistic endeavors. Dr. Burke donated an outdoor sculpture entitled "Family" to the Fullwood Trace neighborhood, which is proudly displayed in the lobby of the Matthews Town Hall.

Johnny Crowell, the only North Carolinian ever inducted into the aviation hall of fame, was a Matthews native. He was the parade marshal of the Stumptown Festival n 1977.

After World War II, the farming community began to change. As Charlotte's booming growth spread, the Matthews community became filled with businesses, housing developments, and thousands of people. Large corporations founded their headquarters in Matthews. In 1994 a 240,000 square foot hospital facility was built and annexation for further growth spread Matthews' boundaries. Construction of the I-485 outer beltway connects Matthews directly with major interstate highways I-77 and I-85, to Charlotte-Douglas International Airport, and increases its accessibility to regional and national commerce.

As Matthews moves forward into its second century, it continues to be one of the State's most affluent and desirable communities, while at the same time it retains the quaint, small-town atmosphere that has attracted thousands of visitors and families who have chosen to live and work here.

A local Town historian published book entitled "Discover Matthews...from Cotton to Corporate" that takes a look back at Matthews from its early days before incorporation to 1999. It is over 100 pages and includes numerous photographs. The Tourism Council has also produced calendars highlighting area homes and historic sites around the Town of Matthews, along with a set of four glasses depicting early streets and sites in Matthews.

In 2009, the Town worked extensively on a branding plan that included a communications plan, a logo and website redevelopment. This plan was part of the economic development initiative that was adopted in 2008. The main emphasis was how to attract businesses to the Town. In October 2009, the Town Board adopted and began implementation which included the Town's first logo. Research showed the Matthews citizens' loved their Town. The desire to not forget our historic roots while evolving into a modern Town were important. The new logo incorporated how the Town, our citizens, our businesses, and our visitors are all connected. The new logo has a modern look while the red brick color of the logo pays homage to the brick historic structures in our downtown. The logo has a "swoosh" indicating our connectivity to each other and the world at large.

Since 2009, we have begun implementing the Town's new branding/identity program. As part of this implementation we have identified the need for a comprehensive Wayfinding Project. During the public input meetings regarding branding and customer service, the public reemphasized their desire for this project. The Wayfinding Project encompasses signage for the Town's entryways, parks, municipal buildings, and key destinations. The Wayfinding Project also includes median, interstate and highway landscaping, as well as ideas for creating distinct identity areas such as the Sportsplex, Farmers Market, CPCC, banners, public art locales, and much more.

RESPONSIBILITIES OF TOWN GOVERNMENT

Legislative

Matthews is governed by the Town Council, which is comprised of the Mayor and six Board of Commissioners. A nonpartisan election for Mayor is held every two years. Commissioner elections are also nonpartisan, and all seats are at-large. Commissioners are elected for two-year terms. Elections are held on odd years.

The mission of the Matthews Board of Commissioners is to represent the public interest, promote quick, courteous response to residents' problems, provide leadership and direction to the Town's future, and to ensure the present and future fiscal integrity of the municipal government.

The Town of Matthews has a Council-Manager form of government. Under this form of government, the elected Board of Commissioners set policies for the operation of the Town.

Administrative

The Administrative Department, under the Council-Manager form of government, supports the role of the Town Manager in implementing the policy decisions of the Council. The Town Manager is appointed by the Town Council and is responsible for the performance of all town departments. The function of the Town Manager is to carry out the policies of the Town Council, the day-to-day management of the Town, the preparation of the Annual Operating Budget, interacting with citizens and local businesses, and involvement with community groups. The Assistant Town Manager, Town Clerk and Communications Director are also a part of the Administrative team. Maintaining and overseeing the town's computer/networking systems, safety and risk management responsibilities and Human Resource functions are part of the Administrative duties.

Finance

Responsibilities of this department are to administer the financial affairs of the Town under the direction of the Finance Director. This encompasses investing all Town funds, maintaining accounting and financial records, billing and collecting all Town moneys; including but not limited to real estate and personal property taxes, privilege license, animal license, etc., preparing biweekly payroll, and weekly accounts payables. They also prepare the Comprehensive Annual Financial Report, help with Annual Operating Budget and Capital Improvement Budgets and Plans, and performing special projects such as monthly financial reports, cash flow projections, and providing centralized purchasing services.

Planning and Zoning

The primary functions of the Planning & Zoning Department provide assistance and direction to property owners, residents, and elected and appointed officials regarding the development and use of land. Comprehensive planning is concerned with long-range planning visions, including goals and policies on how the community as whole should grow, land use planning, thoroughfare planning, demographic and population information. The department drafts zoning, subdivision, and various other enforcement regulations for the Board of commissioners' acceptance. This department also operates and maintains the town's Geographical Information Systems (GIS).

Public Safety

The Public Safety consists of three departments; Police, Fire/EMS and Animal Control. The Police Department is divided into six main divisions: Administrative, Patrol, Criminal Investigations, Telecommunications, Support Services and Animal Control. Each division works hand-in-hand to protect our citizens and to deliver the highest level of service possible to our town and community. The Support Services division provides School Resource and D.A.R.E. Officers for the seven public and private schools in our area. The Animal Control Division assists the public with abandoned or dangerous animals, nuisance complaints, etc. and ensures that all dogs and cats have current rabies shots. A town tag is required for each pet.

The Town of Matthews assumed full responsibility for fire protection in November 2008. This was a result of a 48-month transition period that started with a vision and plan by the Mayor and Board of Commissioners. The Fire and EMS Department responds and handles the fire protection, rescue and first responder services for the area. The department is comprised of nine paid staff members and work in conjunction with numerous volunteers. The constant efforts of the Town Manager and Board of Commissioners to recognize and acknowledge the volunteers are very instrumental in the success of the combined department. Volunteers are eligible for up to \$500 per month in incentives, meal and tuition reimbursements. All training (except North Carolina EMT course) is offered in-house. Idlewild Volunteer Department works along the town to ensure adequate and constant coverage.

Public Works

The Public Works Department consists of seven divisions. They are Administrative, Streets/Roads and Sidewalks, Fleet, Landscaping, Facilities Maintenance, Storm Water, and Sanitation. Primary functions include maintenance and construction of sidewalks, road and roadway maintenance (including street rights-of-way), streetlights, parks maintenance, storm drainage structures. They also maintain all Town facilities and properties, which include a garage for maintenance and repairs on all Town vehicles and equipment. Traffic studies, inspections of new streets, subdivisions and commercial construction are performed under the direction of the Town Engineer and Public Works Director.

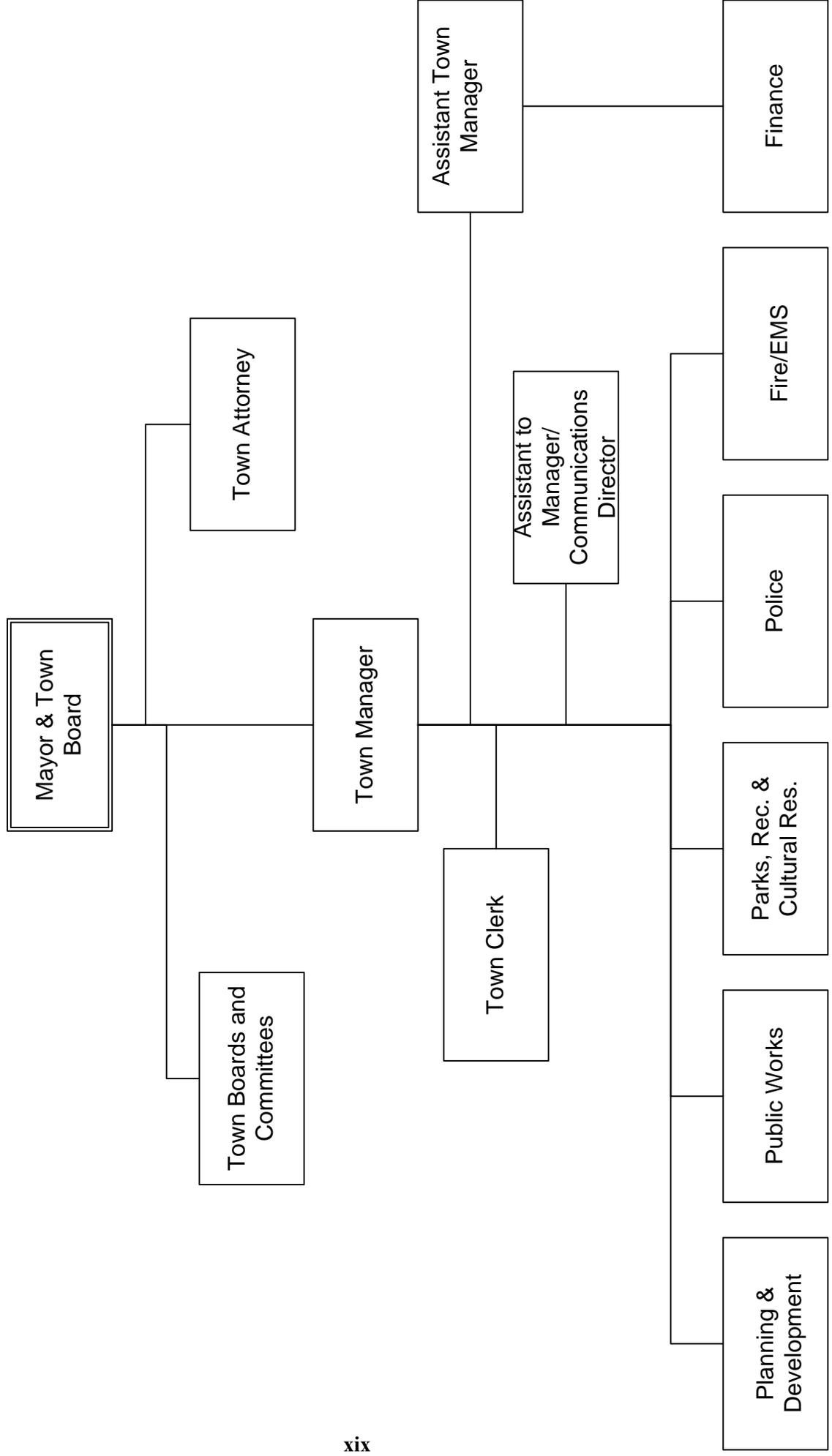
Parks and Recreation/Cultural Arts

The Parks and Recreation Department offers a wide variety of services, programs, activities and opportunities for individuals of all ages and abilities. Five park facilities, greenways and open space also provide recreational opportunities for the citizens and surrounding communities. The purchase of a 90-acre open space, in November 2005, will allow for future park development and opportunities. A 12,000 recreation center was completed in May 2006. They are responsible for comprehensive planning, public relations, park acquisition and development, and policy and procedure implementation.

The Cultural Arts Division maintains the Matthews Community Center. They work with and help promote cultural arts through various theater groups within the town. Numerous instructional programs and day camps are offered for area residents.

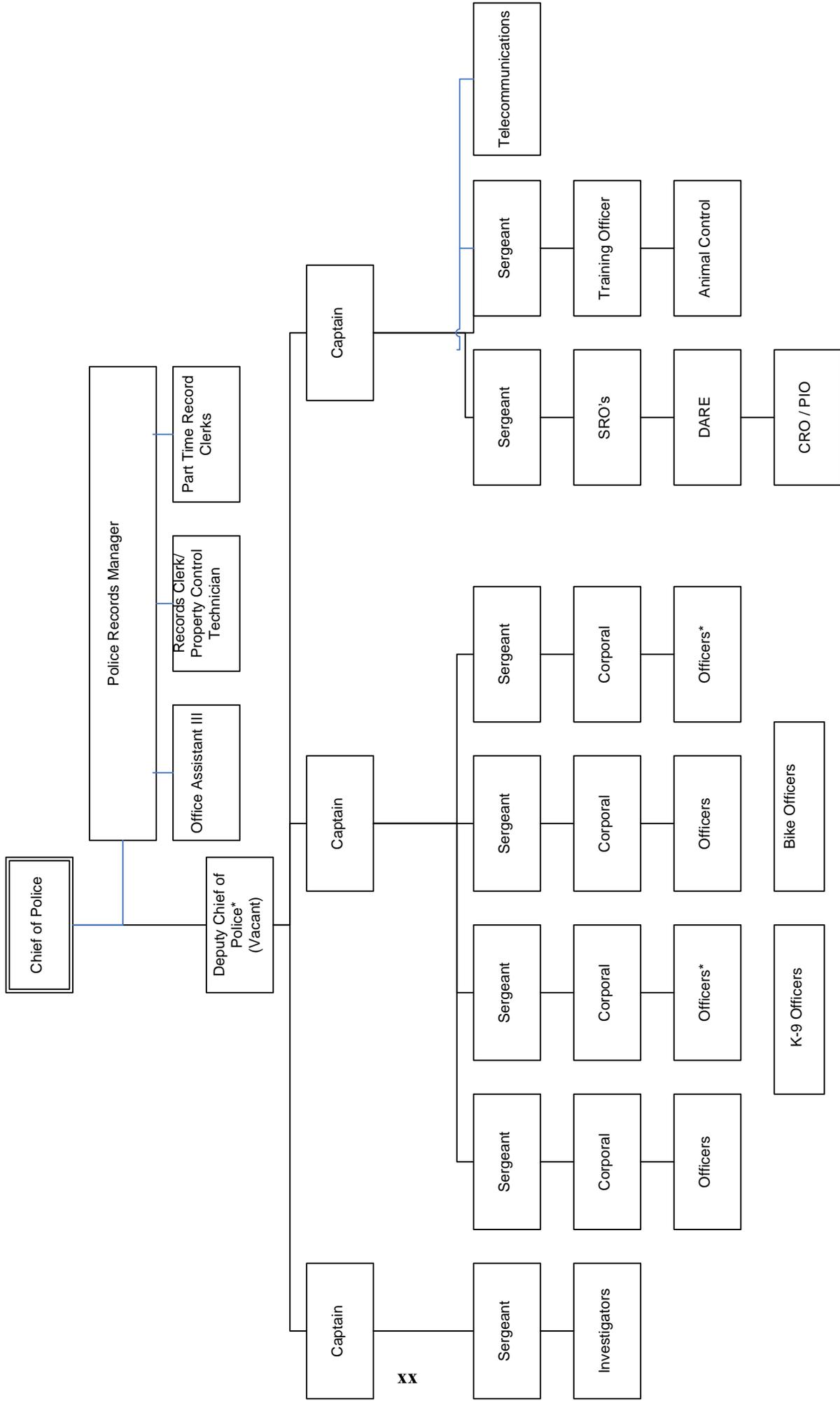
The Special Events Division is responsible for organizing and promoting town sponsored festivals. These include a spring BeachFest, a fall Labor day event, Matthews Alive!, that brings 200,000 plus visitors into our area, and the winter Hometown Holidays festival.

