



Town of
MatthewsTM
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Town of Matthews North Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2015**

Prepared By
Department of Finance



Town of Matthews, North Carolina

LIST OF PRINCIPAL OFFICIALS

Town Council

Mayor

James (Jim) Taylor

Commissioners

W. Kress Query (Mayor Pro-Tem)

George Fossett

John F. Higdon

Chris Melton

Jeff A. Miller

John Ross

Town Manager

H. Hazen Blodgett, III

Assistant Town Manager

James Justice

Finance Director

Christopher M. Tucker

Town Clerk

Lori Canapinno

Town Attorney

Charles R. Buckley, III

Cranford, Buckley, Schultze, Tomchin, Allen & Buie, P.A



TOWN OF MATTHEWS, NORTH CAROLINA

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Introductory Section

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-



October 26, 2015

To The Honorable Mayor, Board of Commissioners, and the Citizens of Matthews, NC

State law requires that each unit of local government shall have its accounts audited after the close of its each fiscal year by a certified public accountant. This report is published to fulfill that requirement for the fiscal year ended June 30, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Town's financial statements have been audited by Martin Starnes & Associates, CPAs, P.A., a firm of certified public accountants. All disclosures necessary for the reader to gain an understanding of the Town's financial affairs are included. An examination of the financial data together with an evaluation of its presentation, allowed the independent auditors to conclude with an unmodified opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and activities of all Town funds. The Independent Auditor's Report may be viewed in the first component of the financial section of this report.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The Town of Matthews was established in 1879 and is located in southeastern Mecklenburg County and is found in the southern piedmont of North Carolina. It has a land area of approximately seventeen square miles and has a population of 30,030.

The Town has a Council-Manager form of government. The Town Board of Commissioners is comprised of 6 council members elected at large, and a Mayor also elected at large by the citizenry. The seven members of the Governing Body are elected on a non-partisan basis and serve two-year terms. The Town Board is the legally constituted law-making and policy-making body for the Town of Matthews. The major duties of the Town Board include appointment of the Town Manager, adoption of an annual budget, establishment of the annual property tax, enactment of policies concerning the operation of the Town, enactment of local ordinances and

appointment of Town officials and members of various boards and commissions. The Town Council also has authority to call bond referendums, enter into contracts, and establish new programs and departments.

The Town Manager is the chief administrator of the Town. He is appointed by the Town Board and serves at the Board's discretion under a contracted term. The major duties of the Town Manager include coordinating and supervising the activities of Town departments and functions, attending Town Board meetings and making recommendations on appropriate matters of business, ascertaining that all orders and policies of the Board are carried out, recommending the annual budget and advising the Board on the financial condition of the Town, and representing the Town in business with other agencies.

The Town provides a full range of services to its citizens. These services include police and fire protection, refuse collection, street and sidewalk maintenance, stormwater system maintenance, planning and zoning, community and economic development, parks and recreation, and general administrative services.

The Matthews Police Department includes 58 full-time sworn officer positions, 8 civilian dispatchers, and 4 civilian administrative positions alongside part-time and volunteer staff. The department is led by the Police Chief. Fire and EMS protection is administered by the Town's full time and volunteer fire department along with mutual aid agreements with other Mecklenburg County fire departments. The department is led by the Fire Chief.

The Board of Commissioners is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the Town of Matthews' financial planning and control. The budget is prepared by fund, and department (e.g. Administration, Police). The Budget Officer (Town Manager) may transfer resources within a department as they see fit. Transfers between departments may not exceed ten percent of the department being lowered; otherwise special approval from the governing board is required. Interfund transfers and use of contingency require board approval.

LOCAL ECONOMY

Beginning in 1980, the Town of Matthews experienced phenomenal growth from a village of 1,648 to a population of just over 30,000. Though much of the growth was originally due to annexation, a significant portion is also attributable to increased residential development that has occurred within the Town limits, along with new multi-family developments. In June 2003, the town limits reached their ultimate expansion, as no further annexation is anticipated to ever be possible. The town is constrained by the location of the City of Charlotte to the north and west, the Town of Mint Hill to the east and Union County to the south; so future growth will be characterized more by infill development and more intense redevelopment.

Due to the strength of the Town's economy in prior years, the Town has been able to sustain what it considers to be quality development. The Town benefits from its location in the Charlotte metropolitan region and by the development of a diverse local economy. Corporate offices of several large companies are located in Matthews. Commercial development is a mix

of large planned commercial centers and small independent development. A public/private partnership, including the Town Hall/Library building (occupied in August/September 2001) and office/retail development along a new public street significantly expanded the Downtown Business District. In 2010, the town sold two properties, one of which was a vacant lot and the developer constructed a mixed-use facilities that include banking, office space, retail and restaurants in the downtown development. The other property consisted of renovation of a historical house and become home to the Matthews Historical Foundation and Heritage Museum. The Downtown Business District recently received another extensive enhancement, when the area was enlarged by adding a new mixed-use development that includes apartments, office, retail and restaurants. This new addition added connectivity bringing bicycle and pedestrian opportunities by combining working and livable lifestyles together. Interstate Highway 485 from the UNC-Charlotte area to Pineville continues to provide enhanced connectivity of Matthews' businesses to other development in the region.

In 1994, Novant Health, (formally Presbyterian Hospital) opened a medical facility in Matthews. They recently completed a \$19 million expansion adding a fifth floor. A \$26.8 million expansion to double the women's services center is began in early 2015. An 89,000 square foot rehabilitant and skilled nursing facility with over 250 new full time jobs opened in 2013. Novant Health Matthews Medical Center provides a wide range of health services including maternity, surgery, cardiovascular and cancer care. In addition, the hospitals offers outpatient services and high-level diagnostic capabilities. The proliferation of physician offices and other medical facilities has occurred around the hospital. They have been recognized as a Magnet Health Care Facility.

In the fall of 1998, a satellite campus of Central Piedmont Community College, the CPCC Levine Campus, opened in Matthews with an enrollment of over 6,000 students. This campus has since expanded its size to an enrollment of over 28,500 students. CPCC Levine Campus covers approximately 406,000 square feet, spans 61 acres and has approximately 130 employees. Along with the college campus, there are five public schools in Matthews (three elementary schools, a middle school, and a high school) and two private schools, each fielding classes from pre-kindergarten to high school.

The Levine Senior Center has operated in Matthews since 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 provides 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 through donations and fundraisers.

