



Town of
MatthewsTM
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

Town of Matthews North Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2012**

Prepared By
Department of Finance



**TOWN OF MATTHEWS
NORTH CAROLINA**

**List of Principal Elected Officials
Year Ended June 30, 2012**

James P. Taylor, *Mayor*

Paul Bailey, *Mayor Pro Tem*

Suzanne Gulley

Jeff Miller

Nancy Moore

W. Kress Query

John Urban



TOWN OF MATTHEWS, NORTH CAROLINA

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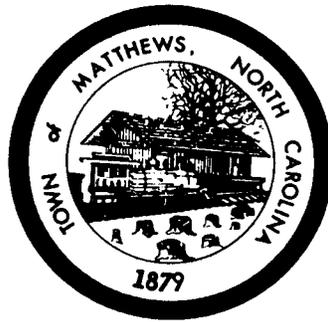
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October 15, 2012

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

It is with pleasure that we present to you the 2012 Comprehensive Annual Financial Report (CAFR) of the Town of Matthews, North Carolina for the fiscal year ended June 30, 2012. 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, 2012, 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 27,878. 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. A public/private partnership, including the Town Hall/Library building (occupied in August/September 2001) and office/retail development along a new public street significantly expanded the Downtown Business District. In 2010, the town sold two properties, one of which was a vacant lot and the developer constructed a new restaurant in the downtown development. The other property consisted of renovation of a historical house and become home to the Matthews Historical Foundation and Museum. The construction of Interstate 485 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 Mathews 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. This has opened opportunities for developers to design and work toward constructing a full service area that will provide lodging, restaurants and accessibility to other town amenities.

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 has kept pace with nonresidential and service/employment uses. Zoning regulations designed to allow varied housing types and styles at higher densities are being utilized. Town homes, cottage homes and multi-family units have been approved and built on multiple sites. Bella Sera, The Polo club, and the Village at St Andrews are three residential communities with 324 duplex and four-plex homes between them. In September 2008 Plantation Village was approved for 300 units. This retirement facility will be a complementary village neighborhood near their current facility, Plantation Estates. They have recently requested a revised layout which reduces overall density, with a maximum of 220 units, which creates a more intimate senior living community. Located close to downtown, this upscale retirement community will provide additional housing options for the aging population in our community. Liberty Healthcare broke ground in 2012 for a skilled nursing facility with will be Phase 1 of a continuing care senior living community near Butler High School.

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. A dashboard has been created to give elected officials and citizens a quick glance of our Town Strategy, Implementation and Progress.

In the fiscal year 2008-2009 budget, the Board approved an economic development program, which included a full-time position. Due to the economic downturn in the fall of 2008, the Assistant Town Manager continues to oversee implementation of the program, along with a citizen appointed advisory board. This program works with the Chamber of Commerce to recruit and attract additional commercial developers to help strengthen our tax base. Annual open Economic Development Submits and held, updating attendees on current initiatives and direction. Breakfast with the Mayor has been established to give business owners an opportunity to get directly involved and stay informed. Economic Development Incentive Grants were established to encourage businesses who are looking for a location to call Matthews home and for businesses already here to be able to stay and expand. 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, completion in May 2006.
- Assisted Mecklenburg County with the purchase of 94 acres of open space for future park development in November 2006. The town negotiated a 50-year lease for the use of this property.
- Purchased 1.27 acres of land, with a 4667 square foot building that adjoins a current downtown park in 2007. Renovation on the back side of the building was recently completed to include permanent restrooms accessible to the adjoining Stumptown Park.

- Joined partnership with Mecklenburg County Parks and Recreation to design and construct a \$32 million sportsplex. This complex will be located on 160 acres located within the Town. Eleven sports fields plus a 2,700 seat stadium will host regional and national field sport tournaments (soccer, lacrosse, football, etc.) The first phase, including five artificial turf lighted fields and parking is currently under construction, and scheduled to open in Summer 2013.
- In June 2007 a new Rescue/Pumper Fire Apparatus was purchased. This enabled the department to operate more efficiently and allowed increased coverage capabilities. Along with the added equipment, the department occupied space in the Police building (former EMS area) as Fire Station 2, which improves emergency response time throughout the community.
- Accepted full responsibility for all fire protection services in November 2008, formerly maintained by a combination of an independent volunteer fire organization and paid town staff.
- Joined partnership with Mecklenburg County Parks and Recreation to provide funding for the construction of a 2.3 mile greenway project in July 2009. This joint effort allows the project to be completed ahead of schedule while saving over \$1,000,000 due to current economic impact. The greenway was dedicated in 2011 and has become an asset to our community.
- Acquired historical agricultural facility for future expansion of cultural and recreation opportunities. This building is currently under a \$1,000,000 renovation project, with an anticipated completion date of Fall 2012.
- August 2009, secured PARTF Grant in the amount of \$499,895 for renovation of Squirrel Lake Park. The addition of restroom facilities, upgraded park shelters and a new pier have indeed created this as a destination for local families.
- Upgrade / replacement of all 800 MHz public safety radios in 2009 to ensure interoperability with surrounding communities. This equipment has since been upgraded from analog to digital and used by Public Safety, Public Works and Code Enforcement. Mobile CAD systems have also been installed in police vehicles.
- In 2010, the town received grant funding from the Department of Congress through the Commerce, Justice, and Science Appropriation Bill to purchase digital in-car cameras for police vehicles.
- Designed, constructed and dedicated Town's first downtown pocket park – KP Park – in memory of former Assistant Town Manager, Kay Plyler. The park opened in May 2010.
- Spring 2010, the town received \$550,000 in federal stimulus funds from ARRA for road and transportation improvements
- In December 2009, signed a contract for a new 101' Ladder Platform Fire Truck, replacing a 25 year old vehicle. The new truck was placed in service in Fall 2010.

- Purchased two adjoining properties to our downtown park.
- Purchased two contiguous properties, totaling 10 acres to expand our parks and recreational opportunities.

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. Matthews will continue to investigate ways for alternate means of transportation other than car, including bicycle facilities, greenways, pedestrian walkways, and public transit. The Matthews Comprehensive Bicycle Plan was adopted in October 2006, and a Parks and Recreation Master Plan, which addressed open space needs, greenways and other recreation needs was adopted in 2007. A 2.3 mile greenway has been completed and our first pocket park was designed, installed and dedicated in May 2010, in downtown. In 2012 the Town will complete a joint Comprehensive Transportation Plan (CTP) with the Town of Stallings, and in addition will be a part of a larger CTP covering all of Mecklenburg County and parts of Union County through the Metropolitan Planning Commission.

In December 2007 a 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 16 miles of town streets. This is equivalent to 16.5% of the town's street mileage. In spring 2010, the town was able to secure \$550,000 of federal funds thru the American Recovery and Reinvestment Act of 2009. Another \$250,000 ARRA grant was obtained on behalf of the NCDOT and used for street resurfacing. North Carolina Department of Transportation oversaw the design work and contracted with a local paving contractor to perform the work.

In January 2011, the assessment was updated. This survey showed improvement in pavement conditions since the 2007 survey, with a majority of the roads rated as "good" or better. The survey pointed out the need to continue to make investments in maintenance to prevent more costly rehabilitation costs in the future. The town continues to research and fund new improved methods to address infrastructure needs, including work to begin in 2012 on a thoroughfare relocation of Campus Ridge Road, a federal/town funded project and a new connector street in downtown Matthews, a Town CIP funded project. Council remains focused on widening and improving major arteries that affect traffic congestion. The anticipated redesign and construction of various roads would include additional bike lanes and easy access to greenways. Voter approved general obligation bonds will be used to fund road projects.

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

In 2008, the town began implementing a new branding/identity program. As part of this implementation process, it was identified that the town needed a comprehensive Wayfinding Project. This project encompasses signage for the Town's entryways, parks, municipal buildings, and key destinations. It also included median upgrades, interstate and highway landscaping, creating distinct identity areas, banners, public art and much more. Monies were allocated in multiple years Capital Improvement Project funding to design and plan this project. Phase I and implementation has began and completion is expected by Fall 2013. Additional phases will be added as funding is appropriated.

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. A new town-wide telephone system has been approved and will not only improve data connectivity between facilities, increase internet services, but will enhance and offer backup and redundancy services in the event of an emergency situation. This new level of service is projected for completion Winter 2012. Anticipated upgrades and enhancements will continue.

Financial Information

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

An annual or project budget ordinance, as adopted by the governing body, creates a legal limit on spending authorizations. For Matthews, an annual budget is adopted for the General Fund and Tourism Fund. Multi-year project budgets are adopted for the Capital Project Funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. Appropriations are made at the object level, however, for internal accounting purpose; budgetary control is maintained by object class (line item

account). Internal policy requires purchase orders that would create an over encumbrance at that level not be written until additional appropriations are available through budget amendments or inter departmental transfers approved by the Town Manager. The Town Manager also may authorize transfers of functional appropriations within a fund not to exceed ten percent of the appropriated monies for the department whose allocation is reduced. Encumbered amounts lapse at year-end. However, outstanding encumbrances are generally re-appropriated as part of the following year's budget.

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

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

A handwritten signature in black ink, appearing to read "Surratt". The signature is written in a cursive style with a large initial letter.

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, 2011

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.



Christopher P. Moirice

President

Jeffrey R. Enos

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, 2011. This was the fourteenth 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 provides review input on major projects that may affect transportation such as major area rezonings.

HISTORY AND DESCRIPTION OF THE TOWN OF MATTHEWS

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

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

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

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

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

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

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

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

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

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

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.

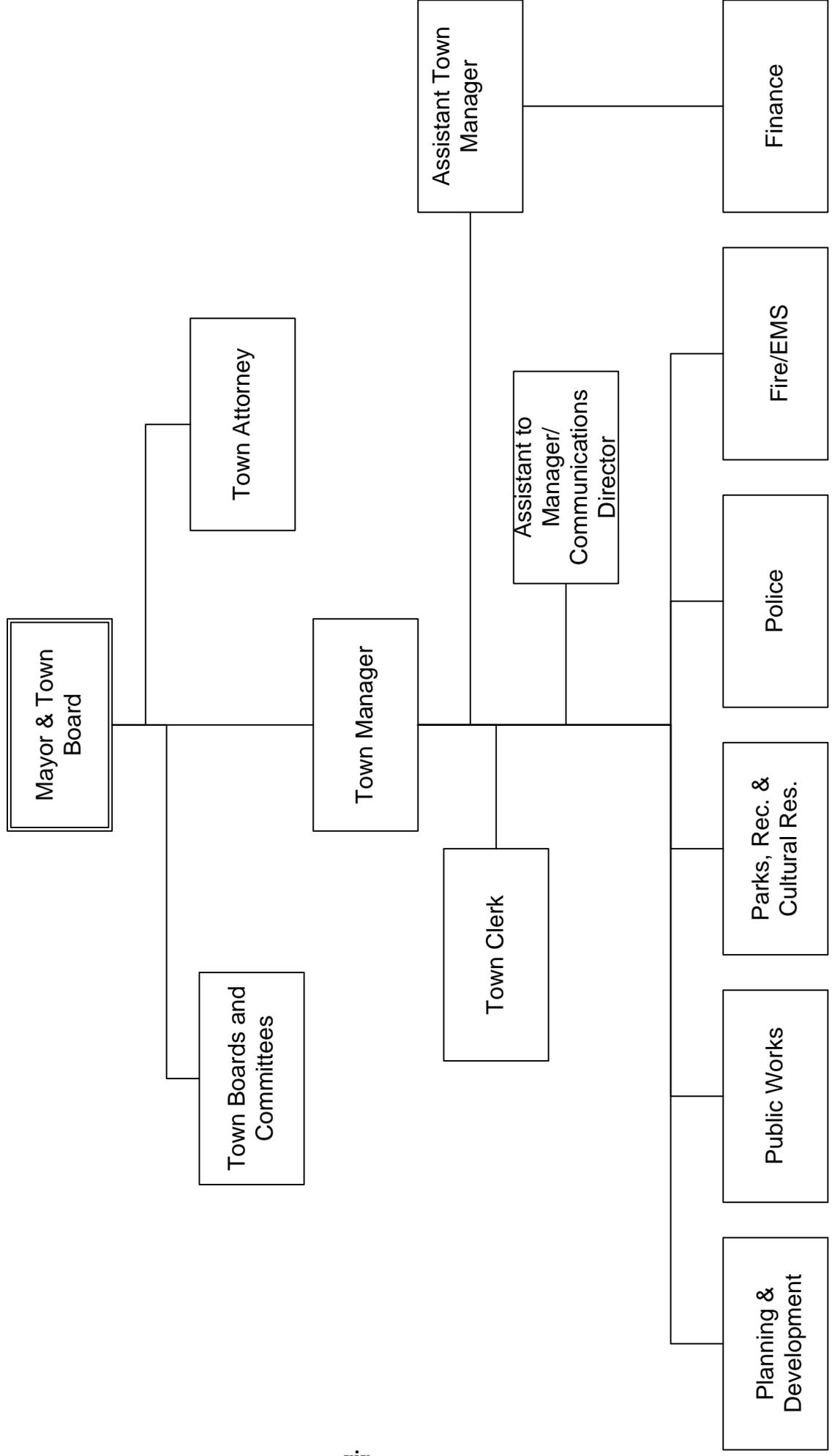
Parks and Recreation/Cultural Arts

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.

