



Town of
MatthewsTM
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2009

**Town of Matthews
North Carolina**

**Comprehensive Annual
Financial Report**

**For the Fiscal Year
Ended June 30, 2009**

Prepared By
Department of Finance



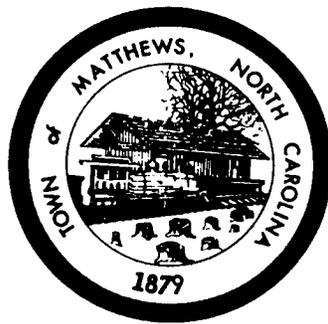
**TOWN OF MATTHEWS
NORTH CAROLINA**

**List of Principal Elected Officials
Year Ended June 30, 2009**

R. Lee Myers, *Mayor*

James P. Taylor, *Mayor Pro Tem*

**Bill Dixon
Suzanne Gulley
Nancy LaFond
Jeff Miller
W. Kress Query**



TOWN OF MATTHEWS, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i-vii
2008 GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
Appointed and Administrative Positions	ix
Boards and Committees	x
Area Map	xi
History and Description of the Town of Matthews	xii-xiii
Responsibilities of the Town of Matthews	xix-xv
Organizational Chart	xvi-xix
Financial Section	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Government-Wide Financial Statements:	
A Statement of Net Assets	13
B Statement of Activities	14
Fund Financial Statements:	
C Balance Sheet - Governmental Funds	15
D Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
E Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17

TOWN OF MATTHEWS, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
F	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	18
	Notes to the Financial Statements	19-39
<u>Schedule</u>		
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	40
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	41
A-3	Other Post-Employment Benefits - Required Supplementary Information	42
	Supplementary Information:	
	General Fund:	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	43-47
	Nonmajor Governmental Funds:	
2	Combining Balance Sheet	48
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	49
	Special Revenue Funds:	
4	Nonmajor Special Revenue Funds Combining Balance Sheet	50
5	Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	51
6	Special Revenue Fund - Tourism Fund	52

TOWN OF MATTHEWS, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
7	Capital Reserve Fund - Recreation and Stormwater Projects - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	53
	Capital Projects Funds:	
8	Capital Project Fund - Capital Improvement Program - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	54-55
	Additional Financial Data:	
9	General Fund - Schedule of Ad Valorem Taxes Receivable	56
10	Analysis of Current Tax Levy	57
	Statistical Section:	
	Government-wide Information:	
	Net Assets by Component	58
	Changes in Net Assets	59-60
	Fund Information:	
	Fund Balances of Government Funds (Modified Accrual)	61
	Changes in Fund Balances of Governmental Funds (Modified Accrual)	62
	Assessed Value and Estimated Actual Value of Taxable Property	63
	Direct and Overlapping Property Tax Rates	64
	Principal Property Taxpayers	65
	Property Tax Levies and Collections	66
	Ratios of General Bonded Debt Outstanding	67

TOWN OF MATTHEWS, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Statistical Section (continued):	
Ratios of Outstanding Debt by Type	68
Direct and Overlapping Governmental Activities Debt	69
Legal Debt Margin Information	70
Demographic and Economic Statistics	71
Principal Employers	72
Full-Time Equivalent City Government Employees by Function	73
Operating Indications by Function	74
Capital Asset Statistics by Function	75
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	76-77
Report On Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	78-79
Schedule of Findings, Responses, and Questioned Costs	80-82
Summary Schedule of Prior Year Audit Findings	83
Schedule of Expenditures of Federal and State Awards	84

Introductory Section

- Certificate of Achievement for Excellence in Financial Reporting
 - Appointed and Administrative Positions
 - Boards and Committees
 - Area Map
 - History and Description of the Town of Matthews
 - Responsibilities of Town Government
 - Organizational Chart
-



November 19, 2009

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

It is with pleasure that we present to you the 2009 Comprehensive Annual Financial Report (CAFR) of the Town of Matthews, North Carolina for the fiscal year ended June 30, 2009. 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, 2009, 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 a population of 28,634. 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

Since 1980 the Town of Matthews has experienced phenomenal growth from a village of 1,648 to a population of over 28,000. Though much of the growth was due to annexation, a significant portion is also attributable to the increased residential development that has occurred within the Town limits. In June 2003, Matthews town limits reached their ultimate expansion, so no further annexation will occur. 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 Matthews economy in prior years, the Town has been able to sustain 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. The Town has approved the construction of a 200-acre Auto Mall with mixed uses. Twelve to fifteen auto dealers will be built within the complex. 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. The construction of Interstate 485 has enhanced connectivity of Matthews' businesses to other development in the region.

In 1994, Presbyterian Hospital, located in Charlotte, NC, opened a new facility in Matthews. Presbyterian Hospital Matthews provides a full range of medical services from outpatient radiology and laboratory test to emergency surgery and maternity services. They have expanded the campus to incorporate state of the art equipment and facilities that include an Accredited Chest Pain Center, expanded emergency room services, and a Special Care Nursery for premature infants. Presbyterian Hospital Matthews has also been honored as a 5-star customer service hospital. They currently employ approximately 800 people.

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 15,000 students. In 2006, the college dedicated and opened a new automotive technology center that bears the name of Joe Hendrick. This center was made possible by a \$1,000,000 gift from Rick Hendrick of Hendrick Motorsports.

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 kindergarten to high school. Matthews also hosts regional campuses of Central Piedmont Community College and Wingate University.

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 growth in the Town and the region continues, residential development should keep pace with nonresidential and service/employment uses through new subdivisions and infill development. Zoning regulations designed to allow varied housing types and styles at higher densities are being utilized. Town homes and cottage homes have been approved and built on multiple sites in the downtown. Bella Sera and The Polo club are two residential communities with 210 duplex and four-plex homes between them. They, along with the Village at St. Andrews, another 114 duplex and four-plex unit development, have been constructed and are promoted to empty nesters. Silver Oaks is another development that received zoning approval for a combination of 38 single-family detached houses and 94 town homes. In September 2008 Plantation Village was approved for 300 units. This retirement facility will be an expansion of their current facility, Plantation Estates. Located close to downtown, this upscale retirement community will provide additional housing options for the aging population in our community.

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 the 2009 budget, the Board approved an economic developer position. This position will work with the Chamber of Commerce to recruit and attract additional commercial developers to help strengthen our tax base. 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 nine full-time paid staff positions and the Town relies heavily on continued volunteerism.

Major Initiatives/Changes

In the past several 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, projected completion 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. This will be used for future expansion of cultural and recreation opportunities.
- 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.)
- In June 2007 a new Rescue/Pumper Fire Apparatus was purchased. This enabled the department to operate more efficiently and allowed increased coverage capabilities.
- 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.
- Acquired historical agricultural facility for future expansion of cultural and recreation opportunities.

Matthews has aggressively addressed many of its future capital needs with these projects. We 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 consistent with its adopted fund balance policy of retaining 34% of undesignated funds to operating expenses. The Governing Body has formally adopted and funded four consecutive years of the CIP beginning April 2007.

With many of the 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 Matthews, and a focus on light rail and/or rapid bus transit from Matthews to Charlotte's center city. Matthews will continue to investigate ways for alternate means of transportation other than car, including bicycle facilities, greenways, and pedestrian walkways. 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 is under construction and a pocket park has been designed, with installation to start in spring of 2010, in downtown.

In December 2007 the annual Pavement Condition Assessment was completed. The results showed that while overall our street system was in "good" condition, we needed to start addressing maintenance to prevent and decrease major rehabilitation or reconstruction cost. The Board appropriated \$500,000 additional funds in 2008 to begin addressing these needs. Additional steps were taken to increase the auto tag fees. This will generate an additional \$200,000 per year for street maintenance. One more infrastructure the council has focused on is widening and improving a major artery that brings traffic into downtown. The anticipated redesign and construction of this road would include additional bike lanes and easy access to greenways. Voter approved general obligation bonds will be used to fund this project.

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 are currently working on a product inventory (i.e. land, buildings) and marketing plan.

Technology will continue being 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 will provide supplementary information to help ensure continued improvements.

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. The finance department experienced an extraordinary turnover in staff during fiscal year 2008, which attributed to the internal control findings in the audit report. Strict policies and procedures were put in place to prevent this in the future.

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 and Administration Department staff. 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,



Christine L. Surratt
Finance Director

Certificate of Achievement

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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, 2008. This was the eleventh 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
Jill Pleimann	Town Clerk/Executive Assistant/ Assistant Personnel Director
Annette Privette-Keller	Assistant to Manager/ Communications Director
Christine Surratt	Finance Director
Trim Sawtelle	Fire/EMS Director
Lee Tillery	Parks and Recreation and Cultural Resources Director
Kathi Ingrish	Planning and Zoning Director
Rob Hunter	Police Chief
Ralph Messera	Public Works Director

BOARDS AND COMMITTEES

The Town of Matthews has numerous boards and advisory teams that help make recommendations to the Town Council. 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

Purpose: To encourage progressive aesthetic practices and provide sound and reasonable guidelines to preserve and improve the appearance of the community.

Board of Adjustment

Purpose: To receive applications and hear appeals in cases involving zoning regulations and subject the appropriate conditions and safeguards, to make special exceptions to the terms of the Zoning Ordinance of the Town.

Economic Development Advisory Committee

Purpose: To advance the economic development of the Matthews community to benefit all citizens and businesses in the Town of Matthews. They act in an advisory capacity to the town staff and Commissioners.

Environmental Advisory Committee

Purpose: 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.

Parks and Recreation Advisory Committee

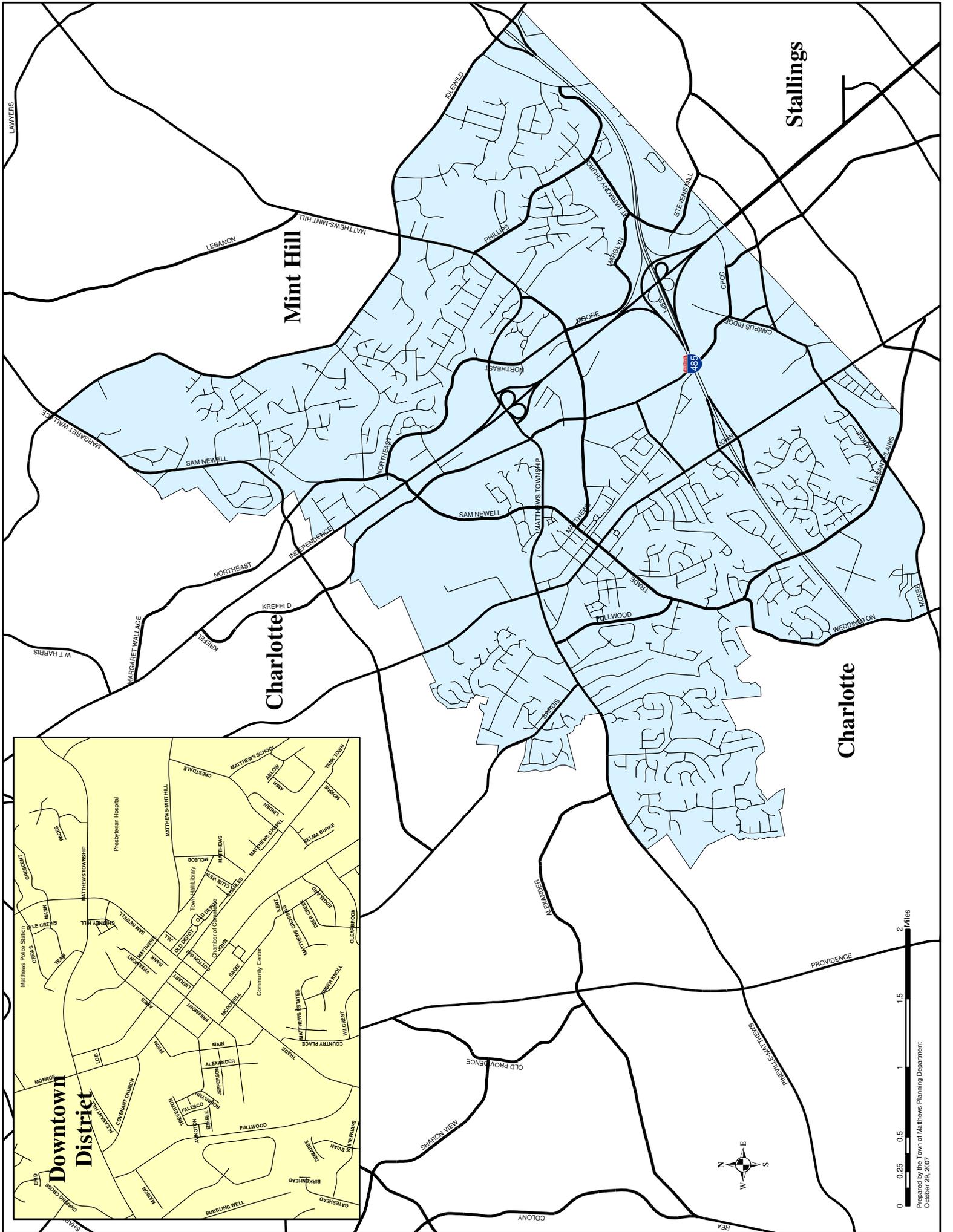
Purpose: To study and advise the Board of Commissioners on all matters pertaining to the use, maintenance, acquisition, rules and regulations of the parks and recreation facilities of the Town. They also advise the Board of Commissioners in an advocacy role concerning arts in Matthews, including support for practicing artists, facilitate arts education and foster a climate where the arts can flourish and enrich the lives of the citizens of Matthews.

Planning and Zoning Board

Purpose: To investigate and study the Town plan and growth and recommend to the Board of Commissioners.

Transportation Advisory Committee

Purpose: To provide input to the Board of Commissioners on traffic and transportation issues.



Stallings

Mint Hill

Charlotte

Charlotte

Downtown District



Prepared by the Town of Matthews Planning Department
October 29, 2007

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 boasted 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 built 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 in 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 recently published book entitled "Discover Matthews...from Cotton to Corporate" 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.

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.

