



Town of
MatthewsTM
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011

Town of Matthews North Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2011**

Prepared By
Department of Finance



**TOWN OF MATTHEWS
NORTH CAROLINA**

**List of Principal Elected Officials
Year Ended June 30, 2011**

James P. Taylor, *Mayor*

Suzanne Gulley, *Mayor Pro Tem*

**Paul Bailey
Nancy LaFond
Jeff Miller
W. Kress Query
John Urban**



TOWN OF MATTHEWS, NORTH CAROLINA

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Introductory Section

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September 20, 2011

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

It is with pleasure that we present to you the 2011 Comprehensive Annual Financial Report (CAFR) of the Town of Matthews, North Carolina for the fiscal year ended June 30, 2011. 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, 2011, the Town has no component units.

Description of the Town

The Town of Matthews was established in 1879 and is located in the Southern Piedmont section of North Carolina. It has land area of approximately seventeen square miles and the recent census noted a population of 27,326. 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 27,000. 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. A public/private partnership, including the Town Hall/Library building (occupied in August/September 2001) and office/retail development along a new public street significantly expanded the Downtown Business District. In 2010, the town sold two properties, one of which was a vacant lot and the developer will construct a new restaurant in the downtown development. The other property consisted of renovation of a historical house and will become home to the Matthews Historical Foundation and Museum, and open space for local art-and-craft shows. 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 wide range of health services including maternity, surgery, cardiovascular and cancer care. They have expanded the campus to incorporate state of the art equipment and facilities that includes a Chest Pain Center Accreditation, expanded emergency room services, and a Special Care Nursery for premature infants. Presbyterian Hospital Matthews continues to be honored as a 5-star customer satisfaction hospital. They have been recognized as a Magnet Health Care Facility. The facility currently employs over 900 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 18,000 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. Matthews is also home to a regional campus of Wingate University. Currently, the campus rents property in the downtown district. Over 500 students are in the Town five days a week earning, bachelor, master and doctorate degrees. Wingate University announced plans to build a \$5M campus near I-485 and has broken ground. It is expected to open in 2012-2013.

There are five public schools in Matthews (three elementary schools, a middle school, and a high school) and two private schools, each fielding classes from pre-kindergarten to high school.

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

Although growth in the Town and the region has slowed due to economic conditions, 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 2008, the Town began the next step to incorporate those vision statements into an actionable Strategic Plan for the Town government. All Town Departments participated in the process and implementation began in the 2010 budget. Each fiscal year the plan is reviewed to constantly monitor our progress and strengthen based on current and future goals outlined by the elected and appointed officials and staff.

In the fiscal year 2008-2009 budget, the Board approved an economic development program, which included a full-time position. Due to the economic downturn in the fall of 2008, the Assistant Town Manger continues to oversee implementation of the program, along with a citizen appointed advisory board. This program works with the Chamber of Commerce to recruit and attract additional commercial developers to help strengthen our tax base. 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. The building is currently under renovations which include restrooms accessible to the adjoining Stumptown Park.
- Joined partnership with Mecklenburg County Parks and Recreation to design and construct a \$32 million sportsplex. This complex will be located on 160 acres located within the Town. Eleven sports fields plus a 2,700 seat stadium will host regional and national field sport tournaments (soccer, lacrosse, football, etc.)

- In June 2007 a new Rescue/Pumper Fire Apparatus was purchased. This enabled the department to operate more efficiently and allowed increased coverage capabilities.
- Accepted full responsibility for all fire protection services in November 2008, formerly maintained by a combination of an independent volunteer fire organization and paid town staff.
- Joined partnership with Mecklenburg County Parks and Recreation to provide funding for the construction of a 2.3 mile greenway project in July 2009. This joint effort allows the project to be completed ahead of schedule while saving over \$1,000,000 due to current economic impact. The greenway was dedicated in 2011 and has become an asset to our community.
- Acquired historical agricultural facility for future expansion of cultural and recreation opportunities. This building is currently under a \$1,000,000 renovation project.
- August 2009, secured PARTF Grant in the amount of \$499,895 for renovation of Squirrel Lake Park. The addition of restroom facilities, upgraded park shelters and a new pier have indeed created this as a destination for local families.
- Upgrade / replacement of all 800 MHz public safety radios in 2009 to ensure interoperability with surrounding communities.
- Designed, constructed and dedicated Town's first downtown pocket park – KP Park – in memory of former Assistant Town Manager, Kay Plyler. The park opened in May 2010.
- Spring 2010, the town received \$550,000 in federal stimulus funds from ARRA for road and transportation improvements
- In December 2009, signed a contract for a new 101' Ladder Platform Fire Truck, replacing a 25 year old vehicle. The new truck will be placed in service in Fall 2010.
- Purchased two adjoining properties to our downtown park.

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

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 has been completed and our first pocket park was designed, installed and dedicated in May 2010, in downtown. In 2010 the Town has agreed to participate in a Joint Comprehensive Transportation Plan with adjoining communities of Stallings and Indian Trail.

In December 2007 the bi-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 generated an additional \$200,000 per year for street maintenance. Since December 2007, the town has re-constructed and/or repaved over 12.5 miles of town streets. This is equivalent to 15% of the town's street mileage. In spring 2010, the town was able to secure \$550,000 of federal funds thru the American Recovery and Reinvestment Act of 2009. North Carolina Department of Transportation oversaw the design work and contracted with a local paving contractor to perform the work. Another 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 have developed a product inventory (i.e. land, buildings) and continue to work on implementation of a marketing plan. New information is regularly added to our web site to keep both existing and potential businesses and citizens updated.

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 provided technological advancement opportunities and phased implementation begin in fiscal year 2011. Anticipated upgrades and enhancements will continue in the next fiscal year.

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, 2010

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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, 2010. This was the thirteenth 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 |
| Dennis Green | Fire/EMS Director |
| Lee Tillery | Parks & Recreation and Cultural Resources Director |
| Kathi Ingrish | Planning & Zoning Director |
| Rob Hunter | Police Chief |
| Ralph Messera | Public Works Director |

BOARDS AND COMMITTEES

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

Appearance / Tree Advisory Committee

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

Board of Adjustment

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

Economic Development Advisory Committee

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

Environmental Advisory Committee

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

Historic Preservation Advisory Committee

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

Parks, Recreation and Cultural Resource Advisory Committee

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

Planning Board

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

Special Needs Advisory Committee

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

Transportation Advisory Committee

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

HISTORY & DESCRIPTION OF THE TOWN OF MATTHEWS

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

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

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

Baptist, Methodist and Presbyterian churches were organized around 1877. The churches at first operated private schools until 1895 when a three-room public school was 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 local town historian published book entitled "Discover Matthews...from Cotton to Corporate" that takes a look back at Matthews from its early days before incorporation to 1999. It is over 100 pages and includes numerous photographs. The Tourism Council has also produced calendars highlighting area homes and historic sites around the Town of Matthews, along with a set of four glasses depicting early streets and sites in Matthews.

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

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

RESPONSIBILITIES OF TOWN GOVERNMENT

Legislative

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

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

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

Administrative

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

Finance

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

Planning and Zoning

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

Public Safety

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

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

Public Works

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

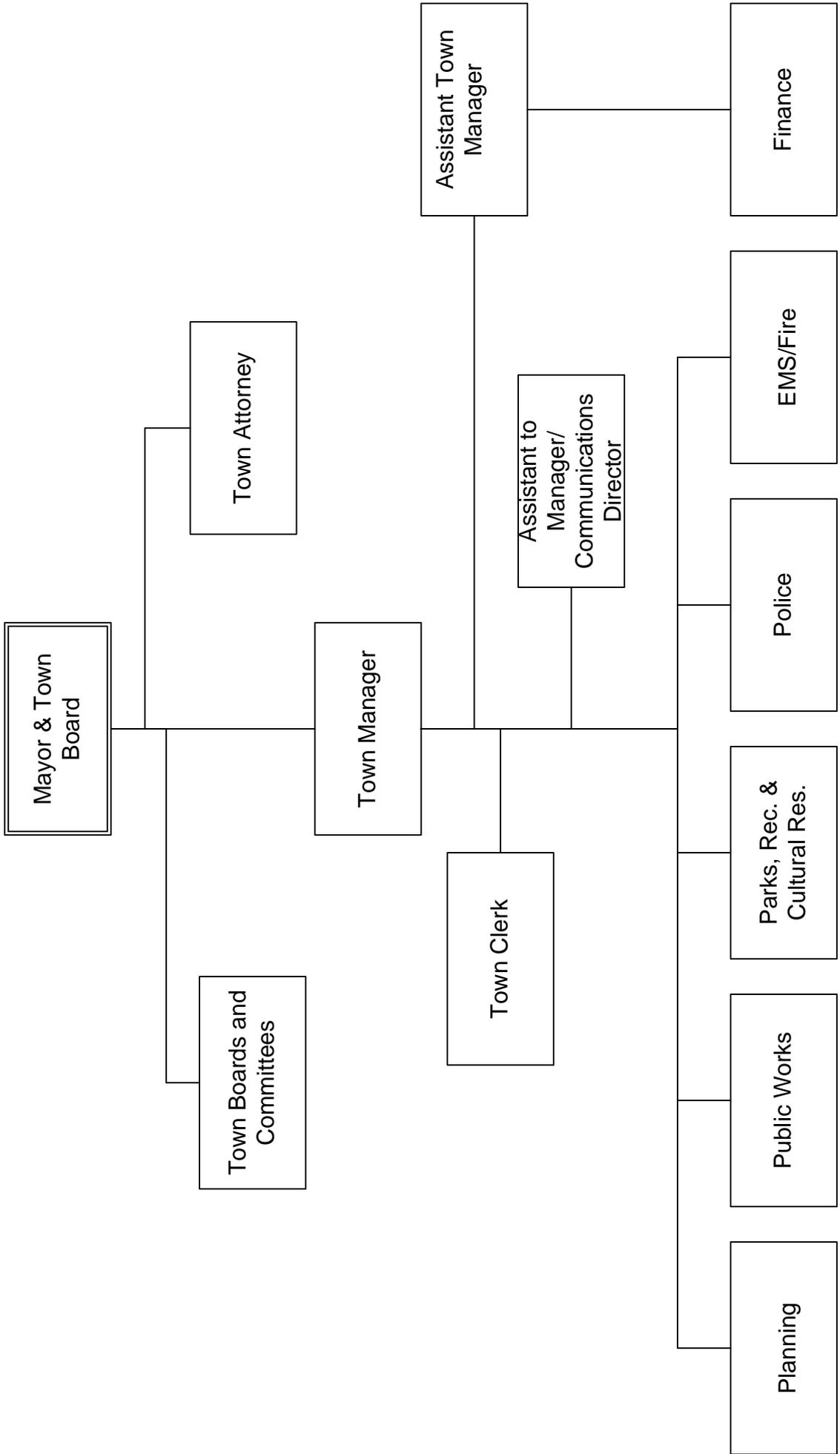
Parks and Recreation/Cultural Arts

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

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

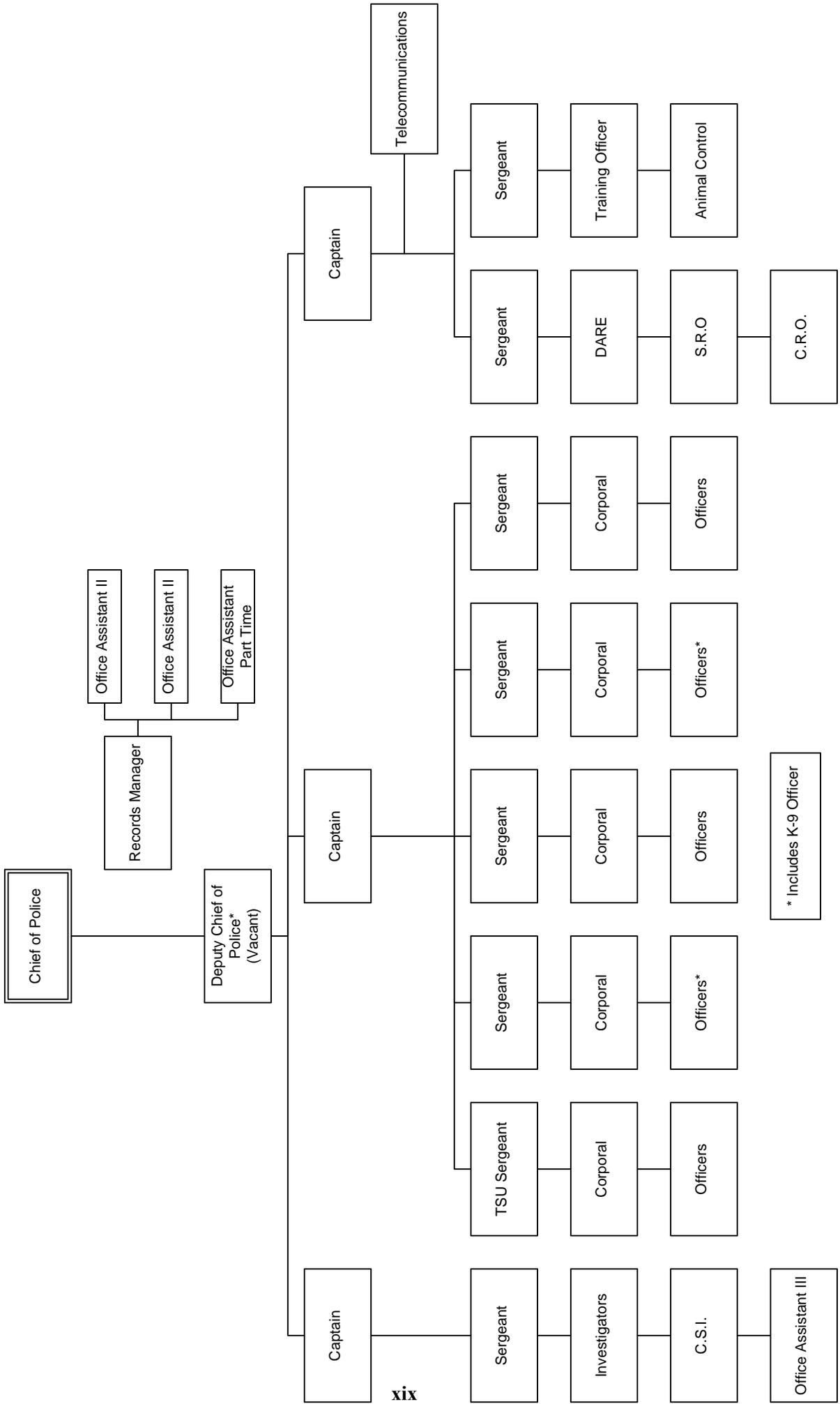
The Special Events Division is responsible for organizing and promoting town sponsored festivals. These include a spring BeachFest, a fall Labor day event, Matthews Alive!, that brings 200,000 plus visitors into our area, and the winter Hometown Holidays festival.