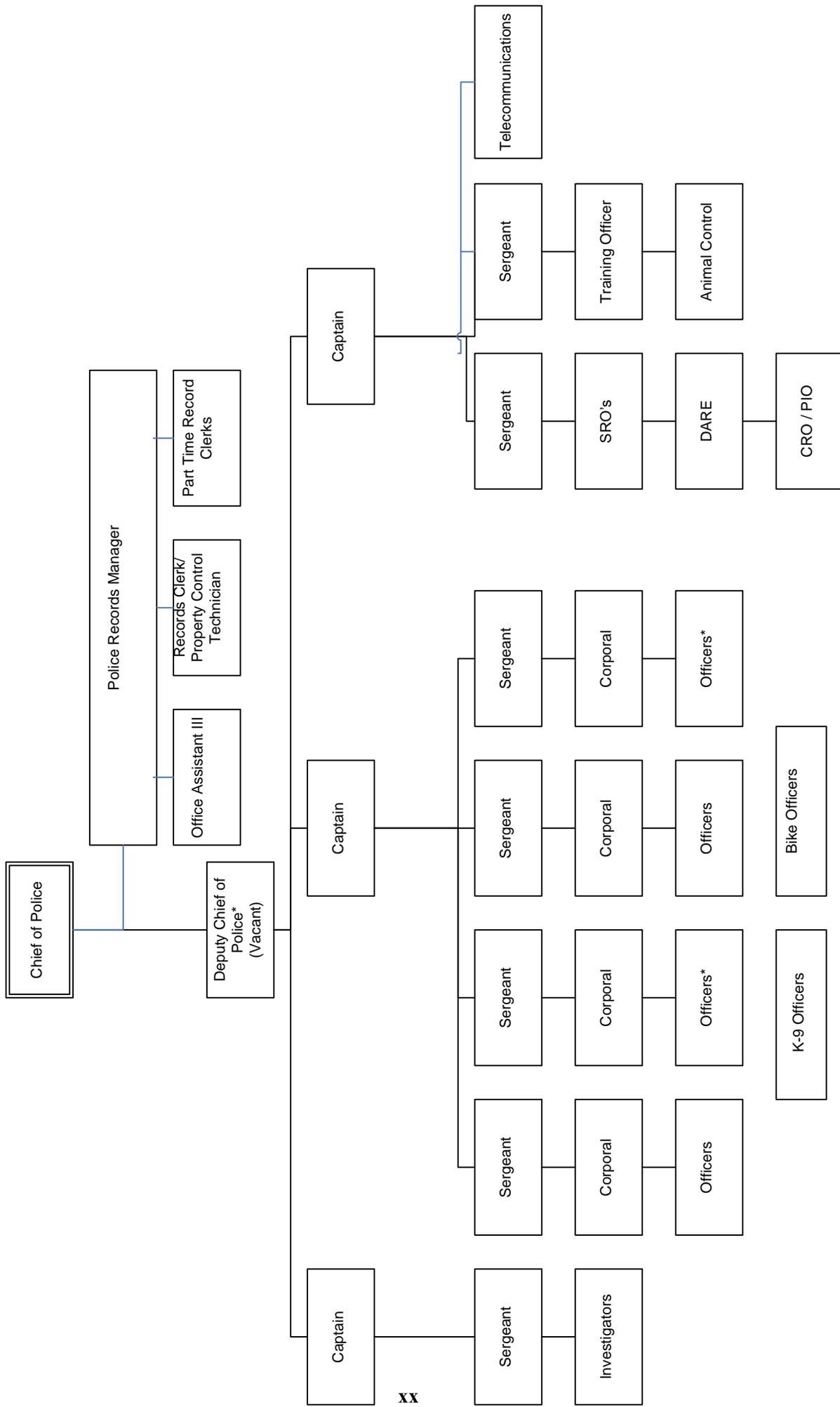
Organizational Structure 2012



Police Department

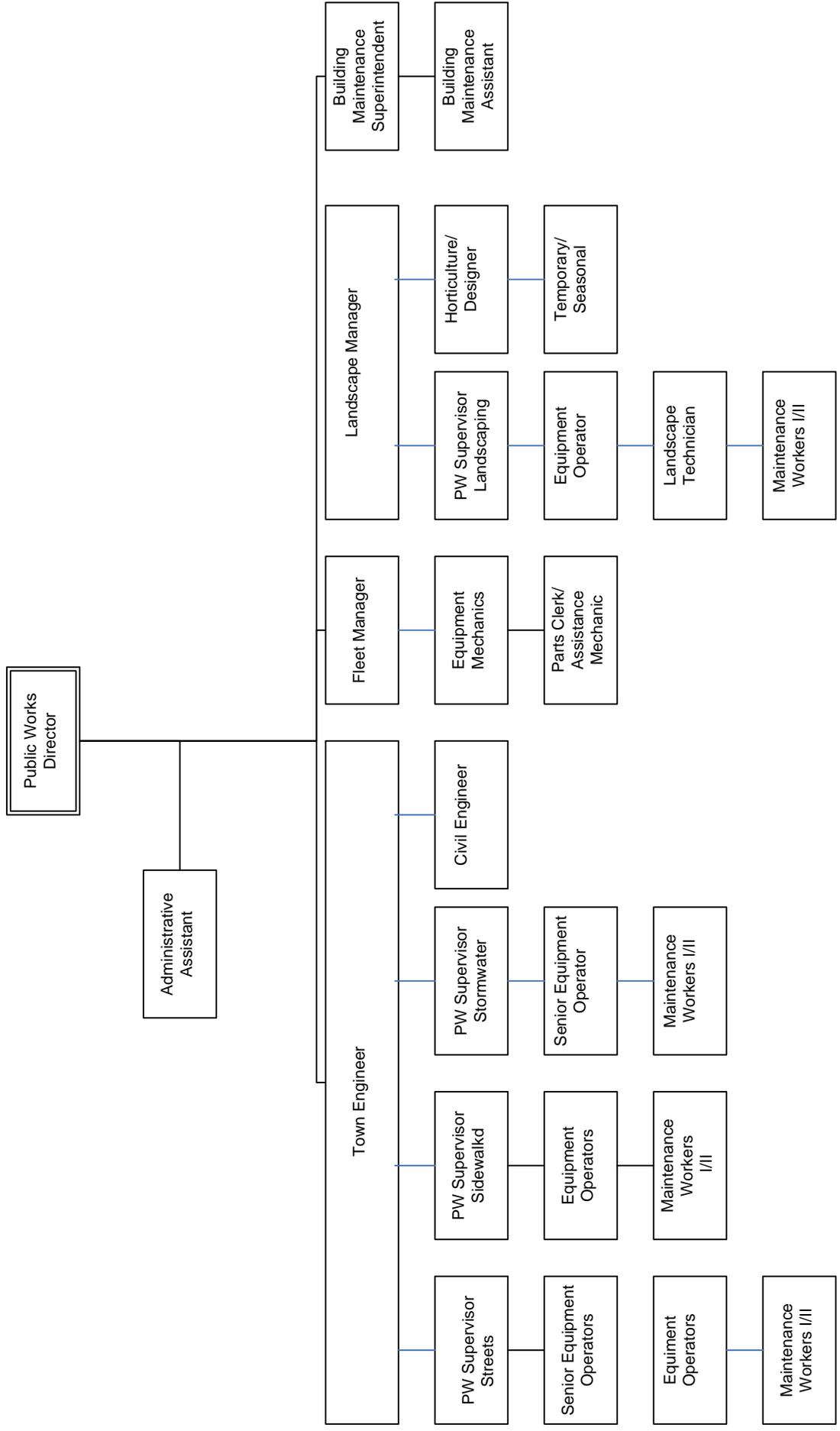
Organizational Structure

2012



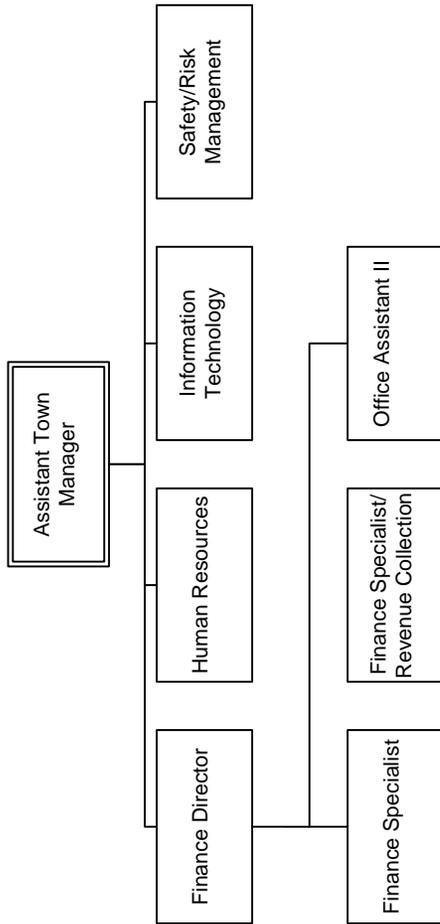
Public Works Department

Organizational Structure 2012



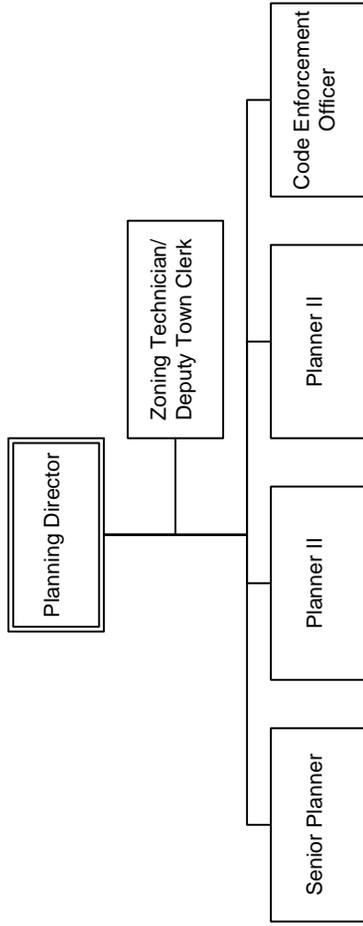
Assistant Town Manager

Organizational Structure
2012



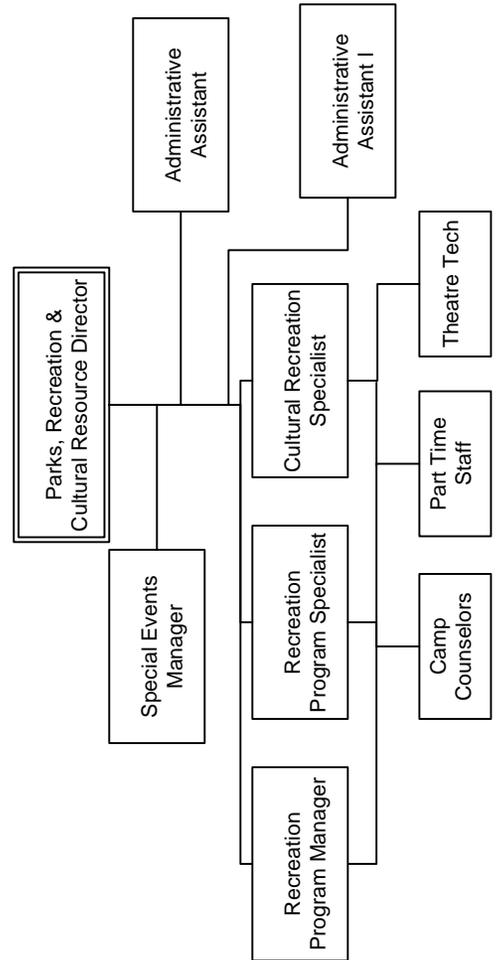
Planning Department

Organizational Structure
2012



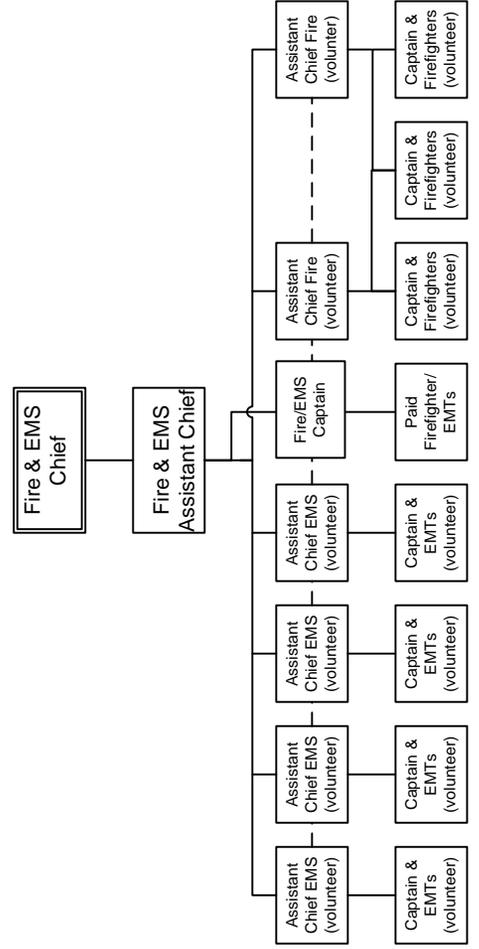
Parks & Recreation/Cultural Resources

Organizational Structure
2012



Fire & EMS Department

Organizational Structure
2012



Financial Section

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

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



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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2012, 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, and each major fund of the Town of Matthews, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund and Tourism 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 9, 2012 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 Officers' 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 and State 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 9, 2012

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, 2012. 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

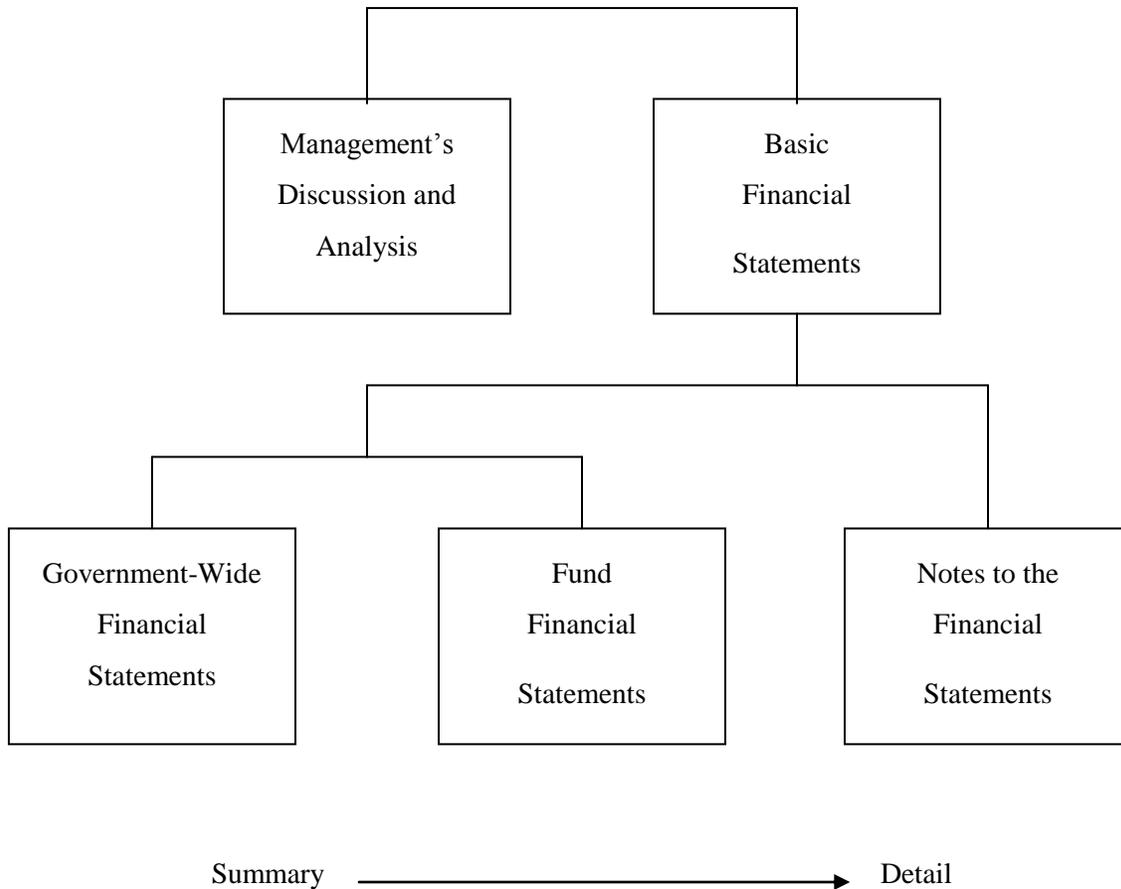
- The assets of the Town of Matthews exceeded its liabilities at the close of the fiscal year by \$261,125,202 (*net assets*).
- The Town's net assets decreased by \$1,363,039 primarily due to funding of capital improvement projects.
- At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$8,236,282, a decrease of \$1,605,180 in comparison with the prior year. Approximately 27% of this total amount, or \$2,191,896, is non spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$4,904,860 or 24% of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews total debt decreased by \$3,192,824 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 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Matthews' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 of this report.

Government-Wide Financial Analysis

Town of Matthews' Net Assets
Figure 2

	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets	\$ 10,772,516	\$ 12,842,920
Capital assets, net	<u>259,100,945</u>	<u>261,450,060</u>
Total assets	<u>269,873,461</u>	<u>274,292,980</u>
Liabilities:		
Current liabilities	2,456,422	4,034,173
Non-Current liabilities	<u>6,291,837</u>	<u>7,770,566</u>
Total liabilities	<u>8,748,259</u>	<u>11,804,739</u>
Net Assets:		
Invested in capital assets, net of related debt	254,103,028	253,669,319
Restricted	2,102,387	1,954,537
Unrestricted	<u>4,919,787</u>	<u>6,864,385</u>
Total net assets	<u>\$ 261,125,202</u>	<u>\$ 262,488,241</u>

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 \$261,125,202 as of June 30, 2012. The Town's net assets decreased by \$1,363,039 for the fiscal year ended June 30, 2012. 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 \$4,919,787 is unrestricted.

Please note the following, which also affects 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, 2012 is 98.17.

Town of Matthews' Changes in Net Assets

Figure 3

	Governmental	
	Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 1,892,484	\$ 1,589,958
Operating grants and contributions	2,251,931	898,617
Capital grants and contributions	798,902	912,797