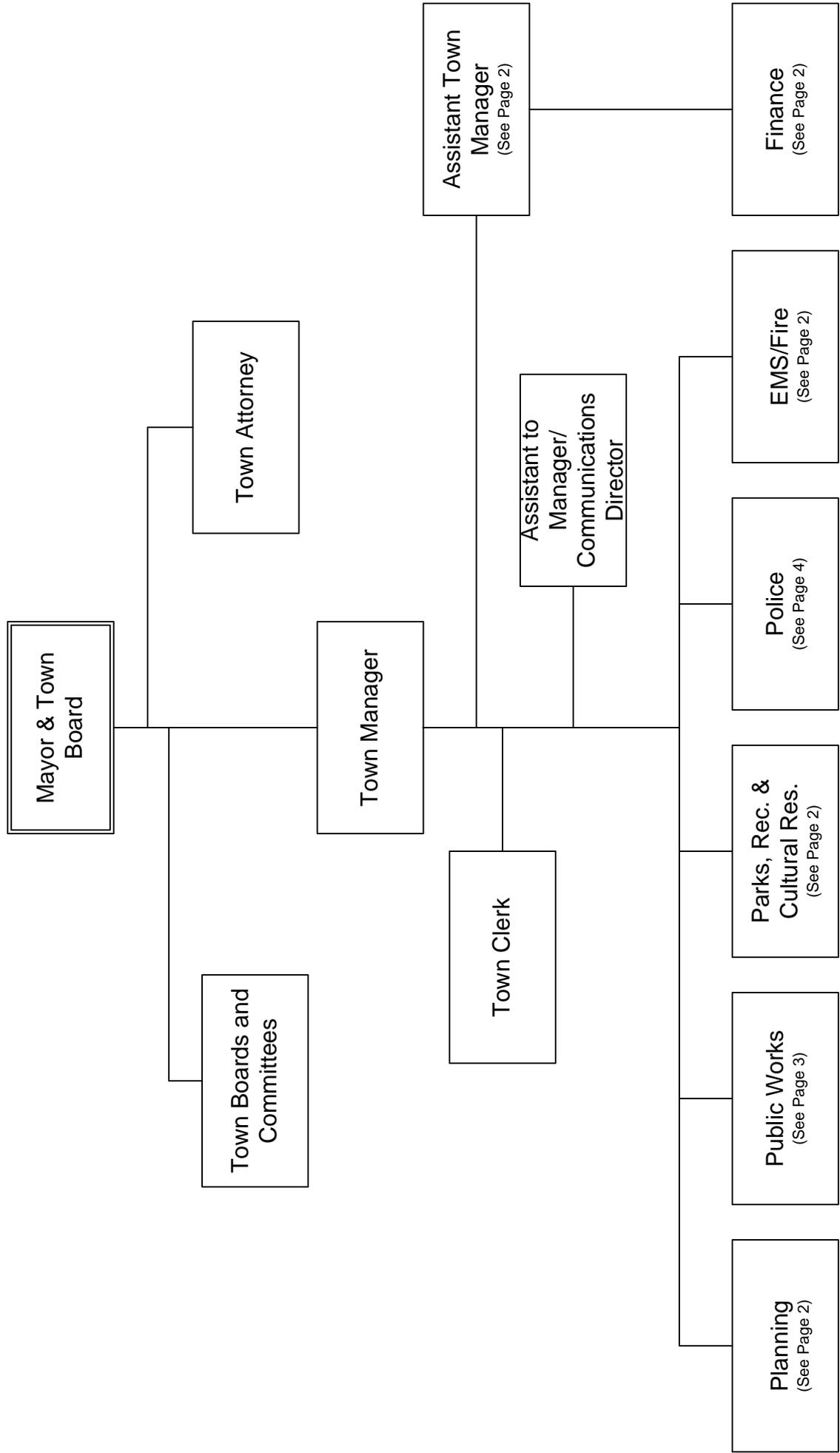
Parks and Recreation/Cultural Arts

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.

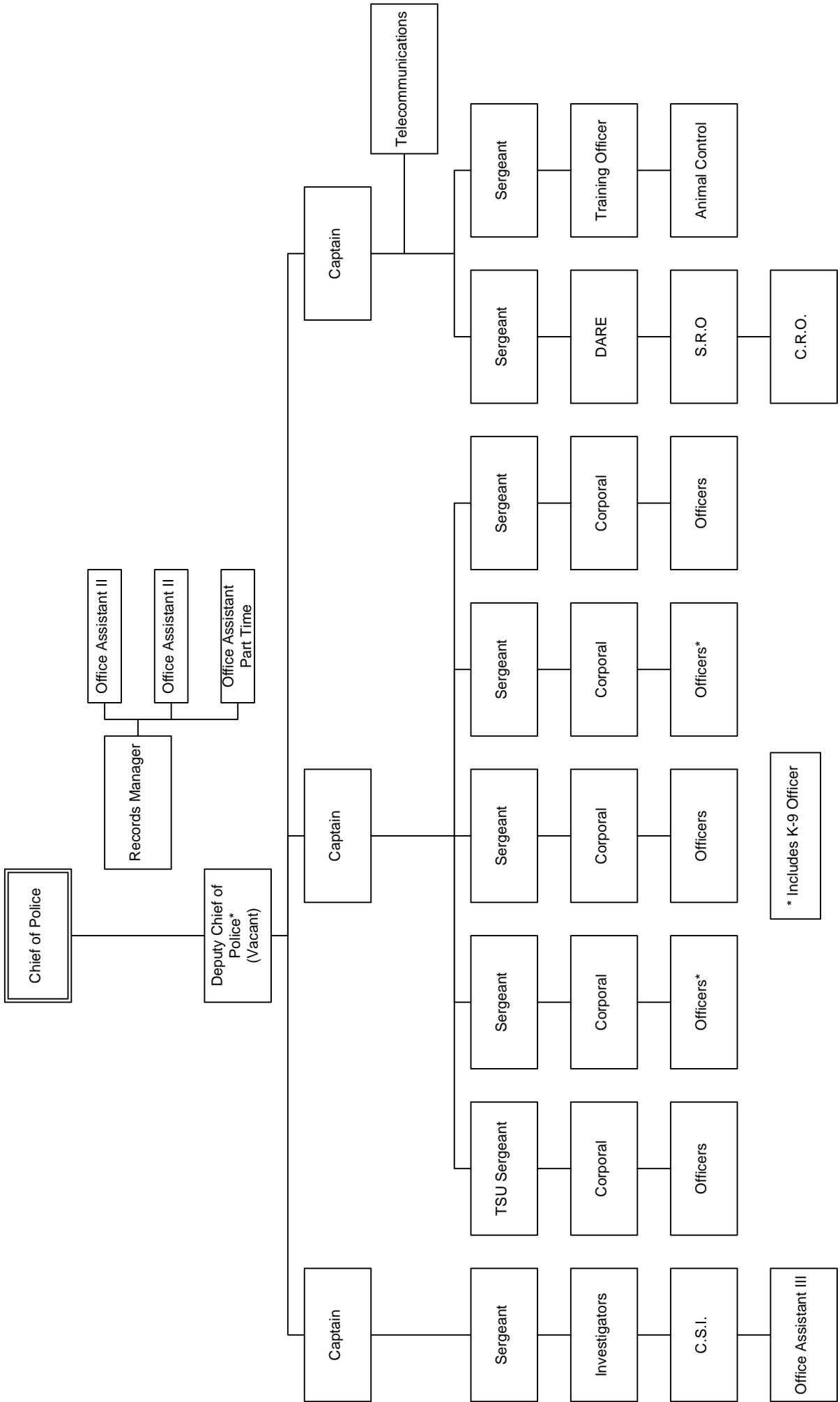
The Special Events Division is responsible for organizing and promoting town sponsored festivals. These include a spring BeachFest, a fall Labor day event, Matthews Alive!, that brings 200,000 plus visitors into our area, and the winter Hometown Holidays festival.