Organizational Structure 2014



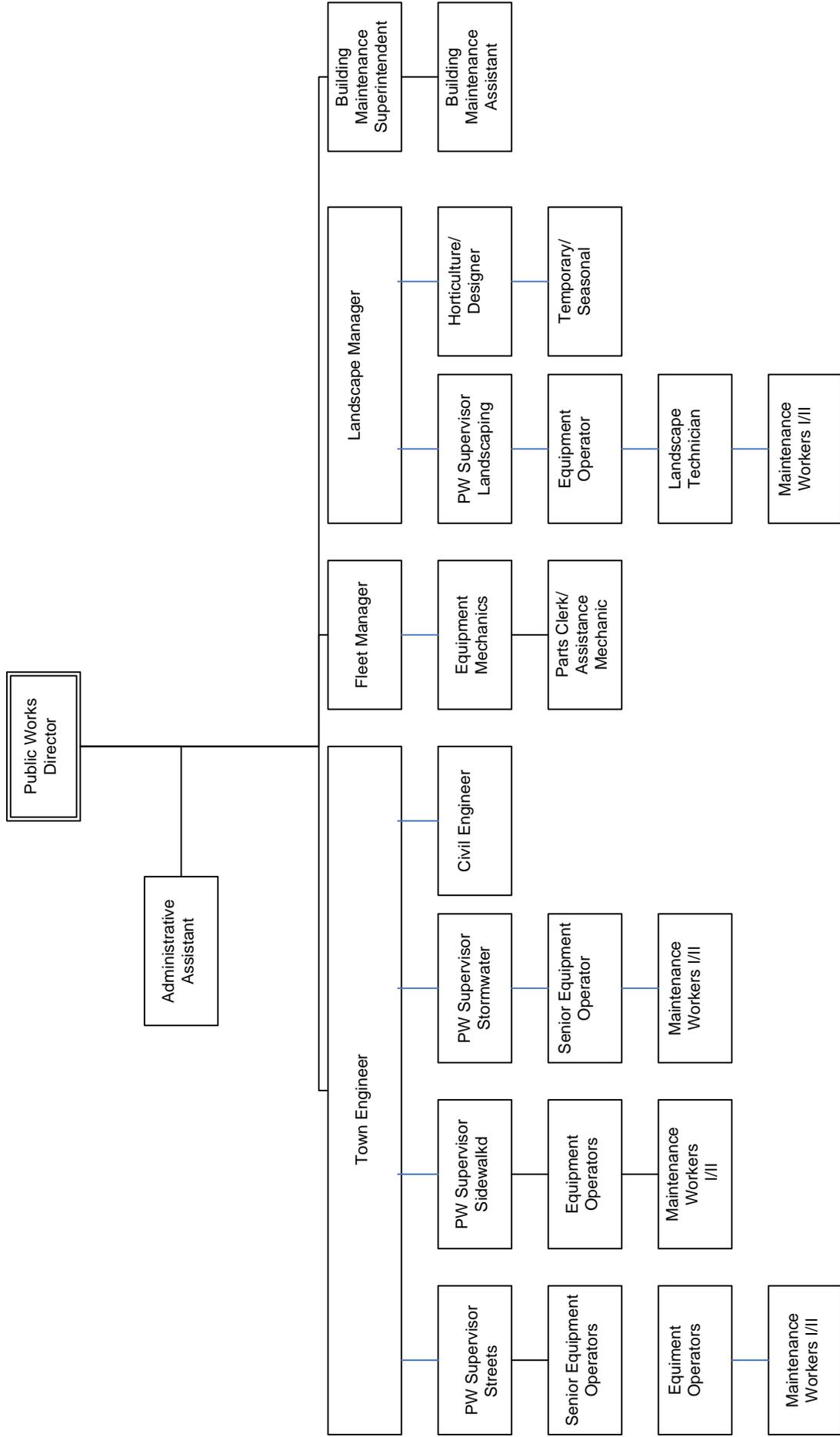
Police Department

Organizational Structure
2014



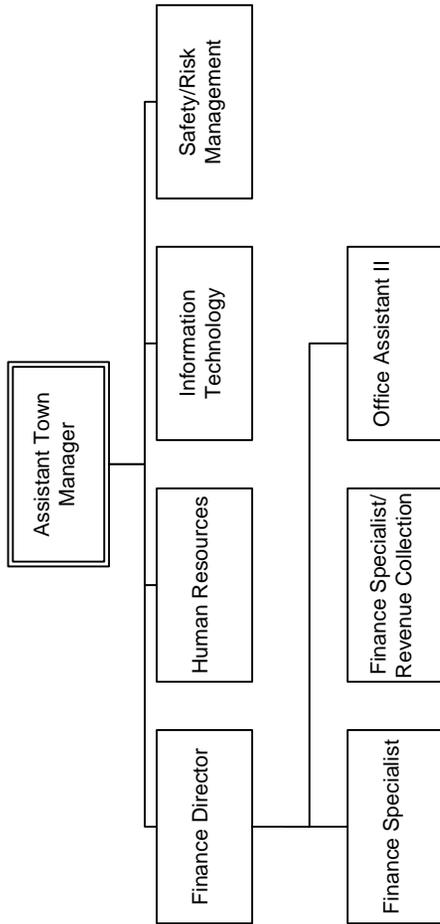
Public Works Department

Organizational Structure 2014



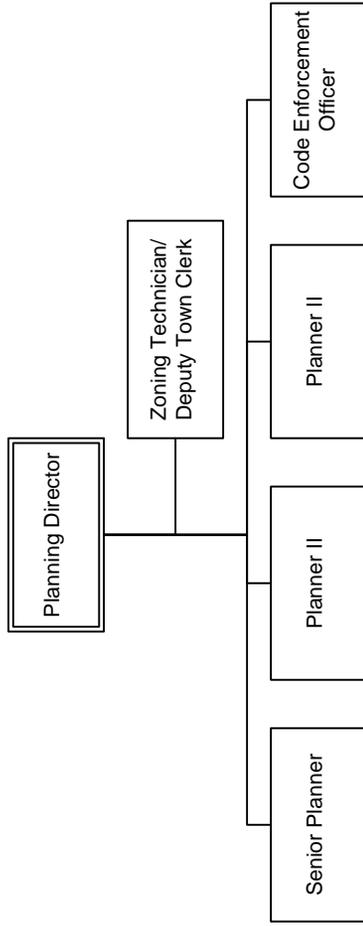
Assistant Town Manager

Organizational Structure
2014



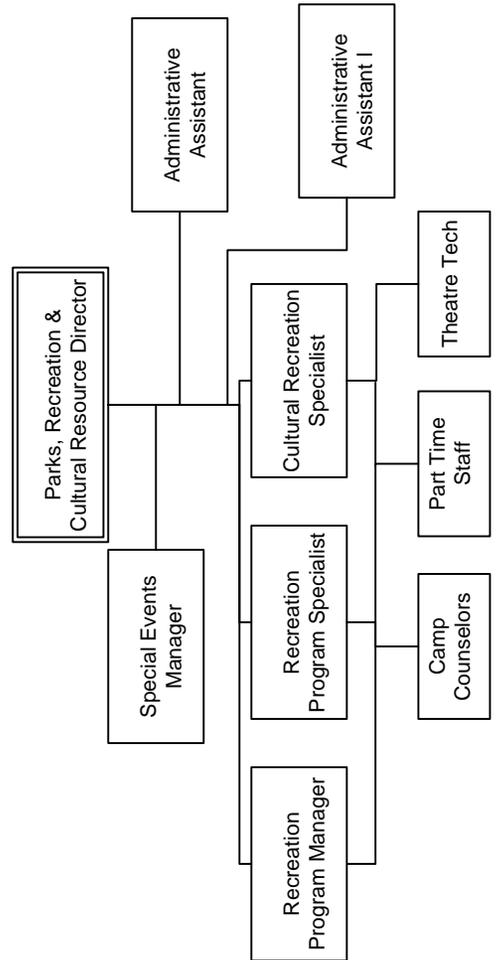
Planning Department

Organizational Structure
2014



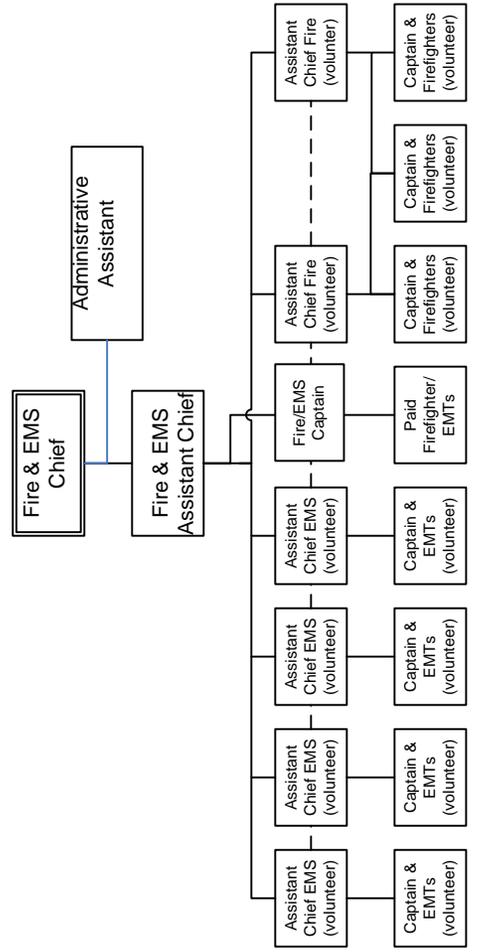
Parks & Recreation/Cultural Resources

Organizational Structure
2014



Fire & EMS Department

Organizational Structure
2014



Financial Section

The Financial Section constitutes the formal portion of the report. The Independent Auditor's Report relates only to the combined, combining, and individual fund statements within this section. These schedules are presented with summary statements shown first, followed by more detailed statements.