General revenues:		
Property taxes	10,737,237	10,407,387
Other taxes	3,871,729	3,650,974
Unrestricted intergovernmental	1,381,967	1,214,920
Investment earnings	5,369	14,394
Total revenues	<u>20,939,619</u>	<u>18,689,047</u>
Expenses:		
General government	6,058,474	5,724,666
Public safety	8,342,632	7,687,273
Public works	3,201,853	2,824,717
Environmental protection	2,393,995	2,426,342
Cultural and recreation	1,546,301	2,662,820
Economic and physical development	468,470	429,238
Interest on long-term debt	290,933	347,316
Total expenses	<u>22,302,658</u>	<u>22,102,372</u>
Increase (decrease) in net assets	(1,363,039)	(3,413,325)
Net Assets:		
Beginning of year - July 1	<u>262,488,241</u>	<u>265,901,566</u>
End of year - June 30	<u>\$ 261,125,202</u>	<u>\$ 262,488,241</u>

Governmental Activities

Governmental activities decreased the Town's net assets by \$1,363,039. Key elements of this decrease are as follows:

- Property taxes increased by 329,850 (3%) during the year. This was a result of growth in the tax base due to the State required revaluation.
- Increased Powell Bill expenses occurred in the current fiscal year as budgeted as well as operating expenses in the public safety department increased in the current 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 \$4,904,860, while total fund balance reached \$7,032,506. The Town currently has an available fund balance of 24% of general fund expenditures and transfer to other funds, while total fund balance represents 35% of the same amount.

At June 30, 2012, the governmental funds of the Town of Matthews reported a combined fund balance of \$8,236,282 with a net decrease in fund balance of \$1,605,180. Included in this change in fund balance is a decrease in fund balance for the General Fund and elements of this decrease is stated above. Fund balance also decreased in the Capital Improvement Program fund due to large project expenses for culture and recreation. The Tourism fund had an increase in fund balance due to larger than expected growth for other taxes and licenses.

General Fund Budgetary Highlights

During fiscal year 2012, 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 4%. Actual expenditures were less than final budgetary figures by roughly 5%.

Capital Assets and Debt Administration

Capital Assets. The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2012 totals \$259,100,945 (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 - \$789,456
- Disposal of assets - \$222,462
- Land purchases - \$346,344
- Additions to Capital project fund – \$1,260,052

Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2012	2011
Land	\$ 226,597,563	\$ 226,251,219
Construction in progress	2,397,439	1,137,387
Buildings	25,984,587	25,984,587
Infrastructure	94,836,134	94,836,134
Equipment	2,696,327	2,160,034
Vehicles and motorized equipment	5,317,068	5,286,367
Accumulated depreciation	(98,728,173)	(94,205,668)
Total capital assets, net	<u>\$ 259,100,945</u>	<u>\$ 261,450,060</u>

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

Long-Term Debt. As of June 30, 2012, the Town of Matthews had total bonded debt outstanding of \$2,215,000, 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	
	2012	2011
General obligation bonds	\$ 2,215,000	\$ 2,625,000
Notes payable	4,997,917	7,780,741
Total	\$ 7,212,917	\$ 10,405,741

The Town of Matthews’ total General Obligation Bond and Notes Payable debt decreased by \$3,192,824 (31%) 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 \$274,712,835.