During the recession of 2008-09, Matthews focused on ways to identify and direct future growth. New projects that have been approved and are slate for construction include an expansion of the ACTS Retirement-Life community with the addition of a new skilled nursing building and 49 new independent living units, bringing total available units to 548; the Fountains at Matthews apartment complex, which includes 250 residential apartments and 8,000 square feet of live/work units on 15 acres; the Eden Hall residential development, which

includes 90 townhomes on 16.5 acres and the Erickson Living project, a Continuing Care Retirement Community with 900 independent living units.

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

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

LONG-TERM FINANCIAL PLANNING

The General Statutes of North Carolina provide that net debt may not exceed 8% of the present market value of taxable property as certified by the county tax assessor. This provision, when compared to the net debt of the Town, provides a legal debt margin for the Town at June 30, 2015 of \$273,500,945.

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

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

RELEVANT FINANCIAL POLICIES

The Town did not establish any new or modify any existing policies during the fiscal year ending June 30, 2015. In its regularly scheduled board meetings, the Town Board approved 38 ordinances that changed the Town's budget or fee schedule.

MAJOR INITIATIVES

The Town has begun construction on several street improvement projects using several financing sources including bond proceeds, federal and state grants, and local monies. The S. Trade Street improvement project is using \$5.5M of bonds proceeds to improve and expand a significant portion of the thoroughfare in order to alleviate a major congestion point. There are several smaller road construction projects in various stages, which upon completion will improve function and connectivity.

The Town has contracted to obtain a building maintenance plan in order to forecast major capital improvements to its municipal building inventory. The first major work to be considered is the repair of the Community Center roof.

In fiscal year ending 2015, Mecklenburg County determined that its 2011 Property Reevaluation Assessments were overvalued. The County has heard appeals from nearly all of its property owners over the past year, and has determined that Matthews is to refund approximately \$975,000 to property owners. It was determined that approximately \$685,000 of the \$975,000 was issued as refunds during the fiscal year.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Matthews for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. The Town has received seventeen consecutive Certificates of Achievement for the fiscal years ending 1998-2014. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a comprehensive annual financial 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 our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report could not have been accomplished without the efficient and dedicated efforts of management, the finance department staff, the various employees who assisted in obtaining information, and our independent Certified Public Accountants' Martin

Starnes and Associates, CPAs, P.A. Staff would also like to thank the Mayor and Board of Commissioners for their support in the management of the Town of Matthews' finances.

With sincere personal regards, I remain...

Respectfully yours,

A handwritten signature in black ink, appearing to read "Chris Tucker". The signature is fluid and cursive, with a large initial "C" and a long, sweeping underline.

Christopher M. Tucker
Finance Director
Town of Matthews, NC



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Matthews
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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

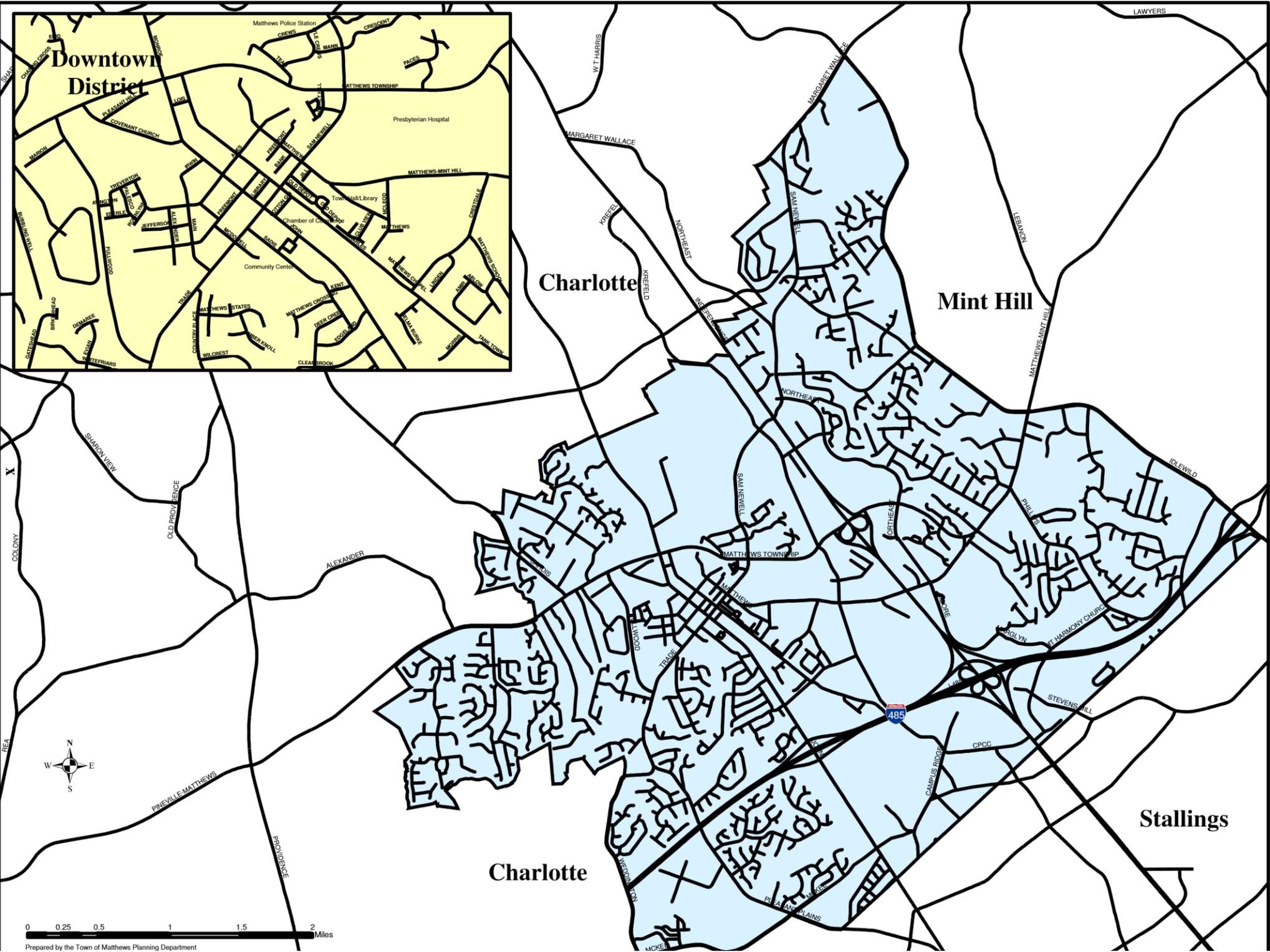
Responsibilities: The Planning Board investigates Town plans and growth and makes recommendations to the Board of Commissioners.