Organizational Structure 2010



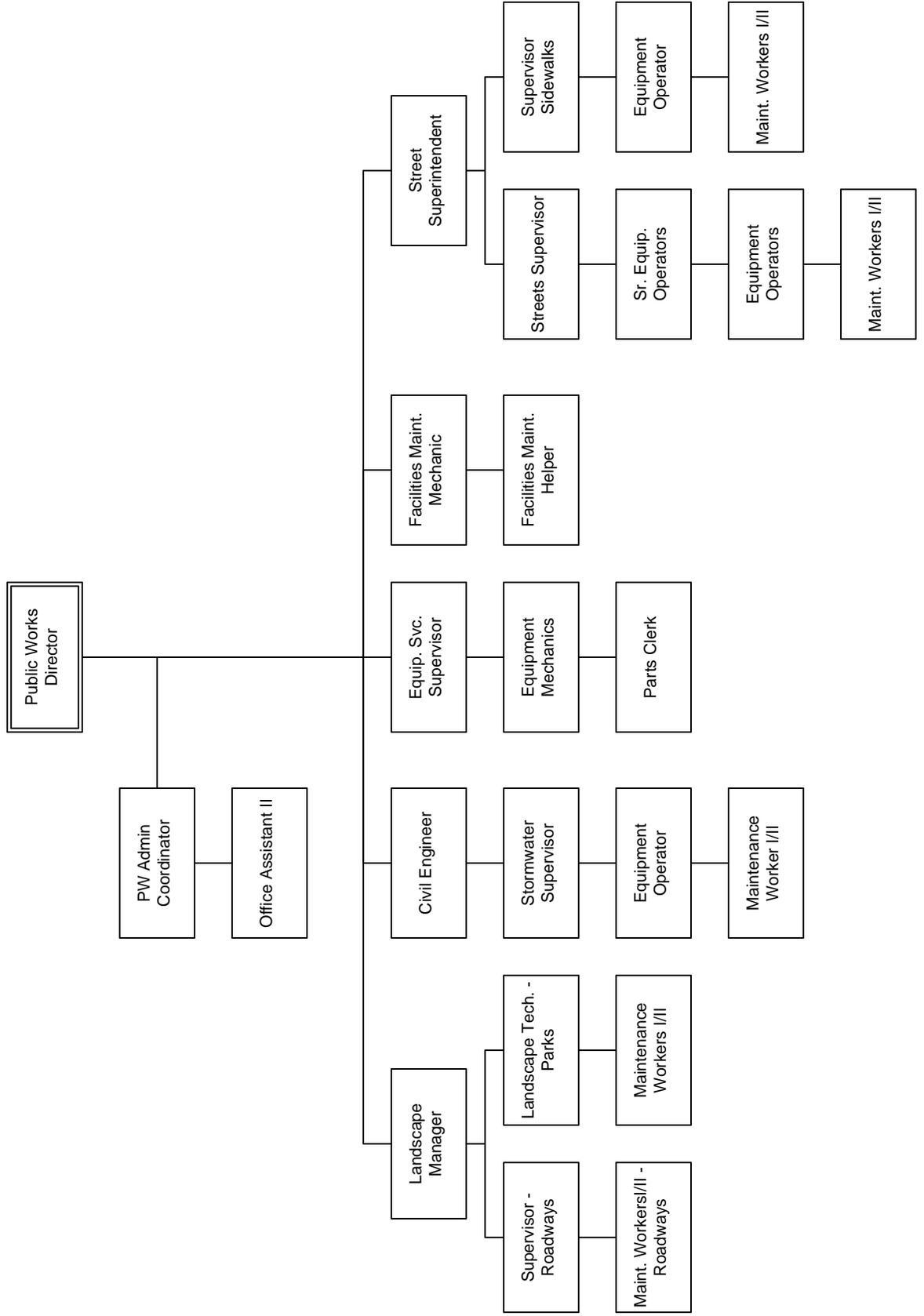
Police Department

Organizational Structure 2010



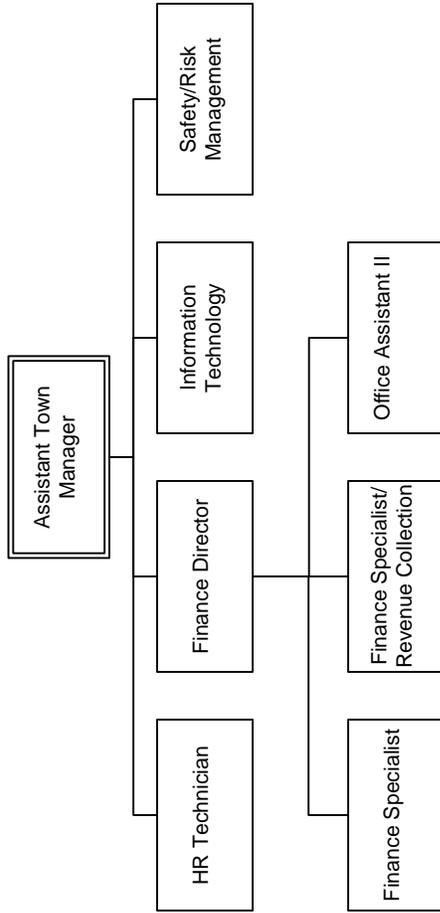
Public Works Department

Organizational Structure
2010



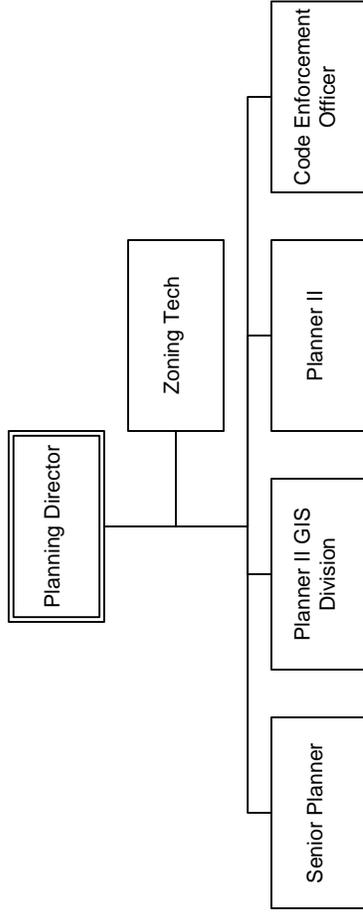
Assistant Town Manager

Organizational Structure
2010



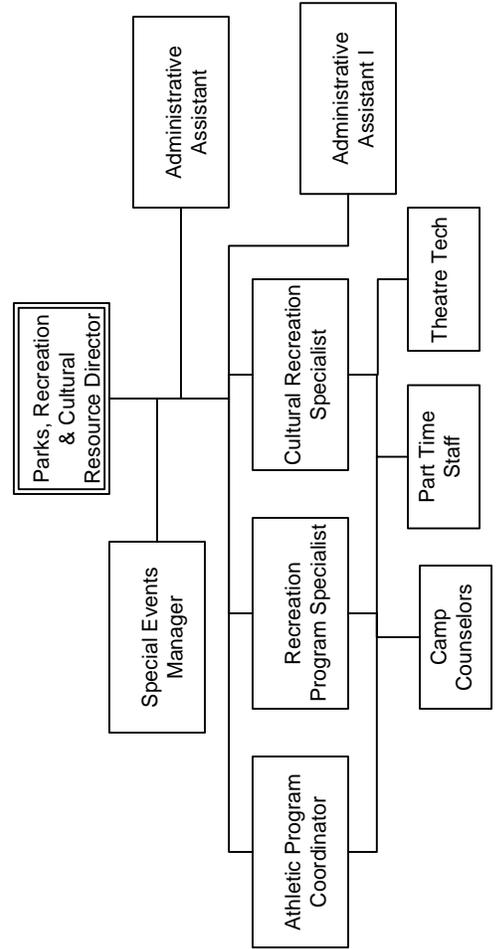
Planning Department

Organizational Structure
2010



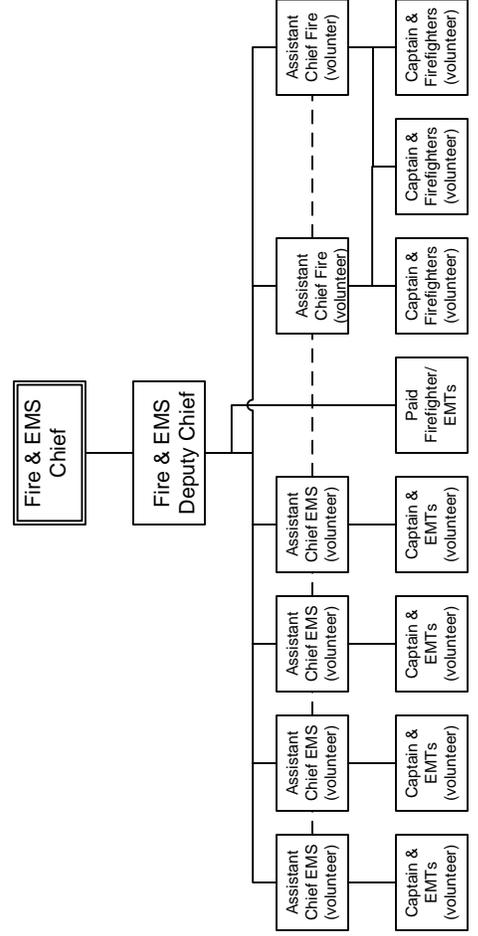
Parks & Recreation/Cultural Resources

Organizational Structure
2010



Fire & EMS Department

Organizational Structure
2010





Financial Section

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

- ❖ Independent 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, 2011, 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, 2011, 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 October 31, 2011 on our consideration of the Town of Matthews' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Town of Matthews, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis 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 and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.
October 31, 2011

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, 2011. 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

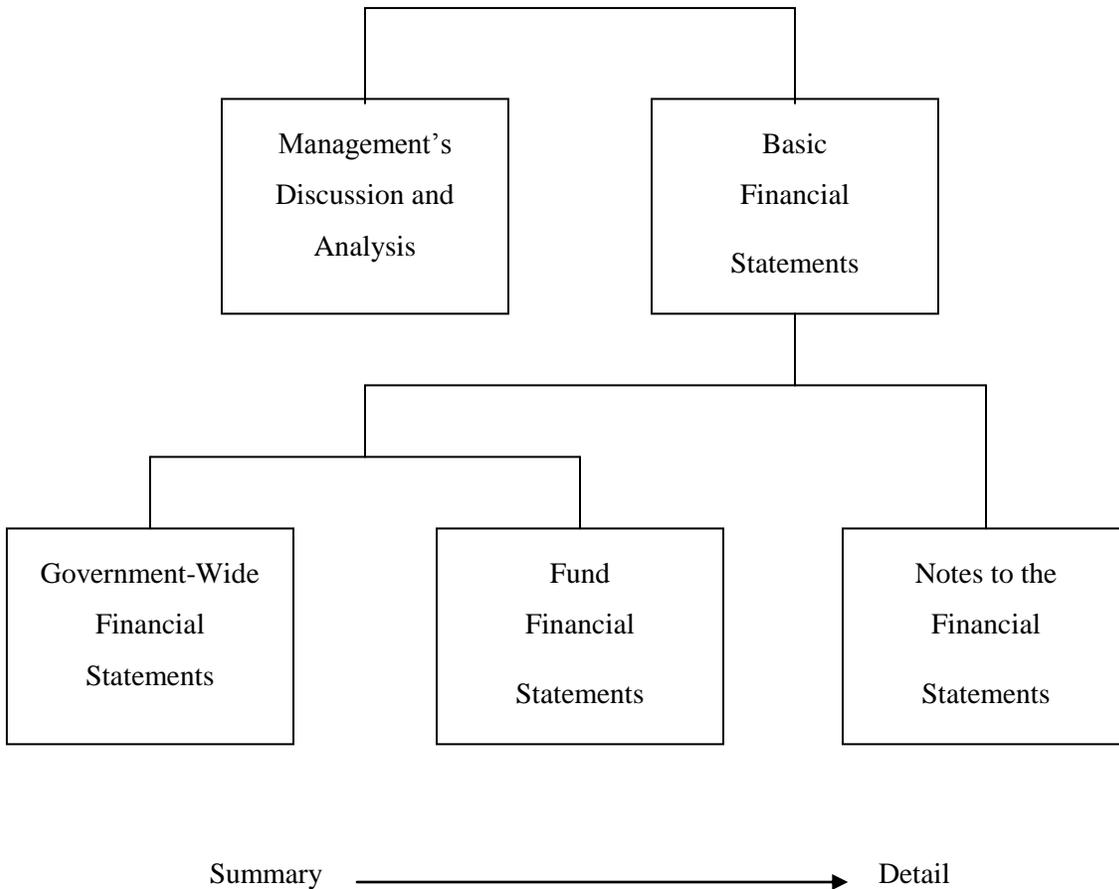
- The assets of the Town of Matthews exceeded its liabilities at the close of the fiscal year by \$262,488,241 (*net assets*).
- The Town's net assets decreased by \$3,413,325 primarily due to funding of capital improvement projects.
- At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$9,841,462, a decrease of \$444,581 in comparison with the prior year. Approximately 21% of this total amount, or \$2,071,720, is non spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$6,696,016 or 38% of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews total debt decreased by \$396,905 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits C through G) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than that the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in the basic statements. After the notes, **Supplemental Information** is provided to show details about the Town's nonmajor governmental funds, which are combined in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net 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 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 20 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 43 of this report.

Government-Wide Financial Analysis

Town of Matthews' Net Assets Figure 2

| | Governmental Activities | |
|--|----------------------------|----------------|
| | 2011 | 2010 |
| Assets: | | |
| Current and other assets | \$ 12,842,920 | \$ 13,774,610 |
| Capital assets, net | 261,450,060 | 264,315,955 |
| Total assets | 274,292,980 | 278,090,565 |
| Liabilities: | | |
| Current liabilities | 4,034,173 | 2,554,787 |
| Non-Current liabilities | 7,770,566 | 9,634,212 |
| Total liabilities | 11,804,739 | 12,188,999 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 253,669,319 | 256,498,533 |
| Restricted | 1,954,537 | 1,375,612 |
| Unrestricted | 6,864,385 | 8,027,421 |
| Total net assets | \$ 262,488,241 | \$ 265,901,566 |

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 \$262,488,241 as of June 30, 2011. The Town's net assets decreased by \$3,413,325 for the fiscal year ended June 30, 2011. However, the largest portion (97%) 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 \$6,864,385 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, 2011 is 97.85%.

Town of Matthews' Changes in Net Assets

Figure 3

| | Governmental Activities | |
|------------------------------------|------------------------------------|----------------|
| | 2011 | 2010 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,589,958 | \$ 1,559,632 |
| Operating grants and contributions | 898,617 | 1,393,393 |
| Capital grants and contributions | 912,797 | 546,890 |
| General revenues: | | |
| Property taxes | 10,407,387 | 10,367,847 |
| Other taxes | 3,650,974 | 3,550,057 |
| Unrestricted intergovernmental | 1,214,920 | 1,162,070 |
| Investment earnings | 14,394 | 29,258 |
| Total revenues | 18,689,047 | 18,609,147 |
| Expenses: | | |
| General government | 5,724,666 | 7,039,748 |
| Public safety | 7,687,273 | 7,620,881 |
| Public works | 2,824,717 | 3,697,289 |
| Environmental protection | 2,426,342 | 2,287,916 |
| Cultural and recreation | 2,662,820 | 1,877,984 |
| Economic and physical development | 429,238 | 557,786 |
| Interest on long-term debt | 347,316 | 369,276 |
| Total expenses | 22,102,372 | 23,450,880 |
| Increase (decrease) in net assets | (3,413,325) | (4,841,733) |
| Net Assets: | | |
| Beginning of year - July 1 | 265,901,566 | 270,743,299 |
| End of year - June 30 | \$ 262,488,241 | \$ 265,901,566 |

Governmental Activities

Governmental activities decreased the Town's net assets by \$3,413,325. Items relating to governmental activities are listed below.