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

Economic Factors and Next Year's Budgets and Rates

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

- The slow economic recovery continues to impact the town in various ways. However, issued building permits for both residential and commercial activity are showing a healthy growth and are trending at a 67% increase from the prior twelve months. This could bring us back close to the 2008 taxable permit levels.
- Sales and Use Tax revenues have seen a steady revenue growth. Matthews saw a 13.60% increase in 2012 from 2011. This indicates that citizens are beginning to spend and feel more comfortable with the “new normal” we all have become adjusted to. The flat job market in the Charlotte area also impacts local economy.
- A 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 construction 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. A three year 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 in 2011 saw a 2-mile section within our town boundaries completed. It has brought renewed awareness an interest in recreational and walkable accesses. This has proven to be a valuable asset to our citizens and something our community is proud of. Continued attention will be focused in these areas, along with sustainability.
- 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. Groundbreaking and construction has begun on this project.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities The Town of Matthews has approved a \$19,925,610 General Fund budget for the fiscal year ending June 30, 2013. This represents a 3.4% increase over fiscal year ended June 30, 2012. There are no property tax or fee increases included. A significant portion of this increase is attributed a slight increase in property tax values from the last revaluation for Mecklenburg County in 2011, anticipated growth in sales tax revenues and transfers from other funding sources (Tourism Fund).

The adopted FY12 budget expenditures in the General Fund are used to provide continuation of current service levels, the expectation of moderate cost of fuel along with increased utility rates. It also includes a 3% salary increase based on performance for employees. Unassigned fund balance dollars provide additional security as the economy slowly starts rebuilding for unexpected expenditures, opportunities and capital improvement projects.

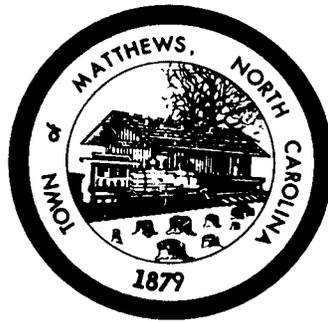
Requests for Information

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, 2012

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments	\$ 7,565,925
Taxes receivable, net	434,393
Accounts receivable, net	142,169
Due from other governments	1,044,270
Notes receivable	1,496,250
Prepaid items	89,509
Total current assets	<u>10,772,516</u>
Non-current assets:	
Capital assets :	
Non-depreciable	228,995,002
Depreciable, net	<u>30,105,943</u>
Total non-current assets	<u>259,100,945</u>
Total assets	<u>269,873,461</u>
Liabilities:	
Current liabilities:	
Accounts payable	587,601
Current portion of compensated absences	97,728
Current portion of long-term liabilities	<u>1,771,093</u>
Total current liabilities	<u>2,456,422</u>
Non-current liabilities:	
Non-current portion of compensated absences	293,183
Non-current portion of long-term liabilities	<u>5,998,654</u>
Total non-current liabilities	<u>6,291,837</u>
Total liabilities	<u>8,748,259</u>
Net Assets:	
Invested in capital assets, net of related debt	254,103,028
Restricted for:	
Stabilization by State Statute	2,102,387
Unrestricted	<u>4,919,787</u>
Total net assets	<u>\$ 261,125,202</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, 2012

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue</u>
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	<u>(Expense) and</u>
		<u>for Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Primary</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary Government:					
Governmental Activities:					
General government	\$ 6,058,474	\$ 95,080	\$ 21,447	\$ 499,875	\$ (5,442,072)
Public safety	8,342,632	442,380	140,668	28,624	(7,730,960)
Public works	3,201,853	614,991	789,082	-	(1,797,780)
Environmental protection	2,393,995	-	-	-	(2,393,995)
Economic and physical development	468,470	13,106	-	-	(455,364)
Cultural and recreation	1,546,301	726,927	1,300,734	270,403	751,763
Interest on long-term debt	290,933	-	-	-	(290,933)
Total primary government	<u>\$ 22,302,658</u>	<u>\$ 1,892,484</u>	<u>\$ 2,251,931</u>	<u>\$ 798,902</u>	<u>(17,359,341)</u>
General Revenues:					
Taxes:					
Ad valorem taxes					10,737,237
Local options sales tax					2,223,793
Utility franchise and excise tax					1,647,936
Occupancy tax					368,864
Prepared food tax					670,150
Rental car tax					99,181
Privilege licenses					188,017
Other taxes and licenses					55,755
Investment earnings					<u>5,369</u>
Total general revenues					<u>15,996,302</u>
Change in net assets					(1,363,039)
Net Assets:					
Beginning of year - July 1					<u>262,488,241</u>
End of year - June 30					<u>\$ 261,125,202</u>

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

TOWN OF MATTHEWS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Tourism Fund	Capital Improvement Program	Total Governmental Funds
Assets:				
Cash and investments	\$ 5,465,136	\$ 2,100,789	\$ -	\$ 7,565,925
Taxes receivable, net	434,393	-	-	434,393
Notes receivable	1,496,250	-	-	1,496,250
Accounts receivable	142,169	-	-	142,169
Due from other funds	933,938	-	-	933,938
Due from other governments	980,020	64,250	-	1,044,270
Prepaid items	89,509	-	-	89,509
Total assets	<u>\$ 9,541,415</u>	<u>\$ 2,165,039</u>	<u>\$ -</u>	<u>\$ 11,706,454</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 560,276	\$ -	\$ 27,325	\$ 587,601
Due to other funds	-	-	933,938	933,938
Deferred revenues	1,948,633	-	-	1,948,633
Total liabilities	<u>2,508,909</u>	<u>-</u>	<u>961,263</u>	<u>3,470,172</u>
Fund Balances:				
Non-spendable:				
Prepays	89,509	-	-	89,509
Restricted:				
Stabilization by State Statute	2,038,137	64,250	-	2,102,387
Assigned for economic and physical development	-	2,100,789	-	2,100,789
Assigned for environmental protection	124,125	-	-	124,125
Unassigned	4,780,735	-	(961,263)	3,819,472
Total fund balances	<u>7,032,506</u>	<u>2,165,039</u>	<u>(961,263)</u>	<u>8,236,282</u>
Total liabilities and fund balances	<u>\$ 9,541,415</u>	<u>\$ 2,165,039</u>	<u>\$ -</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.	259,100,945
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,948,633
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>(8,160,658)</u>
Net assets of governmental activities	<u>\$ 261,125,202</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, 2012

	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Capital Improvement Program</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 10,723,296	\$ -	\$ -	\$ 10,723,296
Other taxes and licenses	4,110,684	1,138,700	-	5,249,384
Unrestricted intergovernmental	176,420	-	-	176,420
Restricted intergovernmental	1,260,509	-	1,551,137	2,811,646
Permits and fees	15,000	-	-	15,000
Sales and services	1,738,614	-	-	1,738,614
Investment earnings	5,369	-	-	5,369
Miscellaneous	126,094	-	75,543	201,637
Total revenues	<u>18,155,986</u>	<u>1,138,700</u>	<u>1,626,680</u>	<u>20,921,366</u>
Expenditures:				
Current:				
General government	2,189,274	-	17,084	2,206,358
Public safety	7,435,220	-	481,553	7,916,773
Public works	2,765,111	-	322,232	3,087,343
Environmental protection	2,393,995	-	-	2,393,995
Economic and physical development	457,534	-	-	457,534
Cultural and recreational	1,640,867	203,981	1,161,162	3,006,010
Debt service:				
Principal retirement	1,627,533	-	1,623,717	3,251,250
Interest and other charges	258,252	-	32,681	290,933
Total expenditures	<u>18,767,786</u>	<u>203,981</u>	<u>3,638,429</u>	<u>22,610,196</u>
Revenues over (under) expenditures	<u>(611,800)</u>	<u>934,719</u>	<u>(2,011,749)</u>	<u>(1,688,830)</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	-	58,426	58,426
Transfers to other funds	(1,668,790)	(706,188)	-	(2,374,978)
Transfers from other funds	706,188	-	1,668,790	2,374,978
Proceeds from sale of capital assets	25,224	-	-	25,224
Total other financing sources (uses)	<u>(937,378)</u>	<u>(706,188)</u>	<u>1,727,216</u>	<u>83,650</u>
Net change in fund balances	(1,549,178)	228,531	(284,533)	(1,605,180)
Fund Balances:				
Beginning of year - July 1	<u>8,581,684</u>	<u>1,936,508</u>	<u>(676,730)</u>	<u>9,841,462</u>
End of year - June 30	<u>\$ 7,032,506</u>	<u>\$ 2,165,039</u>	<u>\$ (961,263)</u>	<u>\$ 8,236,282</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, 2012**

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

Net change in fund balances - governmental funds (Exhibit D)	\$ (1,605,180)
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.	2,395,852
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(4,734,877)
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.	(10,090)
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.	(481,622)
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.	3,181,894
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>(109,016)</u>
Changes in net assets of governmental activities per Exhibit B	<u>\$ (1,363,039)</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, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 10,268,139	\$ 10,403,139	\$ 10,723,296	\$ 320,157
Other taxes and licenses	3,881,375	3,881,375	4,110,684	229,309
Unrestricted intergovernmental	169,375	169,375	176,420	7,045
Restricted intergovernmental	1,192,418	1,245,921	1,260,509	14,588
Permits and fees	15,000	15,000	15,000	-
Sales and services	1,598,829	1,683,466	1,738,614	55,148
Investment earnings	15,000	15,000	4,988	(10,012)
Miscellaneous	66,280	126,281	126,094	(187)
Total revenues	<u>17,206,416</u>	<u>17,539,557</u>	<u>18,155,605</u>	<u>616,048</u>
Expenditures:				
Current:				
General government	1,714,966	2,470,994	2,189,274	281,720
Public safety	6,796,932	7,645,775	7,435,220	210,555
Public works	2,411,451	3,031,108	2,765,111	265,997
Environmental protection	2,388,875	2,457,294	2,393,995	63,299
Economic and physical development	460,975	515,837	457,534	58,303
Cultural and recreation	1,074,519	1,727,502	1,640,867	86,635
Contingency	30,000	8,075	-	8,075
Debt service:				
Principal retirement	1,627,533	1,627,533	1,627,533	-
Interest and other charges	258,252	258,252	258,252	-
Total expenditures	<u>16,763,503</u>	<u>19,742,370</u>	<u>18,767,786</u>	<u>974,584</u>
Revenues over (under) expenditures	<u>442,913</u>	<u>(2,202,813)</u>	<u>(612,181)</u>	<u>1,590,632</u>
Other Financing Sources (Uses):				
Appropriated fund balance	724,125	2,801,400	-	(2,801,400)
Sale of capital assets	5,000	13,500	25,224	11,724
Transfers to other funds	(1,874,546)	(1,353,275)	(1,353,275)	-
Transfers from other funds	702,508	741,188	706,188	(35,000)
Total other financing sources (uses)	<u>(442,913)</u>	<u>2,202,813</u>	<u>(621,863)</u>	<u>(2,824,676)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,234,044)</u>	<u>\$ (1,234,044)</u>
Fund Balance:				
Beginning of year - July 1			<u>8,142,425</u>	
End of year - June 30			<u>\$ 6,908,381</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes and licenses:				
Occupancy tax	\$ 330,200	\$ 330,200	\$ 368,864	\$ 38,664
Prepared food tax	600,000	600,000	670,150	70,150
Rental car tax	58,750	58,750	99,181	40,431
Sales and services	1,250	1,250	505	(745)
Total revenues	<u>990,200</u>	<u>990,200</u>	<u>1,138,700</u>	<u>148,500</u>
Expenditures:				
Cultural and recreational:				
Tourism	<u>284,012</u>	<u>284,012</u>	<u>203,981</u>	<u>80,031</u>
Total expenditures	<u>284,012</u>	<u>284,012</u>	<u>203,981</u>	<u>80,031</u>
Revenues over (under) expenditures	<u>706,188</u>	<u>706,188</u>	<u>934,719</u>	<u>228,531</u>
Other Financing Sources (Uses):				
Transfer to other funds	<u>(706,188)</u>	<u>(706,188)</u>	<u>(706,188)</u>	<u>-</u>
Total other financing sources (uses)	<u>(706,188)</u>	<u>(706,188)</u>	<u>(706,188)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>228,531</u>	<u>\$ 228,531</u>
Fund Balance:				
Beginning of year - July 1			<u>1,936,508</u>	
End of year - June 30			<u>\$ 2,165,039</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, 2012

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, 2012

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

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

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Mecklenburg County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Matthews. For motor vehicles registered, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Therefore, the Town's vehicle taxes for vehicles registered in Mecklenburg County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental activities of the 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, 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, 2011.