Organizational Structure 2009



Police Department

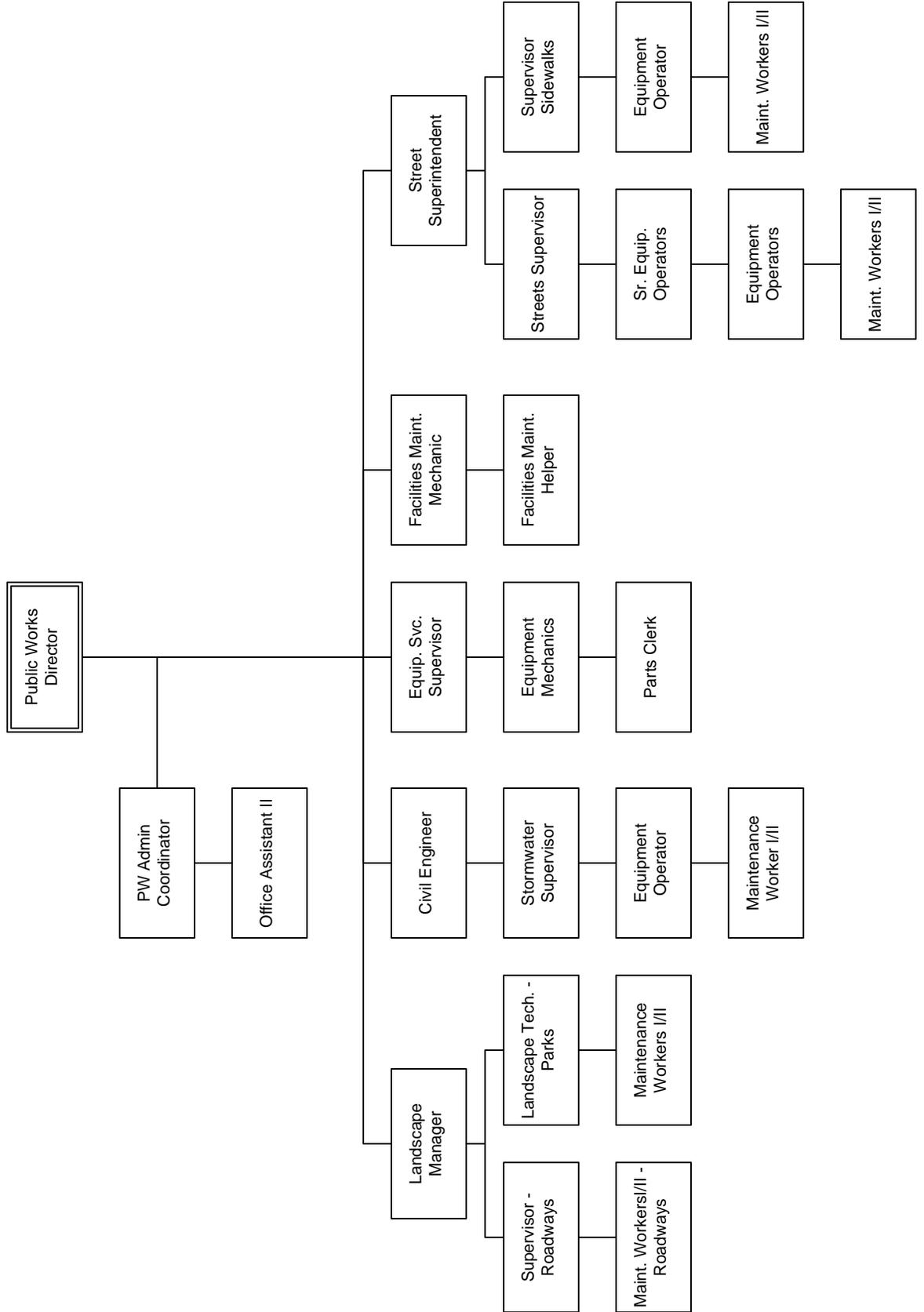
Organizational Structure
2009



* Includes K-9 Officer

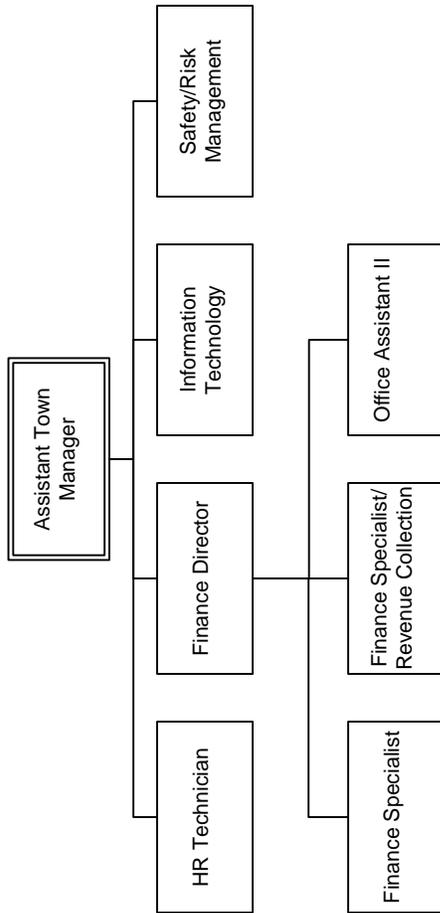
Public Works Department

Organizational Structure
2009



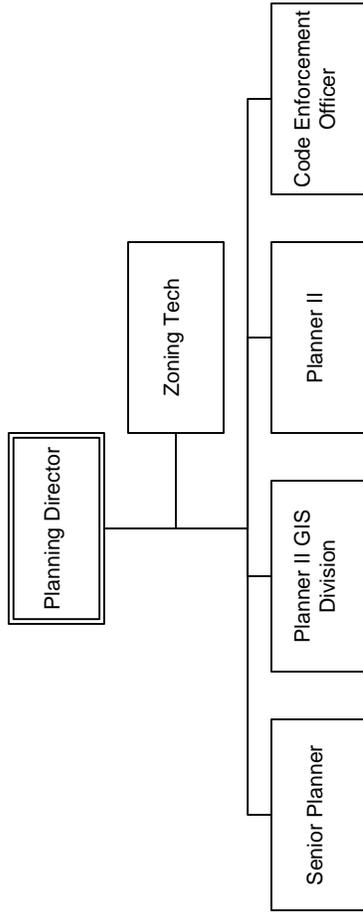
Assistant Town Manager

Organizational Structure
2009



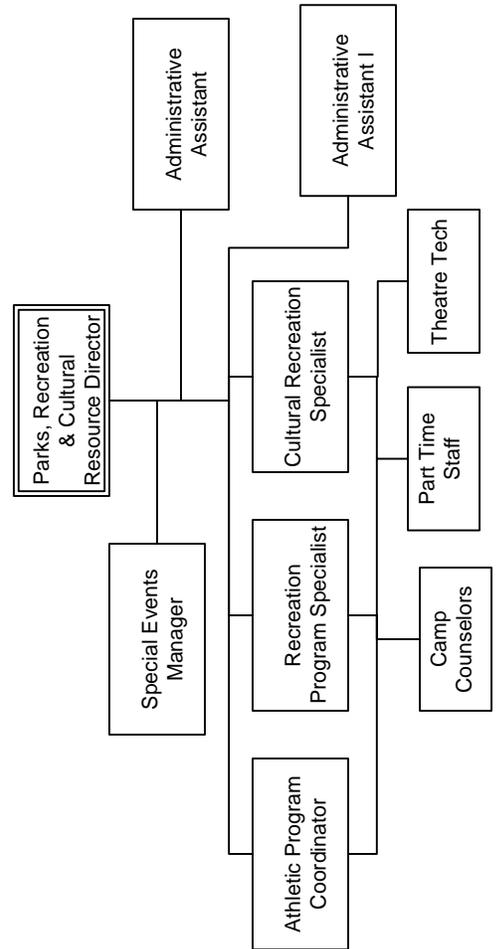
Planning Department

Organizational Structure
2009



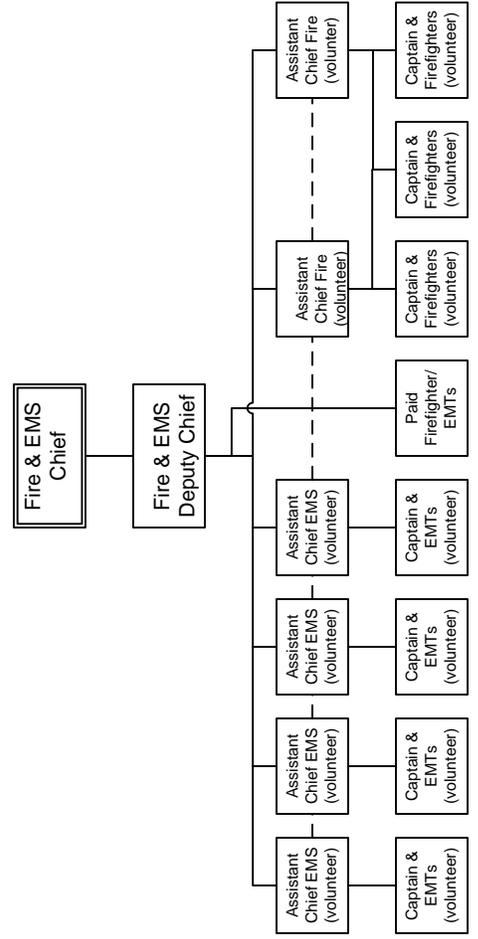
Parks & Recreation/Cultural Resources

Organizational Structure
2009



Fire & EMS Department

Organizational Structure
2009

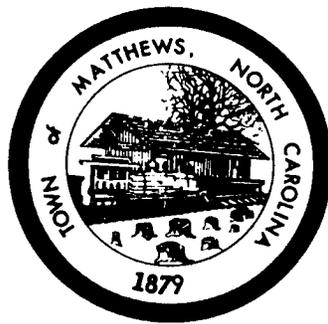




Financial Section

The Financial Section constitutes the formal portion of the report. The Independent Auditors' 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 Auditors' 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 AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina as of and for the year ended June 30, 2009 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009 on our consideration of Town of Matthews's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Law Enforcement Officers' Special Separation Allowance and Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Matthews, North Carolina taken as a whole. The introductory section, combining and individual major and nonmajor fund financial statements, budget and actual schedules and other supplementary schedules, and the statistical tables, 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 individual major and nonmajor fund financial statements, budget and actual schedules and other supplementary schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards have been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 19, 2009

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, 2009. 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.

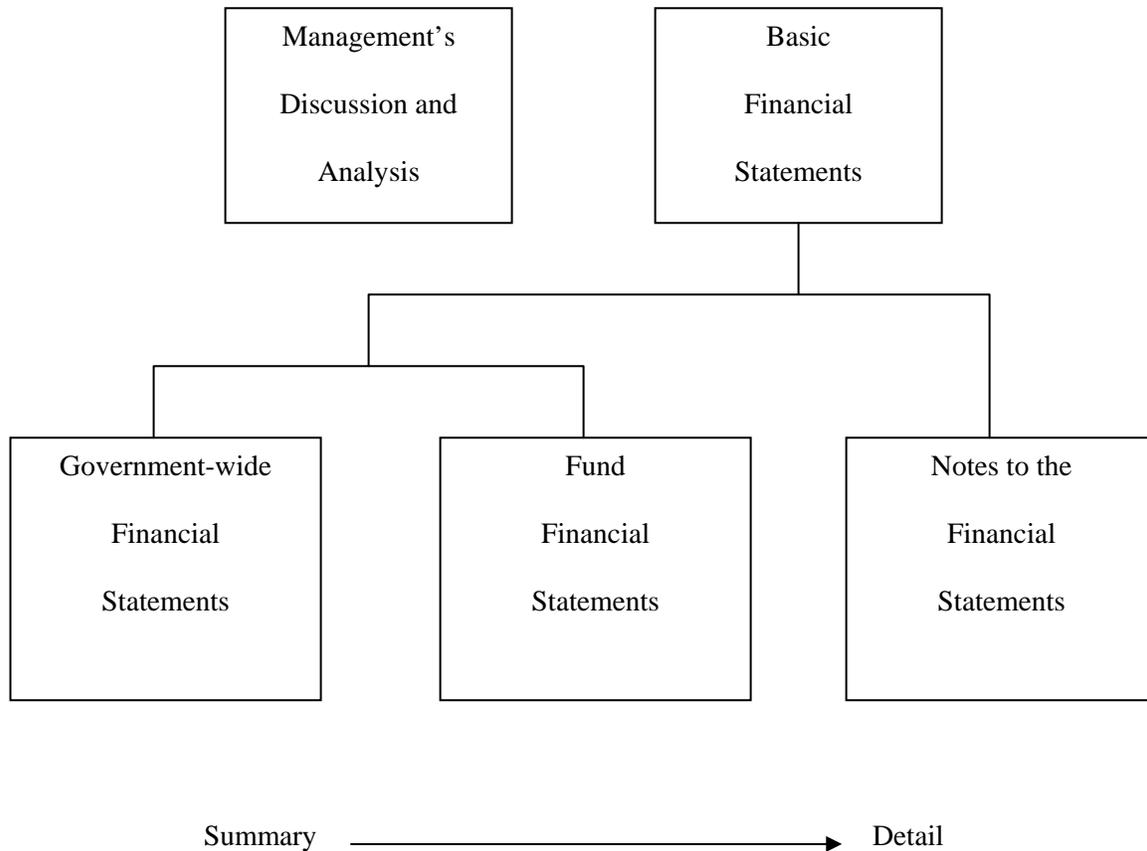
FINANCIAL HIGHLIGHTS

- The assets of the Town of Matthews exceeded its liabilities at the close of the fiscal year by \$270,743,299 (*net assets*).
- The Town's net assets decreased by \$2,273,779 primarily due to funding of capital improvement projects.
- At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$9,581,542, an increase of \$690,015 in comparison with the prior year. Approximately 89.9% of this total amount, or \$8,617,674, is available for spending at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,354,516 or 25.70% of total General Fund expenditures for the fiscal year.
- The Town of Matthews had a net debt decrease of \$494,761 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 Reports
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 those 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 Statues also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Matthews, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Matthews are governmental funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 40 of this report.

Government-Wide Financial Analysis Town of Matthews' Net Assets Figure 2

	Governmental Activities	
	2009	2008
Current and other assets	\$ 13,499,933	\$ 14,121,895
Capital assets, net	269,581,540	272,491,960
Total assets	283,081,473	286,613,855
Current liabilities	2,400,128	2,858,229
Other liabilities	9,938,046	10,290,698
Total liabilities	12,338,174	13,148,927
Net assets:		
Invested in capital assets, net of related debt	261,861,998	264,648,341
Unrestricted	8,881,301	8,368,737
Total net assets	\$ 270,743,299	\$ 273,017,078

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Matthews exceeded liabilities by \$270,743,299 as of June 30, 2009. The Town's net assets decreased by \$2,273,779 for the fiscal year ended June 30, 2009. However, the largest portion (96.72%) 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 \$8,881,301 is unrestricted. Please note the following, which also affect the financial position of the Town.

- Mecklenburg County bills and collects all motor vehicle tax due to the Town of Matthews. The percent of net levy collected for the year ended June 30, 2009 is 97.69%.

Town of Matthews Changes in Net Assets
Figure 3

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,941,523	\$ 1,418,533
Operating grants and contributions	968,564	1,002,517
Capital grants and contributions	2,514,916	506,554
General revenues:		
Property taxes	10,014,657	9,093,839
Other taxes	3,682,046	3,845,140
Unrestricted intergovernmental	1,266,109	1,565,435
Investment earnings	<u>120,698</u>	<u>411,605</u>
Total revenues	<u>20,508,513</u>	<u>17,843,623</u>
Expenses:		
General government	6,790,343	7,088,116
Public safety	8,175,344	7,221,272
Public Works	3,121,238	3,340,233
Environmental protection	2,376,802	2,131,562
Cultural and recreation	1,196,978	1,276,386
Economic and physical development	473,900	529,283
Debt Service	<u>647,687</u>	<u>544,632</u>
Total expenses	<u>22,782,292</u>	<u>22,131,484</u>
Increase (decrease) in net assets	<u>(2,273,779)</u>	<u>(4,287,861)</u>
Net assets, July 1	273,241,003	277,304,939
Prior period adjustment	<u>(223,925)</u>	<u>-</u>
Net assets, as restated	<u>273,017,078</u>	<u>277,304,939</u>
Net assets, June 30	<u>\$270,743,299</u>	<u>\$273,017,078</u>

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the Town's net assets by \$2,273,779. Items relating to governmental activities are listed below.

Revenues – Governmental Activities

- The Town's total revenues were \$20,508,513 at June 30, 2009. Property taxes make up 49% of the Town's total revenues while operating grants and contributions and capital grants and contributions contributed 4.7% and 12.2%, respectively.
- Ad Valorem taxes make up 49% of the governmental activity revenue and have traditionally been the single most important revenue source for funding local government operations. Matthews' tax base continues to grow as development in the Town continues. Mecklenburg County has been contracted to collect the town's taxes. The Town's Ad Valorem tax collections dropped slightly during fiscal year 2009 to 97.69%. The tax rate during fiscal year 2009 was 33.25 cents with an assessed value of \$2,998,774,135.
- Local Option Sales Tax is the Town's governmental activity revenue's third largest revenue source accounting for 8.2% of total government revenues. The sales tax is a tax on the retail sale or lease of tangible personal property. Although the Town does not levy these taxes, they share in the proceeds collected by Mecklenburg County, in which the Town is located.
- Powell Bill funds are generated from the State's Gasoline Tax. A certain percentage of this tax is returned to municipalities through a formula based on a town's population and street mileage. These funds are limited to maintaining, repairing, construction, reconstruction, or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other related needs.

Expenditures – Governmental Activities

- The primary expenditures are divided into seven different categories: General Government, Public Safety, Public Works, Environmental Protection, Economic and Physical Development, Cultural and Recreational, and Interest on long-term debt.
- The Town's expenses cover a range of services. As illustrated, General Government expenses account for 29.81%. General Government consists of the Legislative Department, Administrative Department, Finance Department, Information Technology Department, Safety and Risk Management Department, Planning Department and Special Appropriations. This category represents decrease of 4.20% this year.
- Public Safety accounts for 35.88% of the total expenses for the Town. Public Safety consists of the Police Department, Animal Control, and Fire/EMS. Expenses increased 13.21% over the prior year. This increase is attributed to higher fuel cost along with a transition which turned Matthews-Morningstar Voluntary Fire Department into a full fledged town department.
- Public Works is responsible for street maintenance, streetlights, sidewalks, and storm drainage and the sanitation contract. Public Works expenditures decreased 6.56% over the prior year.

- Environmental Protection increased by 11.51%. Oversight of the sanitation contract is handled by Public Works.
- Economic and physical development decreased by 10.46%.
- Cultural and Recreational expenditures decreased by 6.22% as a result of the completion of a new Recreation Center in the prior fiscal year. There are five divisions that comprise the Cultural and Recreational category: Matthews Parks & Recreation, Matthews Cultural Arts and Community Center, Crews Road Recreation Center, Special Events and our Depot Station, which houses a train museum and the Chamber of Commerce.
- Debt Service increased 18.92% this fiscal year as a result of refinancing debt and paying off several financial obligations.

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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Matthews. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,354,516, while total fund balance reached \$7,288,049. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.70% of total General Fund expenditures, while total fund balance represents 29.47% of that same amount.

At June 30, 2009, the governmental funds of the Town of Matthews reported a combined fund balance of \$9,581,542, a 7.7% increase over last year. Included in this change in fund balance are decreases in both the General and Capital Projects funds, while the Special Revenue showed an increase.

General Fund Budgetary Highlights

During fiscal year 2009, 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2009 totals \$269,581,540 (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, fire truck, and equipment purchases - \$219,245
- Land was donated to the Town - \$87,000
- Inherited assets from Volunteer Fire Department - \$1,929,607
- Disposal of assets - \$91,836
- Additions to Capital project fund – \$576,124

Town of Matthews' Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities	
	2009	2008
Land	\$ 226,380,711	\$ 226,293,711
Construction in Progress	604,517	261,147
Buildings	24,698,842	23,575,842
Infrastructure	95,425,231	95,425,231
Equipment	2,015,522	1,512,795
Vehicles and motorized equipment	4,592,777	3,928,733
Accumulated Depreciation	<u>(84,136,060)</u>	<u>(78,505,499)</u>
Capital Assets, net	<u>\$ 269,581,540</u>	<u>\$ 272,491,960</u>

Additional information on the Town's capital assets can be found in the notes to basic financial statements on page 28.

Long-Term Debt As of June 30, 2009, the Town of Matthews had total bonded debt outstanding of \$3,475,000, 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	
	2009	2008
General obligation bonds	\$ 3,475,000	\$ 3,915,000
Notes payable	7,719,542	7,843,619
Total	\$ 11,194,542	\$ 11,758,619

The Town of Matthews' total GO Bond and Notes Payable debt decreased by \$564,077 (4.8%) 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 \$232,182,389.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Our close proximity to the Charlotte metropolitan region provided us a slower decline in unemployment rates (11.5%) compared to other areas across our state, which averaged from 12.0 to 18.0%. The average state unemployment rate for June 2009 was 11.2%.
- The overall economic downturn will impact the town in various ways. A decline in building permits has negatively affect fees and sales taxes. The closing of major banking financial institutions in the Charlotte area has also impact local economy. The withdrawal of Erickson Continuing Care Retirement Community from our community will also impact services and fees.
- An increase of approximately two percent was noted last fiscal year in our population growth. This growth is down from over six percent the prior fiscal, but still indicates Matthews is an attractive and vibrant place to live. Our favorable tax rate, small town atmosphere, and easy access to major transportation corridors continue to make Matthews a destination for residents.
- With the expansion of an existing retirement community facility, various service, recreational, medical and food services will positively affect our local area within the next three years.
- The Town has authorized, but un-issued bonds totaling \$10.5 million for the addition of parks, "greenways" and roadway improvements within Matthews that were approved by the citizens in November 2004.