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.



Downtown District

Charlotte

Mint Hill

Charlotte

Stallings



HISTORY AND DESCRIPTION OF THE TOWN OF MATTHEWS

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

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

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

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

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

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

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

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

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

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

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

RESPONSIBILITIES OF TOWN GOVERNMENT

Legislative

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

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

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

Administrative

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

Finance

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

Planning and Zoning

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

Public Safety

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

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

Public Works

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

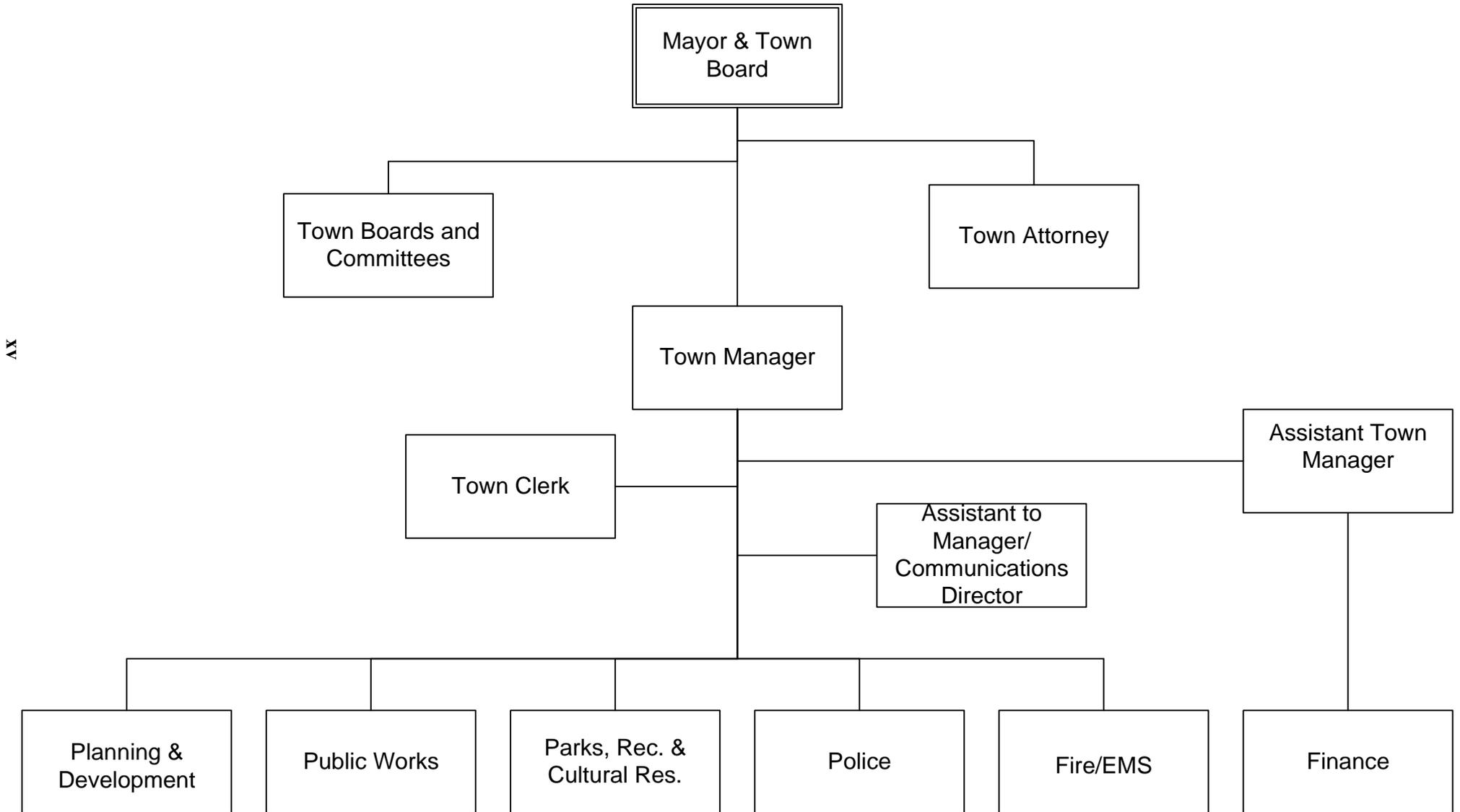
Parks and Recreation/Cultural Arts

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

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

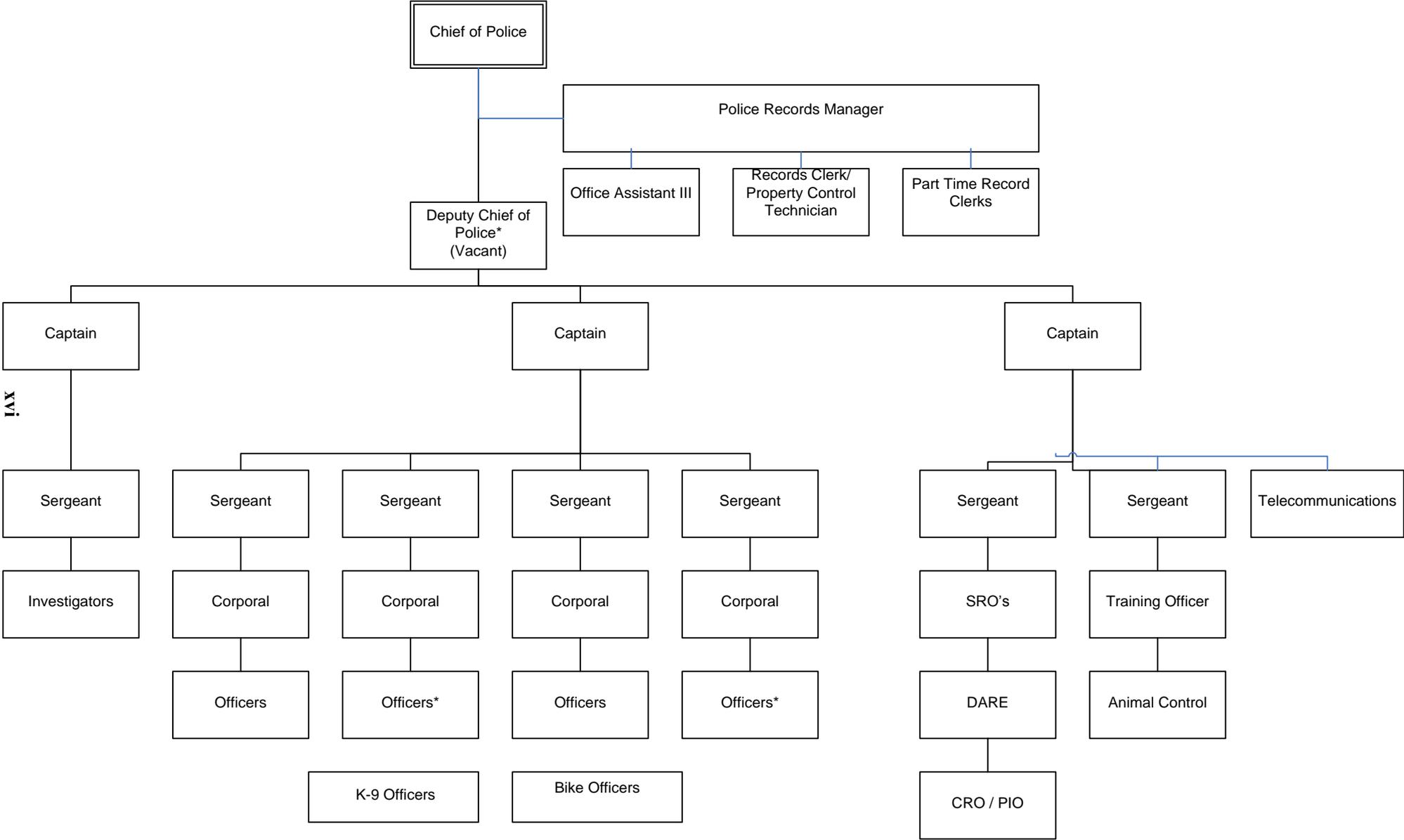
The Special Events Division is responsible for organizing and promoting town sponsored festivals. These include a spring BeachFest, a fall Labor day event, Matthews Alive!, that brings 200,000 plus visitors into our area, and the winter Hometown Holidays festival.