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, 2012

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, 2012

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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	\$	7,032,506
Less:		
Prepays		89,509
Stabilization by State Statute		2,038,137
Total available fund balance	\$	<u>4,904,860</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

Fund balance, ending (Exhibit F)	\$	6,908,381
Capital Reserve Fund		
Investment earnings		381
Transfers out		(315,515)
Fund balance, beginning		<u>439,259</u>
Fund balance, ending (Exhibit D)	\$	<u>7,032,506</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 \$961,263. 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, 2012

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, 2012, the Town's deposits had a carrying amount of \$695,765 and a bank balance of \$788,020. Of the bank balance, \$502,003 was covered by federal depository insurance, and \$286,017 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2012, the Town had \$6,870,160 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, 2012**

Receivables - Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2012 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	\$ 549,393	\$ 1,044,270	\$ 142,169	\$ 1,496,250	\$ 3,232,082
Allowance for doubtful accounts	(115,000)	-	-	-	(115,000)
Total governmental activities	<u>\$ 434,393</u>	<u>\$ 1,044,270</u>	<u>\$ 142,169</u>	<u>\$ 1,496,250</u>	<u>\$ 3,117,082</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 362,449
Other taxes and licenses	255,117
Franchise tax	385,160
Sales tax refund receivable	41,544
Total	<u>\$ 1,044,270</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, 2012, was \$1,496,250.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 226,251,219	\$ 346,344	\$ -	\$ 226,597,563
Construction in progress	1,137,387	1,260,052	-	2,397,439
Total non-depreciable capital assets	227,388,606	1,606,396	-	228,995,002
Depreciable Capital Assets:				
Buildings	25,984,587	-	-	25,984,587
Equipment	2,160,034	543,222	(6,929)	2,696,327
Vehicles and motorized equipment	5,286,367	246,234	(215,533)	5,317,068
Infrastructure	94,836,134	-	-	94,836,134
Total depreciable capital assets	128,267,122	789,456	(222,462)	128,834,116
Less Accumulated Depreciation:				
Buildings	6,073,601	654,038	-	6,727,639
Equipment	1,627,930	201,704	(6,929)	1,822,705
Vehicles and motorized equipment	3,821,027	3,358,661	(205,443)	6,974,245
Infrastructure	82,683,110	520,474	-	83,203,584
Total accumulated depreciation	94,205,668	\$ 4,734,877	\$ (212,372)	98,728,173
Total depreciable capital assets, net	34,061,454			30,105,943
Capital assets, net	\$ 261,450,060			\$ 259,100,945

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

Governmental Activities:	
General government	\$ 3,391,626
Public safety	1,007,770
Public works	301,913
Economic and physical development	10,936
Cultural and recreational	22,632
Total	\$ 4,734,877

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2012 is composed of the following elements:

	<u>Governmental Activities</u>
Capital assets	\$ 259,100,945
Long-term debt	(7,147,343)
Debt for assets not capitalized by the Town	2,149,426
Invested in capital assets, net of related debt	<u>\$ 254,103,028</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 9.51% and 9.45%, 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, 2012, 2011, and 2010 were \$617,297, \$551,485, and \$417,533, 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, 2012

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, 2012, were \$208,338, which consisted of \$138,459 from the Town and \$69,879 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, 2012, were \$272,569 which consisted of \$165,161 from the Town and \$107,408 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, 2012

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>61</u>
Total	<u><u>62</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, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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	\$	105,038
Interest on net pension obligation		25,265
Adjustment to annual required contribution		(30,144)
Annual pension cost		100,159
Contributions made		14,638
Increase in net pension obligation		85,521
Net pension obligation:		
Beginning of year - July 1		505,309
End of year - June 30	\$	590,830

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 82,006	25.20%	\$ 406,438
2011	119,536	17.29%	505,309
2012	100,159	14.61%	590,830

Funded Status and Funding Progress

As of December 31, 2011, 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 \$870,636. The covered payroll (annual payroll of active employees covered by the plan) was \$2,979,150, and the ratio of the UAAL to the covered payroll was 29.22 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, 2012

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, 2012, there were no post-employment employees on the revised Town policy. A separate report was not issued for the plan.

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

Retirees and dependents receiving benefits	1
--	---

Funding Policy

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

The current annual required contribution (ARC) is \$10,535 and no annual payroll is covered because the Town has closed the plan and no longer offers post-retirement healthcare benefits to active members. For fiscal year 2012, the Town contributed \$4,700. There were no contributions by employees for the fiscal year ended June 30, 2012. 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, 2012

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	10,535
Interest on net OPEB obligation		1,485
Adjustment to annual required contribution		<u>(12,860)</u>
Annual OPEB cost (expense)		(840)
Contributions made		<u>(4,700)</u>
Increase (decrease) in net OPEB obligation		(5,540)
Net OPEB obligation:		
Beginning of year - July 1		<u>37,114</u>
End of year - June 30	\$	<u><u>31,574</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
2012	\$ (840)	559.52%	\$ 31,574
2011	16,871	27.82%	37,114
2010	16,734	26.06%	24,937

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$30,404. There was no covered payroll (annual payroll of active employees covered by the plan) because the Town no longer offers post-retirement healthcare benefits to its active members. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Actuarial Methods and Assumptions

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

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

Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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, 2012, the Town made contributions to the State for death benefits of \$8,068. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% 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, 2012**

Accounts Payable – Disaggregate Information

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 493,769	\$ 66,507	\$ 560,276
Other Governmental	27,325	-	27,325
Total Governmental activities	\$ 521,094	\$ 66,507	\$ 587,601

Deferred Revenues

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

	Deferred Revenues
Taxes receivable (General Fund)	\$ 434,390
Privilege license receivable	17,993
Notes receivable	1,496,250
Total	\$ 1,948,633

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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

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, 2012, 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, 2012, 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%.

\$ 2,215,000

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Notes Payable

As of June 30, 2012, 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	\$ 515,899
Note payable requiring monthly payments of \$5,000 to \$70,000, including principal and interest at the rate of 3.52% per annum through June 2017; secured by real estate and equipment	2,674,532
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	868,324
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	216,071
Note payable requiring annual payments of \$113,603, including interest at the rate of 5.38% per annum; secured by equipment.	<u>723,091</u>
Total	<u>\$ 4,997,917</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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
2013	\$ 410,000	\$ 76,550	\$ 1,361,093	\$ 169,250	\$ 1,771,093	\$ 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	385,000	23,238	411,764	30,191	796,764	53,429
2018-2020	220,000	8,800	449,743	35,585	669,743	44,385
Total	<u>\$ 2,215,000</u>	<u>\$ 259,100</u>	<u>\$ 4,997,917</u>	<u>\$ 487,677</u>	<u>\$ 7,212,917</u>	<u>\$ 746,777</u>

At June 30, 2012, the Town of Matthews had a legal debt margin of \$274,712,835.

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, 2012.

	July 1, 2011	Increases	Decreases	June 30, 2012	Current Portion
Governmental Activities:					
General obligation bonds	\$ 2,625,000	\$ -	\$ (410,000)	\$ 2,215,000	\$ 410,000
Less deferred amount for loss on defeasance	<u>76,504</u>	<u>-</u>	<u>(10,930)</u>	<u>65,574</u>	<u>-</u>
Total general obligation bonds	2,548,496	-	(399,070)	2,149,426	410,000
Notes payable	7,780,741	58,426	(2,841,250)	4,997,917	1,361,093
Compensated absences	361,876	75,811	(46,776)	390,911	97,728
OPEB liability	37,114	-	(5,540)	31,574	-
Net pension obligation	<u>505,309</u>	<u>100,159</u>	<u>(14,638)</u>	<u>590,830</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 11,233,536</u>	<u>\$ 234,396</u>	<u>\$ (3,307,274)</u>	<u>\$ 8,160,658</u>	<u>\$ 1,868,821</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, 2012**

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	\$ 1,353,275	To offset cost of CIP
Capital Reserve Fund	Capital improvement	315,515	To offset cost of CIP
Tourism	General Fund	706,188	To offset operating costs

4. Summary Disclosure of Significant Commitments and Contingencies

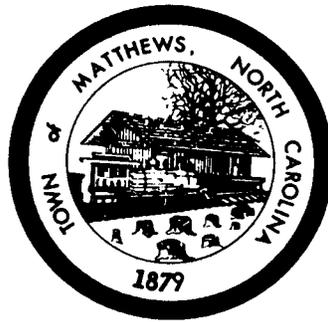
Federal and State-Assisted Programs

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)*
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TOWN OF MATTHEWS, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2012

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%
12/31/2011	-	870,636	870,636	0.00%	2,979,150	29.22%

TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2012**

<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%
2012	105,038	13.94%

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, 2012

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

Notes to the Required Schedules:

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

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

* Includes inflation at 3.00%



Supplementary Information

Combining and Individual Fund Financial Statements

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



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total General Fund</u>
Revenues:			
Ad valorem taxes	\$ 10,723,296	\$ -	\$ 10,723,296
Other taxes and licenses	4,110,684	-	4,110,684
Unrestricted intergovernmental	176,420	-	176,420
Restricted intergovernmental	1,260,509	-	1,260,509
Permits and fees	15,000	-	15,000
Sales and services	1,738,614	-	1,738,614
Investment earnings	4,988	381	5,369
Miscellaneous	126,094	-	126,094
Total revenues	<u>18,155,605</u>	<u>381</u>	<u>18,155,986</u>
Expenditures:			
Current:			
General government	2,189,274	-	2,189,274
Public safety	7,435,220	-	7,435,220
Public works	2,765,111	-	2,765,111
Environmental protection	2,393,995	-	2,393,995
Economic and physical development	457,534	-	457,534
Cultural and recreational	1,640,867	-	1,640,867
Debt service:			
Principal retirement	1,627,533	-	1,627,533
Interest and other charges	258,252	-	258,252
Total expenditures	<u>18,767,786</u>	<u>-</u>	<u>18,767,786</u>
Revenues over (under) expenditures	<u>(612,181)</u>	<u>381</u>	<u>(611,800)</u>
Other Financing Sources (Uses):			
Transfers to other funds	(1,353,275)	(315,515)	(1,668,790)
Transfers from other funds	706,188	-	706,188
Proceeds from sale of capital assets	25,224	-	25,224
Total other financing sources (uses)	<u>(621,863)</u>	<u>(315,515)</u>	<u>(937,378)</u>
Net change in fund balances	(1,234,044)	(315,134)	(1,549,178)
Fund Balances:			
Beginning of year - July 1	<u>8,142,425</u>	<u>439,259</u>	<u>8,581,684</u>
End of year - June 30	<u>\$ 6,908,381</u>	<u>\$ 124,125</u>	<u>\$ 7,032,506</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 10,347,509	\$ 10,637,656	\$ 290,147	\$ 10,284,098
Motor vehicle tax	20,630	34,788	14,158	25,670
Penalties and interest	35,000	50,852	15,852	78,164
Total	10,403,139	10,723,296	320,157	10,387,932
Other Taxes and Licenses:				
Local option sales tax	1,986,375	2,223,793	237,418	1,987,038
Piped natural gas excise tax	181,000	170,462	(10,538)	212,104
Utility franchise tax	822,000	866,046	44,046	797,839
Telecommunications sales tax	402,000	400,998	(1,002)	410,407
Tipping tax	20,000	18,657	(1,343)	19,800
Tax refunds	10,000	2,736	(7,264)	12,919
Animal control license	30,000	29,545	(455)	28,441
Cablevision franchise fees	230,000	210,430	(19,570)	243,586
Privilege licenses	200,000	188,017	(11,983)	179,787
Total	3,881,375	4,110,684	229,309	3,891,921
Unrestricted Intergovernmental:				
Beer and wine tax	113,575	118,396	4,821	128,735
ABC profit distribution	55,800	58,024	2,224	55,260
Total	169,375	176,420	7,045	183,995
Restricted Intergovernmental:				
Powell Bill allocation	698,538	698,539	1	719,541
CMUD bond payment reimbursement	499,875	499,875	-	522,475
Police grant - D. A. R. E.	10,499	12,024	1,525	8,679
Miscellaneous grants	37,009	50,071	13,062	7,114
Total	1,245,921	1,260,509	14,588	1,257,809
Permits and Fees:				
Planning revenue	15,000	15,000	-	15,000
Total	15,000	15,000	-	15,000