- A joint effort between Mecklenburg County Parks and Recreation and Matthews will help bring recreational activities and regional tournaments to our area with the construction of a sportsplex complex located on 160 acres within the next three years. The construction of greenway will enhance recreational activities for residents.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities The Town of Matthews has approved a \$17,914,505 General Fund budget for the fiscal year ending June 30, 2010. This represents 2.78% decrease over fiscal year ended June 30, 2009. A significant portion of this decrease is attributed to reduction in state collected sales taxes.

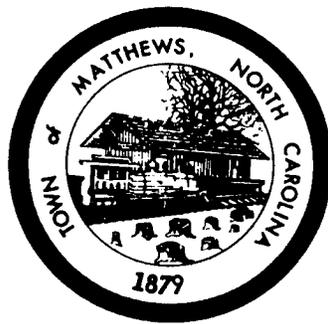
Budget expenditures in the General Fund decreased to reflect the anticipated reduced revenues. This still provides for continuation of our current service levels status quo for the upcoming fiscal year. Undesignated fund balance dollars above our 34% council adopted policy may be used to fund additional Capital Improvement Projects as approved and adopted by council.

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 detail statements and schedules that follow.



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Current assets:	
Cash and investments	\$ 9,119,959
Taxes receivable, net	351,139
Accounts receivable, net	16,248
Due from other governments	930,215
Notes receivable	3,063,975
Prepaid items	18,397
Total current assets	<u>13,499,933</u>
Non-current assets:	
Capital assets :	
Non-depreciable	226,985,228
Depreciable, net	<u>42,596,312</u>
Total non-current assets	<u>269,581,540</u>
Total assets	<u>283,081,473</u>
Liabilities:	
Current liabilities:	
Accounts payable	503,279
Current portion of compensated absences	285,792
Current portion of long-term liabilities	<u>1,611,057</u>
Total current liabilities	<u>2,400,128</u>
Non-current liabilities:	
Non-current portion of compensated absences	95,264
Non-current portion of long-term liabilities	<u>9,842,782</u>
Total non-current liabilities	<u>9,938,046</u>
Total liabilities	<u>12,338,174</u>
Net Assets:	
Invested in capital assets, net of related debt	261,861,998
Unrestricted	<u>8,881,301</u>
Total net assets	<u>\$ 270,743,299</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, 2009

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government					
Governmental Activities:					
General government	\$ 6,790,343	\$ 94,455	\$ 1,000	\$ 566,375	\$ (6,128,513)
Public safety	8,175,344	561,619	151,945	1,948,541	(5,513,239)
Public works	3,121,238	657,850	785,619	-	(1,677,769)
Environmental protection	2,376,802	-	-	-	(2,376,802)
Economic and physical development	473,900	12,561	-	-	(461,339)
Cultural and recreation	1,196,978	615,038	30,000	-	(551,940)
Interest on long-term debt	647,687	-	-	-	(647,687)
Total primary government	<u>\$ 22,782,292</u>	<u>\$ 1,941,523</u>	<u>\$ 968,564</u>	<u>\$ 2,514,916</u>	<u>(17,357,289)</u>

General Revenues:

Taxes:

Ad valorem taxes	10,014,657
Local options sales tax	1,695,401
Utility franchise and excise tax	1,986,645
Occupancy tax	337,498
Prepared food tax	539,821
Rental car tax	119,694
Privilege licenses	212,701
Other taxes and licenses	56,395
Investment earnings	<u>120,698</u>

Total general revenues 15,083,510

Change in net assets (2,273,779)

Net Assets:

Beginning of year - July 1	273,241,003
Prior period adjustment	<u>(223,925)</u>
Beginning of year, as restated	<u>273,017,078</u>
End of year - June 30	<u>\$ 270,743,299</u>

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

TOWN OF MATTHEWS, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 6,831,188	\$ 2,288,771	\$ 9,119,959
Taxes receivable, net	351,139	-	351,139
Notes receivable	3,063,975	-	3,063,975
Accounts receivable	15,254	994	16,248
Due from other governments	899,880	30,335	930,215
Prepaid items	18,397	-	18,397
Total assets	<u>\$ 11,179,833</u>	<u>\$ 2,320,100</u>	<u>\$ 13,499,933</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 476,672	\$ 26,607	\$ 503,279
Deferred revenues	<u>3,415,112</u>	<u>-</u>	<u>3,415,112</u>
Total liabilities	<u>3,891,784</u>	<u>26,607</u>	<u>3,918,391</u>
Fund Balances:			
Reserved for:			
Prepays	18,397	-	18,397
State statute	915,136	30,335	945,471
Unreserved:			
General Fund	6,354,516	-	6,354,516
Special Revenue Fund	-	2,238,072	2,238,072
Capital Project Fund	<u>-</u>	<u>25,086</u>	<u>25,086</u>
Total fund balances	<u>7,288,049</u>	<u>2,293,493</u>	<u>9,581,542</u>
Total liabilities and fund balances	<u>\$ 11,179,833</u>	<u>\$ 2,320,100</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 269,581,540

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 3,415,112

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. (11,834,895)

Net assets of governmental activities \$ 270,743,299

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, 2009

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 9,996,417	\$ -	\$ 9,996,417
Other taxes and licenses	3,950,694	997,461	4,948,155
Unrestricted intergovernmental	207,977	-	207,977
Restricted intergovernmental	1,374,161	-	1,374,161
Sales and services	1,487,387	-	1,487,387
Investment earnings	114,282	6,416	120,698
Miscellaneous	407,446	-	407,446
Total revenues	<u>17,538,364</u>	<u>1,003,877</u>	<u>18,542,241</u>
Expenditures:			
Current:			
General government	1,628,588	-	1,628,588
Public safety	6,829,376	155,920	6,985,296
Public works	2,850,051	333,592	3,183,643
Environmental protection	2,376,802	-	2,376,802
Economic and physical development	456,539	86,612	543,151
Cultural and recreational	1,131,071	83,152	1,214,223
Debt service:			
Principal retirement	8,836,434	128,031	8,964,465
Interest and other charges	618,553	29,134	647,687
Total expenditures	<u>24,727,414</u>	<u>816,441</u>	<u>25,543,855</u>
Revenues over (under) expenditures	<u>(7,189,050)</u>	<u>187,436</u>	<u>(7,001,614)</u>
Other Financing Sources (Uses):			
Long-term debt issued	7,673,204	-	7,673,204
Transfers to other funds	(809,198)	-	(809,198)
Transfers from other funds	408,112	401,086	809,198
Proceeds from sale of capital assets	-	18,425	18,425
Total other financing sources (uses)	<u>7,272,118</u>	<u>419,511</u>	<u>7,691,629</u>
Net change in fund balances	<u>83,068</u>	<u>606,947</u>	<u>690,015</u>
Fund Balances:			
Beginning of year - July 1	7,428,906	1,686,546	9,115,452
Prior period adjustment	(223,925)	-	(223,925)
Beginning of year, as restated	<u>7,204,981</u>	<u>1,686,546</u>	<u>8,891,527</u>
End of year - June 30	<u>\$ 7,288,049</u>	<u>\$ 2,293,493</u>	<u>\$ 9,581,542</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 OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

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)	\$ 690,015
Governmental funds 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.	882,370
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(5,707,636)
In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets sold.	(14,761)
The inheritance of capital assets from the Volunteer Fire Department are not reflected in the governmental fund financials as they are not inflows or outflows of current financial resources.	1,929,607
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment represents the amount of change related to revenues subject to the "availability" criteria.	(548,135)
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,280,331
The inheritance of long-term debt, from the Volunteer Fire Department, is not reflected in the governmental fund financials as they are not inflows or outflows of current financial resources.	(727,184)
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. This adjustment is the amount of net change in these balances in the current year.	<u>(58,386)</u>
Total changes in net assets of governmental activities	<u>\$ (2,273,779)</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 10,190,605	\$ 10,190,605	\$ 9,996,417	\$ (194,188)
Other taxes and licenses	4,266,997	4,266,997	3,950,694	(316,303)
Unrestricted intergovernmental	163,583	163,583	207,977	44,394
Restricted intergovernmental	1,349,450	1,382,823	1,374,161	(8,662)
Sales and services	1,525,754	1,556,656	1,487,387	(69,269)
Investment earnings	200,000	200,000	114,282	(85,718)
Miscellaneous	58,500	126,671	406,748	280,077
Total revenues	<u>17,754,889</u>	<u>17,887,335</u>	<u>17,537,666</u>	<u>(349,669)</u>
Expenditures:				
Current:				
General government	1,784,590	1,849,500	1,628,588	220,912
Public safety	7,381,444	7,487,117	6,829,376	657,741
Public works	2,996,028	3,280,986	2,850,051	430,935
Environmental protection	2,456,424	2,459,601	2,376,802	82,799
Economic and physical development	597,414	601,834	456,539	145,295
Cultural and recreation	1,131,307	1,149,940	1,131,071	18,869
Contingency	100,000	35,156	-	35,156
Debt service:				
Principal retirement	1,679,420	1,679,420	8,836,434	(7,157,014)
Interest and other charges	-	-	618,553	(618,553)
Total expenditures	<u>18,126,627</u>	<u>18,543,554</u>	<u>24,727,414</u>	<u>(6,183,860)</u>
Revenues over (under) expenditures	<u>(371,738)</u>	<u>(656,219)</u>	<u>(7,189,748)</u>	<u>(6,533,529)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	254,434	547,325	-	(547,325)
Long-term debt issued	-	-	7,673,204	7,673,204
Sale of capital assets	9,192	9,192	698	(8,494)
Transfers to other funds	(300,000)	(308,410)	(809,198)	(500,788)
Transfers from other funds	408,112	408,112	408,112	-
Total other financing sources (uses)	<u>371,738</u>	<u>656,219</u>	<u>7,272,816</u>	<u>6,616,597</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	83,068	<u>\$ 83,068</u>
Fund Balance:				
Beginning of year - July 1			7,428,906	
Prior period adjustment			(223,925)	
Beginning of year, as restated			<u>7,204,981</u>	
End of year - June 30			<u>\$ 7,288,049</u>	

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 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 Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The Town reports the following nonmajor governmental funds:

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

Recreation and Stormwater Capital Reserve Special Revenue Fund. This fund is used to account for money collected from land developers to comply with zoning requirements. This money will be used to subsidize the purchase of land and development of parks within the Town. This fund is also used to account for money collected strictly for the purpose of upgrading and maintaining the Town's Storm Water System.

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Mecklenburg County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Matthews. For motor vehicles registered, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Mecklenburg County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and offset by deferred revenues.

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 assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental activities of the city follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 and the Tourism Special Revenue Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Recreation and Stormwater Capital Reserve Special Revenue Fund and the Capital Improvement Program Capital Projects Funds. 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

E. Assets, Liabilities and Fund Equity

Deposits and Investments

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

State law [G. S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").

The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. 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 1st (lien date); however, penalties and interest do not accrue until the following January 6th. The taxes levied are based on the assessed values as of January 1, 2008.

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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Prepaid Items

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and storm water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums of discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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 Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G. S. 159-13 (b) (16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State Statute - portion of fund balance, in addition to reserves for encumbrances, which is not available for appropriation under State law [G. S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for Prepaid Items – portion of fund balance that is not available for appropriation because it represents the year-end balance of prepaid expenses, which are not expendable, available resources.

Unreserved

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

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.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations:

The Town has overextended its budget authority at the legal level of control as of June 30, 2009, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Reason</u>
General Fund:				
Debt service expenditures	\$ 1,679,420	\$ 9,454,987	\$ (7,775,567)	Refinance/payoff old debt

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

At June 30, 2009, the Town's deposits had a carrying amount of \$2,319,037 and a bank balance of \$1,666,730. Of the bank balance, \$421,239 was covered by federal depository insurance and \$1,245,491 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2009, the Town had \$6,800,922 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,

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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%.

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2009, 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	\$ 466,139	\$ 930,215	\$ 16,248	\$ 3,063,975	\$ 4,476,577
Allowance for doubtful accounts	<u>(115,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,000)</u>
Total governmental activities	<u>\$ 351,139</u>	<u>\$ 930,215</u>	<u>\$ 16,248</u>	<u>\$ 3,063,975</u>	<u>\$ 4,361,577</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 499,916
Franchise tax	368,847
Sales tax refund receivable	<u>61,452</u>
Total	<u>\$ 930,215</u>

The Town has entered into an agreement with Charlotte Mecklenburg Utility Department (CMUD), whereby CMUD pays the Town the principal and interest due on the bonds issued by the Town to finance the construction of water and sewer projects. Title to the assets has been transferred to CMUD who operates the facilities. The note receivable balance as of June 30, 2009, was \$3,063,975.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 226,293,711	\$ 87,000	\$ -	\$ 226,380,711
Construction in progress	261,147	343,370	-	604,517
Total capital assets not being depreciated	<u>226,554,858</u>	<u>430,370</u>	<u>-</u>	<u>226,985,228</u>
Capital assets being depreciated:				
Buildings	23,575,842	1,123,000	-	24,698,842
Equipment	1,512,795	502,727	-	2,015,522
Vehicles and motorized equipment	3,928,733	755,880	(91,836)	4,592,777
Infrastructure	95,425,231	-	-	95,425,231
Total capital assets being depreciated	<u>124,442,601</u>	<u>-</u>	<u>(91,836)</u>	<u>126,732,372</u>
Less accumulated depreciation for:				
Buildings	4,130,543	638,997	-	4,769,540
Equipment	1,204,466	162,389	-	1,366,855
Vehicles and motorized equipment	3,001,767	403,090	(77,075)	3,327,782
Infrastructure	70,168,723	4,503,160	-	74,671,883
Total accumulated depreciation	<u>78,505,499</u>	<u>\$ 5,707,636</u>	<u>\$ (77,075)</u>	<u>84,136,060</u>
Total capital assets being depreciated, net	<u>45,937,102</u>			<u>42,596,312</u>
Governmental activity capital assets, net	<u>\$ 272,491,960</u>			<u>\$ 269,581,540</u>

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

General government	\$ 4,569,689
Public safety	779,644
Public works	271,187
Economic and physical development	17,361
Cultural and recreational	69,755
Total depreciation	<u>\$ 5,707,636</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

B. Liabilities

Pension Plan Obligations

Local Government Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.41% and 7.32%, 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, 2009, 2008 and 2007 were \$ 363,888, \$328,413, and \$331,589, respectively. The contributions made by the Town equaled the required contributions for the year.