- ❖ Independent Auditor's Report
 - ❖ Management's Discussion and Analysis
 - ❖ Basic Financial Statements
 - ❖ Required Supplemental Information
 - ❖ Combining and Individual Fund Statements and Schedules
 - ❖ Additional Financial Data
-



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, 2014, 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, 2014, 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 introductory section, combining and individual fund statements, budget and actual schedules, supplemental ad valorem tax schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, 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, budget and actual schedules, supplemental ad valorem tax 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, budget and actual schedules, supplemental ad valorem tax 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.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014 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 the Town of Matthews' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 20, 2014



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, 2014. 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

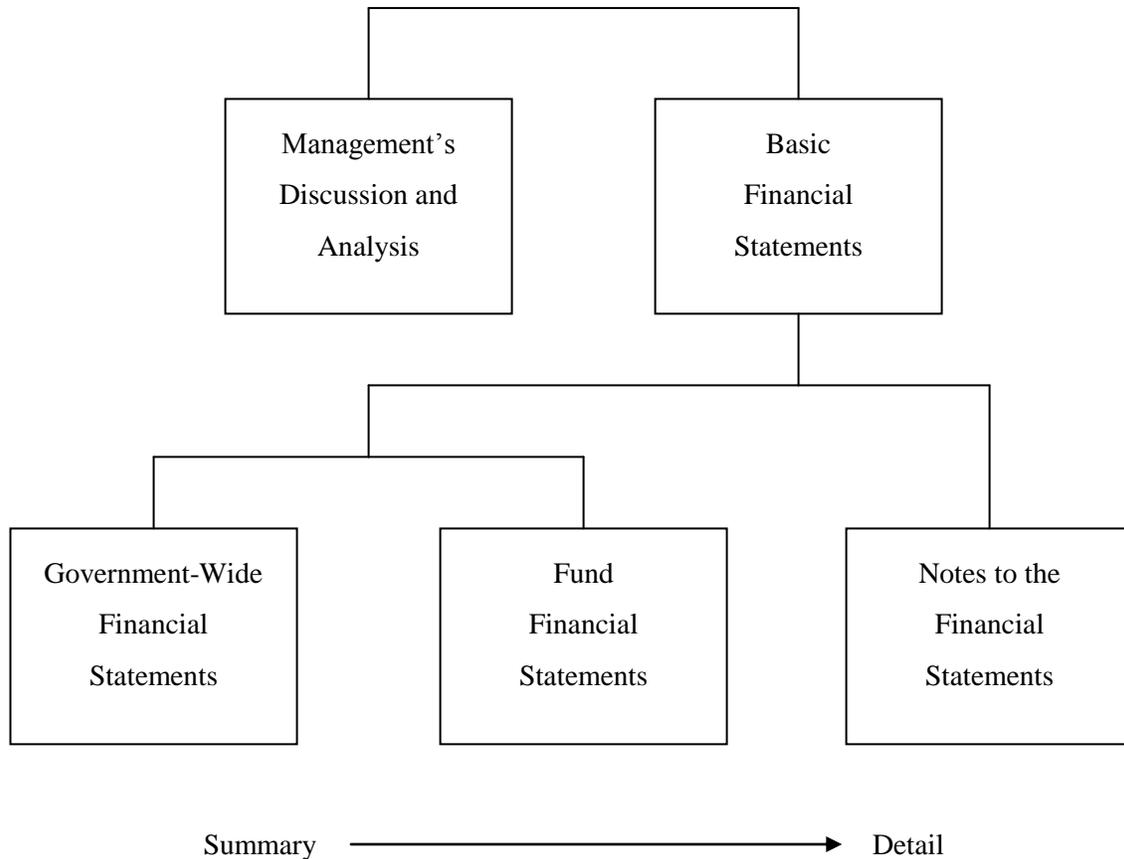
- The assets of the Town of Matthews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$257,140,920 (*net position*).
- The Town's net position decreased by \$1,259,516, primarily due to net changes in fund balances, reduction in capital outlays and depreciation. At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$7,692,033, an increase of \$764,414 in comparison with the prior year. Approximately 28% of this total amount, or \$2,163,980, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$5,528,053, or 29.80%, of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews' total debt decreased by \$1,441,855 during the current fiscal year.
- The Town of Matthews increased fund balance of the Tourism Fund by \$162,630. This was due to debt reduction and installment financing payoff of the Community Center facility. This leaves an ending fund balance of \$334,018 in fiscal year ending June 30, 2014. The Town anticipates the fund to remain stable.
- The Town holds a bond rating of AA+ with Standard & Poors and a bond rating of Aa2 with Moody's Investors Service.

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 Federal and State 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 governmental 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

	Governmental Activities	
	2014	2013
Assets:		
Current and other assets	\$ 9,394,809	\$ 9,045,145
Capital assets, net	<u>253,923,445</u>	<u>256,767,430</u>
Total assets	<u>263,318,254</u>	<u>265,812,575</u>
Liabilities:		
Current liabilities	1,973,162	2,063,172
Non-current liabilities	<u>4,204,172</u>	<u>5,317,667</u>
Total liabilities	<u>6,177,334</u>	<u>7,380,839</u>
Deferred Inflows of Resources:		
Prepaid taxes	-	31,300
Total deferred inflows of resources	<u>-</u>	<u>31,300</u>
Net Position:		
Net investment in capital assets	251,078,195	252,890,325
Restricted	2,075,669	2,129,405
Unrestricted	<u>3,987,056</u>	<u>3,380,706</u>
Total net position	<u>\$ 257,140,920</u>	<u>\$ 258,400,436</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 \$257,140,920 as of June 30, 2014. The Town's net position decreased by \$1,259,516 for the fiscal year ended June 30, 2014. 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 \$3,987,056 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, 2014 is 98.80. The North Carolina Department of Motor Vehicles started collection of motor vehicle taxes in September 2014 with a new program called "Tax and Tag". The percent of net levy collected for the year ended June 30, 2014 is 98.95.

Town of Matthews' Changes in Net Position

Figure 3

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 1,607,955	\$ 1,849,625
Operating grants and contributions	959,362	908,331
Capital grants and contributions	899,208	838,815
General revenues:		
Property taxes	11,104,878	10,558,073
Other taxes	3,963,690	3,859,093
Unrestricted intergovernmental	1,676,761	1,539,463
Investment earnings	953	3,201
Total revenues	20,212,807	19,556,601
Expenses:		
General government	5,974,279	4,886,735
Public safety	7,617,603	8,267,422
Public works	2,964,931	3,345,621
Environmental protection	2,753,791	2,657,708
Cultural and recreation	1,554,561	2,434,493
Economic and physical development	407,664	459,159
Interest on long-term debt	199,494	230,229
Total expenses	21,472,323	22,281,367
Increase (decrease) in net position	(1,259,516)	(2,724,766)
Net Position:		
Beginning of year - July 1	258,400,436	261,125,202
End of year - June 30	\$ 257,140,920	\$ 258,400,436

Governmental Activities

Governmental activities decreased the Town's net position by \$1,259,516 as compared to \$2,724,766 in the prior year. Key elements of this decrease and changes from prior year are as follows:

- Net decrease was due to depreciation expense over capital additions and principal retirement of \$1,402,130 thus contributing to the majority of the decrease in net position
- Net increase in General Fund balance of \$699,884 and \$162,630 in Tourism Fund balance
- Increase in depreciation expense in the current year
- Increase in Motor Vehicle taxes collection due to the North Carolina Department of Motor Vehicles implementation of a new program (Tax and Tag) and a one-time "double load" period. This resulted in an 8.01% increase in collections.

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, the Town of Matthews' fund balance available in the General Fund was \$5,528,053, while total fund balance reached \$6,772,271. The Town currently has an available fund balance of 29.80% of General Fund expenditures and transfer to other funds, while total fund balance represents 36.50% of the same amount.

At June 30, 2014, the governmental funds of the Town of Matthews reported a combined fund balance of \$7,692,033 with a net increase in fund balance of \$764,414. Included in this change in fund balance is a one-time increase in fund balance for the General Fund due to implementation of a new program by North Carolina Department of Motor Vehicles (Tax and Tag) and a one-time "double load" period. This resulted in an 8.01% increase in collections. Fund balance decreased in the Capital Improvement Program Fund by \$98,100 due to completion of projects. The Tourism Fund had an increase in fund balance of \$162,630 for approved arts and culture programs, events, and festivals, as well as other tourism and tourism-related programs and activities.

General Fund Budgetary Highlights

During fiscal year 2014, 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 3%. Actual expenditures were less than final budgetary figures by roughly 4%.

Capital Assets and Debt Administration

Capital Assets. The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2014 totals \$253,923,445 (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 – \$309,028
- Additions to Capital Project Fund – \$367,483
- Public Works equipment purchases – \$68,715

Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2014	2013
Land	\$ 227,052,345	\$ 226,772,319
Construction in progress	26,997	9,969
Buildings	28,493,158	28,413,964
Infrastructure	95,646,784	95,646,784
Equipment	3,404,912	3,219,016
Vehicles and motorized equipment	5,522,881	5,432,546
Accumulated depreciation	(106,223,632)	(102,727,168)
Total capital assets, net	<u>\$ 253,923,445</u>	<u>\$ 256,767,430</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, 2014, the Town of Matthews had total bonded debt outstanding of \$1,400,000, 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

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 1,400,000	\$ 1,810,000
Notes payable	2,845,250	3,877,105
Total	<u>\$ 4,245,250</u>	<u>\$ 5,687,105</u>

The Town of Matthews' total General Obligation Bond and notes payable debt decreased by \$1,441,855 (25%) 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 \$285,617,074.

Additional information regarding the Town of Matthews' long-term debt can be found in the notes to the basic financial statements beginning on page 38.

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 continue to be a major factor and budgetary concern for the Town. We have gradually accepted and adjusted to the new normal for the Town, area, and region as slow recovery lingers.
- Taxable building permits issued continue pointing to a strengthening economy. During Fiscal Year 2013-2014, building permits totaling \$22,012,697 were issued. This reflects a 2.08% growth over the previous year.
- Sales and use taxes have slowly increased for two consecutive years. Fiscal Year 2013-2014 showed a growth of approximately 7.0% from the prior year. 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. The North Carolina General Assembly passed SB159, which required the county to conduct an independent review using an outside firm. Due to lower property tax valuations, the Town's Board of Commissioners increased the tax rate for Fiscal Year 2013-2014 to help with the deficient so that services would remain status quo. The full extent of the independent review for the Town is not expected to be complete until late 2015/early 2016.
- 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 the Town 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 sell the road bonds. The road bonds are scheduled to be sold in October 2014.
- A joint interlocal effort between Mecklenburg County Parks and Recreation and the Town of Matthews to develop a regional sportsplex within the 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 the family entertainment district. The sports facility was dedicated in spring 2014. The Town is becoming a destination attraction with dining, shopping, entertainment, and recreational opportunities. Phase II is expected to begin construction in October 2014.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities

General Fund. The Town of Matthews approved a \$19,698,369 General Fund budget for the fiscal year ending June 30, 2015. This represents a 3.15% increase from the fiscal year ended June 30, 2014. The property tax rate remained the same at 0.3175 cent per \$100; the auto tag fees were increased from \$15 to \$25 per registered motor vehicle. The increased tax fees go to offset street and road paving and maintenance.

The adopted Fiscal Year 2015 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 2.50% 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 \$1,372,816 Tourism Fund budget for the fiscal year ending June 30, 2015. There was no fund balance appropriation used. The Tourism Fund is used to support, maintain, operate, market, and promote the performing arts centers, auditoriums, and museums. Tourism and tourism-related programs and activities help set the Town 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.



Basic Financial Statements

The Basic Financial Statements provide a summary overview of the financial position of all funds as well as the operating results of all funds. They also serve as a condensed introduction to the more detailed statements and schedules that follow.



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments	\$ 6,848,734
Taxes receivable, net	424,008
Accounts receivable, net	339,297
Due from other governments	1,153,147
Notes receivable	541,312
Prepaid items	88,311
Total current assets	<u>9,394,809</u>
Non-current assets:	
Capital assets :	
Non-depreciable	227,079,342
Depreciable, net	<u>26,844,103</u>
Total non-current assets	<u>253,923,445</u>
Total assets	<u>263,318,254</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	706,677
Current portion of compensated absences	43,537
Current portion of long-term liabilities	<u>1,222,948</u>
Total current liabilities	<u>1,973,162</u>
Non-current liabilities:	
Non-current portion of compensated absences	391,832
Non-current portion of long-term liabilities	<u>3,812,340</u>
Total non-current liabilities	<u>4,204,172</u>
Total liabilities	<u>6,177,334</u>
Net Position:	
Net investment in capital assets	251,078,195
Restricted for:	
Stabilization by State statute	1,473,182
Culture and recreation	258,133
Capital outlay	344,354
Unrestricted	<u>3,987,056</u>
Total net position	<u>\$ 257,140,920</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, 2014**

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>(Expense) and Changes in Net Position</u>
					<u>Primary Government</u>
					<u>Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General government	\$ 5,974,279	\$ 72,997	\$ -	\$ 473,388	\$ (5,427,894)
Public safety	7,617,603	304,997	177,745	125,616	(7,009,245)
Public works	2,964,931	587,099	760,750	-	(1,617,082)
Environmental protection	2,753,791	-	-	300,204	(2,453,587)
Economic and physical development	407,664	12,852	-	-	(394,812)
Culture and recreation	1,554,561	630,010	20,867	-	(903,684)
Interest on long-term debt	199,494	-	-	-	(199,494)
Total primary government	<u>\$ 21,472,323</u>	<u>\$ 1,607,955</u>	<u>\$ 959,362</u>	<u>\$ 899,208</u>	<u>(18,005,798)</u>
General Revenues:					
Taxes:					
Ad valorem taxes					11,104,878
Local options sales tax					2,351,106
Utility franchise and excise tax					1,612,584
Occupancy tax					444,973
Prepared food tax					783,929
Rental car tax					167,298
Privilege licenses					180,223
Other taxes and licenses					100,338
Investment earnings					953
Total general revenues					<u>16,746,282</u>
Change in net position					(1,259,516)
Net Position:					
Beginning of year - July 1					<u>258,400,436</u>
End of year - June 30					<u>\$ 257,140,920</u>