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Sales and Services:				
Stormwater fees	618,369	595,736	(22,633)	582,604
Rental fees	231,019	227,763	(3,256)	20,859
Recreation program revenues	179,500	229,596	50,096	230,495
Community center revenues	270,000	277,809	7,809	307,234
Zoning ordinance sales	10,000	13,106	3,106	10,960
Rescue/EMS assistance	83,254	105,856	22,602	72,171
Police services	27,336	34,310	6,974	23,813
Other police contracts	130,736	130,736	-	133,382
Police agreement	133,252	123,702	(9,550)	-
Total	1,683,466	1,738,614	55,148	1,381,518
Investment Earnings	15,000	4,988	(10,012)	8,868
Miscellaneous:				
Other	126,281	126,094	(187)	177,342
Total	126,281	126,094	(187)	177,342
Total revenues	17,539,557	18,155,605	616,048	17,304,385
Expenditures:				
General Government:				
Salaries and employee benefits	19,634	19,633	1	19,480
Expenses allowance	43,981	35,588	8,393	29,484
Operating expenses	147,050	152,073	(5,023)	120,452
Total	210,665	207,294	3,371	169,416
Administration:				
Salaries and employee benefits	1,618,804	1,352,002	266,802	1,279,496
Operating expenditures	611,525	605,088	6,437	536,885
Capital outlay	30,000	24,890	5,110	14,369
Total	2,260,329	1,981,980	278,349	1,830,750
Total general government	2,470,994	2,189,274	281,720	2,000,166

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Public Safety:				
Police:				
Salaries and employee benefits	5,048,871	4,942,767	106,104	4,600,144
Operating expenditures	869,429	837,847	31,582	792,587
Capital outlay	262,540	256,665	5,875	146,139
Total	<u>6,180,840</u>	<u>6,037,279</u>	<u>143,561</u>	<u>5,538,870</u>
Fire:				
Salaries and employee benefits	818,021	800,095	17,926	729,170
Operating expenditures	350,417	322,051	28,366	316,521
Donation to volunteer fire departments	148,230	148,000	230	122,218
Capital outlay	55,750	45,131	10,619	-
Total	<u>1,372,418</u>	<u>1,315,277</u>	<u>57,141</u>	<u>1,167,909</u>
Animal Control:				
Salaries and employee benefits	58,505	51,889	6,616	50,218
Other operating expenses	34,012	30,775	3,237	20,434
Capital outlay	-	-	-	26,180
Total	<u>92,517</u>	<u>82,664</u>	<u>9,853</u>	<u>96,832</u>
Total public safety	<u>7,645,775</u>	<u>7,435,220</u>	<u>210,555</u>	<u>6,803,611</u>
Public Works:				
Street Department:				
Salaries and employee benefits	1,561,417	1,514,548	46,869	1,398,261
Operating expenses	1,427,366	1,208,248	219,118	924,239
Capital outlay	42,325	42,315	10	22,296
Total	<u>3,031,108</u>	<u>2,765,111</u>	<u>265,997</u>	<u>2,344,796</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Contracted services	1,818,289	1,784,905	33,384	1,817,214
Storm Water:				
Salaries and employee benefits	401,501	395,105	6,396	376,230
Operating expenses	237,504	213,985	23,519	232,898
Total	639,005	609,090	29,915	609,128
Total environmental protection	2,457,294	2,393,995	63,299	2,426,342
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	417,191	408,728	8,463	362,669
Operating expenses	98,646	48,806	49,840	51,252
Total	515,837	457,534	58,303	413,921
Cultural and Recreational:				
Parks:				
Salaries and employee benefits	639,702	626,552	13,150	595,519
Operating expenses	671,570	632,576	38,994	553,371
Capital outlay	416,230	381,739	34,491	-
Total	1,727,502	1,640,867	86,635	1,148,890
Debt Service:				
Principal retirement	1,627,533	1,627,533	-	1,610,902
Interest and other charges	258,252	258,252	-	314,444
Total	1,885,785	1,885,785	-	1,925,346
Contingency	8,075	-	8,075	-
Total expenditures	19,742,370	18,767,786	974,584	17,063,072

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Revenues over (under) expenditures	<u>(2,202,813)</u>	<u>(612,181)</u>	<u>1,590,632</u>	<u>241,313</u>
Other Financing Sources (Uses):				
Appropriated fund balance	2,801,400	-	(2,801,400)	-
Sale of capital assets	13,500	25,224	11,724	5,364
Transfer to other funds	(1,353,275)	(1,353,275)	-	(476,275)
Transfer from other funds	<u>741,188</u>	<u>706,188</u>	<u>(35,000)</u>	<u>691,335</u>
Total other financing sources (uses):	<u>2,202,813</u>	<u>(621,863)</u>	<u>(2,824,676)</u>	<u>220,424</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,234,044)</u>	<u>\$ (1,234,044)</u>	<u>461,737</u>
Fund Balance:				
Beginning of year - July 1		<u>8,142,425</u>		<u>7,680,688</u>
End of year - June 30		<u>\$ 6,908,381</u>		<u>\$ 8,142,425</u>

Special Revenue Funds

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

- ❖ ***Tourism*** – this Fund is used to account for the occupancy and prepared food taxes received and expended exclusively for the purpose of promoting the Town’s activities and events.
 - ❖ ***Recreation and Stormwater Projects Capital Reserve Fund*** – this Fund is used to account for funds exclusively for the purpose of funding recreation and stormwater projects.
-



TOWN OF MATTHEWS, NORTH CAROLINA

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, 2012

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ -	\$ 185,541	\$ 381	\$ 185,922	\$ 185,922
Miscellaneous:					
Land dedication ordinance fees	1,483,923	1,451,924	-	1,451,924	(31,999)
Total revenues	<u>1,483,923</u>	<u>1,637,465</u>	<u>381</u>	<u>1,637,846</u>	<u>153,923</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>37,994</u>	<u>402,583</u>	<u>381</u>	<u>402,964</u>	<u>364,970</u>
Other Financing Sources (Uses):					
Transfer to other funds	(1,595,854)	(1,169,624)	(315,515)	(1,485,139)	110,715
Transfer from other funds	284,360	247,800	-	247,800	(36,560)
Appropriated fund balance	315,000	-	-	-	(315,000)
Proceeds from Depot land sale	958,500	958,500	-	958,500	-
Total other financing sources (uses)	<u>(37,994)</u>	<u>36,676</u>	<u>(315,515)</u>	<u>(278,839)</u>	<u>(240,845)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 439,259</u>	<u>(315,134)</u>	<u>\$ 124,125</u>	<u>\$ 124,125</u>
Fund Balance:					
Beginning of year - July 1			<u>439,259</u>		
End of year - June 30			<u>\$ 124,125</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 330,200	\$ 368,864	\$ 38,664
Prepared food tax	600,000	670,150	70,150
Rental car tax	58,750	99,181	40,431
Sales and services	1,250	505	(745)
Total revenues	<u>990,200</u>	<u>1,138,700</u>	<u>148,500</u>
Expenditures:			
Cultural and recreational:			
Tourism	284,012	203,981	80,031
Total expenditures	<u>284,012</u>	<u>203,981</u>	<u>80,031</u>
Revenues over (under) expenditures	<u>706,188</u>	<u>934,719</u>	<u>228,531</u>
Other Financing Sources (Uses):			
Transfer to other funds	(706,188)	(706,188)	-
Total other financing sources (uses)	<u>(706,188)</u>	<u>(706,188)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	228,531	<u>\$ 228,531</u>
Fund Balance:			
Beginning of year - July 1		<u>1,936,508</u>	
End of year - June 30		<u>\$ 2,165,039</u>	

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, 2012

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Investment earnings	\$ 5,205	\$ 11,188	\$ -	\$ 11,188	\$ 5,983
Restricted Intergovernmental	1,192,160	930,401	1,551,137	2,481,538	1,289,378
Miscellaneous	74,000	5,308	75,543	80,851	6,851
Donations	2,400	2,400	-	2,400	-
Total revenues	<u>1,273,765</u>	<u>949,297</u>	<u>1,626,680</u>	<u>2,575,977</u>	<u>1,302,212</u>
Expenditures:					
Cultural and Recreational:					
Greenway-Old P/W Building	-	82,034	45,895	127,929	(127,929)
KP Pocket Park	20,000	45,205	-	45,205	(25,205)
4 Mile Greenway	1,725,000	1,448,317	5,685	1,454,002	270,998
Stumptown Park restrooms	173,410	6,675	-	6,675	166,735
PARTF expenses	879,280	354,158	533,012	887,170	(7,890)
Wayfinding system	230,000	-	24,575	24,575	205,425
AG Building renovations	1,200,000	22,020	551,995	574,015	625,985
Total cultural and recreational	<u>4,227,690</u>	<u>1,958,409</u>	<u>1,161,162</u>	<u>3,119,571</u>	<u>1,108,119</u>
Public Safety:					
Police Radio System Upgrade	181,000	62,598	-	62,598	118,402
COPS Grant	150,000	149,875	-	149,875	125
Fire/EMS Command Vehicle	25,000	24,958	-	24,958	42
Volunteer fire truck	90,000	60,000	30,000	90,000	-
Ladder fire truck	861,246	868,292	-	868,292	(7,046)
Police Mobile CAD	120,000	119,922	73,062	192,984	(72,984)
Vehicle Safety Coordinator	22,000	-	19,193	19,193	2,807
SCBA's	242,150	-	237,949	237,949	4,201
Rescue Vehicle Replacement	70,000	-	63,547	63,547	6,453
FEMA Expenditures	60,000	-	57,505	57,505	2,495
Fire station improvements	498,213	375,904	297	376,201	122,012
Total public safety	<u>2,319,609</u>	<u>1,661,549</u>	<u>481,553</u>	<u>2,143,102</u>	<u>176,507</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	113,989	360,897	99,969	460,866	(346,877)
ARRA Projects	637,000	746,195	-	746,195	(109,195)
Weddington Road Sidewalk Project	100,000	96,498	-	96,498	3,502
4x4 Pick-up truck	7,739	7,739	-	7,739	-
Right-of-way tractor	-	684	-	684	(684)
Habitat for Humanity Road Project	-	550	39,168	39,718	(39,718)
McKee Road Project Segment A	40,000	366,042	-	366,042	(326,042)
McKee Road Project Segment B	20,261	84,900	129,150	214,050	(193,789)
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)