Supplemental Retirement Income Plan

Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's 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, 2009, were \$180,569, which consisted of \$136,730 from the Town and \$43,839 from the law enforcement officers.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, were \$278,891 which consisted of \$170,992 from the Town and \$107,899 from the employees.

Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Matthews 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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>56</u>
Total	<u><u>58</u></u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

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

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage pay on a closed basis. The remaining amortization period at December 31, 2007 was 23 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	\$	61,000
Interest on net pension obligation		21,524
Adjustment to annual required contribution		(18,151)
Annual pension cost		64,373
Contributions made		16,161
Increase in net pension obligation		48,212
Net pension obligation, beginning of year		296,885
Net pension obligation, end of year	\$	345,097

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 55,855	133.70%	\$ 295,216
2008	56,439	97.04%	296,885
2009	64,373	25.11%	345,097

Funded Status and Funding Progress. As of December 31, 2008, 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 \$728,727. The covered payroll (annual payroll of active employees covered by the plan) was \$2,686,047, and the ratio of the UAAL to the covered payroll was 27.13 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Other Post-Employment Benefits

Plan Description.

In 1992, the Town adopted a resolution whereby the Town provided post-employment health care benefits to retirees of the Town, provided they met certain qualifications. Under this resolution, the Town agreed to pay for the cost of the Medicare supplement for retirees over age 65 with twenty-five years of continuous service with the Town. Shortly thereafter, the Town amended this resolution to no longer include this post-employment benefit, therefore, currently; only one retiree is eligible for post-employment benefits. The Town obtains health care coverage through private insurers. In 1994, the Town amended the personnel policy to allow for employees with 20 years of service to maintain health coverage as part of the town's health insurance policy at the employee's expense. For the fiscal year ended June 30, 2009, there were no post-employment employees on the revised Town policy. A separate report was not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	1
Active members	<u>140</u>
Total	<u>141</u>

Funding Policy. The Town agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. Members that retire with at least 20 years of service are allowed to purchase health insurance at their own expense.

The current annual required contribution rate (ARC) is 0.27% of annual covered payroll. For fiscal year 2009, the Town contributed \$4,170, or 0.07% of annual covered payroll. There were no contributions by employees for the fiscal year ended June 30, 2009. The Town's obligation to contribute to the post-retirement benefit plan is established and may be amended by the Town.

Summary of Significant Accounting Policies

Benefit expenditures are made from the proprietary funds, which are reported on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	16,734
Contributions made		4,170
Increase (decrease) in net OPEB obligation		12,564
Net OPEB obligation:		
Beginning of year - July 1		-
End of year - June 30	\$	12,564

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2009	\$ 16,734	24.92%	\$ 12,564

As of December 31, 2008, 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 \$166,478. The covered payroll (annual payroll of active employees covered by the plan) was \$6,176,736, and the ratio of the UAAL to the covered payroll was 2.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2008 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 3.75% and (b) a 10.5% - 5.00% medical cost trend rate with 2016 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 percentage of pay on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the Town made contributions to the State for death benefits of \$8,969. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.15% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>
Taxes receivable (General Fund)	\$ 351,137
Notes receivable	<u>3,063,975</u>
Total	<u>\$ 3,415,112</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 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2,000,000 lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The Town does not carry flood insurance due to the fact that it is not located in a flood plain. But, the Town's general liability policy does cover acts of nature.

The Town carries commercial flood insurance through the Interlocal Risk Financing Fund of North Carolina for \$5,000,000 of coverage per structure.

In accordance with General Statute 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

Claims and Judgments

At June 30, 2009, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

General Obligation Indebtedness

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

Bonds payable at June 30, 2009, 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, 2018; interest at variable rates from 2.0% to 4.0%.

\$ 3,475,000

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes Payable

As of June 30, 2009, the Town was obligated under the following notes payable to banks used to renovate buildings and acquire equipment. The notes payable were as follows:

Note payable requiring monthly payments of \$6,926 including principal and interest at the rate of 3.580% per annum; secured by various	\$ 698,583
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.	4,872,587
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.	2,130,670
Note payable requiring annual payments of \$18,444 including interest at the rate of 4.19% per annum; secured by equipment.	<u>17,702</u>
Total	<u>\$ 7,719,542</u>

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

Year Ending <u>June 30</u>	General Obligation Bonds		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 430,000	\$ 115,376	\$ 1,181,057	\$ 253,902	\$ 1,611,057	\$ 369,278
2011	420,000	102,476	1,190,902	211,970	1,610,902	314,446
2012	410,000	89,876	1,216,272	169,640	1,626,272	259,516
2013	410,000	76,550	1,247,103	126,219	1,657,103	202,769
2014	405,000	63,388	1,157,033	82,453	1,562,033	145,841
2015-2019	<u>1,400,000</u>	<u>119,162</u>	<u>1,727,175</u>	<u>80,297</u>	<u>3,127,175</u>	<u>199,459</u>
Total	<u>\$ 3,475,000</u>	<u>\$ 566,828</u>	<u>\$ 7,719,542</u>	<u>\$ 844,184</u>	<u>\$ 11,194,542</u>	<u>\$ 1,491,309</u>

At June 30, 2009, the Town of Matthews had bonds authorized but un-issued of \$10,500,000 and a legal debt margin of \$232,182,382.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the fiscal year ending June 30, 2009.

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bonds	\$ 3,915,000	\$ -	\$ (440,000)	\$ 3,475,000	\$ 430,000
Less deferred amount for loss on defeasance	109,294	-	(10,930)	98,364	-
Total general obligation bonds	<u>3,805,706</u>	<u>-</u>	<u>(429,070)</u>	<u>3,376,636</u>	<u>430,000</u>
Notes payable	7,843,619	8,400,388	(8,524,465)	7,719,542	1,181,057
Compensated absences	383,446	116,186	(118,576)	381,056	285,792
OPEB liability	-	16,734	(4,170)	12,564	-
Net pension obligation	<u>296,885</u>	<u>64,373</u>	<u>(16,161)</u>	<u>345,097</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 12,329,656</u>	<u>\$ 8,597,681</u>	<u>\$ (9,092,442)</u>	<u>\$ 11,834,895</u>	<u>\$ 1,896,849</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

C. Interfund Balances and Activities

Transfers To/From Other Funds

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Funds	\$ 401,086	to redistribute proceeds from maturing CD's
Capital Reserve Fund	Capital Projects Funds	170,102	to redistribute proceeds from maturing CD's
Tourism Fund	General Fund	25,000	to offset cost of special events or CIP
Tourism Fund	General Fund	383,112	to offset cost of special events or CIP
General Fund	Tourism Fund	408,112	to offset cost of CIP

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

4. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

5. Prior Period Adjustment

Errors within the accounting software were discovered with regards to amounts recorded as accruals in the prior year. The effect of such errors resulted in an overstatement of General Fund cash and an overstatement of General Fund accounts payable in the prior year. The net effect resulted in an overstatement of fund balance in the General Fund and an overstatement of governmental activities net assets of \$223,925.



Required Supplemental Financial Data

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

- Schedule of Funding Progress for the *Law Enforcement Officers' Special Separation Allowance*
 - Schedule of Employer Contributions for the *Law Enforcement 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)*
-



TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY FINANCIAL DATA
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2003	\$ -	\$ 353,330	\$ 353,330	0.00%	\$ 2,136,249	16.54%
12/31/2004	-	406,148	406,148	0.00%	2,044,552	19.86%
12/31/2005	-	357,202	357,202	0.00%	2,226,099	16.05%
12/31/2006	-	403,306	403,306	0.00%	2,486,737	13.60%
12/31/2007	-	496,452	496,452	0.00%	2,640,727	18.80%
12/31/2008	-	728,727	728,727	0.00%	2,686,047	27.13%

NOTE: Prior to 1996, the Town chose not to have an annual actuarial study performed because the unfunded net pension obligation was considered to be immaterial.

TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY FINANCIAL DATA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 37,745	0.00%
2004	49,163	8.81%
2005	53,365	8.12%
2006	55,496	10.54%
2007	58,496	17.65%
2008	55,855	133.70%
2009	61,000	26.49%

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	12/31/07
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
Cost-of-living adjustments	None

*Includes inflation at 3.75 %

TOWN OF MATTHEWS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

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					
12/31/2008	\$ -	\$ 166,478		\$ 166,478	0.00%	\$ 6,176,736	2.70%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
	2009	\$ 16,734

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:

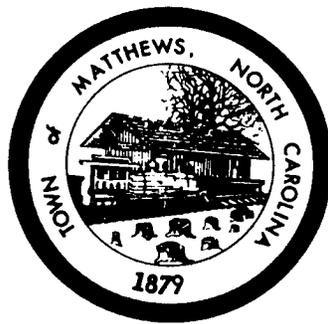
Valuation date	12/31/2008	
Actuarial cost method	Projected unit credit	
Amortization method	Level percent of pay closed	
Remaining amortization period	30 years	
Asset valuation method	Market value	
Actuarial assumptions:		
Investment rate of return *	4.00%	* Includes inflation at 3.75%
Medical cost trend rate	10.5%-5.0%	
Year of Ultimate trend rate	2016	



Supplementary Information

Combining and Individual Fund Financial Statements

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



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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/(Under)	2008
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 9,932,418	\$ 9,921,928	\$ (10,490)	\$ 8,919,469
Motor vehicle tax	239,414	36,085	(203,329)	37,809
Penalties and interest	18,773	38,404	19,631	108,160
Total	<u>10,190,605</u>	<u>9,996,417</u>	<u>(194,188)</u>	<u>9,065,438</u>
Other Taxes and Licenses:				
Local option sales tax	2,402,540	1,695,401	(707,139)	2,487,413
Piped natural gas excise tax	188,621	229,897	41,276	182,353
Utility franchise tax	781,893	881,990	100,097	735,949
Telecommunications sales tax	406,855	561,028	154,173	398,858
Tipping tax	-	13,065	13,065	-
Tax refunds	6,970	8,806	1,836	9,294
Animal control license	50,000	34,076	(15,924)	27,764
Cablevision franchise fees	212,968	313,730	100,762	248,275
Privilege licenses	217,150	212,701	(4,449)	227,676
Total	<u>4,266,997</u>	<u>3,950,694</u>	<u>(316,303)</u>	<u>4,317,582</u>
Unrestricted Intergovernmental:				
Beer and wine tax	118,958	126,071	7,113	122,318
ABC profit distribution	44,625	81,906	37,281	44,094
Total	<u>163,583</u>	<u>207,977</u>	<u>44,394</u>	<u>166,412</u>
Restricted Intergovernmental:				
Powell Bill allocation	785,619	785,619	-	843,663
CMUD bond payment reimbursement	566,375	566,375	-	587,625
Police grant - D. A. R. E.	10,000	2,233	(7,767)	11,438
Miscellaneous grants	20,829	19,934	(895)	14,064
Total	<u>1,382,823</u>	<u>1,374,161</u>	<u>(8,662)</u>	<u>1,456,790</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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/(Under)	2008
	Budget	Actual		Actual
Sales and Services:				
Stormwater fees	651,819	614,231	(37,588)	413,684
Rental fees	229,012	210,692	(18,320)	237,216
Recreation program revenues	191,070	176,341	(14,729)	195,024
Community center revenues	250,000	236,099	(13,901)	259,532
Zoning ordinance sales	14,000	12,561	(1,439)	15,531
Rescue/EMS assistance	51,700	73,640	21,940	47,564
Police services	34,147	23,400	(10,747)	12,834
Other police contracts	134,908	133,853	(1,055)	132,175
Police agreement	-	6,570	6,570	18,829
Total	1,556,656	1,487,387	(69,269)	1,332,389
Investment Earnings	200,000	114,282	(85,718)	411,605
Miscellaneous:				
Other	126,671	138,357	11,686	62,401
Contribution from Morning Star Fire Department	-	268,391	268,391	-
Total	126,671	406,748	280,077	62,401
Total revenues	17,887,335	17,537,666	(349,669)	16,812,617
Expenditures:				
General Government:				
Salaries and employee benefits	38,606	38,132	474	25,533
Expenses allowance	42,762	33,925	8,837	32,543
Operating expenses	149,238	118,648	30,590	122,638
Total	230,606	190,705	39,901	180,714
Administration:				
Salaries and employee benefits	1,049,550	955,593	93,957	883,878
Operating expenditures	532,894	451,951	80,943	544,909
Capital outlay	36,450	30,339	6,111	11,575
Total	1,618,894	1,437,883	181,011	1,440,362
Total general government	1,849,500	1,628,588	220,912	1,621,076

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/(Under)	2008
	Budget	Actual		Actual
Public Safety:				
Police:				
Salaries and employee benefits	4,655,787	4,561,435	94,352	4,360,545
Operating expenditures	973,197	742,294	230,903	732,500
Capital outlay	273,175	241,569	31,606	265,187
Total	5,902,159	5,545,298	356,861	5,358,232
Fire:				
Salaries and employee benefits	893,230	731,942	161,288	393,955
Operating expenditures	307,972	231,984	75,988	36,449
Donation to volunteer fire departments	208,007	208,007	-	335,233
Capital outlay	60,214	35,600	24,614	610,308
Total	1,469,423	1,207,533	261,890	1,375,945
Rescue Units:				
Salaries and employee benefits	-	-	-	223,115
Operating expenses	-	-	-	86,280
Capital outlay	-	-	-	25,190
Total	-	-	-	334,585
Animal Control:				
Salaries and employee benefits	45,065	37,915	7,150	95,578
Other operating expenses	70,470	38,630	31,840	29,675
Total	115,535	76,545	38,990	125,253
Total public safety	7,487,117	6,829,376	657,741	7,194,015
Public Works:				
Street Department:				
Salaries and employee benefits	1,653,855	1,579,108	74,747	1,547,783
Operating expenses	1,123,235	707,225	416,010	1,009,868
Capital outlay	503,896	563,718	(59,822)	606,908
Total public works	3,280,986	2,850,051	430,935	3,164,559