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

TOWN OF MATTHEWS, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 6,227,683	\$ 621,051	\$ 6,848,734
Taxes receivable, net	424,008	-	424,008
Notes receivable	541,312	-	541,312
Accounts receivable	97,907	241,390	339,297
Due from other governments	1,077,262	75,885	1,153,147
Prepaid items	88,311	-	88,311
Total assets	<u>\$ 8,456,483</u>	<u>\$ 938,326</u>	<u>\$ 9,394,809</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 671,128</u>	<u>\$ 18,564</u>	<u>\$ 689,692</u>
Total liabilities	<u>671,128</u>	<u>18,564</u>	<u>689,692</u>
Deferred Inflows of Resources:			
Unavailable taxes	424,008	-	424,008
Unavailable revenue	589,076	-	589,076
Total deferred inflows of resources	<u>1,013,084</u>	<u>-</u>	<u>1,013,084</u>
Fund Balances:			
Non-spendable:			
Prepays	88,311	-	88,311
Restricted:			
Stabilization by State statute	1,155,907	317,275	1,473,182
Culture and recreation	-	258,133	258,133
Capital outlay	-	344,354	344,354
Assigned for culture and recreation	17,769	-	17,769
Assigned for public safety	4,400	-	4,400
Assigned for environmental protection - stormwater	221,564	-	221,564
Unassigned	<u>5,284,320</u>	<u>-</u>	<u>5,284,320</u>
Total fund balances	<u>6,772,271</u>	<u>919,762</u>	<u>7,692,033</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,456,483</u>	<u>\$ 938,326</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. 253,923,445

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds. 1,013,084

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. (5,487,642)

Net position of governmental activities \$ 257,140,920

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, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 11,124,085	\$ -	\$ 11,124,085
Other taxes and licenses	4,243,168	1,397,396	5,640,564
Unrestricted intergovernmental	194,307	-	194,307
Restricted intergovernmental	1,393,854	300,204	1,694,058
Permits and fees	15,000	-	15,000
Sales and services	1,451,133	-	1,451,133
Investment earnings	953	-	953
Miscellaneous	112,027	-	112,027
Total revenues	<u>18,534,527</u>	<u>1,697,600</u>	<u>20,232,127</u>
Expenditures:			
Current:			
General government	3,260,837	53,598	3,314,435
Public safety	6,668,967	150,334	6,819,301
Public works	2,681,415	289,325	2,970,740
Environmental protection	2,417,466	336,325	2,753,791
Economic and physical development	405,926	-	405,926
Cultural and recreational	1,169,742	430,041	1,599,783
Debt service:			
Principal retirement	1,402,569	39,286	1,441,855
Interest and other charges	179,037	3,472	182,509
Total expenditures	<u>18,185,959</u>	<u>1,302,381</u>	<u>19,488,340</u>
Revenues over (under) expenditures	<u>348,568</u>	<u>395,219</u>	<u>743,787</u>
Other Financing Sources (Uses):			
Transfers (to) other funds	(367,483)	(918,172)	(1,285,655)
Transfers from other funds	698,172	587,483	1,285,655
Proceeds from sale of capital assets	20,627	-	20,627
Total other financing sources (uses)	<u>351,316</u>	<u>(330,689)</u>	<u>20,627</u>
Net change in fund balances	699,884	64,530	764,414
Fund Balances:			
Beginning of year - July 1	<u>6,072,387</u>	<u>855,232</u>	<u>6,927,619</u>
End of year - June 30	<u>\$ 6,772,271</u>	<u>\$ 919,762</u>	<u>\$ 7,692,033</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, 2014

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)	\$ 764,414
Governmental funds statements 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.	763,802
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(3,607,787)
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.	(492,708)
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.	1,441,855
Accrued interest that does not require current financial resources and is not reported as expenditures in the governmental funds statement	(16,985)
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>(112,107)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ (1,259,516)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 10,996,736	\$ 10,776,737	\$ 11,124,085	\$ 347,348
Other taxes and licenses	4,148,513	4,148,513	4,243,168	94,655
Unrestricted intergovernmental	185,387	185,387	194,307	8,920
Restricted intergovernmental	1,206,388	1,397,166	1,393,854	(3,312)
Permits and fees	15,000	15,000	15,000	-
Sales and services	1,380,736	1,381,986	1,451,133	69,147
Investment earnings	2,500	2,500	732	(1,768)
Miscellaneous	71,761	112,516	112,027	(489)
Total revenues	<u>18,007,021</u>	<u>18,019,805</u>	<u>18,534,306</u>	<u>514,501</u>
Expenditures:				
Current:				
General government	3,388,876	3,330,179	3,260,837	69,342
Public safety	6,667,031	6,812,028	6,668,967	143,061
Public works	2,876,530	2,833,294	2,681,415	151,879
Environmental protection	2,475,724	2,463,984	2,417,466	46,518
Economic and physical development	420,061	412,811	405,926	6,885
Cultural and recreation	1,077,064	1,226,964	1,169,742	57,222
Contingency	30,000	-	-	-
Debt service:				
Principal retirement	1,624,398	1,624,398	1,402,569	221,829
Interest and other charges	250,000	250,000	179,037	70,963
Total expenditures	<u>18,809,684</u>	<u>18,953,658</u>	<u>18,185,959</u>	<u>767,699</u>
Revenues over (under) expenditures	<u>(802,663)</u>	<u>(933,853)</u>	<u>348,347</u>	<u>1,282,200</u>
Other Financing Sources (Uses):				
Appropriated fund balance	463,295	463,295	-	(463,295)
Sale of capital assets	5,000	5,000	20,627	15,627
Transfers to other funds	(467,473)	(367,483)	(367,483)	-
Transfers from other funds	801,841	833,041	698,172	(134,869)
Total other financing sources (uses)	<u>802,663</u>	<u>933,853</u>	<u>351,316</u>	<u>(582,537)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>699,663</u>	<u>\$ 699,663</u>
Fund Balance:				
Beginning of year - July 1			<u>6,019,404</u>	
End of year - June 30			<u>\$ 6,719,067</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, 2014

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, 2014

The Town reports the following nonmajor governmental funds:

Tourism Special Revenue Fund. This fund is used to account for the occupancy and prepared food taxes received and expended exclusively for the 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. Revenues 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an 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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. The taxes levied are based on the assessed values as of January 1, 2013.

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 stormwater 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 is not capitalized.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 Net 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 Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category: 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 of 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, 2014

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, 2014

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 budgeted 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, 2014

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	\$ 6,772,271
Less:	
Prepays	88,311
Stabilization by State statute	<u>1,155,907</u>
Total available fund balance	<u>\$ 5,528,053</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

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:

Fund balance, ending (Exhibit F)	\$ 6,719,067
Capital Reserve Fund	
investment earnings	221
Fund balance, beginning	<u>52,983</u>
Fund balance, ending (Exhibit D)	<u>\$ 6,772,271</u>

The outstanding encumbrances represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances in the General Fund at June 30, 2014 were \$28,502.

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, 2014

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, 2014, the Town's deposits had a carrying amount of \$680,891 and a bank balance of \$890,159. Of the bank balance, \$644,354 was covered by federal depository insurance, and \$245,805 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2014, the Town had \$6,167,843 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, 2014**

Receivables – Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2014 were as follows:

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Total</u>
Governmental Activities:					
Governmental	\$ 524,008	\$ 1,153,147	\$ 339,297	\$ 541,312	\$ 2,557,764
Allowance for doubtful accounts	(100,000)	-	-	-	(100,000)
Total governmental activities	\$ 424,008	\$ 1,153,147	\$ 339,297	\$ 541,312	\$ 2,457,764

Due from other governments consisted of the following:

Local option sales tax	\$ 408,476
Other taxes and licenses	308,137
Franchise tax	375,000
Sales tax refund receivable	61,534
Total	\$ 1,153,147

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, 2014 was \$541,312.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 226,772,319	\$ 280,026	\$ -	\$ 227,052,345
Construction in progress	9,969	17,028	-	26,997
Total non-depreciable capital assets	226,782,288	297,054	-	227,079,342
Depreciable Capital Assets:				
Buildings and improvements	28,413,964	79,194	-	28,493,158
Equipment	3,219,016	198,917	(13,021)	3,404,912
Vehicles and motorized equipment	5,432,546	188,637	(98,302)	5,522,881
Infrastructure	95,646,784	-	-	95,646,784
Total depreciable capital assets	132,712,310	466,748	(111,323)	133,067,735
Less Accumulated Depreciation:				
Buildings and improvements	7,385,457	720,404	-	8,105,861
Equipment	2,115,676	276,309	(13,021)	2,378,964
Vehicles and motorized equipment	4,503,166	400,611	(98,302)	4,805,475
Infrastructure	88,722,869	2,210,463	-	90,933,332
Total accumulated depreciation	102,727,168	<u>\$ 3,607,787</u>	<u>\$ (111,323)</u>	106,223,632
Total depreciable capital assets, net	29,985,142			26,844,103
Capital assets, net	<u>\$ 256,767,430</u>			<u>\$ 253,923,445</u>

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

Governmental Activities:	
General government	\$ 2,207,083
Public safety	948,970
Public works	360,960
Economic and physical development	1,738
Culture and recreation	89,036
Total	<u>\$ 3,607,787</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	<u>Governmental Activities</u>
Capital assets	\$ 253,923,445
Long-term debt	(4,245,250)
Debt for assets not capitalized by the Town	1,400,000
Net investment in capital assets	<u>\$ 251,078,195</u>

B. Liabilities

Pension Plan Obligations

Local Government Employees' Retirement System

Plan Description. The Town contributes to the State-wide 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 7.07% and 7.28%, 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, 2014, 2013, and 2012 were \$798,819, \$760,188, and \$617,297, 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 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, 2014 were \$218,794, which consisted of \$151,959 from the Town and \$66,835 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, 2014 were \$273,322, which consisted of \$171,195 from the Town and \$102,127 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	
Active plan members	59
Total	<u>59</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, 2014

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases 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 dollar on a closed basis. The remaining amortization period at December 31, 2012 was 18 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	\$	112,688
Interest on net pension obligation		33,849
Adjustment to annual required contribution		<u>(55,155)</u>
Annual pension cost		91,382
Contributions made		<u>3,512</u>
Increase in net pension obligation		87,870
Net pension obligation:		
Beginning of year - July 1		<u>676,974</u>
End of year - June 30	\$	<u>764,844</u>

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 100,159	14.61%	\$ 590,830
2013	100,782	14.52%	676,974
2014	91,382	3.84%	764,844

Funded Status and Funding Progress. As of December 31, 2013, 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 \$1,075,211. The covered payroll (annual payroll of active employees covered by the plan) was \$3,021,501, and the ratio of the UAAL to the covered payroll was 35.59 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 25 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 healthcare coverage through private insurers. For the fiscal year ended June 30, 2014, 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. Retiree has lifetime benefits for a medical supplemental policy and Medicare will not assume coverage. 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 2014, the Town contributed \$4,435. There were no contributions by employees for the fiscal year ended June 30, 2014. 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, 2014

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 30 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		1,102
Adjustment to annual required contribution		<u>(9,540)</u>
Annual OPEB cost (expense)		2,097
Contributions made		<u>(4,435)</u>
Increase (decrease) in net OPEB obligation		(2,338)
Net OPEB obligation:		
Beginning of year - July 1		<u>27,532</u>
End of year - June 30	\$	<u><u>25,194</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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>
2014	\$ 2,097	211.49%	\$ 25,194
2013	858	571.10%	27,532
2012	840	559.52%	31,574

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, 2014

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 three 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Accounts Payable – Disaggregate Information

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 671,128	\$ -	\$ 16,985	\$ 688,113
Other governmental	18,564	-	-	18,564
Total governmental activities	<u>\$ 689,692</u>	<u>\$ -</u>	<u>\$ 16,985</u>	<u>\$ 706,677</u>

Deferred Inflows of Resources

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

	<u>Unavailable Revenues</u>
Taxes receivable (General Fund)	\$ 424,008
General billing receivables (General Fund)	33,100
Privilege license receivable (General Fund)	14,664
Note receivable (General Fund)	541,312
Total	<u>\$ 1,013,084</u>

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 of Matthews is exposed to a variety of risks for loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; torts and natural disasters. The Town will eliminate or transfer risks whenever possible. However, funds are used to purchase insurance products for group health, workers' compensation and property/casualty exposures.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

A claim is established based on information that indicates that it is probable that a case has been incurred at the date of the financial statements and the amount of the loss is a reasonable estimate. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlements trends (including frequency and amount of payouts) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

The Town of Matthews participates in three self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000. The Town carries commercial crime coverage for other financial risks. For example, the remaining employees that have access to funds are covered to a \$100,000 limit.

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, 2014, 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, 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%

	<u>\$ 1,400,000</u>
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Notes Payable

As of June 30, 2014, the Town was obligated under the following notes payable to banks used to renovate buildings and acquire equipment. The notes payable were as follows:

Issued \$727,184 December 2008 note payable requiring monthly payments of \$6,926, including principal and interest at the rate of 3.580% per annum through July 2019; secured by various equipment

	\$ 382,561
--	------------

Issued \$2,674,532 July 2012 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

	1,658,815
--	-----------

Issued \$2,332,508 December 2008 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

	96,704
--	--------

Issued \$275,000 November 2010 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 2017; secured by real estate

	137,499
--	---------

Issued \$861,246 January 2010 note payable requiring annual payments of \$113,603, including interest at the rate of 5.38% per annum through January 2020; secured by equipment

	<u>569,671</u>
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Total	<u>\$ 2,845,250</u>
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TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Year Ending June 30	General Obligation Bonds		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	106,021	11,315	106,021	11,315
2020	-	-	107,806	5,800	107,806	5,800
Total	<u>\$ 1,400,000</u>	<u>\$ 119,162</u>	<u>\$ 2,845,250</u>	<u>\$ 236,752</u>	<u>\$ 4,245,250</u>	<u>\$ 355,914</u>

At June 30, 2014, the Town of Matthews had a legal debt margin of \$285,617,074.

Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2014.

	July 1, 2013	Increases	Decreases	June 30, 2014	Current Portion
Governmental Activities:					
General obligation bonds	\$ 1,810,000	\$ -	\$ (410,000)	\$ 1,400,000	\$ 400,000
Total general obligation bonds	1,810,000	-	(410,000)	1,400,000	400,000
Notes payable	3,877,105	-	(1,031,855)	2,845,250	822,948
Compensated absences	408,794	314,660	(288,085)	435,369	43,537
OPEB liability	27,532	2,097	(4,435)	25,194	-
Net pension obligation	676,974	91,382	(3,512)	764,844	-
Governmental activity long-term liabilities	<u>\$ 6,800,405</u>	<u>\$ 408,139</u>	<u>\$(1,737,887)</u>	<u>\$ 5,470,657</u>	<u>\$ 1,266,485</u>

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

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 367,483	To offset cost of construction in progress
Tourism Fund	Capital Improvement Fund	220,000	To offset cost of construction in progress
Tourism Fund	General Fund	698,172	To offset operating costs

3. Summary Disclosure of Significant Commitments and Contingencies

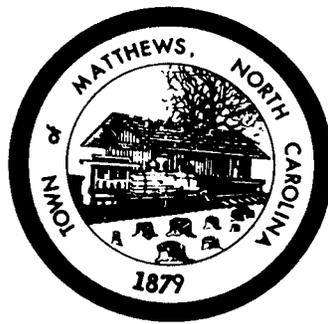
Federal and State-Assisted Programs

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.

Required Supplemental Financial Data

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

- ❖ Schedule of Funding Progress for ***Law Enforcement Officers' Special Separation Allowance***
 - ❖ Schedule of Employer Contributions for the ***Law Enforcement Officers' Special Separation Allowance***
 - ❖ Notes to the Required Schedules for the ***Law Enforcement Officers' Special Separation Allowance***
 - ❖ Schedule of Funding Progress for ***Other Post-Employment Benefits (OPEB)***
 - ❖ Schedule of Employer Contributions for the ***Other Post-Employment Benefits (OPEB)***
 - ❖ Notes to the Required Schedules for the ***Other Post-Employment Benefits (OPEB)***
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TOWN OF MATTHEWS, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
12/31/2013	-	1,075,211	1,075,211	0.00%	3,021,501	35.59%

TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
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	108,038	13.55%
2014	112,688	3.12%

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	12/31/13
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 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, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b - a) / c)
		(b)	(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

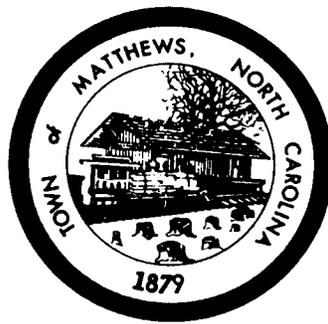
Year Ended June 30	Annual Required Contribution (ARC)		Percentage of ARC Contributed
	(ARC)	(ARC)	
2014	\$ 10,535	42.10%	
2013	10,535	46.51%	
2012	10,535	44.61%	
2011	16,734	28.05%	
2010	16,734	26.06%	

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%



Supplementary Information

Combining and Individual Fund Financial Statements

- ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund Consolidated
 - ❖ Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
 - ❖ Capital Reserve Fund – Stormwater Projects – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 - ❖ Combining Balance Sheet – Nonmajor Governmental Funds
 - ❖ Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
 - ❖ Tourism - Special Revenue Fund
 - ❖ Capital Improvement Program Fund
-



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total General Fund</u>
Revenues:			
Ad valorem taxes	\$ 11,124,085	\$ -	\$ 11,124,085
Other taxes and licenses	4,243,168	-	4,243,168
Unrestricted intergovernmental	194,307	-	194,307
Restricted intergovernmental	1,393,854	-	1,393,854
Permits and fees	15,000	-	15,000
Sales and services	1,451,133	-	1,451,133
Investment earnings	732	221	953
Miscellaneous	112,027	-	112,027
Total revenues	<u>18,534,306</u>	<u>221</u>	<u>18,534,527</u>
Expenditures:			
Current:			
General government	3,260,837	-	3,260,837
Public safety	6,668,967	-	6,668,967
Public works	2,681,415	-	2,681,415
Environmental protection	2,417,466	-	2,417,466
Economic and physical development	405,926	-	405,926
Culture and recreation	1,169,742	-	1,169,742
Debt service:			
Principal retirement	1,402,569	-	1,402,569
Interest and other charges	179,037	-	179,037
Total expenditures	<u>18,185,959</u>	<u>-</u>	<u>18,185,959</u>
Revenues over (under) expenditures	<u>348,347</u>	<u>221</u>	<u>348,568</u>
Other Financing Sources (Uses):			
Transfers (to) other funds	(367,483)	-	(367,483)
Transfers from other funds	698,172	-	698,172
Proceeds from sale of capital assets	20,627	-	20,627
Total other financing sources (uses)	<u>351,316</u>	<u>-</u>	<u>351,316</u>
Net change in fund balances	699,663	221	699,884
Fund Balances:			
Beginning of year - July 1	<u>6,019,404</u>	<u>52,983</u>	<u>6,072,387</u>
End of year - June 30	<u>\$ 6,719,067</u>	<u>\$ 53,204</u>	<u>\$ 6,772,271</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 10,734,237	\$ 11,043,203	\$ 308,966	\$ 10,458,196
Penalties and interest	42,500	80,882	38,382	47,735
Total	<u>10,776,737</u>	<u>11,124,085</u>	<u>347,348</u>	<u>10,505,931</u>
Other Taxes and Licenses:				
Local option sales tax	2,205,772	2,351,106	145,334	2,200,892
Piped natural gas excise tax	189,691	232,923	43,232	218,116
Utility franchise tax	896,575	829,795	(66,780)	864,716
Telecommunications sales tax	375,233	345,097	(30,136)	368,314
Tipping tax	20,000	19,904	(96)	13,154
Animal control license	27,500	25,370	(2,130)	25,458
Cablevision franchise fees	198,742	204,769	6,027	207,055
Rental vehicle tax	35,000	53,981	18,981	43,317
Privilege licenses	200,000	180,223	(19,777)	199,809
Total	<u>4,148,513</u>	<u>4,243,168</u>	<u>94,655</u>	<u>4,140,831</u>
Unrestricted Intergovernmental:				
Beer and wine tax	124,387	124,243	(144)	112,557
ABC profit distribution	<u>61,000</u>	<u>70,064</u>	<u>9,064</u>	<u>60,924</u>
Total	<u>185,387</u>	<u>194,307</u>	<u>8,920</u>	<u>173,481</u>
Restricted Intergovernmental:				
Powell Bill allocation	745,750	745,750	-	726,986
CMUD bond payment reimbursement	473,388	473,388	-	481,550
Police Grant - D.A.R.E.	14,432	14,432	-	14,894
In lieu of land dedication fees	-	-	-	17,769
Fire - SAFER grants	38,225	37,155	(1,070)	-
Miscellaneous grants	<u>125,371</u>	<u>123,129</u>	<u>(2,242)</u>	<u>269,081</u>
Total	<u>1,397,166</u>	<u>1,393,854</u>	<u>(3,312)</u>	<u>1,510,280</u>
Permits and Fees:				
Planning revenue	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Stormwater fees	600,000	565,258	(34,742)	590,539
Rental fees	212,000	228,795	16,795	222,916
Recreation program revenues	160,000	152,089	(7,911)	216,889
Community center revenues	150,000	255,691	105,691	229,563
Zoning ordinance sales	10,000	12,852	2,852	10,823
Rescue/EMS assistance	95,000	94,525	(475)	112,403
Police services	23,000	9,906	(13,094)	23,122
Other police contracts	131,986	131,986	-	131,075
Police agreement	-	31	31	123,714
Total	1,381,986	1,451,133	69,147	1,661,044
Investment Earnings	2,500	732	(1,768)	2,892
Miscellaneous:				
Other	112,516	112,027	(489)	148,782
Total	112,516	112,027	(489)	148,782
Total revenues	18,019,805	18,534,306	514,501	18,158,241
Expenditures:				
General Government:				
Salaries and employee benefits	18,906	18,916	(10)	18,906
Expenses allowance	39,150	34,911	4,239	34,284
Operating expenses	167,750	166,224	1,526	152,755
Total	225,806	220,051	5,755	205,945
Administration:				
Salaries and employee benefits	2,439,970	2,362,262	77,708	1,112,284
Operating expenditures	645,903	660,148	(14,245)	608,840
Capital outlay	18,500	18,376	124	14,716
Total	3,104,373	3,040,786	63,587	1,735,840
Total general government	3,330,179	3,260,837	69,342	1,941,785

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Public Safety:				
Police:				
Salaries and employee benefits	4,249,072	4,232,277	16,795	4,856,520
Operating expenditures	885,508	792,004	93,504	854,593
Capital outlay	316,605	316,417	188	285,498
Total	<u>5,451,185</u>	<u>5,340,698</u>	<u>110,487</u>	<u>5,996,611</u>
Fire:				
Salaries and employee benefits	824,961	814,094	10,867	820,756
Operating expenditures	318,175	303,508	14,667	395,458
Donation to volunteer fire departments	144,500	144,000	500	144,000
Capital outlay	-	-	-	5,729
Total	<u>1,287,636</u>	<u>1,261,602</u>	<u>26,034</u>	<u>1,365,943</u>
Animal Control:				
Salaries and employee benefits	44,435	42,625	1,810	53,466
Other operating expenses	28,772	24,042	4,730	27,187
Total	<u>73,207</u>	<u>66,667</u>	<u>6,540</u>	<u>80,653</u>
Total public safety	<u>6,812,028</u>	<u>6,668,967</u>	<u>143,061</u>	<u>7,443,207</u>
Public Works:				
Street Department:				
Salaries and employee benefits	1,303,149	1,269,003	34,146	1,459,823
Operating expenses	1,495,339	1,389,757	105,582	1,348,495
Capital outlay	34,806	22,655	12,151	212,847
Total	<u>2,833,294</u>	<u>2,681,415</u>	<u>151,879</u>	<u>3,021,165</u>
Environmental Protection:				
Sanitation:				
Contracted services	<u>1,869,800</u>	<u>1,868,892</u>	<u>908</u>	<u>1,833,625</u>
Total	<u>1,869,800</u>	<u>1,869,800</u>	<u>1,869,800</u>	<u>1,869,800</u>
StormWater:				
Salaries and employee benefits	357,809	348,109	9,700	403,148
Operating expenses	232,175	198,656	33,519	209,265
Capital outlay	4,200	1,809	2,391	59,510
Total	<u>594,184</u>	<u>548,574</u>	<u>45,610</u>	<u>671,923</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Total environmental protection	2,463,984	2,417,466	46,518	2,505,548
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	363,993	363,160	833	405,986
Operating expenses	48,818	42,766	6,052	44,573
Total	412,811	405,926	6,885	450,559
Culture and Recreation:				
Parks:				
Salaries and employee benefits	581,514	560,298	21,216	578,382
Operating expenses	627,450	595,313	32,137	684,631
Capital outlay	18,000	14,131	3,869	22,698
Total	1,226,964	1,169,742	57,222	1,285,711
Debt Service:				
Principal retirement	1,624,398	1,402,569	221,829	1,486,526
Interest and other charges	250,000	179,037	70,963	226,008
Total	1,874,398	1,581,606	292,792	1,712,534
Total expenditures	18,953,658	18,185,959	767,699	18,360,509
Revenues over (under) expenditures	(933,853)	348,347	1,282,200	(202,268)
Other Financing Sources (Uses):				
Appropriated fund balance	463,295	-	(463,295)	-
Sale of capital assets	5,000	20,627	15,627	12,434
Transfer (to) other funds	(367,483)	(367,483)	-	(1,594,083)
Transfer from other funds	833,041	698,172	(134,869)	894,940
Total other financing sources (uses):	933,853	351,316	(582,537)	(686,709)
Net change in fund balance	\$ -	699,663	\$ 699,663	(888,977)
Fund Balance:				
Beginning of year - July 1		6,019,404		6,908,381
End of year - June 30		\$ 6,719,067		\$ 6,019,404



TOWN OF MATTHEWS, NORTH CAROLINA

**CAPITAL RESERVE FUND - STORMWATER PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 221	\$ (221)
Total revenues	<u>-</u>	<u>221</u>	<u>(221)</u>
Net change in fund balance	<u>\$ -</u>	<u>221</u>	<u>\$ 221</u>
Fund Balance:			
Beginning of year - July 1		<u>52,983</u>	
End of year - June 30		<u><u>\$ 53,204</u></u>	

TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	<u>Nonmajor Special Revenue Fund</u>	<u>Nonmajor Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 258,143	\$ 362,908	\$ 621,051
Accounts receivable	-	241,390	241,390
Due from other governments	75,885	-	75,885
Total assets	<u>\$ 334,028</u>	<u>\$ 604,298</u>	<u>\$ 938,326</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 10	\$ 18,554	\$ 18,564
Total liabilities	<u>10</u>	<u>18,554</u>	<u>18,564</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	75,885	241,390	317,275
Culture and recreation	258,133	-	258,133
Capital outlay	-	344,354	344,354
Total fund balances	<u>334,018</u>	<u>585,744</u>	<u>919,762</u>
Total liabilities and fund balances	<u>\$ 334,028</u>	<u>\$ 604,298</u>	<u>\$ 938,326</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, 2014**

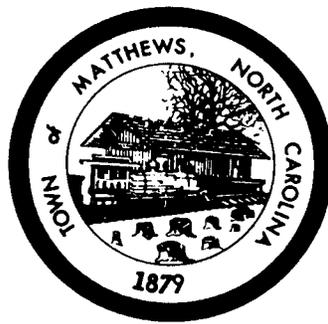
	<u>Nonmajor Special Revenue Fund</u>	<u>Nonmajor Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues:			
Other taxes and licenses	\$ 1,397,396	\$ -	\$ 1,397,396
Restricted intergovernmental	-	300,204	300,204
Total revenues	<u>1,397,396</u>	<u>300,204</u>	<u>1,697,600</u>
Expenditures:			
Culture and recreation	316,594	113,447	430,041
General government	-	53,598	53,598
Public works	-	289,325	289,325
Public safety	-	150,334	150,334
Environmental protection	-	336,325	336,325
Debt service:			
Principal	-	39,286	39,286
Interest	-	3,472	3,472
Total expenditures	<u>316,594</u>	<u>985,787</u>	<u>1,302,381</u>
Revenues over (under) expenditures	<u>1,080,802</u>	<u>(685,583)</u>	<u>395,219</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>(918,172)</u>	<u>587,483</u>	<u>(330,689)</u>
Total other financing sources (uses)	<u>(918,172)</u>	<u>587,483</u>	<u>(330,689)</u>
Net change in fund balances	162,630	(98,100)	64,530
Fund Balances:			
Beginning of year - July 1	<u>171,388</u>	<u>683,844</u>	<u>855,232</u>
End of year - June 30	<u>\$ 334,018</u>	<u>\$ 585,744</u>	<u>\$ 919,762</u>



Special Revenue Fund

A Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for specified purposes.

- ❖ ***Tourism*** – This Fund is used to account for the occupancy and prepared food taxes received and expended exclusively for the purpose of promoting the Town's activities and events.
-



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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 425,375	\$ 444,973	\$ 19,598
Prepared food tax	801,841	783,929	(17,912)
Rental car tax	128,125	167,298	39,173
Sales and services	<u>1,000</u>	<u>1,196</u>	<u>196</u>
Total revenues	<u>1,356,341</u>	<u>1,397,396</u>	<u>41,055</u>
Expenditures:			
Culture and recreation			
Tourism	<u>425,250</u>	<u>316,594</u>	<u>108,656</u>
Total expenditures	<u>425,250</u>	<u>316,594</u>	<u>108,656</u>
Revenues over (under) expenditures	<u>931,091</u>	<u>1,080,802</u>	<u>(149,711)</u>
Other Financing Sources (Uses):			
Transfer to other funds	<u>(931,091)</u>	<u>(918,172)</u>	<u>(12,919)</u>
Total other financing sources (uses)	<u>(931,091)</u>	<u>(918,172)</u>	<u>(12,919)</u>
Net change in fund balance	<u>\$ -</u>	162,630	<u>\$ (162,630)</u>
Fund Balance:			
Beginning of year - July 1		<u>171,388</u>	
End of year - June 30		<u>\$ 334,018</u>	



Capital Projects Fund

- ❖ ***Capital Improvement Program*** – This Fund is a multi-year plan used to account for funds that have been earmarked for anticipated capital projects. It addresses both repair and replacement of existing infrastructure; acquisition, construction or development of facilities; equipment purchases or upgrades, and vehicle replacements
-



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, 2014**

	<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>	
Revenues:					
Investment earnings		\$ 11,188	\$ -	\$ 11,188	
Restricted intergovernmental		2,569,722	300,204	2,869,926	
Miscellaneous		80,851	-	80,851	
Donations		2,400	-	2,400	
Total revenues	\$ 10,968,921	2,664,161	300,204	2,964,365	\$ (8,004,556)
Expenditures:					
Culture and Recreation:					
Wayfinding system		325,581	113,447	439,028	
Total culture and recreation		325,581	113,447	439,028	
Public Safety:					
Police radio system upgrade		300,589	47,273	347,862	
Volunteer fire truck		120,000	30,000	150,000	
Police Mobile CAD		266,046	73,061	339,107	
Total public safety		686,635	150,334	836,969	
Public Works:					
W. Charles Street Connector Project		163,258	-	163,258	
Buckley Way Project		9,969	17,028	26,997	
North Trade Street Project		40,192	-	40,192	
South Trade Street Project		473,527	-	473,527	
Hwy 51-Matthews-Idlewild Intersection		-	81,250	81,250	
S. Trade Street Project - GO Bonds		-	125,294	125,294	
Improvements: Hwy 51-Matthews Mint Hill Road		-	65,753	65,753	
Total public works		686,946	289,325	976,271	
Environmental Protection:					
Campus Ridge Project		152,160	336,325	488,485	
Information Systems:					
Financial software		47,084	53,598	100,682	
Debt Service:					
Principal		1,818,226	39,286	1,857,512	
Interest		79,485	3,472	82,957	
Total debt service		1,897,711	42,758	1,940,469	
Total expenditures	21,567,514	3,796,117	985,787	4,781,904	16,785,610
Revenues over (under) expenditures	(10,598,593)	(1,131,956)	(685,583)	(1,817,539)	8,781,054

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, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Other Financing Sources (Uses):					
Transfer from other funds	7,904,816	-	587,483	587,483	(7,317,333)
Long-term debt issued	2,647,277	1,622,791	-	1,622,791	(1,024,486)
Proceeds from sale of capital assets	46,500	193,009	-	193,009	146,509
Total other financing sources (uses)	<u>10,598,593</u>	<u>1,815,800</u>	<u>587,483</u>	<u>2,403,283</u>	<u>(8,195,310)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 683,844</u>	<u>(98,100)</u>	<u>\$ 585,744</u>	<u>\$ 585,744</u>
Fund Balance:					
Beginning of year - July 1			<u>683,844</u>		
End of year - June 30			<u>\$ 585,744</u>		

Additional Financial Data

This section contains additional information on property taxes:

- ❖ General Fund – Schedule of Ad Valorem Taxes Receivable
 - ❖ Analysis of Current Tax Levy
-



TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 11,503,911	\$ 11,365,307	\$ 138,604
2012-2013	191,627	-	121,441	70,186
2011-2012	63,128	-	13,625	49,503
2010-2011	95,061	-	2,407	92,654
2009-2010	42,825	-	2,080	40,745
2008-2009	38,125	-	1,527	36,598
2007-2008	41,893	-	317	41,576
2006-2007	28,464	-	586	27,878
2005-2006	15,934	-	30	15,904
2004-2005	10,360	-	-	10,360
2003-2004	15,798	-	15,798	-
Total	<u>\$ 543,215</u>	<u>\$ 11,503,911</u>	<u>\$ 11,523,118</u>	524,008
Less: Allowance for uncollectible accounts				<u>(100,000)</u>
Ad valorem taxes receivable, net				<u>\$ 424,008</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 11,124,085
Reconciling items:				
Penalties and interest collected				(80,882)
Amounts written off due to Statute of Limitations				15,798
Prior year releases and other adjustments				<u>464,117</u>
Total collections and credits				<u>\$ 11,523,118</u>

TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,163,106,142	\$ 0.3175	\$ 10,042,862	\$ 10,042,862	\$ -
Registered motor vehicles taxed at current year's rate	<u>462,169,764</u>	<u>0.3175</u>	<u>1,467,389</u>	<u>-</u>	<u>1,467,389</u>
Total	3,625,275,906		11,510,251	10,042,862	1,467,389
Discoveries:					
Prior years' taxes	40,654,803	0.3175	129,079	128,698	381
Abatement:					
	<u>(42,651,654)</u>	0.3175	<u>(135,419)</u>	<u>(126,310)</u>	<u>(9,109)</u>
Total property valuation	<u>\$ 3,623,279,055</u>				
Net Levy			11,503,911	10,045,250	1,458,661
Uncollected taxes at June 30, 2014			<u>(138,604)</u>	<u>(105,126)</u>	<u>(33,478)</u>
Current Year's Taxes Collected			<u>\$ 11,365,307</u>	<u>\$ 9,940,124</u>	<u>\$ 1,425,183</u>
Current Levy Collection Percentage			<u>98.80%</u>	<u>98.95%</u>	<u>97.70%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation:					
Assessment ratio ¹					100%
Real property				\$ 3,163,106,142	
Personal property				402,027,411	
Public service companies ²				<u>58,145,502</u>	
Total assessed valuation				3,623,279,055	
Tax rate per \$100				<u>0.3175</u>	
Levy (includes discoveries, releases and abatements) ³				<u>\$ 11,503,911</u>	

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies, and other utilities as determined by North Carolina Property Tax Commission

³ The levy includes interest and penalties.

Statistical Section

The Statistical Section includes schedules showing ten-year financial trends as extracted from current and prior year's financial reports and other supplemental information relevant to the Town. The Statistical Section reflects social and economic data, financial trends, and the fiscal capacity of the Town.



TOWN OF MATTHEWS, NORTH CAROLINA

STATISTICAL SECTION (UNAUDITED)

This part of the Town of Matthew's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the finance statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	57
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property taxes.	62
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	66
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	70
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	72



Town of Matthews, North Carolina
 Net Position By Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government										
Net investment in capital assets	\$ 276,619,246	\$ 279,681,491	\$ 262,511,988	\$ 264,648,341	\$ 261,861,998	\$ 256,498,533	\$ 253,669,319	\$ 254,103,028	\$ 252,890,325	\$ 251,078,195
Restricted	-	-	-	-	-	-	1,954,537	2,102,387	2,129,405	2,075,669
Unrestricted	5,317,891	806,782	14,792,951	8,592,662	8,881,301	9,403,033	6,864,385	4,919,787	3,380,706	3,987,056
Total primary government net position	\$ 281,937,137	\$ 280,488,273	\$ 277,304,939	\$ 273,241,003	\$ 270,743,299	\$ 265,901,566	\$ 262,488,241	\$ 261,125,202	\$ 258,400,436	\$ 257,140,920

Town of Matthews, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 6,775,329	\$ 6,625,826	\$ 6,644,807	\$ 6,864,191	\$ 6,790,343	\$ 7,039,748	\$ 5,724,666	\$ 6,058,474	\$ 4,886,735	\$ 5,974,279
Public safety	5,342,724	6,263,505	6,646,928	7,221,272	8,175,344	7,620,881	7,687,273	8,342,632	8,267,422	7,617,603
Public works	2,450,443	2,609,510	1,566,573	3,340,233	3,121,238	3,697,289	2,824,717	3,201,853	3,345,621	2,964,931
Environmental protection	1,628,580	1,890,068	2,016,101	2,131,562	2,376,802	2,287,916	2,426,342	2,393,995	2,657,708	2,753,791
Economic and physical development	388,296	419,433	408,458	529,283	473,900	557,786	429,238	468,470	459,159	407,664
Culture and recreation	794,203	946,996	2,547,098	1,276,386	1,196,978	1,877,984	2,662,820	1,546,301	2,434,493	1,554,561
Unallocated depreciation expense	-	-	-	-	-	-	-	-	-	-
Interest on long term debt	878,086	660,906	619,269	544,632	647,687	369,276	347,316	290,933	230,229	199,494
Total primary government expenses	18,255,661	19,406,244	20,449,234	21,907,559	22,782,292	23,450,880	22,102,372	22,302,658	22,281,367	21,472,323
Program Revenues										
Governmental activities:										
Charges for services:										
General government	459,313	461,468	-	50,336	94,455	51,256	147,817	95,080	110,548	72,997
Public safety	86,628	120,015	325,893	245,145	561,619	262,123	280,464	442,380	455,113	304,997
Public works	485,875	511,389	579,683	424,249	657,850	588,411	600,363	614,991	613,092	587,099
Economic and physical development	25,539	23,864	1,675	15,531	12,561	8,908	10,960	13,106	10,823	12,852
Culture and recreation	241,870	303,100	595,730	683,272	615,038	648,934	550,354	726,927	660,049	630,010
Operating grants and contributions:										
General government	9,000	9,000	-	4,747	1,000	-	2,500	21,447	17,769	-
Public safety	183,234	166,759	12,426	144,107	151,945	95,811	141,576	140,668	128,576	177,745
Public works	720,418	728,654	727,130	843,663	785,619	1,277,582	734,541	789,082	741,986	760,750
Economic and physical development	25,000	25,000	-	-	-	-	-	-	-	-
Culture and recreation	-	-	22,113	10,000	30,000	20,000	20,000	1,300,734	20,000	20,867
Interest on long-term debt	658,975	636,625	-	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	1,993,240	1,568,015	617,025	497,237	566,375	545,375	522,475	499,875	481,550	473,388
Cultural and recreation	236,206	217,820	-	-	-	-	176,131	270,403	184,250	125,616
Environmental protection	-	-	-	-	-	-	-	-	88,184	300,204
Public works	-	-	85,000	9,317	1,948,541	-	5,307	-	-	-
Public safety	-	-	-	-	-	1,515	208,884	28,624	84,831	-
Total governmental activities program revenues	5,125,298	4,771,709	2,966,675	2,927,604	5,425,003	3,499,915	3,401,372	4,943,317	3,596,771	3,466,525
Net (expense)/revenue	(13,130,363)	(14,634,535)	(17,482,559)	(18,979,955)	(17,357,289)	(19,950,965)	(18,701,000)	(17,359,341)	(18,684,596)	(18,005,798)
Total governmental activities net (expense)/revenue										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	7,636,559	8,186,383	8,542,509	9,093,839	10,014,657	10,367,847	10,407,387	10,737,237	10,558,073	11,104,878
Local option sales tax	-	-	2,237,330	2,487,413	1,695,401	1,889,903	1,987,038	2,223,793	2,200,892	2,351,106
Utility franchise and excise tax	-	-	-	1,565,435	1,986,645	1,660,154	1,663,936	1,647,936	1,658,201	1,612,584
Other taxes and licenses	1,002,510	1,044,201	1,407,414	1,357,727	1,266,109	1,162,070	1,214,920	1,381,967	1,539,463	1,676,761
Unrestricted intergovernmental revenues	-	-	1,415,445	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	3,082,783	3,637,353	-	-	-	-	-	-	-	-
Unrestricted investment earnings	235,220	220,660	484,637	411,605	120,698	29,258	14,394	5,369	3,201	953