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, 2012

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Utility service truck	28,000	21,884	-	21,884	6,116
F-450 Class 1 1/2 ton truck	20,000	16,830	-	16,830	3,170
Small pick-up truck	24,000	511	23,482	23,993	7
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	30,463	79,463	18,537
Crew cab landscape truck	50,000	-	-	-	50,000
Total public works	<u>1,828,989</u>	<u>2,187,355</u>	<u>322,232</u>	<u>2,509,587</u>	<u>(680,598)</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>
Information systems:					
Financial software	22,000	-	17,084	17,084	4,916
Debt Service:					
Principal	1,155,000	155,223	1,623,717	1,778,940	(623,940)
Interest	75,000	42,583	32,681	75,264	(264)
Total debt service	<u>1,230,000</u>	<u>197,806</u>	<u>1,656,398</u>	<u>1,854,204</u>	<u>(624,204)</u>
Total expenditures	<u>9,766,403</u>	<u>6,144,526</u>	<u>3,638,429</u>	<u>9,782,955</u>	<u>532</u>
Revenues over (under) expenditures	<u>(8,492,638)</u>	<u>(5,195,229)</u>	<u>(2,011,749)</u>	<u>(7,206,978)</u>	<u>1,302,744</u>
Other Financing Sources (Uses):					
Transfer from other funds	5,709,892	1,734,128	1,668,790	3,402,918	(2,306,974)
Long-term debt issued	2,736,246	2,591,362	58,426	2,649,788	(86,458)
Proceeds from sale of capital assets	46,500	193,009	-	193,009	146,509
Total other financing sources (uses)	<u>8,492,638</u>	<u>4,518,499</u>	<u>1,727,216</u>	<u>6,245,715</u>	<u>(2,246,923)</u>
Net change in fund balance	\$ -	\$ (676,730)	(284,533)	\$ (961,263)	\$ (944,179)
Fund Balance:					
Beginning of year - July 1			(676,730)		
End of year - June 30			<u>\$ (961,263)</u>		

Additional Financial Data

This section contains additional information on property taxes

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



TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 10,657,838	\$ 10,463,066	\$ 194,772
2010-2011	223,667	-	114,003	109,664
2009-2010	80,010	-	24,553	55,457
2008-2009	59,254	-	10,209	49,045
2007-2008	52,704	-	5,734	46,970
2006-2007	35,192	-	4,602	30,590
2005-2006	17,229	-	1,048	16,181
2004-2005	12,051	-	1,491	10,560
2003-2004	17,617	-	1,647	15,970
2002-2003	21,661	-	1,477	20,184
2001-2002	16,066	-	16,066	-
Total	<u>\$ 535,451</u>	<u>\$ -</u>	<u>\$ 10,643,896</u>	<u>549,393</u>
Less: Allowance for uncollectible accounts				<u>(115,000)</u>
Ad valorem taxes receivable, net				<u>\$ 434,393</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund			\$ 10,723,296	
Reconciling items:				
Penalties and interest collected				(50,852)
Amounts written off due to Statute of Limitations				16,066
Prior year releases and other adjustments				<u>(44,614)</u>
Total collections and credits			<u>\$ 10,643,896</u>	

TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2012

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,231,592,066	0.3025	\$ 9,775,566	\$ 9,775,566	\$ -
Registered motor vehicles taxed at current year's rate	<u>353,519,669</u>	0.3025	<u>1,069,397</u>	<u>-</u>	<u>1,069,397</u>
Total	<u>3,585,111,736</u>		<u>10,844,963</u>	<u>9,775,566</u>	<u>1,069,397</u>
Discoveries:					
Prior years' taxes	17,778,182	0.3025	53,779	53,415	364
Abatement:					
	<u>(79,637,686)</u>	0.3025	<u>(240,904)</u>	<u>(220,842)</u>	<u>(20,062)</u>
Total property valuation	<u>\$ 3,523,252,231</u>				
Net Levy			10,657,838	9,608,139	1,049,699
Uncollected taxes at June 30, 2012			<u>(194,772)</u>	<u>(93,128)</u>	<u>(101,644)</u>
Current Year's Taxes Collected			<u>\$ 10,463,066</u>	<u>\$ 9,515,011</u>	<u>\$ 948,055</u>
Current Levy Collection Percentage			<u>98.17%</u>	<u>99.03%</u>	<u>90.32%</u>

Secondary Market Disclosures:**Assessed Valuation:**

Assessment ratio ¹	100%
Real property	\$ 3,231,592,066
Personal property	353,519,669
Public service companies ²	<u>60,470,721</u>
Total assessed valuation	3,523,252,231
Tax rate per \$100	<u>0.3025</u>
Levy (includes discoveries, releases and abatements) ³	<u>\$ 10,657,838</u>

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



STATISTICAL SECTION (UNAUDITED)

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

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	57
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property taxes.	60
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	66
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	70
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	73



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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government										
Invested in capital assets, net of related debt	\$ 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	254,103,028
Restricted	-	149,170	-	-	-	-	-	-	1,954,537	2,102,387
Unrestricted	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	4,919,787
Total primary government net assets	\$ 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	\$ 261,125,202

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 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	\$ 6,058,474
Public safety	4,768,850	5,037,676	5,342,724	6,263,505	6,645,928	7,221,272	8,175,344	7,620,881	7,687,273	8,342,632
Public works	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	3,201,853
Environmental protection	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	2,393,995
Economic and physical development	311,016	311,475	388,296	419,433	408,458	529,283	473,900	557,786	429,238	468,470
Cultural and recreation	690,188	737,063	794,203	946,996	2,547,098	1,276,386	1,196,978	1,877,984	2,662,820	1,546,301
Unallocated depreciation expense	996,622	856,137	878,086	660,906	619,269	544,632	647,687	369,276	347,316	290,933
Interest on long term debt	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	22,302,658
Total primary government expenses										
Program Revenues										
Governmental activities:										
Charges for services:										
General government	299,274	523,745	459,313	461,468	-	50,336	94,455	51,256	147,817	95,080
Public safety	35,265	98,645	86,628	120,015	325,893	245,145	561,619	262,123	280,464	442,380
Public works	446,046	487,160	485,875	511,389	579,683	424,249	657,850	588,411	600,363	614,991
Economic and physical development	23,149	27,941	25,539	23,864	1,675	15,531	12,561	8,908	10,960	13,106
Cultural and recreation	166,231	213,776	241,870	303,100	595,730	683,272	615,038	648,934	550,354	726,927
Operating grants and contributions:										
General government	42,200	9,000	9,000	9,000	-	4,747	1,000	-	2,500	21,447
Public safety	170,468	230,650	183,234	166,759	12,426	144,107	151,945	95,811	141,576	140,668
Public works	687,293	645,620	720,418	728,654	727,130	843,663	785,619	1,277,582	734,541	789,082
Economic and physical development	25,000	25,000	25,000	25,000	-	-	-	-	-	-
Cultural and recreation	28,347	672,348	656,975	636,625	22,113	10,000	30,000	20,000	20,000	1,300,734
Interest on long term debt	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	499,875
Cultural and recreation	-	586,145	236,206	217,820	-	-	-	-	176,131	270,403
Public works	-	-	-	-	85,000	9,317	1,948,541	-	5,307	-
Public safety	-	-	-	-	-	-	-	1,515	208,884	28,624
Total governmental activities program revenues	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	4,943,317
Net (expense)/revenue										
Total governmental activities net (expense)/revenue	(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)	(17,359,341)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	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	10,737,237
Local option sales tax	-	-	-	-	2,237,330	2,487,413	1,695,401	1,889,903	1,987,038	2,223,793
Utility franchise and excise tax	-	-	-	-	-	1,565,435	1,986,645	1,660,154	1,663,936	1,647,936
Other taxes and licenses	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	1,381,967
Unrestricted intergovernmental revenues	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	484,637	411,605	120,698	29,258	14,394	5,369
Unrestricted investment earnings	77,168	86,088	235,220	220,660	211,890	-	-	-	-	-
Miscellaneous	285,347	154,072	20,116	97,074	211,890	-	-	-	-	-
Loss on sale of capital assets	(61,403)	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues	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	15,996,302
Change in Net Assets										
Governmental activities	(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)	(1,363,039)
Net assets-beginning	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
Prior period adjustment	-	-	-	-	-	-	(223,925)	-	-	-
Net assets-ending	\$ 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	\$ 261,125,202

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Non-spendable										
Public works	\$ 84,478	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tourism	-	-	-	-	-	-	-	-	-	-
Cultural & recreational	56,233	-	-	-	71,908	-	-	-	-	-
Encumbrances	-	-	-	52,298	15,000	107,803	18,397	29,739	117,183	89,509
Prepays	-	-	-	-	-	-	-	-	-	-
Storm water-appropriated	222,718	182,779	172,358	37,000	-	-	-	-	-	-
Storm water-unappropriated	182,574	191,914	275,978	159,933	-	-	-	-	-	-
Stabilization by State Statute	606,915	922,692	606,287	725,471	833,747	899,183	915,136	1,375,612	1,768,485	2,038,137
Streets - Powell Bill - appropriated	342,000	141,450	-	-	-	-	-	-	-	-
Streets - Powell Bill - unappropriated	73,833	7,720	-	-	-	-	-	-	-	-
Total Non-spendable	1,568,751	1,506,555	1,114,623	974,702	920,655	1,006,986	933,533	1,405,351	1,885,668	2,127,646
Unassigned										
Designated for										
subsequent year's expenditures	228,000	191,012	139,234	190,146	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	6,421,920	6,354,516	6,275,337	6,256,757	439,259
Unassigned	4,464,325	6,268,824	7,430,219	3,378,208	7,697,243	8,617,898	7,288,049	7,680,688	8,581,684	7,032,506
Total General Fund	\$ 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	\$ 7,032,506
All Other Governmental Funds										
Reserved for:										
Tourism	\$ 25,493	\$ 51,923	\$ 298,173	\$ 458,058	\$ 705,041	\$ -	\$ -	\$ -	\$ -	\$ -
Storm water	-	-	-	-	-	1,615,240	2,238,072	2,902,096	1,886,531	2,100,789
Special Revenue Fund	-	-	-	-	-	42,683	30,335	95,046	186,052	64,250
State Statute	19,790	22,822	22,893	43,430	28,043	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated for subsequent year's expenditures:										
Capital projects	1,276,544	1,562,136	1,834,855	886,199	1,284,797	28,623	25,086	(391,787)	(812,805)	(961,263)
Total all other governmental funds	\$ 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	\$ 1,203,776