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/(Under)	2008
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Contracted services	1,520,606	1,517,023	3,583	1,569,628
Storm Water:				
Salaries and employee benefits	407,024	397,395	9,629	376,633
Operating expenses	513,285	462,384	50,901	181,236
Capital outlay	18,686	-	18,686	4,065
Total	938,995	859,779	79,216	561,934
Total environmental protection	2,459,601	2,376,802	82,799	2,131,562
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	415,534	397,003	18,531	392,079
Operating expenses	186,300	59,536	126,764	123,386
Capital outlay	-	-	-	4,000
Total economic and physical development	601,834	456,539	145,295	519,465
Cultural and Recreational:				
Parks:				
Salaries and employee benefits	570,462	561,655	8,807	509,799
Operating expenses	548,778	540,955	7,823	561,439
Capital outlay	30,700	28,461	2,239	1,065,231
Total cultural and recreational	1,149,940	1,131,071	18,869	2,136,469
Debt Service:				
Principal retirement	1,679,420	8,836,434	(7,157,014)	1,218,425
Interest and other charges	-	618,553	(618,553)	476,739
Total debt service	1,679,420	9,454,987	(7,775,567)	1,695,164
Contingency	35,156	-	35,156	-
Total expenditures	18,543,554	24,727,414	(6,183,860)	18,462,310

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/(Under)	2008
	Budget	Actual		Actual
Revenues over (under) expenditures	<u>(656,219)</u>	<u>(7,189,748)</u>	<u>(6,533,529)</u>	<u>(1,649,693)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	547,325	-	(547,325)	-
Long-term debt issued	-	7,673,204	7,673,204	-
Sale of capital assets	9,192	698	(8,494)	44,374
Transfer to other funds	(308,410)	(809,198)	(500,788)	-
Transfer from other funds	<u>408,112</u>	<u>408,112</u>	<u>-</u>	<u>416,327</u>
Total other financing sources (uses):	<u>656,219</u>	<u>7,272,816</u>	<u>6,616,597</u>	<u>460,701</u>
Net change in fund balance	<u>\$ -</u>	<u>83,068</u>	<u>\$ 83,068</u>	<u>(1,188,992)</u>
Fund Balance:				
Beginning of year - July 1		7,428,906		8,617,898
Prior period adjustment		<u>(223,925)</u>		<u>-</u>
Beginning of year, as restated		<u>7,204,981</u>		<u>8,617,898</u>
End of year - June 30		<u>\$ 7,288,049</u>		<u>\$ 7,428,906</u>

TOWN OF MATTHEWS, NORTH CAROLINA

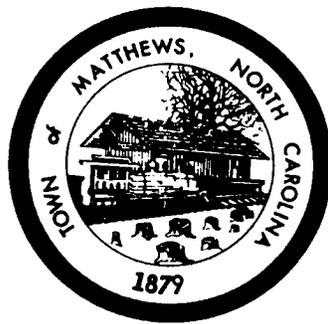
NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2009

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	\$ 2,238,089	50,682	\$ 2,288,771
Accounts receivable	-	994	994
Due from other governments	30,335	-	30,335
Total assets	<u>\$ 2,268,424</u>	<u>\$ 51,676</u>	<u>\$ 2,320,100</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 17	\$ 26,590	\$ 26,607
Total liabilities	<u>17</u>	<u>26,590</u>	<u>26,607</u>
Fund Balances:			
Reserved - State statute	30,335	-	30,335
Unreserved:			
Special Revenue Fund	2,238,072	-	2,238,072
Capital Project Fund	-	25,086	25,086
Total fund balances	<u>2,268,407</u>	<u>25,086</u>	<u>2,293,493</u>
Total liabilities and fund balances	<u>\$ 2,268,424</u>	<u>\$ 51,676</u>	<u>\$ 2,320,100</u>

TOWN OF MATTHEWS, NORTH CAROLINA

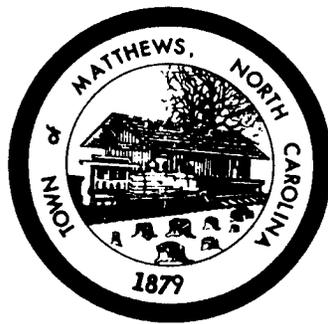
**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Fund	Nonmajor Governmental Funds
Revenues:			
Other taxes and licenses	\$ 997,461	\$ -	\$ 997,461
Investment earnings	6,416	-	6,416
Total revenues	<u>1,003,877</u>	<u>-</u>	<u>1,003,877</u>
Expenditures:			
Cultural and recreational	81,730	1,422	83,152
Public works	-	333,592	333,592
Public safety	-	155,920	155,920
Economic and physical development	-	86,612	86,612
Debt service:			
Principal	116,707	11,324	128,031
Interest	24,854	4,280	29,134
Total expenditures	<u>223,291</u>	<u>593,150</u>	<u>816,441</u>
Revenues over (under) expenditures	<u>780,586</u>	<u>(593,150)</u>	<u>187,436</u>
Other Financing Sources (Uses):			
Transfers in (out)	(170,102)	571,188	401,086
Proceeds from sale of capital assets	-	18,425	18,425
Total other financing sources (uses)	<u>(170,102)</u>	<u>589,613</u>	<u>419,511</u>
Net change in fund balances	610,484	(3,537)	606,947
Fund Balances:			
Beginning of year - July 1	<u>1,657,923</u>	<u>28,623</u>	<u>1,686,546</u>
End of year - June 30	<u>\$ 2,268,407</u>	<u>\$ 25,086</u>	<u>\$ 2,293,493</u>



Special Revenue Funds

- 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.
 - ***Recreation and Stormwater Projects Capital Reserve Fund*** – this Fund is used to account for funds exclusively for the purpose of funding recreation and stormwater projects.
-



TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

	Tourism Special Revenue Fund	Recreation and Stormwater Capital Reserve Fund	Total Nonmajor Special Revenue Funds
Assets:			
Cash and cash equivalents	\$ 1,774,709	\$ 463,380	\$ 2,238,089
Due from other governments	30,335	-	30,335
Total assets	<u>\$ 1,805,044</u>	<u>\$ 463,380</u>	<u>\$ 2,268,424</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 17	\$ -	\$ 17
Fund Balances:			
Reserved - State statute	30,335	-	30,335
Unreserved:			
Undesignated	<u>1,774,692</u>	<u>463,380</u>	<u>2,238,072</u>
Total fund balances	<u>1,805,027</u>	<u>463,380</u>	<u>2,268,407</u>
Total liabilities and fund balances	<u>\$ 1,805,044</u>	<u>\$ 463,380</u>	<u>\$ 2,268,424</u>

TOWN OF MATTHEWS, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009**

	Tourism Fund	Recreation and Stormwater Capital Reserve Fund	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Other taxes and licenses	\$ 997,461	\$ -	\$ 997,461
Investment earnings	-	6,416	6,416
Total revenues	<u>997,461</u>	<u>6,416</u>	<u>1,003,877</u>
Expenditures:			
Cultural and recreational	81,730	-	81,730
Debt service	141,561	-	141,561
Total expenditures	<u>223,291</u>	<u>-</u>	<u>223,291</u>
Revenues over (under) expenditures	<u>774,170</u>	<u>6,416</u>	<u>780,586</u>
Other Financing Sources (Uses):			
Transfers in	408,112		408,112
Transfers (out)	(408,112)	(170,102)	(578,214)
Total other financing sources (uses)	<u>-</u>	<u>(170,102)</u>	<u>(170,102)</u>
Net change in fund balances	774,170	(163,686)	610,484
Fund Balances:			
Beginning of year - July 1	<u>1,030,857</u>	<u>627,066</u>	<u>1,657,923</u>
End of year - June 30	<u>\$ 1,805,027</u>	<u>\$ 463,380</u>	<u>\$ 2,268,407</u>

TOWN OF MATTHEWS, NORTH CAROLINA

SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 432,554	\$ 337,498	\$ (95,056)
Prepared food tax	570,726	539,821	(30,905)
Rental car tax	127,938	119,694	(8,244)
Sales and services	1,500	448	(1,052)
Total revenues	<u>1,132,718</u>	<u>997,461</u>	<u>(135,257)</u>
Expenditures:			
Cultural and recreational:			
Tourism	<u>433,619</u>	<u>81,730</u>	<u>351,889</u>
Debt Service:			
Principal	290,987	116,707	174,280
Interest	-	24,854	(24,854)
Total debt service	<u>290,987</u>	<u>141,561</u>	<u>149,426</u>
Total expenditures	<u>724,606</u>	<u>223,291</u>	<u>501,315</u>
Revenues over (under) expenditures	<u>408,112</u>	<u>774,170</u>	<u>366,058</u>
Other Financing Sources (Uses):			
Transfer from other funds	-	408,112	408,112
Transfer to other funds	<u>(408,112)</u>	<u>(408,112)</u>	<u>-</u>
Total other financing sources (uses)	<u>(408,112)</u>	<u>-</u>	<u>408,112</u>
Net change in fund balance	<u>\$ -</u>	<u>774,170</u>	<u>\$ 774,170</u>
Fund Balance:			
Beginning of year - July 1		<u>1,030,857</u>	
End of year - June 30		<u>\$ 1,805,027</u>	

TOWN OF MATTHEWS, NORTH CAROLINA

CAPITAL RESERVE FUND - RECREATION AND STORMWATER PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Project Authorization	Actual			Variance Over/(Under)
		Prior Years	Current Years	Total to Date	
Revenues:					
Investment earnings	\$ -	\$ 170,734	\$ 6,416	\$ 177,150	\$ 177,150
Miscellaneous:					
Land dedication ordinance fees	<u>1,170,079</u>	<u>1,451,924</u>	<u>-</u>	<u>1,451,924</u>	<u>281,845</u>
Total revenues	<u>1,170,079</u>	<u>1,622,658</u>	<u>6,416</u>	<u>1,629,074</u>	<u>458,995</u>
Expenditures:					
Cultural and recreational:					
Recreation Center	1,297,929	1,234,882	-	1,234,882	63,047
Public works:					
Stormwater	<u>148,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,000</u>
Total expenditures	<u>1,445,929</u>	<u>1,234,882</u>	<u>-</u>	<u>1,234,882</u>	<u>211,047</u>
Revenues over (under) expenditures	<u>(275,850)</u>	<u>387,776</u>	<u>6,416</u>	<u>394,192</u>	<u>670,042</u>
Other Financing Sources (Uses):					
Transfer to other funds	(967,010)	(967,010)	(170,102)	(1,137,112)	(170,102)
Transfer from other funds	284,360	247,800	-	247,800	(36,560)
Proceeds from Depot land sale	<u>958,500</u>	<u>958,500</u>	<u>-</u>	<u>958,500</u>	<u>-</u>
Total other financing sources (uses)	<u>275,850</u>	<u>239,290</u>	<u>(170,102)</u>	<u>69,188</u>	<u>(206,662)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 627,066</u>	<u>(163,686)</u>	<u>\$ 463,380</u>	<u>\$ 463,380</u>
Fund Balance:					
Beginning of year - July 1			<u>627,066</u>		
End of year - June 30			<u>\$ 463,380</u>		

Capital Projects Funds

Capital Project Funds are used to account for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

Capital Improvement Program Fund – This fund is used to account for the purchase, renovation, furnishing, or construction of facility improvements.



TOWN OF MATTHEWS, NORTH CAROLINA

CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/(Under)</u>
		<u>Prior Years</u>	<u>Current</u>		
Expenditures:					
Cultural and Recreational:					
Greenway-Old P/W Building	\$ 8,410	\$ -	\$ 1,422	\$ 1,422	\$ 6,988
Pocket Parks	20,000	-	-	-	20,000
Total cultural and recreational	28,410	-	1,422	1,422	26,988
Public Safety:					
Police Radio System Upgrade	40,000	-	35,998	35,998	4,002
Police Mobile CAD	120,000	-	119,922	119,922	78
Fire Station Improvements	69,956	2,950	-	2,950	67,006
Total public safety	229,956	2,950	155,920	158,870	71,086
Public Works:					
W. Charles Street Connector Project	207,000	163,258	-	163,258	43,742
N. Trade Street Project	225,000	19,000	16,192	35,192	189,808
S. Trade Street Project	40,000	-	-	-	40,000
Weddington Road Sidewalk Project	100,000	-	-	-	100,000
4x4 Pick-Up Truck	28,000	1,829	5,910	7,739	20,261
Right of Way Tractor	60,000	-	684	684	59,316
McKee Road Project Segment A	40,000	74,110	185,081	259,191	(219,191)
McKee Road Project Segment B	-	-	27,000	27,000	(27,000)
McKee Road Project Segment C	66,000	-	56,200	56,200	9,800
Crack Sealer Trailer	55,000	-	42,525	42,525	12,475
Tandem Dump Truck	85,000	-	-	-	85,000
Utility Service Truck	28,000	-	-	-	28,000
Crew Cab Landscape Truck	43,000	-	-	-	43,000
Total public works	977,000	258,197	333,592	591,789	385,211
Economic and Physical Development:					
Large Document Scanner/Printer	24,565	-	18,543	18,543	6,022
Vehicle Replacement	22,000	-	15,766	15,766	6,234
Planning & Zoning Update	113,550	-	52,303	52,303	61,247
Total economic and physical development	160,115	-	86,612	86,612	73,503

TOWN OF MATTHEWS, NORTH CAROLINA

CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/(Under)</u>
			<u>Current</u>	<u>Total to Date</u>	
Debt Service:					
Principal	64,493	56,988	11,324	68,312	(3,819)
Interest	-	5,432	4,280	9,712	(9,712)
Total debt service	<u>64,493</u>	<u>62,420</u>	<u>15,604</u>	<u>78,024</u>	<u>(13,531)</u>
Total expenditures	<u>1,459,974</u>	<u>323,567</u>	<u>593,150</u>	<u>916,717</u>	<u>543,257</u>
Revenues over (under) expenditures	<u>(1,459,974)</u>	<u>(323,567)</u>	<u>(593,150)</u>	<u>(916,717)</u>	<u>543,257</u>
Other Financing Sources (Uses):					
Transfer from other funds	1,459,974	324,790	571,188	895,978	(563,996)
Proceeds from sale of capital assets	-	27,400	18,425	45,825	45,825
Total other financing sources (uses)	<u>1,459,974</u>	<u>352,190</u>	<u>589,613</u>	<u>941,803</u>	<u>(518,171)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 28,623</u>	<u>(3,537)</u>	<u>\$ 25,086</u>	<u>\$ 25,086</u>
Fund Balance:					
Beginning of year - July 1			<u>28,623</u>		
End of year - June 30			<u>\$ 25,086</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