**Town of Matthews, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Miscellaneous	-	97,074	211,890	-	-	-	-	-	-	-
Loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues	11,977,188	13,185,671	14,299,225	14,916,019	15,083,510	15,109,232	15,287,675	15,996,302	15,959,830	16,746,282
Change in Net Position										
Governmental activities	(1,153,175)	(1,448,864)	(3,183,334)	(4,063,936)	(2,273,779)	(4,841,733)	(3,413,325)	(1,363,039)	(2,724,766)	(1,259,516)
Net position - beginning	283,090,312	281,937,137	280,488,273	277,304,939	273,241,003	270,743,299	265,901,566	262,488,241	261,125,202	258,400,436
Prior period adjustment	-	-	-	-	(223,925)	-	-	-	-	-
Net position - ending	\$ 281,937,137	\$ 280,488,273	\$ 277,304,939	\$ 273,241,003	\$ 270,743,299	\$ 265,901,566	\$ 262,488,241	\$ 261,125,202	\$ 258,400,436	\$ 257,140,920

Town of Matthews, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-spendable:										
Public works	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tourism	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Encumbrances	-	52,298	71,908	107,803	18,397	29,739	117,183	89,509	47,581	88,311
Prepays	-	-	15,000	-	-	-	-	-	-	-
Stormwater - appropriated	172,358	37,000	-	-	-	-	-	-	-	-
Stormwater - unappropriated	275,978	159,933	-	-	-	-	-	-	-	-
Stabilization by State Statute	606,287	725,471	833,747	899,183	915,136	1,375,612	1,768,485	2,038,137	1,274,173	1,155,907
Streets - Powell Bill - appropriated	-	-	-	-	-	-	-	-	-	-
Streets - Powell Bill - unappropriated	-	-	-	-	-	-	-	-	-	-
Total Non-spendable	1,114,623	974,702	920,655	1,006,986	933,533	1,405,351	1,885,668	2,127,646	1,321,754	1,244,218
Unassigned:										
Designated for subsequent year's expenditures	139,234	190,146	-	-	-	-	439,259	124,125	221,342	221,564
Environmental protection	-	-	-	-	-	-	-	-	14,743	17,769
Culture and recreation	-	-	-	-	-	-	-	-	5,000	4,400
Public safety	-	-	-	-	-	-	-	-	-	-
Unassigned	7,430,219	3,378,208	7,697,243	6,421,920	6,354,516	6,275,337	6,256,757	4,780,735	4,509,548	5,284,320
Total General Fund	\$ 8,684,076	\$ 4,543,056	\$ 8,617,898	\$ 7,428,906	\$ 7,288,049	\$ 7,680,688	\$ 8,581,684	\$ 7,032,506	\$ 6,072,387	\$ 6,772,271
All Other Governmental Funds										
Reserved for:										
Tourism	\$ 298,173	\$ 458,058	\$ 705,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm water	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	1,615,240	2,238,072	2,902,096	1,886,531	2,100,789	122,366	258,133
State Statute	22,893	43,430	28,043	42,683	30,335	95,046	186,052	64,250	137,206	317,275
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated for subsequent year's expenditures:										
Capital projects	1,834,855	886,199	1,284,797	28,623	25,086	(391,787)	(812,805)	(961,263)	595,660	344,354
Total all other governmental funds	\$ 2,155,921	\$ 1,387,687	\$ 2,017,881	\$ 1,686,546	\$ 2,293,493	\$ 2,605,355	\$ 1,259,778	\$ 1,203,776	\$ 855,232	\$ 919,762

Town of Matthews, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$ 7,698,073	\$ 8,239,209	\$ 8,584,246	\$ 9,065,438	\$ 9,996,417	\$ 10,317,990	\$ 10,387,932	\$ 10,723,296	\$ 10,549,248	\$ 11,124,085
Other taxes and licenses	1,151,078	1,220,819	3,644,744	5,410,575	4,948,155	4,701,712	4,862,628	5,249,384	5,368,672	5,640,564
Unrestricted intergovernmental	3,083,903	3,637,353	1,415,445	166,412	207,977	93,472	183,995	176,420	173,481	194,307
Restricted intergovernmental	2,083,590	2,096,540	1,463,694	1,456,790	1,374,161	1,809,707	1,638,210	2,811,646	1,598,464	1,694,058
Permits and fees	25,000	25,000	25,000	-	-	20,000	15,000	15,000	15,000	15,000
Sales and services	813,638	859,423	1,477,981	1,332,389	1,487,387	1,495,590	1,381,518	1,738,614	1,661,044	1,451,133
Unrestricted investment earnings	235,220	220,660	456,481	411,605	120,698	29,258	14,394	5,369	3,201	953
Miscellaneous	38,817	94,027	211,890	62,401	407,446	81,146	182,650	201,637	148,782	112,027
Total revenues	15,129,319	16,393,031	17,279,481	17,905,610	18,542,241	18,548,875	18,666,327	20,921,366	19,517,892	20,232,127
Expenditures										
General government	1,219,375	1,219,626	1,353,264	1,621,076	1,628,588	1,841,775	2,000,166	2,206,358	1,971,785	3,314,435
Public safety	5,175,966	6,082,993	6,666,572	7,196,965	6,985,296	7,077,616	7,920,797	7,916,773	7,784,385	6,819,301
Public works	2,291,389	2,960,024	2,885,327	3,714,121	3,183,643	3,773,534	2,582,977	3,087,343	3,065,216	2,970,740
Environmental protection	1,641,674	2,052,783	2,016,101	2,131,562	2,376,802	2,287,916	2,426,342	2,393,995	2,657,708	2,753,791
Economic and physical development	385,263	409,860	402,341	519,465	543,151	540,426	413,921	457,534	450,559	405,926
Culture and recreation	657,598	6,164,219	2,661,894	2,241,339	1,214,223	1,927,493	3,060,755	3,006,010	3,153,295	1,599,783
Debt service:										
Principal	1,795,204	1,752,196	3,080,497	1,501,151	8,964,465	1,682,352	1,697,813	3,251,250	1,525,812	1,441,855
Interest	726,125	660,584	619,269	544,632	647,687	369,276	347,315	290,933	230,229	182,509
Construction in progress	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	13,892,594	21,302,285	19,685,265	19,470,311	25,543,855	19,500,388	20,450,086	22,610,196	20,838,989	19,488,340
Excess of revenues over (under) expenditures	1,236,725	(4,909,254)	(2,405,784)	(1,564,701)	(7,001,614)	(951,513)	(1,783,759)	(1,688,830)	(1,321,097)	743,787
Other Financing Sources (Uses)										
Debt issued, note payable	-	-	2,071,000	-	-	-	-	-	-	-
Debt issued, refunding bonds	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	5,039,820	44,374	7,673,204	251,282	5,364	25,224	12,434	20,627
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	7,110,820	44,374	7,673,204	251,282	5,364	25,224	12,434	20,627
Net change in fund balances	\$ 1,236,725	\$ (4,909,254)	\$ 4,705,036	\$ (1,520,327)	\$ 671,590	\$ (700,231)	\$ (1,778,395)	\$ (1,663,606)	\$ (1,308,663)	\$ 764,414
Debt services as a percentage of non-capital expenditures	<u>18.1%</u>	<u>11.3%</u>	<u>21.0%</u>	<u>11.9%</u>	<u>41.3%</u>	<u>11.9%</u>	<u>11.2%</u>	<u>17.4%</u>	<u>9.2%</u>	<u>8.7%</u>

Town of Matthews, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Calendar Year Ended December 31	Real Property	Personal Property	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate
2005	\$ 2,179,101,470	\$ 371,057,627	\$ 44,313,296	\$ 2,594,472,393	0.3075
2006	2,246,838,340	382,616,174	44,313,296	2,673,767,810	0.3075
2007	2,404,749,326	433,590,128	81,127,418	2,919,466,872	0.3075
2008	2,623,673,106	288,189,269	51,681,690	2,963,544,065	0.3075
2009	2,652,308,962	293,588,873	52,876,218	2,998,774,053	0.3325
2010	2,769,940,150	318,285,113	52,876,218	3,141,101,481	0.3325
2011	2,806,610,526	313,763,609	47,946,669	3,168,320,804	0.3325
2012	3,231,592,066	353,519,669	60,470,721	3,645,582,456	0.3025
2013	3,152,285,289	353,834,050	61,915,728	3,568,035,067	0.3025
2014	3,163,106,142	402,027,411	58,145,502	3,623,279,055	0.3175

Town of Matthews, North Carolina
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Town of Matthews		Mecklenburg		Total
	Operating Rate	Total Direct Rate	County Rate	County	
2005	\$ 0.3075	\$ 0.3075	\$ 0.7567	\$ 0.7567	\$ 1.0642
2006	0.3075	0.3075	0.8638	0.8638	1.1713
2007	0.0375	0.0375	0.8387	0.8387	0.8762
2008	0.3075	0.3075	0.8387	0.8387	1.1462
2009	0.3325	0.3325	0.8387	0.8387	1.1712
2010	0.3325	0.3325	0.8387	0.8387	1.1712
2011	0.3325	0.3325	0.8387	0.8387	1.1712
2012	0.3025	0.3025	0.8166	0.8166	1.1191
2013	0.3025	0.3025	0.7922	0.7922	1.0947
2014	0.3175	0.3175	0.8157	0.8157	1.1332

Source: Tax Association for respective entities
Rate per \$100.00 of assessed valuation

**Town of Matthews
Principal Property Taxpayers
Current Year and Ten Years Ago**

	Fiscal Year 2014				Fiscal Year 2005			
	Type of Business	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Value
SC Windsor Associates, LP	Retail/shopping center	\$ 66,370,700	1	2.09%	\$ 38,164,800	3	1.47%	
Family Dollar, Inc	Corporate headquarters	52,524,885	2	1.66%	39,625,909	1	1.50%	
IA Matthews Sycamore Commons, LLC	Retail/shopping center	39,197,500	3	1.24%	-	-	-	
Adult Communities Total Services, Inc.	Retirement village	36,046,000	4	1.14%	37,814,700	4	1.46%	
Duke Energy Corp	Utilities	25,629,270	5	0.81%	-	-	-	
HEP Investment Company, LLC	Retail/shopping center	18,521,100	6	0.58%	-	-	-	
Windstream (formally Altel Carolina)	Communication headquarters	18,721,421	7	0.59%	17,320,846	8	0.67%	
Costco Wholesale Corp	Membership warehouse club	18,446,472	8	0.51%	-	-	-	
Fairfield Paces Commons, LLC	Apartment complex	18,082,342	9	0.57%	16,749,300	9	0.65%	
WMCI Charlotte VIII, LLC	Retail/shopping center	17,708,900	10	0.56%	-	-	-	
Novant Health, Inc.	Health care	-	-	-	38,829,800	2	1.50%	
CIP Inc - (formally PCA National, Inc.)	Corporate headquarters	-	-	-	27,482,862	5	1.06%	
Martin Marietta	Aggregate complex	14,447,032	-	-	22,780,122	6	0.88%	
Rexham Corp	Corporate headquarters	-	-	-	22,819,706	7	0.88%	
Vinnings Creek, LLC	Apartment complex	-	-	-	15,268,900	10	0.59%	
		<u>\$ 325,695,622</u>		9.75%	<u>\$ 276,856,945</u>		10.66%	
Totals		<u>\$ 585,020,544</u>		9.7%	<u>\$ 515,549,090</u>		19.9%	