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad valorem taxes	\$ 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	\$ 10,723,296
Other taxes and licenses	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	4,110,684
Unrestricted intergovernmental	983,839	3,007,608	3,083,903	3,637,353	1,415,445	166,412	207,977	93,472	183,995	176,420
Restricted intergovernmental	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	1,260,509
Permits and fees	25,000	25,000	25,000	25,000	25,000	-	-	20,000	15,000	15,000
Sales and services	942,642	1,207,859	813,638	859,423	1,477,981	1,332,389	1,487,387	1,495,590	1,381,518	1,738,614
Unrestricted investment earnings	77,167	86,089	235,220	220,660	456,481	411,605	114,282	15,205	11,208	5,369
Miscellaneous	294,349	181,025	38,817	94,027	211,890	62,401	407,446	78,746	177,342	126,094
Total revenues	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	18,155,986
Expenditures										
General government	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	2,189,274
Public safety	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	7,435,220
Public works	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	2,765,111
Environmental Prot.	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	2,393,995
Economic and physical development	302,385	302,283	385,263	409,860	402,341	519,465	456,539	487,631	413,921	457,534
Culture and recreation	560,860	606,028	657,598	6,164,219	2,661,894	2,241,339	1,131,071	1,171,303	1,148,890	1,640,867
Debt service:										
Principal	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	1,627,533
Interest	996,622	704,253	726,125	660,584	619,269	544,632	618,553	369,276	314,444	258,252
Construction in progress	-	-	-	-	-	-	-	-	-	-
Capital outlay	652,407	706,207	-	-	-	-	-	-	-	-
Total expenditures	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	18,767,786
Excess of revenues over (under) expenditures	402,225	1,744,110	1,236,725	(4,909,254)	(2,405,784)	(1,564,701)	(7,189,050)	108,845	243,653	(611,800)
Other financing sources (uses)										
Debt issued, note payable	77,531	-	-	-	2,071,000	-	-	-	-	-
Debt issued, refunding bonds	-	5,926,124	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	5,039,820	44,374	7,673,204	251,282	5,364	25,224
Payment to refunded bond escrow agent	-	(5,919,848)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	77,531	6,276	-	-	7,110,820	44,374	7,673,204	251,282	5,364	25,224
Net change in fund balances	\$ 479,756	\$ 1,750,386	\$ 1,236,725	\$ (4,909,254)	\$ 4,705,036	\$ (1,520,327)	\$ 484,154	\$ 360,127	\$ 249,017	\$ (586,576)
Debt services as a percentage of non-capital expenditures	<u>21.1%</u>	<u>19.1%</u>	<u>18.1%</u>	<u>11.3%</u>	<u>21.0%</u>	<u>11.9%</u>	<u>42.1%</u>	<u>14.0%</u>	<u>13.0%</u>	<u>11.4%</u>

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

Calendar Year Ended December 31	Real Property	Personal Property	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate
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
2012	3,231,592,066	353,519,669	60,470,721	3,645,582,456	0.3025

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

	Year Taxes Are Payable									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mecklenburg County	\$ 0.8397	\$ 0.7364	\$ 0.7567	\$ 0.8638	\$ 0.8387	\$ 0.8387	\$ 0.8387	\$ 0.8387	\$ 0.8387	\$ 0.8166
Municipality Rates:										
Town of Matthews	\$ 0.3200	\$ 0.2950	\$ 0.3075	\$ 0.3075	\$ 0.3075	\$ 0.3075	\$ 0.3325	\$ 0.3325	\$ 0.3325	\$ 0.3025

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 2012			Fiscal Year 2003		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
SC Windsor Associates, LP	Retail/shopping center	\$ 62,142,600	1	1.96%	\$ 33,292,636	3	1.56%
IA Sycamore Commons, LLC	Retail/shopping center	39,197,500	2	1.24%	-	-	0.00%
Adult Communities Total Services, Inc.	Retirement Village	36,046,000	3	1.14%	35,566,440	2	1.67%
Family Dollar, Inc	Corporate headquarters	25,446,729	4	0.80%	55,676,334	1	2.62%
Duke Energy Corp	Utilities	24,439,068	5	0.77%	-	-	0.00%
Windstream (formerly Alltel Carolina)	Communication headquarters	21,128,014	6	0.67%	22,727,710	8	1.07%
Verizon Wireless	Telecommunications	18,281,544	7	0.58%	-	-	0.00%
BBR/Paces Commons LLC	Apartment complex	18,012,000	8	0.57%	-	-	0.00%
HEP Investment Company LLC	Retail/shopping center	17,729,100	9	0.56%	-	-	0.00%
WMCI Charlotte VIII LLC	Retail/shopping center	17,708,900	10	0.56%	-	-	0.00%
1450 Matthews Township Parkway LP	Medical office complex	22,956,100	-	0.00%	-	-	0.00%
Matthews Center Associates	Commercial land developers	21,747,700	-	0.00%	-	-	0.00%
Lowe's Home Centers	Retail/home improvement	21,084,199	-	0.00%	-	-	0.00%
Novant Health, Inc.	Health Care	-	-	0.00%	32,438,633	4	1.52%
CIP Inc - (formerly PCA National, Inc.)	Corporate headquarters	-	-	0.00%	27,131,924	5	1.28%
Marlin Marietta	Aggregate complex	-	-	0.00%	25,803,918	6	1.21%
Rexham Corp	Corporate headquarters	-	-	0.00%	23,760,885	7	1.12%
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%	13,981,252	10	0.66%
Total		\$ 345,919,454		8.84%	\$ 285,181,162		13.40%
Totals		554,452,808		8.8%	\$ 501,503,248		23.6%

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		
2003	\$ 6,986,358	\$ 6,812,492	97.51%	\$	123,589	\$ 6,936,081	99.28%
2004	7,548,412	7,412,699	98.20%		136,355	7,549,054	100.01%
2005	7,965,121	7,851,929	98.58%		118,555	7,970,484	100.07%
2006	8,226,868	8,072,994	98.13%		157,540	8,230,534	100.04%
2007	8,619,553	8,459,957	98.15%		121,813	8,581,770	99.56%
2008	9,112,898	8,920,159	97.88%		147,487	9,067,646	99.50%
2009	9,970,924	9,740,361	97.69%		193,693	9,934,054	99.63%
2010	10,249,648	10,024,741	97.81%		175,050	10,199,791	99.51%
2011	10,398,332	10,174,665	97.85%		204,212	10,378,877	99.81%
2012	10,657,838	10,463,066	98.17%		180,830	10,643,896	99.87%

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
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%
2012	2,215,000	0.06%	81	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				
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	2,625,000	7,780,741		10,405,741	381	1.11%
2012	2,215,000	4,997,917		7,212,917	264	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, 2012

<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)	\$ 2,215,000	100.00%	\$ 2,215,000
<i>Counties:</i> Mecklenburg County (2)	<u>2,906,433,750</u>	2.97%	<u>86,321,082</u>
Total direct and overlapping debt	<u>\$ 2,908,648,750</u>		<u>\$ 88,536,082</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value of Property	\$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	\$3,523,252,231
Debt Limit, 8% of Assessed value (Statutory Limitation)	177,605,932	204,196,510	207,560,192	213,901,425	224,248,533	237,083,525	239,901,924	246,608,072	250,185,432	281,860,178
Debt applicable to debt limitations: Total bonded debt	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	2,215,000
Debt not evidenced by bonds	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	4,997,917
Statutory Deductions	(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	2,215,000
Total debt applicable to limitations	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	4,997,917
Legal debt limit	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	276,862,261
Total net debt applicable to the limit as a percentage of debt limit	7.47%	5.91%	5.18%	4.41%	4.13%	3.42%	3.32%	3.27%	3.21%	1.81%

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
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
2012	27,326	-	34,235	5,765	8.10%	70,742	35.9

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**

	2012			2003		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Family Dollar Stores	1933	1	0.44%	900	1	0.23%
Presbyterian Hospital	856	2	0.20%	250	6	0.07%
Harris Teeter	667	3	0.15%	680	2	0.18%
Town of Matthews	130	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									
Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	8	8	10	10	11	11	11	11	11	11
Public safety	62	68	69	74	77	81	81	81	81	81
Public works	36	39	38	37	38	33	31	31	29	29
Economic & phy. development	5	5	5	6	6	6	6	6	5	5
Cultural and recreation	4	5	4	6	7	7	7	7	7	7
Total	115	125	126	133	139	138	136	136	133	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

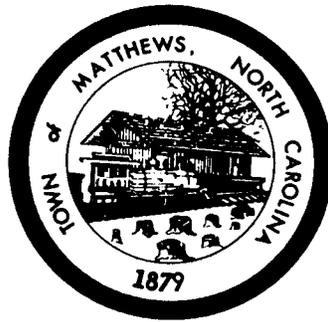
Town of Matthews, North Carolina
Operating Indicators By Function
Last Ten Fiscal Years

Functional Area	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Tax collection rate	97.51%	98.20%	98.58%	98.13%	98.15%	98.15%	97.69%	97.81%	97.85%	98.17%
Culture and Recreation										
Attendance at all events/programs/classes	-	-	-	-	110,214	110,810	143,147	149,530	149,661	152,864
Circulation of library materials-Matthews branch	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	39,379
Arrests	1,141	1,141	1,141	1,112	1,239	1,220	747	819	804	1,538
Citations Issued	5,770	5,770	5,770	10,693	13,297	13,954	6,834	7,951	4,713	5,662
EMS calls	1,564	1,564	1,640	1,700	1,867	1,844	1,957	1,867	1,867	1,343
EMS response time	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	5.38
Miles of Streets/Sidewalks										
Town-maintained	85.00	87.15	88.65	89.78	93.65	94.09	95.14	95.97	95.97	97.66
Sidewalks	Over 63	Over 63	Over 63	Over 63	Over 64	Over 66	Over 66	Over 66	Over 66	Over 66
Economic and Physical Development										
Building Permit Activity	-	-	-	-	538	471	295	250	348	302

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.

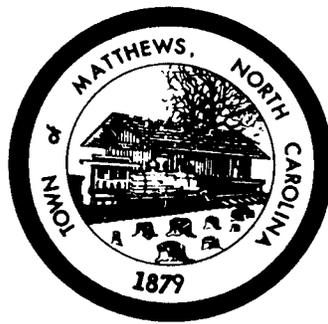
**Town of Matthews, North Carolina
Capital Asset Statistics By Function
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Parks and recreation										
Community centers	1	1	1	1	1	1	1	1	1	1
Park facility	5	5	5	5	5	5	5	6	6	7
Park acreage	39	39	39	39	39	44	44	44	44	45
Recreation center	-	-	-	1	1	1	1	1	1	1
Greenway	-	-	-	-	-	-	-	-	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Fire protection										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteer Fire/EMS	-	-	-	24	20	23	71	65	75	65
*Paid personnel	-	-	-	6	6	9	9	9	9	9
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn officers	50	50	54	54	55	57	57	59	59	63
Civilians - Full-time	12	12	12	12	17	14	14	12	12	10
Civilians - Part-time	-	-	-	-	-	13	13	10	10	13
Patrol vehicles - marked	43	43	43	48	46	49	49	49	51	53
Patrol vehicles - unmarked	11	11	12	12	16	15	17	17	18	15
Public Works										
Town - maintained streets	85.00	87.15	88.65	89.78	93.65	94.09	95.14	95.97	95.97	97.66
Sidewalks	Over 63	Over 63	Over 63	Over 63	Over 64	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 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, Responses, and Questioned Costs
 - ❖ Summary Schedule of Prior Year's Audit Findings
 - ❖ Schedule of Expenditures of Federal and State Awards
-



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

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

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

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, of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town of Matthews' basic financial statements, and have issued our report thereon dated October 9, 2012. 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, Responses, 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2012-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Matthews' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of Findings, Responses, and Questioned Costs as item 2012-02.

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

This 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 9, 2012

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

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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, 2012. 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, 2012.

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 9, 2012

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified? Yes X No

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

State Awards

Internal control over major State programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified? Yes X 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? Yes X No

Identification of major State programs:

Powell Bill

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Section II. Financial Statements Findings

Finding 2012-01

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.

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Section II. Financial Statements Findings (continued)

Finding 2012-02

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).

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, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

Finding: 2011-01

Status: Repeated as Finding 2012-01

Finding: 2011-02

Status: Repeated as Finding 2012-02

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
State Programs:				
N.C. Department of Environment and Natural Resources:				
Parks and Recreation Trust Fund		2009-601	\$ -	\$ 270,403
N.C. Department of Transportation:				
Powell Bill		DOT-4	-	<u>698,539</u>
Total State expenditures				<u>\$ 968,942</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.