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 JUNE 30, 2009

Fiscal Year	Uncollected Balance July 1, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008-2009	\$ -	\$ 9,970,924	\$ 9,740,361	\$ 230,563
2007-2008	192,739	-	115,574	77,165
2006-2007	60,934	-	14,480	46,454
2005-2006	45,543	-	20,515	25,028
2004-2005	36,033	-	21,691	14,342
2003-2004	21,215	-	1,328	19,887
2002-2003	23,721	-	2,097	21,624
2001-2002	17,351	-	1,381	15,970
2000-2001	16,110	-	1,004	15,106
1999-2000	9,912	-	9,912	-
1998-1999	5,711	-	5,711	-
	<u>\$ 429,269</u>	<u>\$ -</u>	<u>\$ 9,934,054</u>	466,139
Less: Allowance for uncollectible accounts				<u>(115,000)</u>
Ad valorem taxes receivable, net				<u>\$ 351,139</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 9,996,417
Reconciling items:				
Penalties and interest collected				(38,404)
Amounts written off due to statute of limitations				5,711
Prior year releases and other adjustments				<u>(29,670)</u>
Total collections and credits				<u>\$ 9,934,054</u>

TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 2,698,237,895	\$ 0.3325	\$ 8,971,641	\$ 8,971,641	\$ -
Registered motor vehicles taxed at current year's rate	<u>306,603,008</u>	0.3325	<u>1,019,455</u>	-	<u>1,019,455</u>
Total	<u>3,004,840,902</u>		<u>9,991,096</u>	<u>8,971,641</u>	<u>1,019,455</u>
Discoveries:					
Prior years' taxes	6,947,368	0.3325	23,100	23,100	-
Abatements	<u>(13,014,135)</u>	0.3325	<u>(43,272)</u>	<u>(30,601)</u>	<u>(12,671)</u>
Total property valuation	<u>\$ 2,998,774,135</u>				
Net levy			9,970,924	8,964,140	1,006,784
Uncollected taxes at June 30, 2009			<u>(230,563)</u>	<u>(134,318)</u>	<u>(96,245)</u>
Current year's taxes collected			<u>\$ 9,740,361</u>	<u>\$ 8,829,822</u>	<u>\$ 910,539</u>
Current levy collection percentage			<u>97.69%</u>	<u>98.50%</u>	<u>90.44%</u>

Secondary Market Disclosures:

Assessed Valuation:		
Assessment Ratio ¹		100%
Real property		\$ 2,698,237,895
Personal property		306,603,008
Public Service Companies ²		<u>52,876,218</u>
Total Assessed Valuation		2,998,774,135
Tax Rate per \$100		<u>0.3325</u>
Levy (includes discoveries, releases and abatements) ³		<u>\$ 9,970,924</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.

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.	58
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property taxes.	63
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.	67
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.	71
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.	74



Town of Matthews, North Carolina
 Net Assets by Component
 Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Primary government								
Invested in capital assets, net of related debt	\$ 282,719,342	\$ 277,554,317	\$ 279,214,110	\$ 276,619,246	\$ 279,681,491	\$ 262,511,988	\$ 264,648,341	\$ 261,861,998
Restricted	-	-	149,170	-	-	-	-	-
Unrestricted	832,676	1,956,742	3,727,032	5,317,891	806,782	14,792,951	8,592,662	8,881,301
Total primary government net assets	\$ 283,552,018	\$ 279,511,059	\$ 283,090,312	\$ 281,937,137	\$ 280,488,273	\$ 277,304,939	\$ 273,241,003	\$ 270,743,299

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities:								
General government	\$ 816,206	\$ 7,233,067	\$ 7,145,993	\$ 6,775,329	\$ 6,625,826	\$ 6,644,807	\$ 6,864,191	\$ 6,790,343
Public safety	4,229,343	4,768,850	5,037,676	5,342,724	6,263,505	6,646,928	7,221,272	8,175,344
Public works	2,231,337	2,323,334	2,191,912	2,450,443	2,609,510	1,566,573	3,340,233	3,121,238
Environmental protection	1,432,162	1,482,411	1,629,912	1,626,580	1,880,068	2,016,101	2,131,562	2,376,802
Economic and physical development	288,387	311,016	311,475	388,296	419,433	408,458	529,283	473,900
Cultural and recreation	459,028	690,188	737,063	794,203	946,996	2,547,098	1,276,386	1,196,978
Unallocated depreciation expense	5,910,522	-	-	-	-	-	-	-
Interest on long term debt	1,051,946	996,622	856,137	878,086	660,906	619,269	544,632	647,687
Total primary government expenses	16,418,931	17,805,488	17,910,168	18,255,661	19,406,244	20,449,234	21,907,559	22,782,292
Program Revenues								
Governmental activities:								
Charges for services:								
General government	311,236	299,274	523,745	459,313	461,468	-	50,336	94,455
Public safety	32,874	35,265	98,645	86,628	120,015	325,893	245,145	561,619
Public works	440,359	446,046	487,160	485,875	511,389	579,683	424,249	657,850
Economic and physical development	16,560	23,149	27,941	25,539	23,864	1,675	15,531	12,561
Cultural and recreation	139,736	166,231	213,776	241,870	303,100	595,730	683,272	615,038
Operating grants and contributions:								
General government	62,727	42,200	9,000	9,000	9,000	-	4,747	1,000
Public safety	158,927	170,468	230,650	183,234	166,759	12,426	144,107	151,945
Public works	710,343	687,293	645,620	720,418	728,654	727,130	843,663	78,619
Economic and physical development	29,370	25,000	25,000	25,000	25,000	-	-	-
Cultural and recreation	104,577	28,347	-	-	-	22,113	10,000	30,000
Interest on long term debt	765,575	743,975	672,348	668,975	636,625	-	-	-
Capital grants and contributions:								
General government	-	-	6,285,349	1,993,240	1,568,015	617,025	497,237	566,375
Cultural and recreation	-	-	586,145	236,206	217,820	-	-	-
Public works	-	-	-	-	-	85,000	9,317	1,948,541
Total governmental activities program revenues	2,772,284	2,667,248	9,805,379	5,125,298	4,771,709	2,966,675	2,927,604	4,718,003
Net (expense)/revenue								
Total governmental activities net (expense)/revenue	(13,646,647)	(15,138,240)	(8,104,789)	(13,130,363)	(14,634,535)	(17,482,559)	(18,979,955)	(18,064,289)

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	5,705,083	7,005,810	7,473,501	7,636,559	8,186,383	8,542,509	9,093,839	10,014,657
Local option sales tax	-	-	-	-	-	2,237,330	2,487,413	1,695,401
Utility franchise and excise tax	-	-	-	-	-	-	1,565,435	1,986,645
Other taxes and licenses	2,212,205	2,524,881	955,663	1,002,510	1,044,201	1,407,414	1,357,727	1,266,109
Unrestricted intergovernmental revenues	1,096,997	76,827	-	-	-	1,415,445	-	-
Grants and contributions not restricted to specific programs	-	1,188,651	3,014,718	3,082,783	3,637,353	-	-	-
Unrestricted investment earnings	198,466	77,168	86,088	235,220	220,660	484,637	411,605	120,698
Miscellaneous	279,914	285,347	154,072	20,116	97,074	211,890	-	-
Loss on sale of capital assets	-	(61,403)	-	-	-	-	-	-
Total governmental activities general revenues	9,492,665	11,097,281	11,684,042	11,977,188	13,185,671	14,299,225	14,916,019	15,083,510
Change in Net Assets								
Governmental activities	(4,153,982)	(4,040,959)	3,579,253	(1,153,175)	(1,448,864)	(3,183,334)	(4,063,936)	(2,273,779)
Net assets-beginning	287,706,000	283,552,018	279,511,059	283,090,312	281,937,137	280,488,273	277,304,939	273,241,003
Prior period adjustment	-	-	-	-	-	-	-	(223,925)
Net assets-ending	\$ 283,552,018	\$ 279,511,059	\$ 283,090,312	\$ 281,937,137	\$ 280,488,273	\$ 277,304,939	\$ 273,241,003	\$ 270,743,299

Note: Accrual-basis financial information for the Town as a whole is available back to 2002 only, the year GASB Statement 34 was implemented.

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved for:										
Public works										
Tourism	43,944	-	-	84,478	60,000	60,000	\$ -	-	-	-
Cultural & recreational	-	-	-	56,233	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-	52,298	71,908	107,803	18,397
Prepays	-	-	-	-	-	-	-	15,000	-	-
Storm water-appropriated	221,776	105,633	131,636	222,718	182,779	172,358	37,000	-	-	-
Storm water-unappropriated	-	215,871	202,278	182,574	191,914	275,978	159,933	-	-	-
State Statute	545,381	478,843	685,387	606,915	922,692	606,287	725,471	833,747	899,183	915,136
Streets - Powell Bill - appropriated	218,321	168,293	316,045	342,000	141,450	-	-	-	-	-
Streets - Powell Bill - unappropriated	-	152,165	62,459	73,833	7,720	-	-	-	-	-
Total reserved	1,029,422	1,120,805	1,397,805	1,568,751	1,506,555	1,114,623	974,702	920,655	1,006,986	933,533
Unreserved										
Designated for										
subsequent year's expenditures	212,272	-	-	228,000	191,012	139,234	190,146	-	-	-
Undesignated	2,591,611	3,660,147	4,028,035	4,464,325	6,268,824	7,430,219	3,378,208	7,697,243	6,421,920	6,354,516
Total General Fund	\$ 3,833,305	\$ 4,780,952	\$ 5,425,840	\$ 6,261,076	\$ 7,966,391	\$ 8,684,076	\$ 4,543,056	\$ 8,617,898	\$ 7,428,906	\$ 7,288,049
All Other Governmental Funds										
Reserved for:										
Tourism	\$ 109,292	\$ 24,207	\$ 185,466	\$ 25,493	\$ 51,923	\$ 298,173	\$ 458,058	\$ 705,041	\$ -	\$ -
Storm water	-	197,950	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	-	-	-	1,615,240	2,238,072
State Statute	-	63,872	26,138	19,790	22,822	22,893	43,430	28,043	42,683	30,335
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated for subsequent year's expenditures:										
Capital projects	-	3,402,299	1,465,703	1,276,544	1,562,136	1,834,855	886,199	1,284,797	28,623	25,086
Total all other governmental funds	\$ 109,292	\$ 3,688,328	\$ 1,677,307	\$ 1,321,827	\$ 1,636,881	\$ 2,155,921	\$ 1,387,687	\$ 2,017,881	\$ 1,686,546	\$ 2,293,493

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Ad valorem taxes	\$ 4,687,370	\$ 5,169,327	\$ 5,699,336	\$ 6,962,368	\$ 7,518,410	\$ 7,698,073	\$ 8,239,209	\$ 8,584,246	\$ 9,065,438	\$ 9,996,417
Other taxes and licenses	1,581,866	1,651,130	2,212,205	2,453,162	1,146,777	1,151,078	1,220,819	3,644,744	5,410,575	4,948,155
Unrestricted intergovernmental	1,221,095	1,485,358	1,096,997	983,839	3,007,608	3,083,903	3,637,353	1,415,445	166,412	207,977
Restricted intergovernmental	2,497,591	2,677,126	1,701,940	1,747,028	2,080,983	2,083,590	2,096,540	1,463,694	1,456,790	1,374,161
Permits and fees	204,029	59,187	25,000	25,000	25,000	25,000	25,000	25,000	-	-
Sales and services	-	-	1,026,606	942,642	1,207,859	813,638	859,423	1,477,981	1,332,389	1,487,387
Unrestricted investment earnings	449,775	588,014	198,467	77,167	86,089	235,220	220,660	456,481	411,605	120,698
Miscellaneous	559,864	846,169	279,914	294,349	181,025	38,817	94,027	211,890	62,401	425,871
Total revenues	11,201,590	12,476,311	12,240,465	13,485,555	15,253,751	15,129,319	16,393,031	17,279,481	17,905,610	18,560,666
Expenditures										
General government	830,134	817,604	938,333	942,972	1,111,014	1,219,375	1,219,626	1,353,264	1,621,076	1,628,588
Public safety	3,546,425	3,679,024	4,164,147	4,395,790	4,697,971	5,175,966	6,082,993	6,666,572	7,196,965	6,985,296
Public works	1,684,898	1,792,167	2,111,342	2,119,784	2,007,193	2,291,389	2,960,024	2,885,327	3,714,121	3,183,643
Environmental Prot.	1,506,500	1,470,326	1,552,415	1,482,411	1,629,912	1,641,674	2,052,783	2,016,101	2,131,562	2,376,802
Economic and physical development	273,829	303,805	283,047	302,385	302,283	385,263	409,860	402,341	519,465	543,151
Culture and recreation	329,534	309,816	439,213	560,860	606,028	657,598	6,164,219	2,661,894	2,241,339	1,214,223
Debt service:										
Principal	829,799	939,213	1,254,931	1,630,099	1,744,780	1,795,204	1,752,196	3,080,497	1,501,151	8,964,465
Interest	691,021	1,013,815	1,120,737	996,622	704,253	726,125	660,584	619,269	544,632	647,687
Construction in progress	-	-	1,876,386	-	-	-	-	-	-	-
Capital outlay	5,231,778	10,338,466	-	652,407	706,207	-	-	-	-	-
Total expenditures	14,923,918	20,664,236	13,740,551	13,083,330	13,509,641	13,892,594	21,302,285	19,685,265	19,470,311	25,543,855
Excess of revenues over (under) expenditures	(3,722,328)	(8,187,925)	(1,500,086)	402,225	1,744,110	1,236,725	(4,909,254)	(2,405,784)	(1,564,701)	(6,983,189)
Other financing sources (uses)										
Debt issued, note payable	5,900,000	7,400,000	127,267	77,531	-	-	-	2,071,000	-	-
Debt issued, refunding bonds	-	-	-	-	5,926,124	-	-	-	-	-
Sale of capital assets	158	1,950	6,685	-	-	-	-	5,039,820	44,374	7,673,204
Payment to refunded bond escrow agent	-	-	-	-	(5,919,848)	-	-	-	-	-
Total other financing sources (uses)	5,900,158	7,401,950	133,952	77,531	6,276	-	-	7,110,820	44,374	7,673,204
Net change in fund balances	\$ 2,177,830	\$ (785,975)	\$ (1,366,134)	\$ 479,756	\$ 1,750,386	\$ 1,236,725	\$ (4,909,254)	\$ 4,705,036	\$ (1,520,327)	\$ 690,015
Debt services as a percentage of noncapital expenditures	15.7%	18.9%	17.3%	21.1%	19.1%	18.1%	11.3%	21.0%	11.9%	41.3%