Sources: Mecklenburg County Office of the Tax Collector
N.C. Department of Revenue, Property Tax Division, Public Utilities

Town of Matthews, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31	Total Levy for Fiscal Year (Original Year)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	\$ 7,965,121	\$ 7,851,929	98.58%	\$ 118,555	\$ 7,851,929	98.58%
2006	8,226,868	8,072,994	98.13%	157,540	8,072,994	98.13%
2007	8,619,553	8,459,957	98.15%	121,813	8,459,957	98.15%
2008	9,112,898	8,920,159	97.88%	147,487	8,920,159	97.88%
2009	9,970,924	9,740,361	97.69%	193,693	9,740,361	97.69%
2010	10,249,648	10,024,741	97.81%	175,050	10,024,741	97.81%
2011	10,398,332	10,174,665	97.85%	204,212	10,174,665	97.85%
2012	10,657,838	10,463,066	98.17%	180,830	10,463,066	98.17%
2013	10,645,625	10,453,998	98.20%	197,805	10,453,998	98.20%
2014	11,503,911	11,365,307	98.80%	157,811	11,365,307	98.80%

Town of Matthews, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Property Value of	Per Capita (1)	Percentage of Personal Income
		(2)		
2005	\$ 5,315,000	0.20%	\$ 214	0.78%
2006	4,835,000	0.18%	190	-
2007	4,365,000	0.15%	164	-
2008	3,915,000	0.13%	139	0.51%
2009	3,475,000	0.12%	121	0.38%
2010	3,045,000	0.10%	104	0.31%
2011	2,625,000	0.08%	96	0.33%
2012	2,215,000	0.06%	81	0.24%
2013	1,810,000	0.05%	64	0.19%
2014	1,400,000	0.04%	48	0.14%

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See Table of Demographic and Economic Statistics for personal income and population data.

Town of Matthews, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total Primary Government	Per Capita	Percentage of Per Capita Income
	General Obligation Bonds	Notes Payable				
2005	\$ 5,315,000	\$ 10,757,559	\$	\$ 16,072,559	646	2.60%
2006	4,835,000	9,434,268		14,269,268	561	2.25%
2007	4,365,000	8,894,771		13,259,771	499	2.01%
2008	3,915,000	7,843,619		11,758,619	419	1.68%
2009	3,475,000	7,719,542		11,194,542	391	1.57%
2010	3,045,000	7,817,422		10,862,422	372	1.49%
2011	2,625,000	7,780,741		10,405,741	381	1.53%
2012	2,215,000	4,997,917		7,212,917	264	1.06%
2013	1,810,000	3,877,105		5,687,105	200	0.80%
2014	1,400,000	2,845,250		4,245,250	144	0.58%

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Town of Matthews, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<i>Towns:</i> Matthews (1)	\$ 4,245,250	100.00%	\$ 4,245,250
<i>Counties:</i> Mecklenburg County (2)	<u>1,830,237,099</u>	2.93%	<u>53,625,947</u>
Total direct and overlapping debt	<u>\$ 1,834,482,349</u>		<u>\$ 57,871,197</u>

Sources:
(1) Audited annual financial reports
(2) Mecklenburg County Finance Department

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Name of Government. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Town of Matthews, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Value of Property	\$ 2,594,502,401	\$ 2,673,767,810	\$ 2,803,106,667	\$ 2,963,544,064	\$ 2,998,774,053	\$ 3,082,600,902	\$ 3,127,317,895	\$ 3,523,252,231	\$ 3,519,214,876	\$ 3,623,279,055
Debt Limit, 8% of Assessed value (Statutory Limitation)	207,560,192	213,901,425	224,248,533	237,083,525	239,901,924	246,608,072	250,185,432	281,860,178	281,537,190	289,862,324
Debt applicable to debt limitations:										
Total bonded debt	5,315,000	4,835,000	4,365,000	3,915,000	3,475,000	3,045,000	2,625,000	2,215,000	1,810,000	1,400,000
Debt not evidenced by bonds	10,757,559	9,434,268	8,894,771	7,843,619	7,719,542	7,817,422	7,780,741	4,997,917	3,877,105	2,845,250
Statutory Deductions	5,315,000	4,835,000	4,365,000	3,915,000	3,475,000	3,045,000	2,625,000	2,215,000	1,810,000	1,400,000
Total debt applicable to limitations	10,757,559	9,434,268	8,894,771	7,843,619	7,719,542	7,817,422	7,780,741	4,997,917	3,877,105	2,845,250
Legal debt limit	191,487,633	199,632,157	210,988,762	225,324,906	228,707,382	235,745,650	239,779,691	274,647,261	275,850,085	285,617,074
Total net debt applicable to the limit as a percentage of debt limit	<u>5.18%</u>	<u>4.41%</u>	<u>3.97%</u>	<u>3.31%</u>	<u>3.22%</u>	<u>3.17%</u>	<u>3.11%</u>	<u>1.77%</u>	<u>1.38%</u>	<u>0.98%</u>

Note: NC Statute G.S. 159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the Town's net debt outstanding applicable to the limit and represents the Town's legal borrowing authority.

Town of Matthews, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Total Personal Income	Per Capita Personal Income	Public School Enrollment	Unemployment Rate	Town Median Family Income	Median Age
2005	24,879	\$ 49,562,395	\$ 27,471	6,581	5.00%	\$ 75,791	-
2006	25,437	53,145,420	-	6,295	4.10%	-	-
2007	26,554	57,214,443	-	6,380	3.50%	81,841	-
2008	28,072	62,571,847	27,546	6,307	4.70%	67,034	-
2009	28,634	66,217,625	31,881	6,175	7.70%	74,073	35.1
2010	29,209	67,712,169	33,391	6,144	7.80%	75,588	36.4
2011	27,326	-	28,972	6,061	7.70%	67,796	35.7
2012	27,326	-	34,235	5,765	8.10%	70,742	35.9
2013	28,403	-	33,728	4,900	6.00%	68,608	38.4
2014	29,464	-	33,309	5,948	5.40%	68,608	40.3

Note: Data provided by the North Carolina Office of State Planning; Centralina Council of Government; U.S. Census Bureau; Charlotte-Mecklenburg School System website; Employment Security Commission; City-Data.com; and Bureau of Economic Analysis: Regional Economic Accounts Local Area Personal Income www.bea.gov

**Town of Matthews, North Carolina
Principal Employers
Current Year and Ten Years Ago**

	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Family Dollar Stores	2265	1	47.01%	900	1	22.11%
Novant Health (Presbyterian Hospital)	1315	2	27.29%	655	3	16.09%
Plantation Estates	275	3	5.71%	295	6	7.25%
Home Depot	194	4	4.03%	180	7	4.42%
Sam's Club	180	5	3.74%	160	8	3.93%
Lowe's	150	6	3.11%	136	9	3.34%
Town of Matthews	141	7	2.93%	126	10	3.10%
Harris Teeter	130	8	2.70%	680	2	16.71%
Stronghaven Container, Inc	93	9	1.93%	-	-	-
Costco Wholesale, Inc.	75	10	1.56%	-	-	-
PCA	-	-	-	638	4	15.68%
Conbraco	-	-	-	300	5	7.37%

Note: Total employment was not available for municipality only.

Town of Matthews, North Carolina
Full-Time Equivalent City Government Employees By Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	10	10	11	11	11	11	11	11	11	11
Public safety	69	74	77	81	81	81	81	81	78	87
Public works	38	37	38	33	31	31	29	29	31	31
Economic and physical development	5	6	6	6	6	6	5	5	6	6
Culture and recreation	4	6	7	7	7	7	7	7	8	8
Total	126	133	139	138	136	136	133	133	134	143

Note: This schedule represents number of persons employed as of March 31 of each year. Vacant positions are included in the above numbers. Full-time personnel work 2,080 hours per year (less vacation and sick leave).

Source: Town Finance Department

Town of Matthews, North Carolina
Operating Indicators By Function
Last Ten Fiscal Years

Functional Area	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Tax collection rate	98.58%	98.13%	98.15%	98.15%	97.69%	97.81%	97.85%	98.17%	98.20%	98.80%
Culture and Recreation										
Attendance at all events/programs/classes	-	-	110,214	110,810	143,147	149,530	149,661	152,864	190,618	459,366*
Total of events/programs/classes	-	-	-	-	-	-	-	-	478	448
Circulation of library materials - Matthews branch	62,000	409,388	496,298	540,717	588,765	-	-	-	-	-
Children's program attendance	-	-	21,987	20,921	22,596	-	-	-	-	-
Public Safety										
Calls for service	-	-	27,175	33,144	31,301	33,275	31,396	39,379	22,324	30,930
Arrests	1,141	1,112	1,239	1,220	747	819	804	1,538	1,335	1,708
Citations issued	5,770	10,693	13,297	13,954	6,834	7,951	4,713	5,662	3,891	4,259
Fire and other non-medical runs	-	-	-	-	-	-	-	-	911	1,350
EMS calls	1,640	1,700	1,867	1,844	1,957	1,867	1,867	1,343	1,775	1,529
EMS response time	4.3 min	4.0 min	4.75 min	5.04 min	5.35 min	4.07 min	4.07 min	5.38 min	5.11 min	5.48 min
Proactive Community safety visits	-	-	-	-	-	-	-	-	380	106
Public Works										
Miles of streets/sidewalks	88.65	89.78	93.65	94.09	95.14	95.97	95.97	97.66	97.79	97.79
Town-maintained	Over 63	Over 63	Over 64	Over 66	Over 66	Over 66	Over 66	Over 66	Over 68	Over 68
Sidewalks										
Economic and Physical Development										
Building permit activity	-	-	538	471	295	238	341	315	444	357
Total taxable permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$8,683,304	\$11,551,888	\$17,491,633	\$21,565,301	\$22,012,697

Notes: Additional functions to track were added in 2007 and again in 2012.
Some Public Safety numbers are reported for a nine month period.
Library is operated by Mecklenburg County - effective 2010, data no longer available for local branch.

Sources: Annual reports from various departments of the Town
* Data from January 2014 - June 2014

**Town of Matthews, North Carolina
Capital Asset Statistics By Function
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Parks and Recreation										
Community/art centers	1	1	1	1	1	1	1	1	1	2
Park facility	5	5	5	5	5	6	6	7	8	8
Park acreage	39	39	39	44	44	44	44	45	45.5	45.5
Recreation center	-	1	1	1	1	1	1	1	1	1
Greenway	-	-	-	-	-	-	-	-	-	-
Libraries	1	1	1	1	1	1	1	1	1	1
Fire Protection										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteer fire/EMS	-	24	20	23	71	65	75	65	69	62
*Paid personnel	-	6	6	9	9	9	9	9	9	16
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn officers	54	54	55	57	57	59	59	63	63	62
Civilians - full-time	12	12	17	14	14	12	12	10	11	8
Civilians - part-time	-	-	-	13	13	10	10	13	14	11
Patrol vehicles - marked	43	48	46	49	49	49	51	53	53	53
Patrol vehicles - unmarked	12	12	16	15	17	17	18	15	18	18
Public Works										
Town-maintained streets	88.65	89.78	93.65	94.09	95.14	95.97	95.97	97.66	97.79	97.79
Sidewalks	Over 63	Over 63	Over 64	Over 66	Over 68	Over 68				

Sources: Asset records for departments of the Town

Compliance Section

- ❖ Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*
 - ❖ 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
 - ❖ Schedule of Findings, Responses, And Questioned Costs
 - ❖ Summary Schedule Of Prior Year's Audit Findings
 - ❖ Schedule of Expenditures Of Federal And State Awards
-



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
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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Matthews' basic financial statements, and have issued our report thereon dated October 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 a certain deficiency in internal control that we consider to be a material weakness.

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, 2014-001 described in the accompanying Schedule of Findings, Responses, and Questioned Costs, to be a material weakness.

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 Standards*.

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
October 20, 2014

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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
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, 2014. The Town of Matthews' major State program is 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 its major State program for the year ended June 30, 2014.

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
October 20, 2014

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's 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 None reported

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 None reported

Type of auditor's 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, 2014

Section II. Financial Statements Findings

Finding 2014-001

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, 2014

Finding 2013-001

Status: Repeated as Finding 2014-001

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<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>
Federal Programs:				
U.S. Department of Transportation:				
Passed-Through the North Carolina Department of Transportation:				
Highway Planning and Construction Grant	20.205	U-4713B	\$ 300,204	\$ -
U.S. Department of Homeland Security:				
Staffing for Adequate Fire and Emergency Response (SAFER) - Hiring				
	97.083		25,274	-
Staffing for Adequate Fire and Emergency Response (SAFER) - Recruitment				
	97.083		<u>11,881</u>	<u>-</u>
Total Federal expenditures			<u>337,359</u>	<u>-</u>
State Programs:				
N.C. Department of Transportation:				
Powell Bill		DOT-4	<u>-</u>	<u>745,750</u>
Total State expenditures			<u>\$ 337,359</u>	<u>\$ 745,750</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.