Organizational Structure 2015



Police Department

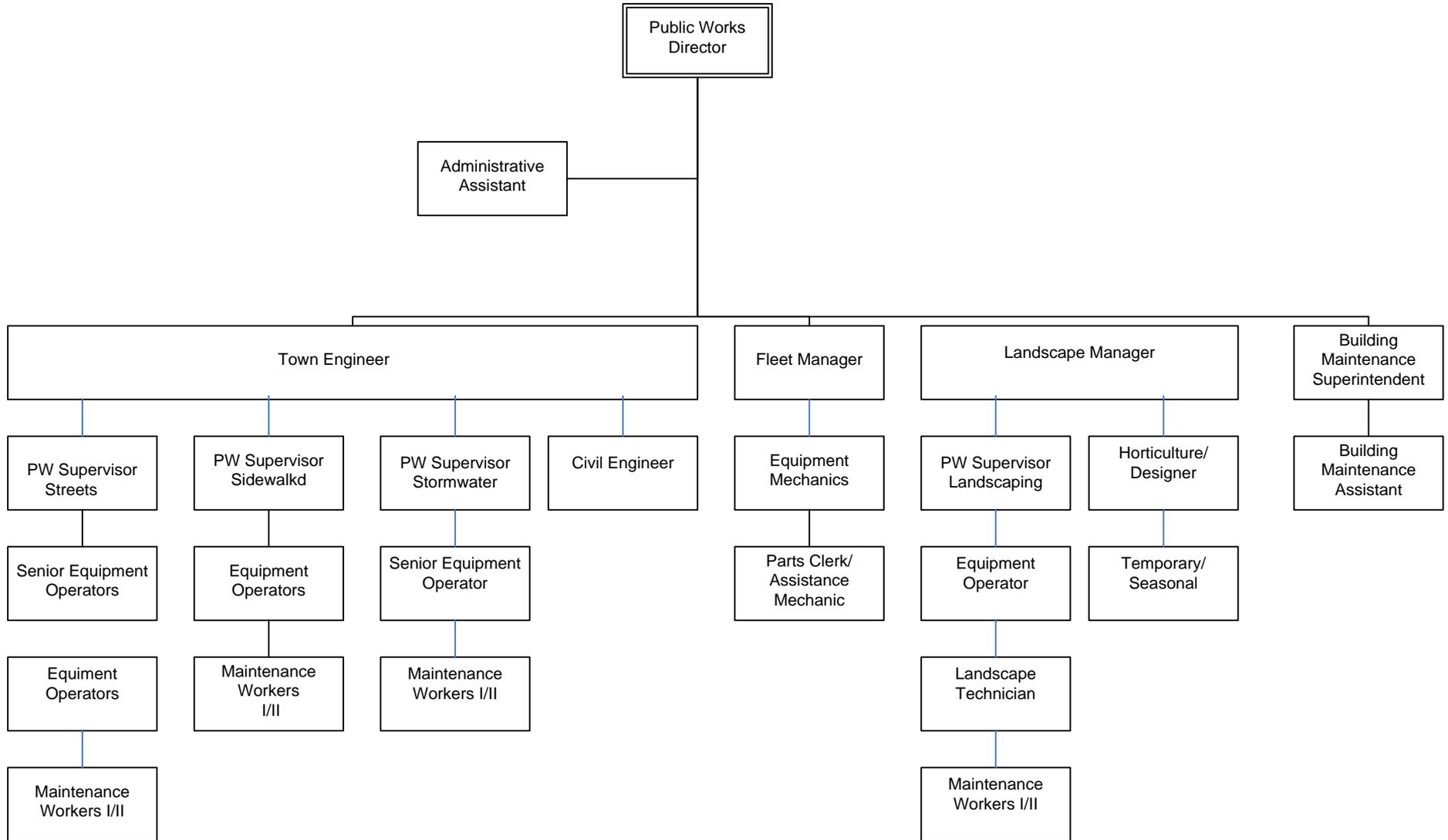
Organizational Structure
2015



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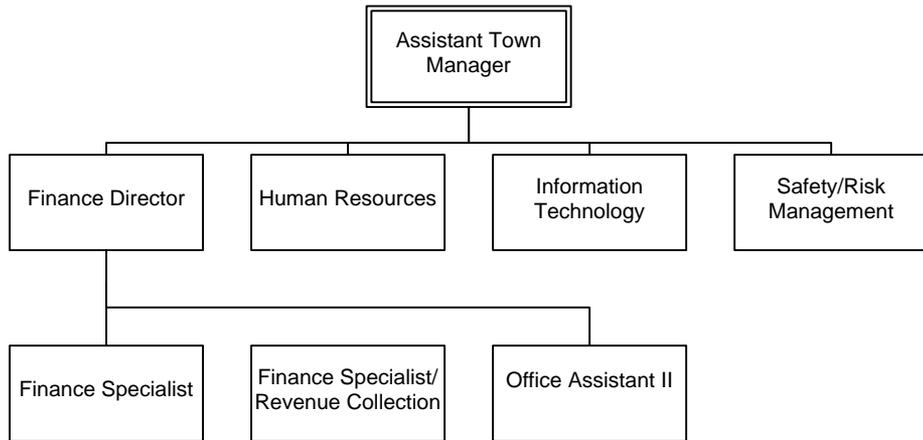
Public Works Department