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

Fiscal Year Ended December 31	Real Property	Personal Property	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate
2000	\$ 1,736,410,392	\$ 193,284,805	\$ 36,327,409	\$ 1,966,022,606	0.2400
2001	1,813,266,454	175,368,326	40,732,824	2,029,367,604	0.2560
2002	1,946,671,252	140,028,171	41,015,519	2,127,714,942	0.2700
2003	2,013,093,111	158,819,340	48,161,693	2,220,074,144	0.3200
2004	2,288,179,714	219,178,553	45,098,110	2,522,456,377	0.2950
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	2,917,114,703	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	0.3075

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

	Year Taxes Are Payable									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Mecklenburg County	\$ 0.7300	\$ 0.7300	\$ 0.8397	\$ 0.8397	\$ 0.7364	\$ 0.7567	\$ 0.8638	\$ 0.8387	\$ 0.8387	\$ 0.8387
Municipality Rates:										
Town of Matthews	0.2400	0.2560	0.2700	0.3200	0.2950	0.3075	0.3075	0.3075	0.3075	0.3325

Source: Tax Association for respective entities (1) Net of bankruptcies

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

Taxpayer	Type of Business	Fiscal Year 2009			Fiscal Year 1999		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Family Dollar, Inc	Corporate headquarters	\$ 48,689,447	1	1.62%	\$ 19,351,090	3	1.01%
Adult Communities Total Services, Inc.	Retirement Village	39,542,994	2	1.32%	34,338,460	1	1.79%
SC Windsor Associates, LP	Retail/shopping center	38,164,800	3	1.27%	21,928,230	2	1.14%
CJP Inc - (formally PCA National, Inc.)	Office/Photo Lab/Warehouse	25,282,338	4	0.84%	10,427,030	10	0.54%
Sycamore Commons, LLC	Retail/shopping center	25,264,000	5	0.84%	-	-	-
Martin Marietta	Aggregate complex	19,521,680	6	0.65%	12,112,280	8	0.63%
HEP Investment Company, LLC	Hendrick Automotive Group	17,835,000	7	0.59%	-	-	-
BBR/Paces Commons, LLC	Apartment complex	16,749,300	8	0.56%	-	-	-
WMCI Charlotte VIII, LLC	Apartment complex	15,268,900	9	0.51%	-	-	-
1450 Matthews Township Parkway LP	Medical office complex	14,902,100	10	0.50%	-	-	-
Boddie-Noell Restaurant Property, Inc.	Apartment complex	-	-	0.0	14,801,430	4	0.77%
Pic 'n Pay	Corporate headquarters	-	-	0.0	13,050,860	5	0.68%
Matthews CB Village, Inc.	Apartment complex	-	-	0.0	12,399,670	7	0.65%
Matthews Center Associates	Commercial land developers	-	-	0.0	12,775,410	6	0.67%
Sterling Apartments, LLC	Apartment complex	-	-	0.0	11,071,680	9	0.58%
Totals		\$ 261,220,559.00		8.7%	\$ 162,256,140		8.5%

Source: Mecklenburg County Office of the Tax Collector

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	Amount	Percentage of Adjusted Levy
2000	\$ 4,718,454	\$ 4,595,146	97.39%	\$ 79,123	99.06%	\$ 4,674,269	99.06%
2001	5,157,876	5,053,935	97.98%	90,455	99.74%	5,144,390	99.74%
2002	5,715,095	5,573,944	97.53%	106,660	99.40%	5,680,604	99.40%
2003	6,986,358	6,812,492	97.51%	123,589	99.28%	6,936,081	99.28%
2004	7,548,412	7,412,699	98.20%	136,355	100.01%	7,549,054	100.01%
2005	7,965,121	7,851,929	98.58%	118,555	100.07%	7,970,484	100.07%
2006	8,226,868	8,072,994	98.13%	157,540	100.04%	8,230,534	100.04%
2007	8,619,553	8,459,957	98.15%	121,813	99.56%	8,581,770	99.56%
2008	9,112,898	8,920,159	97.88%	147,487	99.50%	9,067,646	99.50%
2009	9,970,924	9,740,361	97.69%	193,693	99.63%	9,934,054	99.63%

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 Value of Property (2)	Per Capita (-1.00)	Percentage of Personal Income
2000	\$ 7,050,000	0.36%	\$ 320	
2001	6,650,000	0.33%	294	
2002	6,250,000	0.29%	270	
2003	5,850,000	0.26%	243	
2004	5,800,000	0.23%	238	
2005	5,315,000	0.20%	214	
2006	4,835,000	0.18%	190	
2007	4,365,000	0.15%	164	
2008	3,915,000	0.13%	139	
2009	3,475,000	0.12%	121	

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
Ratio 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				
2000	\$ 7,050,000	\$ 8,301,737	\$	\$ 15,351,737	697	-
2001	6,650,000	15,164,368		21,814,368	965	-
2002	6,250,000	14,426,311		20,676,311	893	3.25
2003	5,850,000	13,273,743		19,123,743	793	2.87
2004	5,800,000	12,067,763		17,867,763	734	-
2005	5,315,000	10,757,559		16,072,559	646	2.35
2006	4,835,000	9,434,268		14,269,268	561	-
2007	4,365,000	8,894,771		13,259,771	499	-
2008	3,915,000	7,843,619		11,758,619	419	1.52
2009	3,475,000	7,719,542		11,194,542	391	1.22

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, 2009

<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)	\$ 3,475,000	100.00%	\$ 3,475,000
<i>Counties:</i> Mecklenburg County (2)	2,929,967,846	3.00%	87,899,035
Total direct and overlapping debt	<u>\$ 2,933,442,846</u>		<u>\$ 91,374,035</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)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed Value of Property	\$ 1,966,022,606	\$ 2,029,367,604	\$ 2,127,714,942	\$ 2,220,074,144	\$ 2,552,456,377	\$ 2,594,502,401	\$ 2,673,767,810	\$ 2,803,106,667	\$ 2,963,544,064	\$ 2,998,774,053
Debt Limit, 8% of Assessed value (Statutory Limitation)	157,281,808	162,349,408	170,217,195	177,605,932	204,196,510	207,560,192	213,901,425	224,248,533	237,083,525	239,901,924
Debt applicable to debt limitations:										
Total bonded debt	7,050,000	6,650,000	6,250,000	5,850,000	5,800,000	5,315,000	4,835,000	4,365,000	3,915,000	3,475,000
Debt not evidenced by bonds	8,301,736	15,164,368	14,426,311	13,273,743	12,067,763	10,757,559	9,434,268	8,894,771	7,843,619	7,719,542
Statutory Deductions	(7,050,000)	(6,650,000)	(6,250,000)	(5,850,000)	(5,800,000)	(5,315,000)	(4,835,000)	(4,365,000)	(3,915,000)	(3,475,000)
Total debt applicable to limitations	8,301,736	15,164,368	14,426,311	13,273,743	12,067,763	10,757,559	9,434,268	8,894,771	7,843,619	7,719,542
Legal debt limit	148,980,072	147,185,040	155,790,884	164,332,189	192,128,747	196,802,633	204,467,157	215,353,762	229,239,906	232,182,382
Total net debt applicable to the limit as a percentage of debt limit	<u>5.28%</u>	<u>9.34%</u>	<u>8.48%</u>	<u>7.47%</u>	<u>5.91%</u>	<u>5.18%</u>	<u>4.41%</u>	<u>4.13%</u>	<u>3.42%</u>	<u>3.32%</u>

Note: NC Statute GS159-55 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
2000	22,011	\$ -	-	5,961	2.60%	68,362
2001	22,613	-	-	6,102	4.40%	70,100
2002	23,144	-	27,471	5,950	5.60%	67,034
2003	24,121	-	27,546	5,893	6.40%	73,728
2004	24,357	-	-	5,816	5.60%	-
2005	24,879	-	27,471	6,581	5.00%	75,791
2006	25,437	-	-	6,295	4.10%	-
2007	26,554	-	-	6,380	3.50%	81,841
2008	28,072	-	27,546	6,307	4.70%	67,034
2009	28,634	64,590,940	31,881	6,175	7.70%	74,073

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**

	2009			1999		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Family Dollar Stores	1700	1	0.39%	900	1	0.23%
Presbyterian Hospital	950	2	0.22%	250	7	0.07%
Harris Teeter	667	3	0.15%	680	2	0.18%
Town of Matthews	135	4	0.03%	-	-	-
Plantation Estates	119	5	0.03%	200	8	0.05%
Sam's Club	115	6	0.03%	135	10	0.04%
Stronghaven Container, Inc	89	7	0.02%	-	-	-
Costco Wholesale Inc.	75	8	0.02%	-	-	-
Home Depot	70	9	0.02%	140	9	0.04%
Lowe's	60	10	0.01%	-	-	-
Pic-n-Pay	-	-	-	625	3	0.16%
Conbraco	-	-	-	300	4	0.08%
Rexham	-	-	-	300	5	0.08%
				260	6	0.07%

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

	Full-Time Equivalent Employees as of December 31									
Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	8	8	8	8	8	10	10	11	10	10
Public safety	56	57	62	62	68	69	74	77	81	81
Public works	34	35	36	36	39	38	37	38	33	31
Economic & phy. development	5	5	5	5	5	5	6	6	6	6
Cultural and recreation	2	2	4	4	5	4	6	7	7	7
Total	105	107	115	115	125	126	133	139	137	135

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 Nine Fiscal Years**

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Functional Area</u>									
General Government									
Tax collection rate	97.98%	97.53%	97.51%	98.20%	98.58%	98.13%	98.15%	98.15%	97.69%
Culture and Recreation									
Attendance at all events/programs/classes	-	-	-	-	-	-	110,214	110,810	143,147
Circulation of library materials-Matthews branch	45,000	62,000	62,000	62,000	62,000	409,388	496,298	540,717	588,765
Children's program attendance	-	-	-	-	-	-	21,987	20,921	22,596
Public Safety									
Physical arrests	977	991	1,141	1,141	1,141	1,112	1,239	1,220	1,318
Traffic violations	4,336	5,395	5,770	5,770	5,770	10,693	13,297	13,954	8,065
EMS calls	929	929	1,564	1,564	1,640	1,700	1,867	1,844	1,957
EMS response time	5.5 min	5.5 min	4.2 min	4.2 min	4.3 min	4.0 min	4.75 min	5.04 min	5.35 min
Miles of Streets/Sidewalks									
Town-maintained	75.56	75.56	85.00	87.15	88.65	89.78	93.65	94.09	95.14
Sidewalks	Over 63	Over 63	Over 63	Over 63	Over 63	Over 63	Over 64	Over 66	Over 66
Economic and Physical Development									
Building Permit Activity	-	-	-	-	-	-	538	471	295

Note: Data not kept prior to year ended June 30, 2001
2007-additional functions to track were added

**Town of Matthews, North Carolina
Capital Asset Statistics by Function
Last Nine Fiscal Years**

<u>Function/Program</u>	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Parks and recreation									
Community centers	1	1	1	1	1	1	1	1	1
Park facility	5	5	5	5	5	5	5	5	5
Park acreage	39	39	39	39	39	39	39	44	44
Libraries	1	1	1	1	1	1	1	1	1
Recreation center	-	-	-	-	-	1	1	1	1
Fire protection									
Stations	2	2	2	2	2	2	2	2	2
Volunteer Fire/EMS	-	-	-	-	-	24	20	23	71
* Paid personnel	-	-	-	-	-	6	6	21	21
Police									
Stations	1	1	1	1	1	1	1	1	1
Sworn officers	43	49	50	50	54	54	55	57	57
Civilians - Full-time	11	11	12	12	12	12	17	14	14
Civilians - Part-time	-	-	-	-	-	-	-	13	13
Patrol vehicles - marked	40	51	43	43	43	48	46	49	49
Patrol vehicles - unmarked	-	-	11	11	12	12	16	15	17
Public Works									
Town - maintained streets	75.56	75.56	85.00	87.15	88.65	89.78	93.65	94.09	95.14
Sidewalks	Over 63	Over 63	Over 63	Over 63	Over 63	Over 63	Over 64	Over 66	66

Note: Data not kept prior to year ended June 30, 2001

* Information on paid include personnel at 2 locations

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 with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act
 - Schedule of Findings, Responses and Questioned Costs
 - Summary Schedule of Prior Year 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*

To the Town Board
Town of Matthews, North Carolina

We have audited the 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, 2009, which collectively comprise the Town of Matthews' basic financial statements, and have issued our report thereon dated November 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Matthews' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Matthews' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Matthews' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Matthews' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Town of Matthews' financial statements that is more than inconsequential will not be prevented or detected by the Town of Matthews' internal control. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2009-01 and 2009-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Matthews' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-01 and 2009-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Matthews' response to the findings identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. We did not audit the Town of Matthews' response and, accordingly, we express no opinion on it.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 19, 2009

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

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

Report On Compliance with Requirements Applicable to Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the Town Board
Town of Matthews, North Carolina

Compliance

We have audited the compliance of the Town of Matthews, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. The Town of Matthews' major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Matthews' management. Our responsibility is to express an opinion on the Town of Matthews' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of 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. Our audit does not provide a legal determination of the Town of Matthews' compliance with those requirements.

In our opinion, the Town of Matthews complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Town of Matthews is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Matthews' internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Town's internal control 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, as defined above.

This report is intended solely for the information and use of management, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 19, 2009

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted No

State Awards

Internal control over major State programs:

- Material weakness(es) identified No
- Significant deficiencies identified that are not considered to be material weaknesses No

Noncompliance material to State awards No

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 No

Identification of major State programs:

Program Name

Powell Bill

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Section II - Financial Statements Findings

Finding 2009-01

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.

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.

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Finding 2009-02 Material Prior Period Adjustments

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

Condition: In the current year, beginning cash and accounts payable balances for the General Fund were restated due to the improper treatment, in the accounting software, of prior year accruals.

Effect: For the statements affected, the prior year amounts were misstated.

Cause: Inadequate policy regarding processing accruals and the general ledger software.

Recommendation: Proper and timely review of the audited financial statements should be implemented to prevent prior period adjustments in the future.

Contact Person: Christine Surratt

Management's Response: Management concurs and has implemented an internal policy regarding accruals.

Section III - State Award Findings and Questioned Costs

None reported.

TOWN OF MATTHEWS, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Finding: 2008-01

Status: Corrected.

Finding: 2008-02

Status: Corrected

Finding: 2008-03

Status: Repeated as Finding 2009-01

Finding: 2008-04

Status: Corrected

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<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>
State Programs:				
N.C. Department of Transportation:				
Powell Bill		DOT-4	\$ -	\$ 785,619
Total State Expenditures				\$ 785,619

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.