Revenues – Governmental Activities

- The Town's total revenues were \$18,689,047 at June 30, 2011. Property taxes make up 56% of the Town's total revenues while operating grants and contributions and capital grants and contributions contributed 5% and 5%, respectively.
- Ad valorem taxes make up 56% of the governmental activity revenue and have traditionally been the single most important revenue source for funding local government operations. Matthews' tax base has slowed due to economic conditions, however remains stable. Mecklenburg County has been contracted to collect the Town's taxes. The Town's ad valorem tax collections increased slightly during fiscal year 2011 to 97.85%. The tax rate during fiscal year 2011 was 33.25 cents with an assessed value of \$3,127,317,895.
- Local option sales tax is the Town's governmental activity revenue's second largest revenue source accounting for 11% 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.
- Franchise Utilities Tax (Piped Natural Gas Excise Tax, Utility Franchise Tax, Telecommunications Sales Tax, Solid Waste Tipping Tax and Cablevision Franchise Tax) accounts for the third largest revenue source, 9% of revenues.
- 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.

Expenses – Governmental Activities

- The primary expenses 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 26%. 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 a decrease of roughly 19% this year.
- Public Safety accounts for 35% of the total expenses for the Town. Public Safety consists of the Police Department, Animal Control, and Fire/EMS. Expenses increased roughly 1% over the prior year.
- Public Works is responsible for Street Maintenance, Streetlights, Sidewalks, and Storm Drainage and the Sanitation Contract. Public Works expenses decreased 24% over the prior year. The decrease is contributed to receiving ARRA Federal Stimulus Funds in the prior fiscal year.

- Environmental Protection increased by roughly 5%. Oversight of the sanitation contract is handled by Public Works.
- Economic and Physical Development decreased by roughly 23%.
- Cultural and Recreational expenses increased by roughly 42% as a result of capital project expenditures. 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 decreased by roughly 6% this fiscal year.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund of the Town of Matthews. At the end of the current fiscal year, Town of Matthews' fund balance available in the General Fund was \$6,696,016, while total fund balance reached \$8,581,684. The Town currently has an available fund balance of 38% of general fund expenditures and transfer to other funds, while total fund balance represents 49% of the same amount.

At June 30, 2011, the governmental funds of the Town of Matthews reported a combined fund balance of \$9,841,462 with a net decrease in fund balance of \$444,581. Included in this change in fund balance is an increase in fund balance for the General Fund.

General Fund Budgetary Highlights

During fiscal year 2011, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and (3) increase in appropriations that become necessary to maintain services.

At year-end, actual revenues exceeded final amended budget numbers by roughly 2%. Actual expenditures were less than final budgetary figures by roughly 6%, thus eliminating a reduction in fund balance.

Capital Assets and Debt Administration

Capital Assets. The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2011 totals \$261,450,060 (net of accumulated depreciation). These assets include land, buildings, machinery, equipment, vehicles, and park facilities.

Major capital transactions during the year are detailed below.

- Police cars and equipment purchases - \$319,707
- Building purchases - \$320,744
- Disposal of assets - \$705,252
- Additions to Capital project fund – \$2,893,221

Town of Matthews' Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | |
|----------------------------------|----------------------------|-----------------------|
| | 2011 | 2010 |
| Land | \$ 226,251,219 | \$ 226,251,219 |
| Construction in progress | 1,137,387 | 1,023,934 |
| Buildings | 25,984,587 | 25,663,843 |
| Infrastructure | 94,836,134 | 94,460,230 |
| Equipment | 2,160,034 | 1,971,267 |
| Vehicles and motorized equipment | 5,286,367 | 4,992,387 |
| Accumulated depreciation | (94,205,668) | (90,046,925) |
| Total capital assets, net | <u>\$ 261,450,060</u> | <u>\$ 264,315,955</u> |

Additional information on the Town's capital assets can be found in the notes to basic financial statements on page 30.

Long-Term Debt. As of June 30, 2011, the Town of Matthews had total bonded debt outstanding of \$2,625,000, 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 | |
|--------------------------|--------------------------------|----------------------|
| | 2011 | 2010 |
| General obligation bonds | \$ 2,625,000 | \$ 3,045,000 |
| Notes payable | 7,780,741 | 7,817,422 |
| Total | <u>\$ 10,405,741</u> | <u>\$ 10,862,422</u> |

The Town of Matthews’ total General Obligation Bond and Notes Payable debt decreased by \$456,681 (4%) 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 \$247,560,000.

Additional information regarding the Town of Matthews’ long-term debt can be found in the notes to the basic financial statements beginning on page 39.

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 (10.6%) compared to other areas across our state, which averaged from 9.0 to 12.0%. The average state unemployment rate for June 2011 was 11.2%.
- The persistent economic downturn continues to impact the town in various ways. Although building permits has remained relative flat over the past two years, this affected fees and sales taxes revenues. The flat job market in the Charlotte area also impacts local economy.
- An decrease of approximately seven percent was noted in our population growth due to the census count. While the decrease in population was recognized, it did not negatively affect our budget. Matthews continues to be 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 and the promise of a second facility, recreational, medical and food services will positively affect our local area within the next three to five 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. In the May of 2011, the town commissioners voted to seek an extension in the sale of these bonds. The extension was granted the North Carolina Local Government Commission.

- The completion of a joint interlocal effort between Mecklenburg County Parks and Recreation and Town of Matthews saw a 2-mile section within our town boundaries completed. This has been a real asset to our citizens and something our community is proud of.
- Another anticipated joint interlocal effort between Mecklenburg County Parks and Recreation and Matthews will help bring recreational activities and regional tournaments to our area with the construction of an outdoor field sportsplex complex located on 160 acres within our town boundaries. The construction of greenway has provided enhanced recreational activities for residents.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities The Town of Matthews has approved a \$18,638,049 General Fund budget for the fiscal year ending June 30, 2012. This represents a 5.75% increase over fiscal year ended June 30, 2011. A significant portion of this increase is attributed to one time expenditures, a slight increase in property tax values from the last revaluation for Mecklenburg County in 2003, and an anticipated slight growth in sales tax revenues.

For the third consecutive fiscal year service levels remain constant with only a couple of exceptions. The main service level impacted was adding funding back to the budget a Code Enforcement Position with 60% hours. Unassigned fund balance dollars above our 34% council adopted policy provide additional security during the continued economic depression. They were used this year to help offset one time expenditures for needed vehicle and equipment purchases for public safety and a one time employee economic stipend.

Requests for Information

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

Basic Financial Statements

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



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Current assets: | |
| Cash and investments | \$ 9,096,892 |
| Taxes receivable, net | 420,451 |
| Accounts receivable, net | 151,572 |
| Due from other governments | 1,060,697 |
| Notes receivable | 1,996,125 |
| Prepaid items | 117,183 |
| Total current assets | <u>12,842,920</u> |
| Non-current assets: | |
| Capital assets : | |
| Non-depreciable | 227,388,606 |
| Depreciable, net | 34,061,454 |
| Total non-current assets | <u>261,450,060</u> |
| Total assets | <u>274,292,980</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 571,203 |
| Current portion of compensated absences | 271,407 |
| Current portion of long-term liabilities | 3,191,563 |
| Total current liabilities | <u>4,034,173</u> |
| Non-current liabilities: | |
| Non-current portion of compensated absences | 90,469 |
| Non-current portion of long-term liabilities | 7,680,097 |
| Total non-current liabilities | <u>7,770,566</u> |
| Total liabilities | <u>11,804,739</u> |
| Net Assets: | |
| Invested in capital assets, net of related debt | 253,669,319 |
| Restricted for: | |
| Stabilization by State Statute | 1,954,537 |
| Unassigned | 6,864,385 |
| Total net assets | <u>\$ 262,488,241</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, 2011**

| 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 | \$ 5,724,666 | \$ 147,817 | \$ 2,500 | \$ 522,475 | \$ (5,051,874) |
| Public safety | 7,687,273 | 280,464 | 141,576 | 208,884 | (7,056,349) |
| Public works | 2,824,717 | 600,363 | 734,541 | 5,307 | (1,484,506) |
| Environmental protection | 2,426,342 | - | - | - | (2,426,342) |
| Economic and physical development | 429,238 | 10,960 | - | - | (418,278) |
| Cultural and recreation | 2,662,820 | 550,354 | 20,000 | 176,131 | (1,916,335) |
| Interest on long-term debt | 347,316 | - | - | - | (347,316) |
| Total primary government | \$ 22,102,372 | \$ 1,589,958 | \$ 898,617 | \$ 912,797 | (18,701,000) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Ad valorem taxes | | | | | 10,407,387 |
| Local options sales tax | | | | | 1,987,038 |
| Utility franchise and excise tax | | | | | 1,663,936 |
| Occupancy tax | | | | | 337,262 |
| Prepared food tax | | | | | 544,416 |
| Rental car tax | | | | | 87,938 |
| Privilege licenses | | | | | 179,787 |
| Other taxes and licenses | | | | | 65,517 |
| Investment earnings | | | | | 14,394 |
| Total general revenues | | | | | 15,287,675 |
| Change in net assets | | | | | (3,413,325) |
| Net Assets: | | | | | |
| Beginning of year - July 1 | | | | | 265,901,566 |
| End of year - June 30 | | | | | <u>\$ 262,488,241</u> |

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

TOWN OF MATTHEWS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

| | <u>General Fund</u> | <u>Tourism Fund</u> | <u>Capital Improvement Program</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------|--|---|
| Assets: | | | | |
| Cash and investments | \$ 7,207,948 | \$ 1,888,944 | \$ - | \$ 9,096,892 |
| Taxes receivable, net | 420,451 | - | - | 420,451 |
| Notes receivable | 1,996,125 | - | - | 1,996,125 |
| Accounts receivable | 15,497 | - | 136,075 | 151,572 |
| Due from other funds | 755,947 | - | - | 755,947 |
| Due from other governments | 1,010,720 | 49,977 | - | 1,060,697 |
| Prepaid items | 117,183 | - | - | 117,183 |
| Total assets | <u>\$ 11,523,871</u> | <u>\$ 1,938,921</u> | <u>\$ 136,075</u> | <u>\$ 13,598,867</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 511,932 | \$ 2,413 | \$ 56,858 | \$ 571,203 |
| Due to other funds | - | - | 755,947 | 755,947 |
| Deferred revenues | 2,430,255 | - | - | 2,430,255 |
| Total liabilities | <u>2,942,187</u> | <u>2,413</u> | <u>812,805</u> | <u>3,757,405</u> |
| Fund Balances: | | | | |
| Non-spendable: | | | | |
| Prepays | 117,183 | - | - | 117,183 |
| Restricted: | | | | |
| Stabilization by State Statute | 1,768,485 | 49,977 | 136,075 | 1,954,537 |
| Assigned for economic and physical development | - | 1,886,531 | - | 1,886,531 |
| Assigned for environmental protection | 439,259 | - | - | 439,259 |
| Unassigned | 6,256,757 | - | (812,805) | 5,443,952 |
| Total fund balances | <u>8,581,684</u> | <u>1,936,508</u> | <u>(676,730)</u> | <u>9,841,462</u> |
| Total liabilities and fund balances | <u>\$ 11,523,871</u> | <u>\$ 1,938,921</u> | <u>\$ 136,075</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. | 261,450,060 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 2,430,255 |
| Some liabilities, including bonds payable, accrued interest, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(11,233,536)</u> |
| Net assets of governmental activities | <u>\$ 262,488,241</u> |

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

TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>General Fund</u> | <u>Tourism Fund</u> | <u>Capital Improvement Program</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------|--|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 10,387,932 | \$ - | \$ - | \$ 10,387,932 |
| Other taxes and licenses | 3,891,921 | 970,707 | - | 4,862,628 |
| Unrestricted intergovernmental | 183,995 | - | - | 183,995 |
| Restricted intergovernmental | 1,257,809 | - | 380,401 | 1,638,210 |
| Permits and fees | 15,000 | - | - | 15,000 |
| Sales and services | 1,381,518 | - | - | 1,381,518 |
| Investment earnings | 11,208 | - | 3,186 | 14,394 |
| Miscellaneous | 177,342 | - | 5,308 | 182,650 |
| Total revenues | <u>17,306,725</u> | <u>970,707</u> | <u>388,895</u> | <u>18,666,327</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,000,166 | - | - | 2,000,166 |
| Public safety | 6,803,611 | - | 1,117,186 | 7,920,797 |
| Public works | 2,344,796 | - | 238,181 | 2,582,977 |
| Environmental protection | 2,426,342 | - | - | 2,426,342 |
| Economic and physical development | 413,921 | - | - | 413,921 |
| Cultural and recreational | 1,148,890 | 493,793 | 1,418,072 | 3,060,755 |
| Debt service: | | | | |
| Principal retirement | 1,610,902 | - | 86,911 | 1,697,813 |
| Interest and other charges | 314,444 | - | 32,871 | 347,315 |
| Total expenditures | <u>17,063,072</u> | <u>493,793</u> | <u>2,893,221</u> | <u>20,450,086</u> |
| Revenues over (under) expenditures | <u>243,653</u> | <u>476,914</u> | <u>(2,504,326)</u> | <u>(1,783,759)</u> |
| Other Financing Sources (Uses): | | | | |
| Long-term debt issued | - | - | 1,241,130 | 1,241,130 |
| Transfers to other funds | (476,275) | (1,053,210) | - | (1,529,485) |
| Transfers from other funds | 691,335 | - | 838,150 | 1,529,485 |
| Proceeds from sale of capital assets | 5,364 | - | 92,684 | 98,048 |
| Total other financing sources (uses) | <u>220,424</u> | <u>(1,053,210)</u> | <u>2,171,964</u> | <u>1,339,178</u> |
| Net change in fund balances | 464,077 | (576,296) | (332,362) | (444,581) |
| Fund Balances: | | | | |
| Beginning of year - July 1 | <u>8,117,607</u> | <u>2,512,804</u> | <u>(344,368)</u> | <u>10,286,043</u> |
| End of year - June 30 | <u>\$ 8,581,684</u> | <u>\$ 1,936,508</u> | <u>\$ (676,730)</u> | <u>\$ 9,841,462</u> |

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

TOWN OF MATTHEWS, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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) | \$ (444,581) |
| Governmental funds statement report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets. | 2,058,826 |
| Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds. | (4,855,500) |
| In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds statement, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets sold. | (69,221) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement. This adjustment represents the amount of change related to revenues subject to the "availability" criteria. | (499,754) |
| The issuance of long-term debt provides current financial resources to the governmental funds statement, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds statement report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 445,751 |
| Expenses related to the increase in vacation and sick pay and the increase in the net OPEB and pension obligations in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds statement. This adjustment is the amount of net change in these balances in the current year. | <u>(48,846)</u> |
| Changes in net assets of governmental activities per Exhibit B | <u>\$ (3,413,325)</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, 2011