Organizational Structure
2015



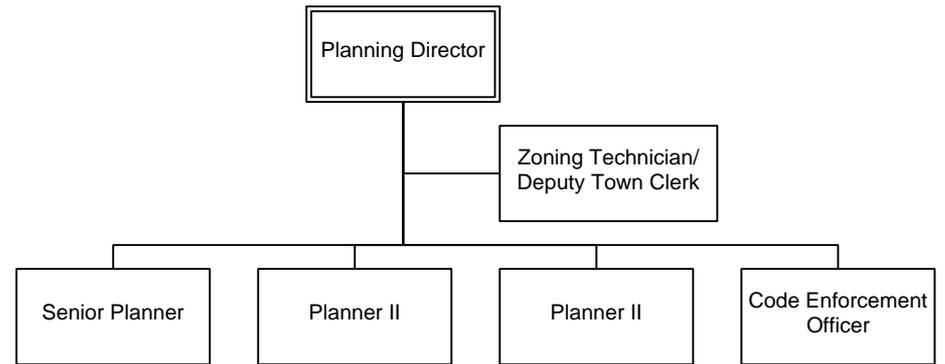
Assistant Town Manager

Organizational Structure
2015



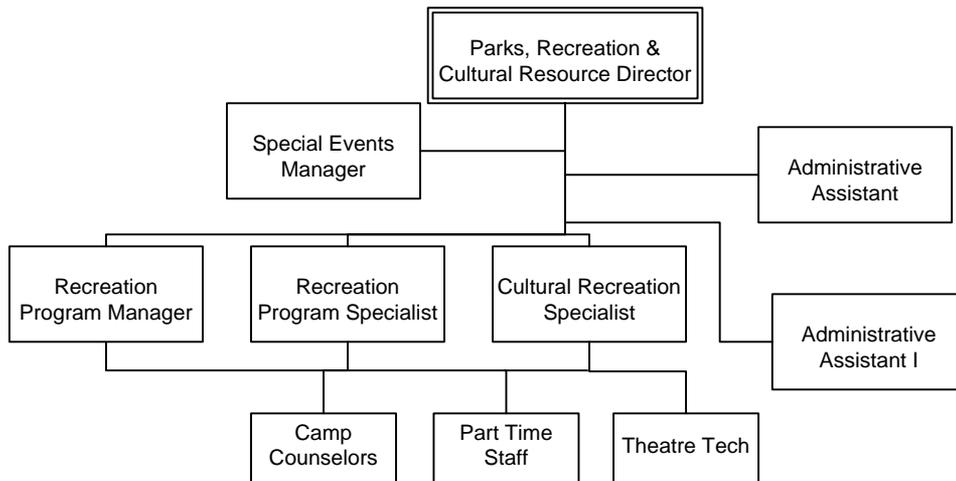
Planning Department

Organizational Structure
2015



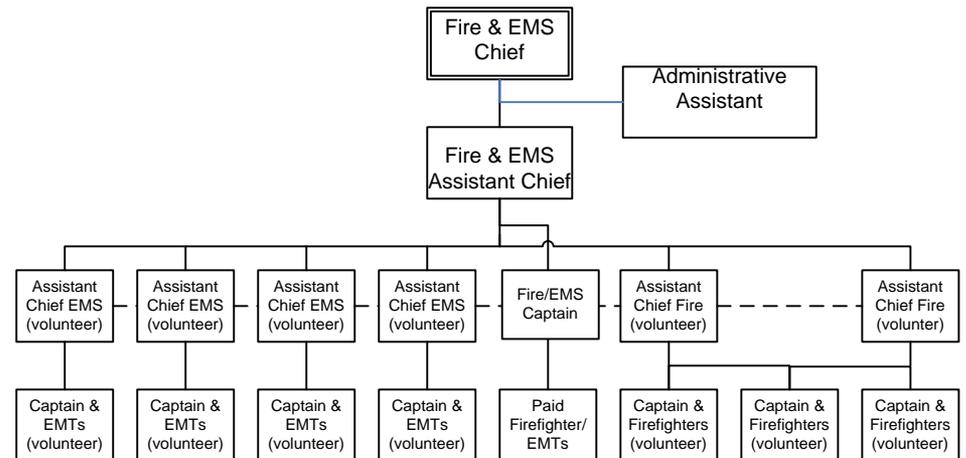
Parks & Recreation/Cultural Resources

Organizational Structure
2015



Fire & EMS Department

Organizational Structure
2015



Financial Section

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

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



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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Matthews, North Carolina. The introductory section, combining and individual fund statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the Town of Matthews' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Matthews' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 26, 2015



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, 2015. 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

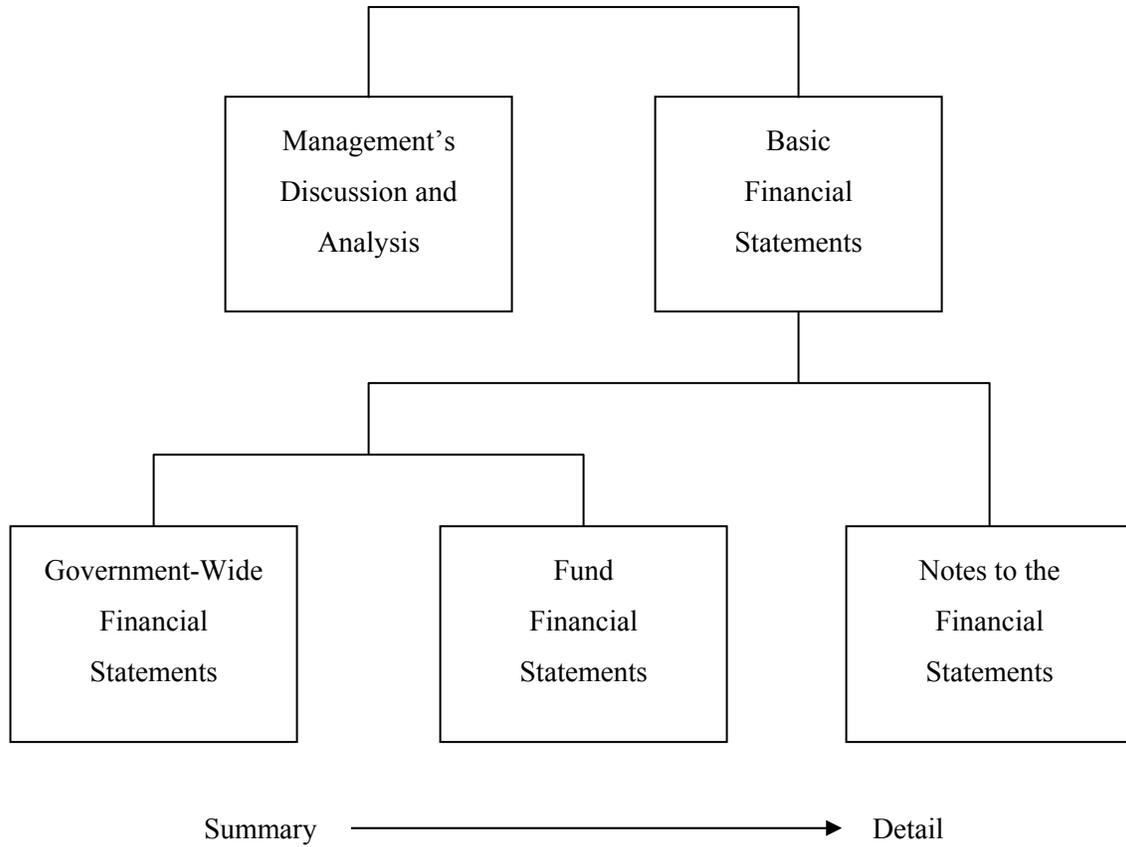
- The assets and deferred outflows of resources of the Town of Matthews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$254,615,735 (*net position*).
- The Town's net position decreased by \$1,536,695, primarily due to net changes in fund balances, depreciation and reporting of pension deferrals. At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$13,152,629, an increase of \$5,460,596 in comparison with the prior year. Approximately 55.28% of this total amount, or \$7,270,337, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$5,882,292, or 30.87%, of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews' total debt increased by \$3,223,429 during the current fiscal year.
- The Town of Matthews increased fund balance of the Tourism Fund by \$362,591. This was due to revenue growth, expenditure reduction and a transfer/refund for a capital project that did not commence. This leaves an ending fund balance of \$696,609 in fiscal year ending June 30, 2015. The Town anticipates the fund to remain stable.
- The Town holds a bond rating of AA+ with Standard & Poors and a bond rating of Aa2 with Moody's Investors Service.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Matthews' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 of this report.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Matthews' Net Position

Figure 2

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 14,862,910	\$ 8,406,319
Capital assets, net	<u>251,800,170</u>	<u>253,923,445</u>
Total assets	<u>266,663,080</u>	<u>262,329,764</u>
Deferred Outflows of Resources:		
Contributions to pension plan	<u>529,824</u>	<u>-</u>
Liabilities:		
Current liabilities	2,260,720	1,973,162
Non-current liabilities	<u>8,614,874</u>	<u>4,204,172</u>
Total liabilities	<u>10,875,594</u>	<u>6,177,334</u>
Deferred Inflows of Resources:		
Pension deferrals	<u>1,701,575</u>	<u>-</u>
Net Position:		
Net investment in capital assets	249,577,871	251,078,195
Restricted	2,994,790	2,075,669
Unrestricted	<u>2,043,074</u>	<u>2,998,566</u>
Total net position	<u>\$ 254,615,735</u>	<u>\$ 256,152,430</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Matthews exceeded its liabilities and deferred inflows of resources by \$254,615,735 as of June 30, 2015. The Town's net position decreased by \$1,536,695 for the fiscal year ended June 30, 2015. However, the largest portion (98%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Matthews uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Matthews' investments in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A balance of \$2,043,074 is unrestricted.

Also, the Town of Matthews implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$988,490. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Troutman's management.

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

- Mecklenburg County bills and collects all real property and motor vehicle tax due to the Town of Matthews. The percent of net levy collected for the year ended June 30, 2015 is 99.54. The North Carolina Department of Motor Vehicles started collection of motor vehicle taxes in September 2014 with a new program called "Tax and Tag". The percent of net levy collected for the year ended June 30, 2015 is 99.99.

Town of Matthews' Changes in Net Position

Figure 3

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for service	\$ 1,838,112	\$ 1,607,955
Operating grants and contributions	1,463,348	959,362
Capital grants and contributions	608,407	899,208
General revenues:		
Property taxes	10,950,151	11,104,878
Other taxes	4,569,476	3,963,690
Unrestricted intergovernmental	1,764,629	1,676,761
Investment earnings	1,583	953
Total revenues	21,195,706	20,212,807
Expenses:		
General government	5,218,577	5,974,279
Public safety	8,267,556	7,617,603
Public works	3,928,735	2,964,931
Environmental protection	2,596,349	2,753,791
Cultural and recreation	2,051,727	1,554,561
Economic and physical development	441,604	407,664
Interest on long-term debt	227,853	199,494
Total expenses	22,732,401	21,472,323
Increase (decrease) in net position	(1,536,695)	(1,259,516)
Net Position:		
Beginning of year - July 1	257,140,920	258,400,436
Restatement	(988,490)	-
Beginning of year - July 1 as restated	256,152,430	258,400,436
End of year - June 30	\$ 254,615,735	\$ 257,140,920

Governmental Activities

Governmental activities decreased the Town's net position by \$1,536,695 as compared to \$1,259,516 in the prior year. Key elements of this decrease and changes from prior year are as follows:

- Net increase in General Fund balance of \$1,002,300 and \$362,591 in Tourism Fund balance.
- Net decrease contributed to increase in depreciation expense over capital additions.
- Increase in Long Term Liabilities due to significant capital projects and associated debt.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund of the Town of Matthews. At the end of the current fiscal year, the Town of Matthews' fund balance available in the General Fund was \$5,882,292, while total fund balance reached \$7,865,820. The Town currently has an available fund balance of 30.87% of General Fund expenditures and transfer to other funds, while total fund balance represents 41.28% of the same amount.