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Over/Under |
|--|-------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 10,134,478 | \$ 10,170,679 | \$ 10,387,932 | \$ 217,253 |
| Other taxes and licenses | 3,670,294 | 3,770,294 | 3,891,921 | 121,627 |
| Unrestricted intergovernmental | 179,930 | 179,930 | 183,995 | 4,065 |
| Restricted intergovernmental | 1,215,975 | 1,254,624 | 1,257,809 | 3,185 |
| Permits and fees | 15,000 | 15,000 | 15,000 | - |
| Sales and services | 1,382,867 | 1,249,764 | 1,381,518 | 131,754 |
| Investment earnings | 75,000 | 75,000 | 8,868 | (66,132) |
| Miscellaneous | 66,280 | 216,234 | 177,342 | (38,892) |
| Total revenues | <u>16,739,824</u> | <u>16,931,525</u> | <u>17,304,385</u> | <u>372,860</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,316,193 | 2,326,373 | 2,000,166 | 326,207 |
| Public safety | 6,687,044 | 6,910,837 | 6,803,611 | 107,186 |
| Public works | 2,528,960 | 2,892,826 | 2,344,796 | 548,030 |
| Environmental protection | 2,411,834 | 2,414,160 | 2,426,342 | (12,182) |
| Economic and physical development | 455,184 | 473,898 | 413,921 | 59,977 |
| Cultural and recreation | 1,098,333 | 1,173,583 | 1,148,890 | 24,693 |
| Contingency | 30,000 | 1,000 | - | 1,000 |
| Debt service: | | | | |
| Principal retirement | 1,610,904 | 1,610,905 | 1,610,902 | 3 |
| Interest and other charges | 314,444 | 314,444 | 314,444 | - |
| Total expenditures | <u>17,452,896</u> | <u>18,118,026</u> | <u>17,063,072</u> | <u>1,054,914</u> |
| Revenues over (under) expenditures | <u>(713,072)</u> | <u>(1,186,501)</u> | <u>241,313</u> | <u>1,427,814</u> |
| Other Financing Sources (Uses): | | | | |
| Appropriated fund balance | 314,237 | 963,291 | - | (963,291) |
| Sale of capital assets | 7,500 | 8,150 | 5,364 | (2,786) |
| Transfers to other funds | (300,000) | (476,275) | (476,275) | - |
| Transfers from other funds | 691,335 | 691,335 | 691,335 | - |
| Total other financing sources (uses) | <u>713,072</u> | <u>1,186,501</u> | <u>220,424</u> | <u>(966,077)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>461,737</u> | <u>\$ 461,737</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>7,680,688</u> | |
| End of year - June 30 | | | <u>\$ 8,142,425</u> | |

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

TOWN OF MATTHEWS, NORTH CAROLINA

TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Over/Under |
|--|------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Other taxes and licenses: | | | | |
| Occupancy tax | \$ 300,000 | \$ 300,000 | \$ 337,262 | \$ 37,262 |
| Prepared food tax | 520,000 | 520,000 | 544,416 | 24,416 |
| Rental car tax | 50,000 | 50,000 | 87,938 | 37,938 |
| Sales and services | 1,000 | 1,000 | 1,091 | 91 |
| Total revenues | <u>871,000</u> | <u>871,000</u> | <u>970,707</u> | <u>99,707</u> |
| Expenditures: | | | | |
| Cultural and recreational: | | | | |
| Tourism | <u>179,665</u> | <u>545,894</u> | <u>493,793</u> | <u>52,101</u> |
| Total expenditures | <u>179,665</u> | <u>545,894</u> | <u>493,793</u> | <u>52,101</u> |
| Revenues over (under) expenditures | <u>691,335</u> | <u>325,106</u> | <u>476,914</u> | <u>151,808</u> |
| Other Financing Sources (Uses): | | | | |
| Transfer to other funds | <u>(691,335)</u> | <u>(1,053,210)</u> | <u>(1,053,210)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(691,335)</u> | <u>(325,106)</u> | <u>(1,053,210)</u> | <u>(728,104)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(576,296)</u> | <u>\$ (576,296)</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>2,512,804</u> | |
| End of year - June 30 | | | <u>\$ 1,936,508</u> | |

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Matthews conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Statements. The Statement of Net 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 funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, public works, and general governmental services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Mecklenburg County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Matthews. For motor vehicles registered, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Mecklenburg County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and offset by deferred revenues.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

E. Assets, Liabilities, 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Trust (“NCCMT”). The Town’s investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT’s share price. The NCCMT Term Portfolio’s securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, 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, 2010.

Allowance for Uncollectible Accounts

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

Prepaid Items

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

Capital Assets

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable activities fund type in the Statement of Net 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.

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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, laws or regulations of other governments, or imposed by law through State Statute.

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

Restricted Fund Balance

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

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

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Assigned Fund Balance

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

Assigned for Economic and Physical Development – portion of fund balance budgeted by the board for use for economic development and other related activities.

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

Unassigned Fund Balance

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

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

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

The Town has not officially adopted a fund balance policy.

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

| | | |
|-----------------------------------|----|------------------|
| Total fund balance - General Fund | \$ | 8,581,684 |
| Less: | | |
| Prepays | | 117,183 |
| Stabilization by State Statute | | 1,768,485 |
| Total available fund balance | \$ | <u>6,696,016</u> |

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

| | |
|----------------------------------|---------------------|
| Fund balance, ending (Exhibit F) | \$ 8,142,425 |
| Capital Reserve Fund | |
| Investment earnings | 2,340 |
| Fund balance, beginning | <u>436,919</u> |
| Fund balance, ending (Exhibit D) | <u>\$ 8,581,684</u> |

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

Deficit Fund Balance

The Capital Project Fund reported a negative fund balance of \$676,730. Management will eliminate the deficit with future transfers to the fund.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

At June 30, 2011, the Town's deposits had a carrying amount of \$1,388,088 and a bank balance of \$1,483,390. Of the bank balance, \$569,474 was covered by federal depository insurance, and \$913,916 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2011, the Town had \$7,708,804 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2011 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 | \$ 535,451 | \$ 1,060,697 | \$ 151,572 | \$ 1,996,125 | \$ 3,743,845 |
| Allowance for doubtful accounts | (115,000) | - | - | - | (115,000) |
| Total governmental activities | <u>\$ 420,451</u> | <u>\$ 1,060,697</u> | <u>\$ 151,572</u> | <u>\$ 1,996,125</u> | <u>\$ 3,628,845</u> |

Due from other governments consisted of the following:

| | |
|-----------------------------|---------------------|
| Local option sales tax | \$ 554,123 |
| Other taxes and licenses | 49,977 |
| Franchise tax | 403,150 |
| Sales tax refund receivable | <u>53,447</u> |
| Total | <u>\$ 1,060,697</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, 2011, was \$1,996,125.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

| | <u>July 1, 2010</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>June 30, 2011</u> |
|--|-----------------------|---------------------|---------------------|--------------------|-----------------------|
| Governmental Activities: | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land | \$ 226,251,219 | \$ - | \$ - | \$ - | \$ 226,251,219 |
| Construction in progress | 1,023,934 | 1,418,375 | (60,726) | (1,244,196) | 1,137,387 |
| Total non-depreciable capital assets | <u>227,275,153</u> | <u>1,418,375</u> | <u>(60,726)</u> | <u>(1,244,196)</u> | <u>227,388,606</u> |
| Depreciable Capital Assets: | | | | | |
| Buildings | 25,663,843 | 320,744 | - | - | 25,984,587 |
| Equipment | 1,971,267 | 188,767 | - | - | 2,160,034 |
| Vehicles and motorized equipment | 4,992,387 | 130,940 | (705,252) | 868,292 | 5,286,367 |
| Infrastructure | 94,460,230 | - | - | 375,904 | 94,836,134 |
| Total depreciable capital assets | <u>127,087,727</u> | <u>640,451</u> | <u>(705,252)</u> | <u>1,244,196</u> | <u>128,267,122</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 5,417,895 | 655,706 | - | - | 6,073,601 |
| Equipment | 1,492,494 | 135,436 | - | - | 1,627,930 |
| Vehicles and motorized equipment | 3,961,493 | 556,291 | (696,757) | - | 3,821,027 |
| Infrastructure | 79,175,043 | 3,508,067 | - | - | 82,683,110 |
| Total accumulated depreciation | <u>90,046,925</u> | <u>\$ 4,855,500</u> | <u>\$ (696,757)</u> | <u>\$ -</u> | <u>94,205,668</u> |
| Total depreciable capital assets, net | <u>37,040,802</u> | | | | <u>34,061,454</u> |
| Capital assets, net | <u>\$ 264,315,955</u> | | | | <u>\$ 261,450,060</u> |

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

| | |
|-----------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 3,546,694 |
| Public safety | 968,620 |
| Public works | 298,536 |
| Economic and physical development | 15,317 |
| Cultural and recreational | 26,333 |
| Total | <u>\$ 4,855,500</u> |

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2011 is composed of the following elements:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Capital assets | \$ 261,450,060 |
| Long-term debt | (10,329,237) |
| Debt for assets not capitalized by the Town | <u>2,548,496</u> |
| Invested in capital assets, net of related debt | <u>\$ 253,669,319</u> |

B. Liabilities

Pension Plan Obligations

Local Government Employees' Retirement System

Plan Description

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

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 8.96% and 8.87%, 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, 2011, 2010, and 2009 were \$551,485, \$417,533, and \$363,888, respectively. The contributions made by the Town equaled the required contributions for the year.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Supplemental Retirement Income Plan For Law Enforcement Officers

Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's 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, 2011, were \$164,620, which consisted of \$125,112 from the Town and \$39,508 from the law enforcement officers.

General Employees

The Town has elected to contribute to the Supplemental Retirement Income Plan for general employees as well as for law enforcement officers. Participation begins at the date of employment. The Town has elected to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2011, were \$246,929 which consisted of \$150,627 from the Town and \$96,302 from the employees.

Law Enforcement Officers Special Separation Allowance

Plan Description

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

| | |
|-----------------------------|------------------|
| Retirees receiving benefits | 1 |
| Active plan members | <u>59</u> |
| Total | <u><u>60</u></u> |

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% 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, 2009 was 21 years.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 | \$ | 120,973 |
| Interest on net pension obligation | | 20,322 |
| Adjustment to annual required contribution | | (21,759) |
| Annual pension cost | | 119,536 |
| Contributions made | | 20,665 |
| Increase in net pension obligation | | 98,871 |
| Net pension obligation: | | |
| Beginning of year - July 1 | | 406,438 |
| End of year - June 30 | \$ | 505,309 |

Three-Year Trend Information

| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|---------------------------------|-------------------------------------|---------------------------|
| 2009 | \$ 64,373 | 25.11% | \$ 345,097 |
| 2010 | 82,006 | 25.20% | 406,438 |
| 2011 | 119,536 | 17.29% | 505,309 |

Funded Status and Funding Progress

As of December 31, 2010, 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 \$871,535. The covered payroll (annual payroll of active employees covered by the plan) was \$2,895,935, and the ratio of the UAAL to the covered payroll was 26.17 percent. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Other Post-Employment Benefits

Plan Description

Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). In 1992, the Town adopted a resolution whereby the Town provided post-employment healthcare benefits to retirees of the Town, provided they met certain qualifications. Under this resolution, the Town agreed to pay for the cost of the

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, there were no post-employment employees on the revised Town policy. A separate report was not issued for the plan.

Membership of the HCB plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

| | |
|--|-------------------|
| Retirees and dependents receiving benefits | 1 |
| Active members | <u>140</u> |
| Total | <u><u>141</u></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 Town has chosen to fund the benefits on a pay-as-you-go basis.

The current annual required contribution rate (ARC) is 0.27% of annual covered payroll. For fiscal year 2011, the Town contributed \$4,694, or 0.07% of annual covered payroll. There were no contributions by employees for the fiscal year ended June 30, 2011. The Town's obligation to contribute to the HCB plan is established and may be amended by the Town.

Summary of Significant Accounting Policies

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 |
| Interest on net OPEB obligation | | 998 |
| Adjustment to annual required contribution | | <u>(861)</u> |
| Annual OPEB cost (expense) | | 16,871 |
| Contributions made | | <u>(4,694)</u> |
| Increase (decrease) in net OPEB obligation | | 12,177 |
| Net OPEB obligation: | | |
| Beginning of year - July 1 | | <u>24,937</u> |
| End of year - June 30 | \$ | <u><u>37,114</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

| <u>Year Ended</u> <u>June 30</u> | <u>Annual OPEB</u> <u>Cost (AOC)</u> | <u>Percentage of AOC</u> <u>Contributed</u> | <u>Net OPEB</u> <u>Obligation</u> |
|-------------------------------------|---|--|--------------------------------------|
| 2011 | \$ 16,871 | 27.82% | \$ 37,114 |
| 2010 | 16,734 | 26.06% | 24,937 |
| 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The annual required contribution for the current year was determined as part of the December 31, 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, 2011, the Town made contributions to the State for death benefits of \$9,036. 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 THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Deferred Revenues

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

| | <u>Deferred Revenues</u> |
|---------------------------------|------------------------------|
| Taxes receivable (General Fund) | \$ 420,451 |
| Privilege license receivable | 13,679 |
| Notes receivable | 1,996,125 |
| Total | <u>\$ 2,430,255</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 carries commercial flood insurance through the Interlocal Risk Financing Fund of North Carolina for \$5,000,000 of coverage per structure.

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, 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, 2011, 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%.

\$ 2,625,000

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Notes Payable

As of June 30, 2011, the Town was obligated under the following notes payable to banks used to renovate buildings and acquire equipment. The notes payable were as follows:

| | |
|---|---------------------|
| Note payable requiring monthly payments of \$6,926, including principal and interest at the rate of 3.580% per annum; secured by various equipment | \$ 578,979 |
| 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 | 3,399,774 |
| 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 | 1,297,536 |
| Note payable requiring semi-annual payments of \$20,000 to \$24,000, including principal and interest at the effective rate of 2.00% per annum through November 2018; secured by real estate | 255,357 |
| Note payable requiring monthly interest payments of 3% to no more than 8% per annum on outstanding principal balance; principal payoff due in one lump-sum in November 2011; secured by real estate and equipment | 1,455,117 |
| Note payable requiring annual payments of \$113,603, including interest at the rate of 5.38% per annum; secured by equipment. | <u>793,978</u> |
| Total | <u>\$ 7,780,741</u> |

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

| Year Ended June 30 | General Obligation Bonds | | Notes Payable | | Total Debt Due | |
|-----------------------|-----------------------------|-------------------|---------------------|-------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 410,000 | \$ 89,876 | \$ 2,781,563 | \$ 221,272 | \$ 3,191,563 | \$ 311,148 |
| 2013 | 410,000 | 76,550 | 1,361,092 | 169,250 | 1,771,092 | 245,800 |
| 2014 | 405,000 | 63,388 | 1,275,037 | 120,679 | 1,680,037 | 184,067 |
| 2015 | 400,000 | 50,062 | 890,538 | 80,334 | 1,290,538 | 130,396 |
| 2016 | 395,000 | 37,062 | 609,742 | 51,638 | 1,004,742 | 88,700 |
| 2017-2020 | 605,000 | 32,038 | 862,769 | 65,776 | 1,467,769 | 97,814 |
| Total | <u>\$ 2,625,000</u> | <u>\$ 348,976</u> | <u>\$ 7,780,741</u> | <u>\$ 708,949</u> | <u>\$ 10,405,741</u> | <u>\$ 1,057,925</u> |

At June 30, 2011, the Town of Matthews had a legal debt margin of \$247,560,000.

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, 2011.

| | July 1, 2010 | Increases | Decreases | June 30, 2011 | Current Portion |
|--|----------------------|---------------------|-----------------------|----------------------|---------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 3,045,000 | \$ - | \$ (420,000) | \$ 2,625,000 | \$ 410,000 |
| Less deferred amount for loss on defeasance | 87,434 | - | (10,930) | 76,504 | - |
| Total general obligation bonds | 2,957,566 | - | (409,070) | 2,548,496 | 410,000 |
| Notes payable | 7,817,422 | 1,241,131 | (1,277,812) | 7,780,741 | 2,781,563 |
| Compensated absences | 424,078 | 79,351 | (141,553) | 361,876 | 271,407 |
| OPEB liability | 24,937 | 16,871 | (4,694) | 37,114 | - |
| Net pension obligation | 406,438 | 119,536 | (20,665) | 505,309 | - |
| Governmental activity long-term liabilities | <u>\$ 11,630,441</u> | <u>\$ 1,456,889</u> | <u>\$ (1,853,794)</u> | <u>\$ 11,233,536</u> | <u>\$ 3,462,970</u> |

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

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 | Capital improvement | \$ 476,275 | To offset cost of CIP |
| Tourism | Capital improvement | 361,875 | To offset cost of CIP |
| Tourism | General Fund | 691,335 | To offset operating costs |

4. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

Required Supplemental Financial Data

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

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



TOWN OF MATTHEWS, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2011

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

TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Year Ended June 30</u> | <u>Annual Required Contribution (ARC)</u> | <u>Percentage of ARC 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% |
| 2010 | 78,725 | 33.87% |
| 2011 | 120,973 | 17.08% |

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 | 12/31/10 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 20 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return* | 5.00% |
| Projected salary increases* | 4.25% - 7.85% |
| Cost-of-living adjustments | None |

*Includes inflation at 3.00 %

TOWN OF MATTHEWS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

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 |
|-----------------------|---|-------------------------------------|
| 2011 | \$ 16,734 | 28.05% |
| 2010 | 16,734 | 26.06% |
| 2009 | 16,734 | 24.92% |

Notes to the Required Schedules:

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

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

* Includes inflation at 3.75%



Supplementary Information

Combining and Individual Fund Financial Statements

- ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund Consolidated
 - ❖ Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 - ❖ Recreation and Stormwater Capital Reserve Fund
 - ❖ Tourism - Special Revenue Fund
 - ❖ Capital Improvement Program Fund
-



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2011

| | General Fund | Capital Reserve Fund | Total General Fund |
|--|---------------------|----------------------------|--------------------------|
| Revenues: | | | |
| Ad valorem taxes | \$ 10,387,932 | \$ - | \$ 10,387,932 |
| Other taxes and licenses | 3,891,921 | - | 3,891,921 |
| Unrestricted intergovernmental | 183,995 | - | 183,995 |
| Restricted intergovernmental | 1,257,809 | - | 1,257,809 |
| Permits and fees | 15,000 | - | 15,000 |
| Sales and services | 1,381,518 | - | 1,381,518 |
| Investment earnings | 8,868 | 2,340 | 11,208 |
| Miscellaneous | 177,342 | - | 177,342 |
| Total revenues | <u>17,304,385</u> | <u>2,340</u> | <u>17,306,725</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,000,166 | - | 2,000,166 |
| Public safety | 6,803,611 | - | 6,803,611 |
| Public works | 2,344,796 | - | 2,344,796 |
| Environmental protection | 2,426,342 | - | 2,426,342 |
| Economic and physical development | 413,921 | - | 413,921 |
| Cultural and recreational | 1,148,890 | - | 1,148,890 |
| Debt service: | | | |
| Principal retirement | 1,610,902 | - | 1,610,902 |
| Interest and other charges | 314,444 | - | 314,444 |
| Total expenditures | <u>17,063,072</u> | <u>-</u> | <u>17,063,072</u> |
| Revenues over (under) expenditures | <u>241,313</u> | <u>2,340</u> | <u>243,653</u> |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | (476,275) | - | (476,275) |
| Transfers from other funds | 691,335 | - | 691,335 |
| Proceeds from sale of capital assets | 5,364 | - | 5,364 |
| Total other financing sources (uses) | <u>220,424</u> | <u>-</u> | <u>220,424</u> |
| Net change in fund balances | 461,737 | 2,340 | 464,077 |
| Fund Balances: | | | |
| Beginning of year - July 1 | <u>7,680,688</u> | <u>436,919</u> | <u>8,117,607</u> |
| End of year - June 30 | <u>\$ 8,142,425</u> | <u>\$ 439,259</u> | <u>\$ 8,581,684</u> |

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

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

| | 2011 | | Variance Over/Under | 2010 |
|--|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Ad Valorem Taxes: | | | | |
| Taxes | \$ 10,115,679 | \$ 10,284,098 | \$ 168,419 | \$ 10,245,803 |
| Motor vehicle tax | 20,000 | 25,670 | 5,670 | 18,980 |
| Penalties and interest | 35,000 | 78,164 | 43,164 | 53,207 |
| Total | <u>10,170,679</u> | <u>10,387,932</u> | <u>217,253</u> | <u>10,317,990</u> |
| Other Taxes and Licenses: | | | | |
| Local option sales tax | 1,950,729 | 1,987,038 | 36,309 | 1,889,903 |
| Piped natural gas excise tax | 180,000 | 212,104 | 32,104 | 222,312 |
| Utility franchise tax | 730,500 | 797,839 | 67,339 | 766,636 |
| Telecommunications sales tax | 400,000 | 410,407 | 10,407 | 429,849 |
| Tipping tax | 21,000 | 19,800 | (1,200) | 15,161 |
| Tax refunds | 6,500 | 12,919 | 6,419 | 9,590 |
| Animal control license | 30,000 | 28,441 | (1,559) | 31,052 |
| Cablevision franchise fees | 251,565 | 243,586 | (7,979) | 241,357 |
| Privilege licenses | 200,000 | 179,787 | (20,213) | 170,800 |
| Total | <u>3,770,294</u> | <u>3,891,921</u> | <u>121,627</u> | <u>3,776,660</u> |
| Unrestricted Intergovernmental: | | | | |
| Beer and wine tax | 127,300 | 128,735 | 1,435 | 40,840 |
| ABC profit distribution | 52,630 | 55,260 | 2,630 | 52,632 |
| Total | <u>179,930</u> | <u>183,995</u> | <u>4,065</u> | <u>93,472</u> |
| Restricted Intergovernmental: | | | | |
| Powell Bill allocation | 719,540 | 719,541 | 1 | 705,182 |
| CMUD bond payment reimbursement | 522,475 | 522,475 | - | 545,375 |
| Police grant - D. A. R. E. | 8,319 | 8,679 | 360 | 7,635 |
| Miscellaneous grants | 4,290 | 7,114 | 2,824 | 1,515 |
| Total | <u>1,254,624</u> | <u>1,257,809</u> | <u>3,185</u> | <u>1,259,707</u> |
| Permits and Fees: | | | | |
| Planning revenue | 15,000 | 15,000 | - | 20,000 |
| Total | <u>15,000</u> | <u>15,000</u> | <u>-</u> | <u>20,000</u> |

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

| | 2011 | | Variance Over/Under | 2010 |
|--------------------------------|-------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Sales and Services: | | | | |
| Stormwater fees | 574,690 | 582,604 | 7,914 | 569,441 |
| Rental fees | 24,000 | 20,859 | (3,141) | 220,892 |
| Recreation program revenues | 167,800 | 230,495 | 62,695 | 197,532 |
| Community center revenues | 252,800 | 307,234 | 54,434 | 238,990 |
| Zoning ordinance sales | 5,000 | 10,960 | 5,960 | 8,908 |
| Rescue/EMS assistance | 75,100 | 72,171 | (2,929) | 69,294 |
| Police services | 18,741 | 23,813 | 5,072 | 7,240 |
| Other police contracts | 131,633 | 133,382 | 1,749 | 174,755 |
| Police agreement | - | - | - | 8,538 |
| Total | <u>1,249,764</u> | <u>1,381,518</u> | <u>131,754</u> | <u>1,495,590</u> |
| Investment Earnings | <u>75,000</u> | <u>8,868</u> | <u>(66,132)</u> | <u>15,205</u> |
| Miscellaneous: | | | | |
| Other | 216,234 | 177,342 | (38,892) | 78,746 |
| Total | <u>216,234</u> | <u>177,342</u> | <u>(38,892)</u> | <u>78,746</u> |
| Total revenues | <u>16,931,525</u> | <u>17,304,385</u> | <u>372,860</u> | <u>17,057,370</u> |
| Expenditures: | | | | |
| General Government: | | | | |
| Salaries and employee benefits | 19,836 | 19,480 | 356 | 19,449 |
| Expenses allowance | 34,500 | 29,484 | 5,016 | 35,659 |
| Operating expenses | 118,800 | 120,452 | (1,652) | 100,592 |
| Total | <u>173,136</u> | <u>169,416</u> | <u>3,720</u> | <u>155,700</u> |
| Administration: | | | | |
| Salaries and employee benefits | 1,562,642 | 1,279,496 | 283,146 | 1,151,098 |
| Operating expenditures | 569,567 | 536,885 | 32,682 | 521,751 |
| Capital outlay | 21,028 | 14,369 | 6,659 | 13,226 |
| Total | <u>2,153,237</u> | <u>1,830,750</u> | <u>322,487</u> | <u>1,686,075</u> |
| Total general government | <u>2,326,373</u> | <u>2,000,166</u> | <u>326,207</u> | <u>1,841,775</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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

| | 2011 | | Variance Over/Under | 2010 |
|--|------------------|------------------|------------------------|------------------|
| | Budget | Actual | | Actual |
| Public Safety: | | | | |
| Police: | | | | |
| Salaries and employee benefits | 4,684,520 | 4,600,144 | 84,376 | 4,550,765 |
| Operating expenditures | 786,575 | 792,587 | (6,012) | 699,468 |
| Capital outlay | 146,151 | 146,139 | 12 | 168,722 |
| Total | <u>5,617,246</u> | <u>5,538,870</u> | <u>78,376</u> | <u>5,418,955</u> |
| Fire: | | | | |
| Salaries and employee benefits | 748,907 | 729,170 | 19,737 | 736,551 |
| Operating expenditures | 314,292 | 316,521 | (2,229) | 328,987 |
| Donation to volunteer fire departments | 122,218 | 122,218 | - | 126,840 |
| Capital outlay | 954 | - | 954 | - |
| Total | <u>1,186,371</u> | <u>1,167,909</u> | <u>18,462</u> | <u>1,192,378</u> |
| Animal Control: | | | | |
| Salaries and employee benefits | 51,470 | 50,218 | 1,252 | 48,934 |
| Other operating expenses | 29,530 | 20,434 | 9,096 | 31,856 |
| Capital outlay | 26,220 | 26,180 | 40 | - |
| Total | <u>107,220</u> | <u>96,832</u> | <u>10,348</u> | <u>80,790</u> |
| Total public safety | <u>6,910,837</u> | <u>6,803,611</u> | <u>107,186</u> | <u>6,692,123</u> |
| Public Works: | | | | |
| Street Department: | | | | |
| Salaries and employee benefits | 1,457,295 | 1,398,261 | 59,034 | 1,460,459 |
| Operating expenses | 1,389,464 | 924,239 | 465,225 | 824,306 |
| Capital outlay | 46,067 | 22,296 | 23,771 | 131,384 |
| Total | <u>2,892,826</u> | <u>2,344,796</u> | <u>548,030</u> | <u>2,416,149</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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

| | 2011 | | Variance Over/Under | 2010 |
|---|------------|------------|------------------------|------------|
| | Budget | Actual | | Actual |
| Environmental Protection: | | | | |
| Sanitation: | | | | |
| Contracted services | 1,835,084 | 1,817,214 | 17,870 | 1,747,388 |
| Storm Water: | | | | |
| Salaries and employee benefits | 377,966 | 376,230 | 1,736 | 383,462 |
| Operating expenses | 201,110 | 232,898 | (31,788) | 157,066 |
| Total | 579,076 | 609,128 | (30,052) | 540,528 |
| Total environmental protection | 2,414,160 | 2,426,342 | (12,182) | 2,287,916 |
| Economic and Physical Development: | | | | |
| Planning and Zoning: | | | | |
| Salaries and employee benefits | 375,362 | 362,669 | 12,693 | 403,839 |
| Operating expenses | 98,536 | 51,252 | 47,284 | 83,792 |
| Total | 473,898 | 413,921 | 59,977 | 487,631 |
| Cultural and Recreational: | | | | |
| Parks: | | | | |
| Salaries and employee benefits | 601,468 | 595,519 | 5,949 | 604,440 |
| Operating expenses | 572,115 | 553,371 | 18,744 | 564,763 |
| Capital outlay | - | - | - | 2,100 |
| Total | 1,173,583 | 1,148,890 | 24,693 | 1,171,303 |
| Debt Service: | | | | |
| Principal retirement | 1,610,905 | 1,610,902 | 3 | 1,682,352 |
| Interest and other charges | 314,444 | 314,444 | - | 369,276 |
| Total | 1,925,349 | 1,925,346 | 3 | 2,051,628 |
| Contingency | 1,000 | - | 1,000 | - |
| Total expenditures | 18,118,026 | 17,063,072 | 1,054,954 | 16,948,525 |

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

| | 2011 | | Variance Over/Under | 2010 |
|--|--------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | | Actual |
| Revenues over (under) expenditures | <u>(1,186,501)</u> | <u>241,313</u> | <u>1,427,814</u> | <u>108,845</u> |
| Other Financing Sources (Uses): | | | | |
| Appropriated fund balance | 963,291 | - | (963,291) | - |
| Sale of capital assets | 8,150 | 5,364 | (2,786) | 251,282 |
| Transfer to other funds | (476,275) | (476,275) | - | (676,363) |
| Transfer from other funds | <u>691,335</u> | <u>691,335</u> | <u>-</u> | <u>708,875</u> |
| Total other financing sources (uses): | <u>1,186,501</u> | <u>220,424</u> | <u>(966,077)</u> | <u>283,794</u> |
| Net change in fund balance | <u>\$ -</u> | <u>461,737</u> | <u>\$ 461,737</u> | <u>392,639</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | <u>7,680,688</u> | | <u>7,288,049</u> |
| End of year - June 30 | | <u>\$ 8,142,425</u> | | <u>\$ 7,680,688</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.
-



TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR CAPITAL RESERVE FUND - RECREATION AND STORMWATER PROJECTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

| | Project Authorization | Actual | | | Variance Over/Under |
|--|--------------------------|-------------------|-------------------|-------------------|------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Investment earnings | \$ - | \$ 183,201 | \$ 2,340 | \$ 185,541 | \$ 185,541 |
| Miscellaneous: | | | | | |
| Land dedication ordinance fees | 1,170,079 | 1,451,924 | - | 1,451,924 | 281,845 |
| Total revenues | <u>1,170,079</u> | <u>1,635,125</u> | <u>2,340</u> | <u>1,637,465</u> | <u>467,386</u> |
| Expenditures: | | | | | |
| Cultural and recreational: | | | | | |
| Recreation Center | 1,297,929 | 1,234,882 | - | 1,234,882 | 63,047 |
| Public works: | | | | | |
| Stormwater | 148,000 | - | - | - | 148,000 |
| 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>400,243</u> | <u>2,340</u> | <u>402,583</u> | <u>678,433</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfer to other funds | (1,281,432) | (1,169,624) | - | (1,169,624) | 111,808 |
| Transfer from other funds | 284,360 | 247,800 | - | 247,800 | (36,560) |
| Appropriated fund balance | 314,422 | - | - | - | (314,422) |
| Proceeds from Depot land sale | 958,500 | 958,500 | - | 958,500 | - |
| Total other financing sources (uses) | <u>275,850</u> | <u>36,676</u> | <u>-</u> | <u>36,676</u> | <u>(239,174)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 436,919</u> | 2,340 | <u>\$ 439,259</u> | <u>\$ 439,259</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>436,919</u> | | |
| End of year - June 30 | | | <u>\$ 439,259</u> | | |

TOWN OF MATTHEWS, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|---------------------|--------------------------------|
| Revenues: | | | |
| Other taxes and licenses: | | | |
| Occupancy tax | \$ 300,000 | \$ 337,262 | \$ 37,262 |
| Prepared food tax | 520,000 | 544,416 | 24,416 |
| Rental car tax | 50,000 | 87,938 | 37,938 |
| Sales and services | 1,000 | 1,091 | 91 |
| Total revenues | <u>871,000</u> | <u>970,707</u> | <u>99,707</u> |
| Expenditures: | | | |
| Cultural and recreational: | | | |
| Tourism | 545,894 | 493,793 | 52,101 |
| Total expenditures | <u>545,894</u> | <u>493,793</u> | <u>52,101</u> |
| Revenues over (under) expenditures | <u>325,106</u> | <u>476,914</u> | <u>151,808</u> |
| Other Financing Sources (Uses): | | | |
| Transfer to other funds | (1,053,210) | (1,053,210) | - |
| Total other financing sources (uses) | <u>(325,106)</u> | <u>(1,053,210)</u> | <u>(728,104)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(576,296)</u> | <u>\$ (576,296)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>2,512,804</u> | |
| End of year - June 30 | | <u>\$ 1,936,508</u> | |

Capital Projects Funds

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



TOWN OF MATTHEWS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

| | Project Authorization | Actual | | Total to Date | Variance Over/Under |
|-------------------------------------|--------------------------|----------------|------------------|------------------|------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Investment earnings | \$ 5,205 | \$ 8,002 | \$ 3,186 | \$ 11,188 | \$ 5,983 |
| Restricted Intergovernmental | 1,192,160 | 550,000 | 380,401 | 930,401 | (261,759) |
| Miscellaneous | 74,000 | - | 5,308 | 5,308 | (68,692) |
| Donations | 2,400 | 2,400 | - | 2,400 | - |
| Total revenues | <u>1,273,765</u> | <u>560,402</u> | <u>388,895</u> | <u>949,297</u> | <u>(324,468)</u> |
| Expenditures: | | | | | |
| Cultural and Recreational: | | | | | |
| Greenway-Old P/W Building | 8,410 | 4,003 | 78,031 | 82,034 | (73,624) |
| KP Pocket Park | 20,000 | 45,205 | - | 45,205 | (25,205) |
| 4 Mile Greenway | 1,725,000 | 454,513 | 993,804 | 1,448,317 | 276,683 |
| Stumptown Park restrooms | 165,000 | 4,575 | 2,100 | 6,675 | 158,325 |
| PARTF expenses | 879,280 | 28,766 | 325,392 | 354,158 | 525,122 |
| AG Building renovations | 1,200,000 | 3,275 | 18,745 | 22,020 | 1,177,980 |
| Total cultural and recreational | <u>3,997,690</u> | <u>540,337</u> | <u>1,418,072</u> | <u>1,958,409</u> | <u>2,039,281</u> |
| Public Safety: | | | | | |
| Police Radio System Upgrade | 62,000 | 62,598 | - | 62,598 | (598) |
| COPS Grant | 150,000 | - | 149,875 | 149,875 | 125 |
| Fire/EMS Command Vehicle | 25,000 | 24,958 | - | 24,958 | 42 |
| Volunteer fire truck | 60,000 | 30,000 | 30,000 | 60,000 | - |
| Ladder fire truck | 985,559 | 259,991 | 608,301 | 868,292 | 117,267 |
| Police Mobile CAD | 120,000 | 119,922 | - | 119,922 | 78 |
| Fire station improvements | 498,213 | 46,894 | 329,010 | 375,904 | 122,309 |
| Total public safety | <u>1,900,772</u> | <u>544,363</u> | <u>1,117,186</u> | <u>1,661,549</u> | <u>239,223</u> |
| Public Works: | | | | | |
| W. Charles Street Connector Project | 207,000 | 163,258 | - | 163,258 | 43,742 |
| N. Trade Street Project | 225,000 | 40,192 | - | 40,192 | 184,808 |
| S. Trade Street Project | 96,500 | 276,522 | 84,375 | 360,897 | (264,397) |
| ARRA Projects | 637,000 | 698,314 | 47,881 | 746,195 | (109,195) |
| Weddington Road Sidewalk Project | 100,000 | 96,498 | - | 96,498 | 3,502 |
| 4x4 Pick-up truck | 28,000 | 7,739 | - | 7,739 | 20,261 |
| Right-of-way tractor | 60,000 | 684 | - | 684 | 59,316 |
| Habitat for Humanity Road Project | 1,000 | - | 550 | 550 | 450 |
| McKee Road Project Segment A | 111,000 | 365,346 | 696 | 366,042 | (255,042) |
| McKee Road Project Segment B | 85,000 | 28,800 | 56,100 | 84,900 | 100 |
| McKee Road Project Segment C | 66,000 | 58,300 | - | 58,300 | 7,700 |
| Crack sealer trailer | 55,000 | 42,525 | - | 42,525 | 12,475 |
| Tandem dump truck | 85,000 | 88,344 | - | 88,344 | (3,344) |
| Utility service truck | 28,000 | 22,305 | (421) | 21,884 | 6,116 |
| F-450 Class 1 1/2 ton truck | 20,000 | 16,830 | - | 16,830 | 3,170 |

TOWN OF MATTHEWS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

| | Project Authorization | Actual | | Total to Date | Variance Over/Under |
|---|--------------------------|---------------------|---------------------|---------------------|------------------------|
| | | Prior Years | Current Year | | |
| Small pick-up truck | 18,000 | 511 | - | 511 | 17,489 |
| Public works vehicle | 22,000 | 13,545 | - | 13,545 | 8,455 |
| Salt/Plow Spreader | 30,000 | 29,461 | - | 29,461 | 539 |
| Transportation Plan | 98,000 | - | 49,000 | 49,000 | 49,000 |
| Crew cab landscape truck | 43,000 | - | - | - | 43,000 |
| Total public works | <u>2,015,500</u> | <u>1,949,174</u> | <u>238,181</u> | <u>2,187,355</u> | <u>(171,855)</u> |
| 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 and zoning update | 113,550 | 105,098 | - | 105,098 | 8,452 |
| Total economic and physical development | <u>160,115</u> | <u>139,407</u> | <u>-</u> | <u>139,407</u> | <u>20,708</u> |
| Debt Service: | | | | | |
| Principal | 64,493 | 68,312 | 86,911 | 155,223 | (90,730) |
| Interest | - | 9,712 | 32,871 | 42,583 | (42,583) |
| Total debt service | <u>64,493</u> | <u>78,024</u> | <u>119,782</u> | <u>197,806</u> | <u>(133,313)</u> |
| Total expenditures | <u>8,138,570</u> | <u>3,251,305</u> | <u>2,893,221</u> | <u>6,144,526</u> | <u>1,994,044</u> |
| Revenues over (under) expenditures | <u>(6,864,805)</u> | <u>(2,690,903)</u> | <u>(2,504,326)</u> | <u>(5,195,229)</u> | <u>1,669,576</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfer from other funds | 4,082,059 | 895,978 | 838,150 | 1,734,128 | (2,347,931) |
| Long-term debt issued | 2,736,246 | 1,350,232 | 1,241,130 | 2,591,362 | (144,884) |
| Proceeds from sale of capital assets | 46,500 | 100,325 | 92,684 | 193,009 | 146,509 |
| Total other financing sources (uses) | <u>6,864,805</u> | <u>2,346,535</u> | <u>2,171,964</u> | <u>4,518,499</u> | <u>(2,346,306)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (344,368)</u> | <u>(332,362)</u> | <u>\$ (676,730)</u> | <u>\$ (676,730)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>(344,368)</u> | | |
| End of year - June 30 | | | <u>\$ (676,730)</u> | | |

Additional Financial Data

This section contains additional information on property taxes

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



TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

| <u>Fiscal Year</u> | <u>Uncollected Balance July 1, 2010</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2011</u> |
|---|---|------------------|------------------------------------|--|
| 2010-2011 | \$ - | \$ 10,398,332 | \$ 10,174,665 | \$ 223,667 |
| 2009-2010 | 224,907 | - | 144,897 | 80,010 |
| 2008-2009 | 82,084 | - | 22,830 | 59,254 |
| 2007-2008 | 62,565 | - | 9,861 | 52,704 |
| 2006-2007 | 40,710 | - | 5,518 | 35,192 |
| 2005-2006 | 20,768 | - | 3,539 | 17,229 |
| 2004-2005 | 12,799 | - | 748 | 12,051 |
| 2003-2004 | 18,133 | - | 516 | 17,617 |
| 2002-2003 | 21,755 | - | 94 | 21,661 |
| 2001-2002 | 16,489 | - | 423 | 16,066 |
| 2000-2001 | 15,786 | - | 15,786 | - |
| Total | <u>\$ 515,996</u> | <u>\$ -</u> | <u>\$ 10,378,877</u> | <u>535,451</u> |
| Less: Allowance for uncollectible accounts | | | | <u>(115,000)</u> |
| Ad valorem taxes receivable, net | | | | <u>\$ 420,451</u> |
| Reconciliation with Revenues: | | | | |
| Ad valorem taxes - General Fund | | | \$ 10,387,932 | |
| Reconciling items: | | | | |
| Penalties and interest collected | | | | (78,164) |
| Amounts written off due to Statute of Limitations | | | | 15,786 |
| Prior year releases and other adjustments | | | | <u>53,323</u> |
| Total collections and credits | | | <u>\$ 10,378,877</u> | |

TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2011

| | Town-Wide | | | Total Levy | |
|---|-------------------------|--------|----------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property taxed at current year's rate | \$ 2,806,610,526 | 0.3325 | \$ 9,331,980 | \$ 9,331,980 | \$ - |
| Registered motor vehicles taxed at current year's rate | <u>313,763,609</u> | 0.3325 | <u>1,043,264</u> | <u>-</u> | <u>1,043,264</u> |
| Total | <u>3,120,374,135</u> | | <u>10,375,244</u> | <u>9,331,980</u> | <u>1,043,264</u> |
| Discoveries: | | | | | |
| Prior years' taxes | 61,111,880 | 0.3325 | 203,197 | 202,007 | 1,190 |
| Abatement: | | | | | |
| | <u>(54,168,120)</u> | 0.3325 | <u>(180,109)</u> | <u>(168,972)</u> | <u>(11,137)</u> |
| Total property valuation | <u>\$ 3,127,317,895</u> | | | | |
| Net Levy | | | 10,398,332 | 9,365,015 | 1,033,317 |
| Uncollected taxes at June 30, 2011 | | | <u>(223,667)</u> | <u>(135,829)</u> | <u>(87,838)</u> |
| Current Year's Taxes Collected | | | <u>\$ 10,174,665</u> | <u>\$ 9,229,186</u> | <u>\$ 945,479</u> |
| Current Levy Collection Percentage | | | <u>97.85%</u> | <u>98.55%</u> | <u>91.50%</u> |

Secondary Market Disclosures:**Assessed Valuation:**

| | |
|---|----------------------|
| Assessment ratio ¹ | 100% |
| Real property | \$ 2,806,610,526 |
| Personal property | 313,763,609 |
| Public service companies ² | <u>47,946,669</u> |
| Total assessed valuation | 3,127,317,895 |
| Tax rate per \$100 | <u>0.3325</u> |
| Levy (includes discoveries, releases and abatements) ³ | <u>\$ 10,398,332</u> |

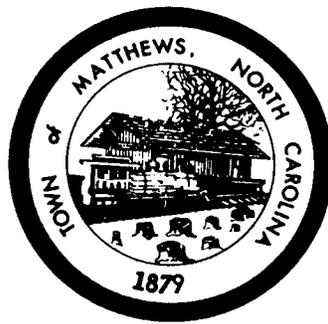
¹ Percentage of appraised value has been established by statute.² Valuation of railroads, telephone companies, and other utilities as determined by North Carolina Property Tax Commission.³ The levy includes interest and penalties.