At June 30, 2015, the governmental funds of the Town of Matthews reported a combined fund balance of \$13,152,629 with a net increase in fund balance of \$5,460,596. Included in this change in fund balance is the debt proceeds of \$5,700,000. Fund balance increased in the Capital Improvement Program Fund by \$4,004,456 due to the debt issuance. The Tourism Fund had an increase in fund balance of \$362,591 for approved arts and culture programs, events, and festivals, as well as other tourism and tourism-related programs and activities.

General Fund Budgetary Highlights

During fiscal year 2015, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increase in appropriations that become necessary to maintain services.

At year-end, actual revenues exceeded final amended budget numbers by roughly less than 3%. Actual expenditures were less than final budgetary figures by roughly 8%.

Capital Assets and Debt Administration

Capital Assets. The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2015 totals \$251,800,170 (net of accumulated depreciation). These assets include land, buildings, machinery, equipment, vehicles, and park facilities.

Major capital transactions during the year are detailed below.

- Land Purchase – \$381,940
- Additions to police and other vehicles – \$176,091
- Public Works equipment purchases – \$317,329

Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 227,434,285	\$ 227,052,345
Construction in progress	-	26,997
Buildings	28,501,558	28,493,158
Infrastructure	95,646,784	95,646,784
Equipment	3,615,038	3,404,912
Vehicles and motorized equipment	5,597,349	5,522,881
Accumulated depreciation	<u>(108,994,844)</u>	<u>(106,223,632)</u>
Total capital assets, net	<u>\$ 251,800,170</u>	<u>\$ 253,923,445</u>

Additional information on the Town's capital assets can be found in the notes to basic financial statements on pages 30-31.

Long-Term Debt. As of June 30, 2015, the Town of Matthews had total bonded debt outstanding of \$6,500,000, all completely backed by the full faith and credit of the Town.

Town of Matthews' Outstanding Debt General Obligation Bonds and Notes Payable

Figure 5

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 6,500,000	\$ 1,400,000
Notes payable	<u>2,222,299</u>	<u>2,845,250</u>
Total	<u>\$ 8,722,299</u>	<u>\$ 4,245,250</u>

The Town of Matthews' total General Obligation Bond and notes payable debt increased by \$4,477,049 (105%) during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Matthews is approximately \$273,500,945.

Additional information regarding the Town of Matthews' long-term debt can be found in the notes to the basic financial statements beginning on page 42.

Economic Factors and Next Year's Budgets and Rates

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

- The effects of the economic impact from the past five years continue to be a major factor and budgetary concern for the Town. We have gradually accepted and adjusted to the new normal for the Town, area, and region as slow recovery lingers.
- Taxable building permits issued continue pointing to a strengthening economy. During Fiscal Year 2014-2015, building permits totaling \$38,424,823 were issued. This reflects a 74.56% growth over the previous year.
- Sales and use taxes have slowly increased for three consecutive years. Fiscal Year 2014-2015 showed a growth of approximately 14.4% from the prior year.
- Mecklenburg County performed a property tax revaluation in 2011. Due to the economy status, much controversy ensued regarding the new valuations. This resulted in a higher rate of appeals and refunds for Mecklenburg County and the municipalities located within. The North Carolina General Assembly passed SB159, which required the county to conduct an independent review using an outside firm. Due to lower property tax valuations, the Town's Board of Commissioners increased the tax rate for Fiscal Year 2013-2014 to help with the deficient so that services would remain status quo. The full extent of the independent review for the Town has resulted in an approximately \$975,000 estimate in taxes due to be refunded. Of the total, nearly \$600,000 in refunds were issued in Fiscal Year 2014-2015.
- The Town has authorized, and issued, bonds totaling \$5.5 million for roadway improvements within the Town that were voter approved in November 2004. In May 2011, the Board of Commissioners voted to seek an extension in the sale of these bonds. A three-year extension was granted by the North Carolina Local Government Commission. In July 2013, the Board of Commissioners voted to approve the Town moving forward on the process necessary to sell the road bonds. The road bonds were sold in October 2014. The construction project widening South Trade Street is in progress with an estimated completion of Winter/Spring 2016.
- A joint interlocal effort between Mecklenburg County Parks and Recreation and the Town of Matthews to develop a regional sportsplex within the Town limits has resulted in bringing additional recreational activities and regional tournaments to our area, along with additional tourism dollars. This 160-acre site is located next to the family entertainment district. The sports facility was dedicated in spring 2014. The Town is becoming a destination attraction with dining, shopping, entertainment, and recreational opportunities. Construction began on Phase II early 2015.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities

General Fund. The Town of Matthews approved a \$20,646,716 General Fund budget for the fiscal year ending June 30, 2015. This represents a 4.81% increase from the fiscal year ended June 30, 2014. The property tax rate increased to 0.3400 cent per \$100; the auto tag fees remained \$25 per registered motor vehicle. There was minimal fund balance appropriation used.

The adopted Fiscal Year 2015 budget expenditures in the General Fund are used to provide continuation of current service levels, the expectation of moderate cost of fuel along with increased utility rates. It also includes a 3.0% pool of funds for salary increases based on performance for employees. Unassigned fund balance dollars provide additional security as the economy continues to rebuild. They are also available for unexpected expenditures and/or opportunities.

Tourism Fund. The Town of Matthews approved a \$1,424,800 Tourism Fund budget for the fiscal year ending June 30, 2015. There was no fund balance appropriation used. The Tourism Fund is used to support, maintain, operate, market, and promote the performing arts centers, auditoriums, and museums. Tourism and tourism-related programs and activities help set the Town apart in the region.

Requests for Information

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

Basic Financial Statements

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



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments	\$ 7,563,270
Restricted cash and investments	4,847,069
Taxes receivable, net	349,632
Accounts receivable, net	174,349
Due from other governments	1,148,295
Notes receivable	91,249
Prepaid items	8,125
Total current assets	<u>14,181,989</u>
Non-current assets:	
Net pension asset	<u>680,921</u>
Capital assets :	
Non-depreciable	227,434,285
Depreciable, net	<u>24,365,885</u>
Total capital assets	<u>251,800,170</u>
Total assets	<u>266,663,080</u>
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	<u>529,824</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	721,788
Current portion of compensated absences	42,663
Current portion of long-term liabilities	<u>1,496,269</u>
Total current liabilities	<u>2,260,720</u>
Non-current liabilities:	
Non-current portion of compensated absences	383,964
Non-current portion of long-term liabilities	<u>8,230,910</u>
Total non-current liabilities	<u>8,614,874</u>
Total liabilities	<u>10,875,594</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>1,701,575</u>
Net Position:	
Net investment in capital assets	249,577,871
Restricted for:	
Stabilization by State statute	1,958,222
Culture and recreation	634,810
Capital outlay	401,758
Unrestricted	<u>2,043,074</u>
Total net position	<u>\$ 254,615,735</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, 2015