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. | 56 |
| Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property taxes. | 61 |
| 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. | 65 |
| 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. | 69 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | 72 |



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

| | Fiscal Year | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| 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 | \$ 256,498,533 | 253,669,319 |
| Restricted | - | - | 149,170 | - | - | - | - | - | - | 1,954,537 |
| Unrestricted | 832,676 | 1,956,742 | 3,727,032 | 5,317,891 | 806,782 | 14,792,951 | 8,592,662 | 8,881,301 | 9,403,033 | 6,864,385 |
| 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 | \$ 265,901,566 | \$ 262,488,241 |

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 Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| 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 | \$ 7,039,748 | \$ 5,724,666 |
| 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 | 7,620,881 | 7,687,273 |
| 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 | 3,697,289 | 2,824,717 |
| 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 | 2,287,916 | 2,426,342 |
| Economic and physical development | 288,387 | 311,016 | 311,475 | 388,296 | 419,433 | 408,458 | 529,283 | 473,900 | 557,786 | 429,238 |
| Cultural and recreation | 459,028 | 690,188 | 737,063 | 794,203 | 946,996 | 2,547,098 | 1,276,386 | 1,196,978 | 1,877,984 | 2,662,820 |
| Unallocated depreciation expense | 5,910,522 | 996,622 | 856,137 | 878,086 | 660,906 | 619,269 | 544,632 | 647,687 | 369,276 | 347,316 |
| Interest on long term debt | 1,051,946 | 17,805,488 | 17,910,168 | 18,255,661 | 19,406,244 | 20,449,234 | 21,907,559 | 22,782,292 | 23,450,880 | 22,102,372 |
| 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 | 23,450,880 | 22,102,372 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 311,236 | 299,274 | 523,745 | 459,313 | 461,468 | - | 50,336 | 94,455 | 51,256 | 147,817 |
| Public safety | 32,874 | 35,265 | 98,645 | 86,628 | 120,015 | 325,893 | 245,145 | 561,619 | 262,123 | 280,464 |
| Public works | 440,359 | 446,046 | 487,160 | 485,875 | 511,389 | 579,683 | 424,249 | 657,850 | 588,411 | 600,363 |
| Economic and physical development | 16,560 | 23,149 | 27,941 | 25,539 | 23,864 | 1,675 | 15,531 | 12,561 | 8,908 | 10,960 |
| Cultural and recreation | 139,736 | 166,231 | 213,776 | 241,870 | 303,100 | 595,730 | 683,272 | 615,038 | 648,934 | 550,354 |
| Operating grants and contributions: | | | | | | | | | | |
| General government | 62,727 | 42,200 | 9,000 | 9,000 | 9,000 | - | 4,747 | 1,000 | - | 2,500 |
| Public safety | 158,927 | 170,468 | 230,650 | 183,234 | 166,759 | 12,426 | 144,107 | 151,945 | 95,811 | 141,576 |
| Public works | 710,343 | 687,293 | 645,620 | 720,418 | 728,654 | 727,130 | 843,663 | 785,619 | 1,277,582 | 734,541 |
| Economic and physical development | 29,370 | 25,000 | 25,000 | 25,000 | 25,000 | - | - | - | - | - |
| Cultural and recreation | 104,577 | 28,347 | 672,348 | 658,975 | 636,625 | 22,113 | 10,000 | 30,000 | 20,000 | 20,000 |
| Interest on long term debt | 765,575 | 743,975 | - | - | - | - | - | - | - | - |
| Capital grants and contributions: | | | | | | | | | | |
| General government | - | - | 6,285,349 | 1,993,240 | 1,568,015 | 617,025 | 497,237 | 566,375 | 545,375 | 522,475 |
| Cultural and recreation | - | - | 586,145 | 236,206 | 217,820 | - | - | - | - | 176,131 |
| Public works | - | - | - | - | - | 85,000 | 9,317 | 1,948,541 | - | 5,307 |
| Public safety | - | - | - | - | - | - | - | - | 1,515 | 208,884 |
| 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 | 5,425,003 | 3,499,915 | 3,401,372 |
| Net (expense)/revenue | (13,646,647) | (15,138,240) | (8,104,789) | (13,130,363) | (14,634,535) | (17,482,559) | (18,979,955) | (17,357,289) | (19,950,965) | (18,701,000) |
| Total governmental activities net (expense)/revenue | | | | | | | | | | |

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

| | Fiscal Year | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| 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 | 10,367,847 | 10,407,387 |
| Local option sales tax | - | - | - | - | - | 2,237,330 | 2,487,413 | 1,695,401 | 1,889,903 | 1,987,038 |
| Utility franchise and excise tax | - | - | - | - | - | - | 1,565,435 | 1,986,645 | 1,660,154 | 1,663,936 |
| 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 | 1,162,070 | 1,214,920 |
| 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 | 29,258 | 14,394 |
| 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 | 15,109,232 | 15,287,675 |
| 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) | (4,841,733) | (3,413,325) |
| 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 | 270,743,299 | 265,901,566 |
| 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 | \$ 265,901,566 | \$ 262,488,241 |

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 | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General Fund | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Public works | \$ - | \$ 84,478 | \$ 60,000 | \$ 60,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Tourism | - | - | - | - | - | - | - | - | - | - |
| Cultural & recreational | - | 56,233 | - | - | - | - | - | - | - | - |
| Encumbrances | - | - | - | - | 52,298 | 71,908 | - | - | - | - |
| Prepays | - | - | - | - | - | 15,000 | 107,803 | 18,397 | 29,739 | 117,183 |
| Storm water-appropriated | 131,636 | 222,718 | 182,779 | 172,358 | 37,000 | - | - | - | - | - |
| Storm water-unappropriated | 202,278 | 182,574 | 191,914 | 275,978 | 159,933 | - | - | - | - | - |
| State Statute | 685,387 | 606,915 | 922,692 | 606,287 | 725,471 | 833,747 | 899,183 | 915,136 | 1,375,612 | 1,768,485 |
| Streets - Powell Bill - appropriated | 316,045 | 342,000 | 141,450 | - | - | - | - | - | - | - |
| Streets - Powell Bill - unappropriated | 62,459 | 73,833 | 7,720 | - | - | - | - | - | - | - |
| Total reserved | 1,397,805 | 1,568,751 | 1,506,555 | 1,114,623 | 974,702 | 920,655 | 1,006,986 | 933,533 | 1,405,351 | 1,885,668 |
| Unreserved | | | | | | | | | | |
| Designated for subsequent year's expenditures | - | 228,000 | 191,012 | 139,234 | 190,146 | - | - | - | - | - |
| Environmental protection | - | - | - | - | - | - | - | - | - | 439,259 |
| Undesignated | 4,028,035 | 4,464,325 | 6,268,824 | 7,430,219 | 3,378,208 | 7,697,243 | 6,421,920 | 6,354,516 | 6,275,337 | 6,256,757 |
| Total General Fund | \$ 5,425,840 | \$ 6,261,076 | \$ 7,966,391 | \$ 8,684,076 | \$ 4,543,056 | \$ 8,617,898 | \$ 7,428,906 | \$ 7,288,049 | \$ 7,680,688 | \$ 8,581,684 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Tourism | \$ 185,466 | \$ 25,493 | \$ 51,923 | \$ 298,173 | \$ 458,058 | \$ 705,041 | \$ - | \$ - | \$ - | \$ - |
| Storm water | - | - | - | - | - | - | - | - | - | - |
| Special Revenue Fund | - | - | - | - | - | - | 1,615,240 | 2,238,072 | 2,902,096 | 1,886,531 |
| State Statute | 26,138 | 19,790 | 22,822 | 22,893 | 43,430 | 28,043 | 42,683 | 30,335 | 95,046 | 186,052 |
| Unreserved | - | - | - | - | - | - | - | - | - | - |
| Designated for subsequent year's expenditures: | | | | | | | | | | |
| Capital projects | 1,465,703 | 1,276,544 | 1,562,136 | 1,834,855 | 886,199 | 1,284,797 | 28,623 | 25,086 | (391,787) | (812,805) |
| Total all other governmental funds | \$ 1,677,307 | \$ 1,321,827 | \$ 1,636,881 | \$ 2,155,921 | \$ 1,387,687 | \$ 2,017,881 | \$ 1,686,546 | \$ 2,293,493 | \$ 2,605,355 | \$ 1,259,778 |

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

| | Fiscal Year | | | | | | | | | |
|--|----------------|--------------|--------------|--------------|----------------|--------------|----------------|--------------|---------------|---------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues | | | | | | | | | | |
| Ad valorem taxes | \$ 5,699,336 | \$ 6,962,368 | \$ 7,518,410 | \$ 7,698,073 | \$ 8,239,209 | \$ 8,584,246 | \$ 9,065,438 | \$ 9,996,417 | \$ 10,317,990 | \$ 10,387,932 |
| Other taxes and licenses | 2,212,205 | 2,453,162 | 1,146,777 | 1,151,078 | 1,220,819 | 3,644,744 | 5,410,575 | 3,950,694 | 3,776,660 | 3,891,921 |
| Unrestricted intergovernmental | 1,096,997 | 983,839 | 3,007,608 | 3,083,903 | 3,637,353 | 1,415,445 | 166,412 | 207,977 | 93,472 | 183,995 |
| Restricted intergovernmental | 1,701,940 | 1,747,028 | 2,080,983 | 2,083,590 | 2,096,540 | 1,463,694 | 1,456,790 | 1,374,161 | 1,259,707 | 1,257,809 |
| Permits and fees | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | - | - | 20,000 | 15,000 |
| Sales and services | 1,026,606 | 942,642 | 1,207,859 | 813,638 | 859,423 | 1,477,981 | 1,332,389 | 1,487,387 | 1,495,590 | 1,381,518 |
| Unrestricted investment earnings | 198,467 | 77,167 | 86,089 | 235,220 | 220,660 | 456,481 | 411,605 | 114,282 | 15,205 | 11,208 |
| Miscellaneous | 279,914 | 294,349 | 181,025 | 38,817 | 94,027 | 211,890 | 62,401 | 407,446 | 78,746 | 177,342 |
| Total revenues | 12,240,465 | 13,485,555 | 15,253,751 | 15,129,319 | 16,393,031 | 17,279,481 | 17,905,610 | 17,538,364 | 17,057,370 | 17,306,725 |
| Expenditures | | | | | | | | | | |
| General government | 938,333 | 942,972 | 1,111,014 | 1,219,375 | 1,219,626 | 1,353,264 | 1,621,076 | 1,628,588 | 1,841,775 | 2,000,166 |
| Public safety | 4,164,147 | 4,395,790 | 4,697,971 | 5,175,966 | 6,082,993 | 6,666,572 | 7,196,965 | 6,829,376 | 6,692,123 | 6,803,611 |
| Public works | 2,111,342 | 2,119,784 | 2,007,193 | 2,291,389 | 2,960,024 | 2,885,327 | 3,714,121 | 2,850,051 | 2,416,149 | 2,344,796 |
| Environmental Prot. | 1,552,415 | 1,482,411 | 1,629,912 | 1,641,674 | 2,052,783 | 2,016,101 | 2,131,562 | 2,376,802 | 2,287,916 | 2,426,342 |
| Economic and physical development | 283,047 | 302,385 | 302,283 | 385,263 | 409,860 | 402,341 | 519,465 | 456,539 | 487,631 | 413,921 |
| Culture and recreation | 439,213 | 560,860 | 606,028 | 657,598 | 6,164,219 | 2,661,894 | 2,241,339 | 1,131,071 | 1,171,303 | 1,148,890 |
| Debt service: | | | | | | | | | | |
| Principal | 1,254,931 | 1,630,099 | 1,744,780 | 1,795,204 | 1,752,196 | 3,080,497 | 1,501,151 | 8,836,434 | 1,682,352 | 1,610,902 |
| Interest | 1,120,737 | 996,622 | 704,253 | 726,125 | 660,584 | 619,269 | 544,632 | 618,553 | 369,276 | 314,444 |
| Construction in progress | 1,876,386 | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | 652,407 | 706,207 | - | - | - | - | - | - | - |
| Total expenditures | 13,740,551 | 13,083,330 | 13,509,641 | 13,892,594 | 21,302,285 | 19,685,265 | 19,470,311 | 24,727,414 | 16,948,525 | 17,063,072 |
| Excess of revenues over (under) expenditures | (1,500,086) | 402,225 | 1,744,110 | 1,236,725 | (4,909,254) | (2,405,784) | (1,564,701) | (7,189,050) | 108,845 | 243,653 |
| Other financing sources (uses) | | | | | | | | | | |
| Debt issued, note payable | 127,267 | 77,531 | - | - | - | 2,071,000 | - | - | - | - |
| Debt issued, refunding bonds | - | - | 5,926,124 | - | - | - | - | - | - | - |
| Sale of capital assets | 6,685 | - | - | - | - | 5,039,820 | 44,374 | 7,673,204 | 251,282 | 5,364 |
| Payment to refunded bond escrow agent | - | - | (5,919,848) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 133,952 | 77,531 | 6,276 | - | - | 7,110,820 | 44,374 | 7,673,204 | 251,282 | 5,364 |
| Net change in fund balances | \$ (1,366,134) | \$ 479,756 | \$ 1,750,386 | \$ 1,236,725 | \$ (4,909,254) | \$ 4,705,036 | \$ (1,520,327) | \$ 484,154 | \$ 360,127 | \$ 249,017 |
| Debt services as a percentage of noncapital expenditures | 17.3% | 21.1% | 19.1% | 18.1% | 11.3% | 21.0% | 11.9% | 42.1% | 14.0% | 13.0% |

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

| Calendar Year Ended December 31 | Real Property | Personal Property | Public Service Companies (2) | Total Taxable Assessed Value | Total Direct Tax Rate |
|--|------------------|----------------------|---------------------------------------|------------------------------------|--------------------------------|
| 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 | 2,552,456,377 | 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 | 2,919,466,872 | 0.3075 |
| 2008 | 2,623,673,106 | 288,189,269 | 51,681,690 | 2,963,544,065 | 0.3075 |
| 2009 | 2,652,308,962 | 293,588,873 | 52,876,218 | 2,998,774,053 | 0.3325 |
| 2010 | 2,769,940,150 | 318,285,113 | 52,876,218 | 3,141,101,481 | 0.3325 |
| 2011 | 2,806,610,526 | 313,763,609 | 47,946,669 | 3,168,320,804 | 0.3325 |

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

| | Year Taxes Are Payable | | | | | | | | | |
|---------------------|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Mecklenburg County | \$ 0.8397 | \$ 0.8397 | \$ 0.7364 | \$ 0.7567 | \$ 0.8638 | \$ 0.8387 | \$ 0.8387 | \$ 0.8387 | \$ 0.8387 | \$ 0.8387 |
| Municipality Rates: | | | | | | | | | | |
| Town of Matthews | 0.2700 | 0.3200 | 0.2950 | 0.3075 | 0.3075 | 0.3075 | 0.3075 | 0.3325 | 0.3325 | 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 2011 | | | Fiscal Year 2002 | | |
|--|----------------------------|--------------------|------|--------------------------------------|-----------------------|------|--------------------------------------|
| | | Taxable Assessed | Rank | Percentage of Total Taxable Assessed | Taxable Assessed | Rank | Percentage of Total Taxable Assessed |
| SC Windsor Associates, LP | Retail/shopping center | 64,448,345 | 1 | 2.03% | 33,295,505 | 4 | 1.56% |
| Family Dollar, Inc | Corporate headquarters | 55,786,910 | 2 | 1.76% | 64,803,031 | 1 | 3.05% |
| Adult Communities Total Services, Inc. | Retirement Village | 51,277,500 | 3 | 1.62% | 35,566,440 | 2 | 1.67% |
| IA Sycamore Commons, LLC | Retail/shopping center | 45,167,200 | 4 | 1.43% | - | - | 0.00% |
| Windstream (formally Altel Carolina) | Communication headquarters | 24,566,257 | 5 | 0.78% | 23,453,063 | 6 | 1.10% |
| Duke Energy Corp | Utilities | 23,420,264 | 6 | 0.74% | - | - | 0.00% |
| 1450 Matthews Township Parkway LP | Medical office complex | 22,956,100 | 7 | 0.72% | - | - | 0.00% |
| Matthews Center Associates | Commercial land developers | 21,747,700 | 8 | 0.69% | - | - | 0.00% |
| Verizon Wireless | Telecommunications | 21,617,343 | 9 | 0.68% | - | - | 0.00% |
| Lowe's Home Centers | Retail/home improvement | 21,084,199 | 10 | 0.67% | - | - | 0.00% |
| Novant Health, Inc. | Health Care | - | - | 0.00% | - | 3 | 0.00% |
| Rexham Corp | Corporate headquarters | - | - | 0.00% | 24,024,322 | 5 | 1.13% |
| CIP Inc - (formally PCA National, Inc.) | Corporate headquarters | - | - | 0.00% | 22,887,656 | 7 | 1.08% |
| Martin Marietta | Aggregate complex | - | - | 0.00% | 22,680,023 | 8 | 1.07% |
| Boddie-Noell Restaurant Property, Inc. (BNP Realty, LLC) | Apartment complex | - | - | 0.00% | 14,801,430 | 9 | 0.70% |
| Matthews Corners Associates, LP | Retail/shopping center | - | - | 0.00% | 13,649,820 | 10 | 0.64% |
| | | \$ 352,071,818 | | 11.11% | \$ 255,161,280 | | 11.99% |
| Totals | | 639,695,291 | | 11.1% | \$ 477,027,055 | | 22.4% |

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 | | |
| 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 | 8,619,563 | 8,459,967 | 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% |
| 2010 | 10,249,648 | 10,024,741 | 97.81% | 175,050 | 99.51% | 10,199,791 | 99.51% |
| 2011 | 10,398,332 | 10,174,665 | 97.85% | 204,212 | 99.81% | 10,378,877 | 99.81% |

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 |
|-------------|--------------------------|--|--------------------|-------------------------------|
| 2002 | 6,250,000 | 0.29% | 270 | 0.98% |
| 2003 | 5,850,000 | 0.26% | 243 | 0.88% |
| 2004 | 5,800,000 | 0.23% | 238 | 0.00% |
| 2005 | 5,315,000 | 0.20% | 214 | 0.78% |
| 2006 | 4,835,000 | 0.18% | 190 | 0.00% |
| 2007 | 4,365,000 | 0.15% | 164 | 0.00% |
| 2008 | 3,915,000 | 0.13% | 139 | 0.50% |
| 2009 | 3,475,000 | 0.12% | 121 | 0.38% |
| 2010 | 3,045,000 | 0.10% | 104 | 0.31% |
| 2011 | 2,625,000 | 0.08% | 96 | 0.31% |

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 | | | | |
| 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 | 0.00% |
| 2005 | 5,315,000 | 10,757,559 | | 16,072,559 | 646 | 2.35% |
| 2006 | 4,835,000 | 9,434,268 | | 14,269,268 | 561 | 0.00% |
| 2007 | 4,365,000 | 8,894,771 | | 13,259,771 | 499 | 0.00% |
| 2008 | 3,915,000 | 7,843,619 | | 11,758,619 | 419 | 1.52% |
| 2009 | 3,475,000 | 7,719,542 | | 11,194,542 | 391 | 1.23% |
| 2010 | 3,045,000 | 7,817,422 | | 10,862,422 | 372 | 1.11% |
| 2011 | 265,000 | 7,780,741 | | 10,405,741 | 381 | 1.11% |

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, 2011

| <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) | \$ 2,625,000 | 100.00% | \$ 2,625,000 |
| <i>Counties:</i> Mecklenburg County (2) | <u>2,829,970,870</u> | 2.97% | <u>84,050,135</u> |
| Total direct and overlapping debt | <u>\$ 2,832,595,870</u> | | <u>\$ 86,675,135</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 | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Assessed Value of Property | \$ 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 | \$ 3,082,600,902 | \$ 3,127,317,895 |
| Debt Limit, 8% of Assessed value (Statutory Limitation) | 170,217,195 | 177,605,932 | 204,196,510 | 207,560,192 | 213,901,425 | 224,248,533 | 237,083,525 | 239,901,924 | 246,608,072 | 350,185,432 |
| Debt applicable to debt limitations: | | | | | | | | | | |
| Total bonded debt | 6,250,000 | 5,850,000 | 5,800,000 | 5,315,000 | 4,835,000 | 4,365,000 | 3,915,000 | 3,475,000 | 3,045,000 | 2,625,000 |
| Debt not evidenced by bonds | 14,426,311 | 13,273,743 | 12,067,763 | 10,757,559 | 9,434,268 | 8,894,771 | 7,843,619 | 7,719,542 | 7,817,422 | 7,780,741 |
| Statutory Deductions | (6,250,000) | (5,850,000) | (5,800,000) | (5,315,000) | (4,835,000) | (4,365,000) | 3,915,000 | 3,475,000 | 3,045,000 | 2,625,000 |
| Total debt applicable to limitations | 14,426,311 | 13,273,743 | 12,067,763 | 10,757,559 | 9,434,268 | 8,894,771 | 7,843,619 | 7,719,542 | 7,817,422 | 7,780,741 |
| Legal debt limit | 155,790,884 | 164,332,189 | 192,128,747 | 196,802,633 | 204,467,157 | 215,353,762 | 229,239,906 | 232,182,382 | 238,790,650 | 242,404,691 |
| Total net debt applicable to the limit as a percentage of debt limit | <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> | <u>3.27%</u> | <u>3.21%</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 | Median Age |
|-------------|------------|-----------------------|----------------------------|--------------------------|-------------------|---------------------------|------------|
| 2002 | 23,144 | 44,526,614 | 27,471 | 5,950 | 5.60% | 67,034 | - |
| 2003 | 24,121 | 46,147,836 | 27,546 | 5,893 | 6.40% | 73,728 | - |
| 2004 | 24,357 | 48,202,578 | - | 5,816 | 5.60% | - | - |
| 2005 | 24,879 | 49,562,395 | 27,471 | 6,581 | 5.00% | 75,791 | - |
| 2006 | 25,437 | 53,145,420 | - | 6,295 | 4.10% | - | - |
| 2007 | 26,554 | 57,214,443 | - | 6,380 | 3.50% | 81,841 | - |
| 2008 | 28,072 | 62,571,847 | 27,546 | 6,307 | 4.70% | 67,034 | - |
| 2009 | 28,634 | 66,217,625 | 31,881 | 6,175 | 7.70% | 74,073 | 35.1 |
| 2010 | 29,209 | 67,712,169 | 33,391 | 6,144 | 7.80% | 75,588 | 36.4 |
| 2011 | 27,326 | - | 28,972 | 6,061 | 7.70% | 67,796 | 35.7 |

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**

| | <u>2011</u> | | | <u>2002</u> | | |
|----------------------------|------------------|-------------|---------------------------------------|------------------|-------------|---------------------------------------|
| | <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 | 6 | 0.07% |
| Harris Teeter | 667 | 3 | 0.15% | 680 | 2 | 0.18% |
| Town of Matthews | 133 | 4 | 0.03% | 115 | 10 | 0.03% |
| Plantation Estates | 119 | 5 | 0.03% | 200 | 7 | 0.05% |
| Sam's Club | 115 | 6 | 0.03% | 135 | 9 | 0.04% |
| Stronghaven Container, Inc | 89 | 7 | 0.02% | - | - | - |
| Costco Wholesale Inc. | 75 | 8 | 0.02% | - | - | - |
| Home Depot | 70 | 9 | 0.02% | 140 | 8 | 0.04% |
| Lowe's | 60 | 10 | 0.01% | - | - | - |
| PCA | - | - | - | 625 | 3 | 0.16% |
| Pic-n-Pay | - | - | - | 300 | | 0.08% |
| Conbraco | - | - | - | 300 | 4 | 0.08% |
| Rexham | - | - | - | 260 | 5 | 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 | | | | | | | | | |
|-----------------------------|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Function | | | | | | | | | | |
| General government | 8 | 8 | 8 | 10 | 10 | 11 | 11 | 11 | 11 | 11 |
| Public safety | 62 | 62 | 68 | 69 | 74 | 77 | 81 | 81 | 81 | 81 |
| Public works | 36 | 36 | 39 | 38 | 37 | 38 | 33 | 31 | 31 | 29 |
| Economic & phy. development | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 5 |
| Cultural and recreation | 4 | 4 | 5 | 4 | 6 | 7 | 7 | 7 | 7 | 7 |
| Total | 115 | 115 | 125 | 126 | 133 | 139 | 138 | 136 | 136 | 133 |

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

Source: Town Finance Department

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

| Functional Area | Fiscal Year | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General Government | | | | | | | | | | |
| Tax collection rate | 97.53% | 97.51% | 98.20% | 98.58% | 98.13% | 98.15% | 98.15% | 97.69% | 97.81% | 97.85% |
| Culture and Recreation | | | | | | | | | | |
| Attendance at all events/programs/classes | - | - | - | - | - | 110,214 | 110,810 | 143,147 | 149,530 | 149,661 |
| Circulation of library materials-Matthews branch | 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 | | | | | | | | | | |
| Calls for service | - | - | - | - | - | 27,175 | 33,144 | 31,301 | 33,275 | 31,396 |
| Arrests | 991 | 1,141 | 1,141 | 1,141 | 1,112 | 1,239 | 1,220 | 747 | 819 | 804 |
| Citations Issued | 5,395 | 5,770 | 5,770 | 5,770 | 10,693 | 13,297 | 13,954 | 6,834 | 7,951 | 4,713 |
| EMS calls | 929 | 1,564 | 1,564 | 1,640 | 1,700 | 1,867 | 1,844 | 1,957 | 1,867 | 1,867 |
| EMS response time | 5.5 min | 4.2 min | 4.2 min | 4.3 min | 4.0 min | 4.75 min | 5.04 min | 5.35 min | 4.07 min | 4.07 min |
| Miles of Streets/Sidewalks | | | | | | | | | | |
| Town-maintained | 75.56 | 85.00 | 87.15 | 88.65 | 89.78 | 93.65 | 94.09 | 95.14 | 95.97 | 95.97 |
| Sidewalks | Over 63 | Over 63 | Over 63 | Over 63 | Over 63 | Over 64 | Over 66 | Over 66 | Over 66 | Over 66 |
| Economic and Physical Development | | | | | | | | | | |
| Building Permit Activity | - | - | - | - | - | 538 | 471 | 295 | 250 | 348 |

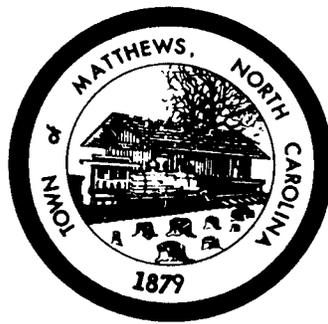
Notes: 2007-additional functions to track were added
Some Public Safety numbers are reported for a nine month period
Library is operated by Mecklenburg County - data not available for local branch

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

| Function/Program | Fiscal Year | | | | | | | | | |
|-----------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Parks and recreation | | | | | | | | | | |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Park facility | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |
| Park acreage | 39 | 39 | 39 | 39 | 39 | 39 | 44 | 44 | 44 | 44 |
| Libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation center | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire protection | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Volunteer Fire/EMS | - | - | - | - | 24 | 20 | 23 | 71 | 65 | 75 |
| *Paid personnel | - | - | - | - | 6 | 6 | 9 | 9 | 9 | 9 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sworn officers | 49 | 50 | 50 | 54 | 54 | 55 | 57 | 57 | 59 | 59 |
| Civilians - Full-time | 11 | 12 | 12 | 12 | 12 | 17 | 14 | 14 | 12 | 12 |
| Civilians - Part-time | - | - | - | - | - | - | 13 | 13 | 10 | 10 |
| Patrol vehicles - marked | 51 | 43 | 43 | 43 | 48 | 46 | 49 | 49 | 49 | 51 |
| Patrol vehicles - unmarked | - | 11 | 11 | 12 | 12 | 16 | 15 | 17 | 17 | 18 |
| Public Works | | | | | | | | | | |
| Town - maintained streets | 75.56 | 85.00 | 87.15 | 88.65 | 89.78 | 93.65 | 94.09 | 95.14 | 95.97 | 95.97 |
| Sidewalks | Over 63 | Over 63 | Over 63 | Over 63 | Over 63 | Over 64 | Over 66 | Over 66 | Over 66 | Over 66 |

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 That Could Have A Direct And Material Effect On Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act
 - ❖ Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act
 - ❖ Schedule of Findings and Responses
 - ❖ 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 Honorable Mayor and
Members of the Town Board
Town of Matthews, North Carolina

We have audited the basic financial statements of the governmental activities, each major fund, and the information of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town of Matthews' basic financial statements, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Matthews is responsible for establishing and maintaining effective 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 opinion 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that material misstatement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01 and 2011-02 to be material weaknesses.

Compliance and Other Matters

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

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

This information is intended solely for the use of the Town's Board of Commissioners and management of the Town of Matthews, 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.
October 31, 2011

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

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

Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditors' Report

To the Honorable Mayor and
Members of 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 applicable sections of 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 could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. The Town of Matthews' major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the Town of 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Matthews' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2011.

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 and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

This information is intended solely for the use of the Town's Board of Commissioners and management, of the Town of Matthews, 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.
October 31, 2011

TOWN OF MATTHEWS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I. Summary of Auditors' Results

Financial Statements

| | | | |
|--|---------------|-----|------------------|
| Type of auditors' report issued: | Unqualified | | |
| Internal control over financial reporting: | | | |
| • Material weaknesses identified? | <u> X </u> | Yes | <u> </u> No |
| • Significant deficiencies identified? | <u> </u> | Yes | <u> X </u> No |
| Non-compliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> No |

State Awards

| | | | |
|---|---------------|-----|-----------------|
| Internal control over major State programs: | | | |
| • Material weaknesses identified? | <u> </u> | Yes | <u> X </u> No |
| • Significant deficiencies identified? | <u> </u> | Yes | <u> X </u> No |
| Type of auditors' report issued on compliance for major State programs: | Unqualified | | |
| Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? | <u> </u> | Yes | <u> X </u> No |

Identification of major State programs:

Powell Bill

TOWN OF MATTHEWS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section II. Financial Statements Findings

Finding 2011-01

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.

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

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

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

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

Name of Contact Person: Christine Surratt

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

Finding 2011-02

Criteria: Management should have a control system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, the Capital Projects Fund (Capital Improvement Program) was operating in a deficit.

Context: While reviewing financial statements we noted the conditions described above.

Effect: The Town was in violation of North Carolina General Statutes.

Cause: Sufficient transfers have not been made to eliminate the deficit fund balance reported in the Capital Projects Fund (Capital Improvement Program).

TOWN OF MATTHEWS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Recommendation: Implement stringent budgetary preparation controls, as well as monitoring controls, to prevent a deficit in fund balance.

Name of Contact Person: Christine Surratt

Managements Response: Management concurs with the condition and the recommendation. Management also adds that procedures have been put in place to monitor the conditions noted above.

TOWN OF MATTHEWS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section III. State Award Findings and Questioned Costs

None reported.

TOWN OF MATTHEWS, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Finding: 2010-01

Status: Repeated as Finding 2011-01

Finding: 2010-02

Status: Corrected

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------------------|---|---------------------------------|-------------------------------|
| Federal Programs: | | | | |
| U.S. Department of Homeland Security: Passed-Through the North Carolina Department of Crime Control and Public Safety | | | | |
| FEMA Grant | 97.036 | | \$ 54,270 | \$ - |
| U.S. Department of Justice: Public Safety Partnership and Community Policing Grants (COPS) | | | | |
| | 16.710 | | 150,000 | - |
| U.S. Department of Transportation: Passed-Through the North Carolina Department of Transportation (Construction and Maintenance): Highway Planning and Construction Grant - ARRA | | | | |
| | 20.205-1 | | <u>118,955</u> | <u>-</u> |
| Total Federal expenditures | | | <u>\$ 323,225</u> | |
| State Programs: | | | | |
| N.C. Department of Environment and Natural Resources: Parks and Recreation Trust Fund | | | | |
| | | 2009-601 | \$ - | \$ 176,131 |
| N.C. Department of Transportation: Powell Bill | | | | |
| | | DOT-4 | <u>-</u> | <u>719,541</u> |
| Total State expenditures | | | | <u>\$ 895,672</u> |

Basis of Presentation:

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