Functions/Programs:	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 5,218,577	\$ 117,670	\$ -	\$ 450,063	\$ (4,650,844)
Public safety	8,267,556	342,818	426,319	158,344	(7,340,075)
Public works	3,928,735	591,114	1,015,454	-	(2,322,167)
Environmental protection	2,596,349	-	-	-	(2,596,349)
Economic and physical development	441,604	20,598	-	-	(421,006)
Culture and recreation	2,051,727	765,912	21,575	-	(1,264,240)
Interest on long-term debt	227,853	-	-	-	(227,853)
Total primary government	<u>\$ 22,732,401</u>	<u>\$ 1,838,112</u>	<u>\$ 1,463,348</u>	<u>\$ 608,407</u>	<u>(18,822,534)</u>
General Revenues:					
Taxes:					
Ad valorem taxes					10,950,151
Local options sales tax					2,689,154
Utility franchise and excise tax					1,880,322
Occupancy tax					504,123
Prepared food tax					826,173
Rental car tax					126,052
Privilege licenses					172,738
Other taxes and licenses					135,543
Investment earnings					1,583
Total general revenues					<u>17,285,839</u>
Change in net position					<u>(1,536,695)</u>
Net Position:					
Beginning of year - July 1					257,140,920
Restatement					<u>(988,490)</u>
Beginning of year - July 1 as restated					<u>256,152,430</u>
End of year - June 30					<u>\$ 254,615,735</u>

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

TOWN OF MATTHEWS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Improvement Program	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 6,469,589	\$ 446,598	\$ 647,083	\$ 7,563,270
Restricted cash and investments	670,896	4,176,173	-	4,847,069
Taxes receivable, net	349,632	-	-	349,632
Notes receivable	91,249	-	-	91,249
Accounts receivable	162,080	12,269	-	174,349
Due from other governments	1,086,496	-	61,799	1,148,295
Prepaid items	8,125	-	-	8,125
Total assets	<u>\$ 8,838,067</u>	<u>\$ 4,635,040</u>	<u>\$ 708,882</u>	<u>\$ 14,181,989</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 556,732	\$ 44,840	\$ 12,273	\$ 613,845
Total liabilities	<u>556,732</u>	<u>44,840</u>	<u>12,273</u>	<u>613,845</u>
Deferred Inflows of Resources:				
Unavailable taxes	349,632	-	-	349,632
Unavailable revenue	65,883	-	-	65,883
Total deferred inflows of resources	<u>415,515</u>	<u>-</u>	<u>-</u>	<u>415,515</u>
Fund Balances:				
Non-spendable:				
Long term note receivable	91,249	-	-	91,249
Prepays	8,125	-	-	8,125
Restricted:				
Stabilization by State statute	1,884,154	12,269	61,799	1,958,222
Culture and recreation	-	-	634,810	634,810
Capital outlay	-	4,577,931	-	4,577,931
Assigned for environmental protection - stormwater	171,147	-	-	171,147
Unassigned	5,711,145	-	-	5,711,145
Total fund balances	<u>7,865,820</u>	<u>4,590,200</u>	<u>696,609</u>	<u>13,152,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,838,067</u>	<u>\$ 4,635,040</u>	<u>\$ 708,882</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	251,800,170
Net pension asset	680,921
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	529,824
Pension related deferrals	(1,701,575)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	415,515
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.	(10,261,749)
Net position of governmental activities	<u>\$ 254,615,735</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, 2015

	<u>General Fund</u>	<u>Capital Improvement Program</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 11,024,527	\$ -	\$ -	\$ 11,024,527
Other taxes and licenses	4,859,030	-	1,456,956	6,315,986
Unrestricted intergovernmental	218,473	-	-	218,473
Restricted intergovernmental	1,635,821	233,663	-	1,869,484
Permits and fees	15,000	-	-	15,000
Sales and services	1,564,049	-	-	1,564,049
Investment earnings	1,583	-	-	1,583
Miscellaneous	242,173	688	-	242,861
Total revenues	<u>19,560,656</u>	<u>234,351</u>	<u>1,456,956</u>	<u>21,251,963</u>
Expenditures:				
Current:				
General government	3,504,431	-	-	3,504,431
Public safety	7,414,685	36,801	-	7,451,486
Public works	2,253,628	2,041,989	-	4,295,617
Environmental protection	2,457,262	139,087	-	2,596,349
Economic and physical development	439,866	-	-	439,866
Cultural and recreational	1,309,387	48,420	606,365	1,964,172
Debt service:				
Principal retirement	1,222,951	-	-	1,222,951
Interest and other charges	136,895	-	-	136,895
Total expenditures	<u>18,739,105</u>	<u>2,266,297</u>	<u>606,365</u>	<u>21,611,767</u>
Revenues over (under) expenditures	<u>821,551</u>	<u>(2,031,946)</u>	<u>850,591</u>	<u>(359,804)</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	5,700,000	-	5,700,000
Transfers (to) other funds	(316,270)	(292,000)	(780,000)	(1,388,270)
Transfers from other funds	575,000	521,270	292,000	1,388,270
Premium issued	-	107,132	-	107,132
Proceeds from sale of capital assets	13,268	-	-	13,268
Total other financing sources (uses)	<u>271,998</u>	<u>6,036,402</u>	<u>(488,000)</u>	<u>5,820,400</u>
Net change in fund balances	1,093,549	4,004,456	362,591	5,460,596
Fund Balances:				
Beginning of year - July 1	<u>6,772,271</u>	<u>585,744</u>	<u>334,018</u>	<u>7,692,033</u>
End of year - June 30	<u>\$ 7,865,820</u>	<u>\$ 4,590,200</u>	<u>\$ 696,609</u>	<u>\$ 13,152,629</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, 2015

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)	\$ 5,460,596
Governmental funds statements report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	883,760
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(2,980,038)
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.	(26,997)
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.	(597,569)
Pension expense	(32,164)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	529,824
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 position.	(4,584,181)
Accrued interest that does not require current financial resources and is not reported as an expenditure in the governmental funds statement	(90,958)
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>(98,968)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ (1,536,695)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 11,201,000	\$ 11,201,000	\$ 11,024,527	\$ (176,473)
Other taxes and licenses	4,334,503	4,334,503	4,859,030	524,527
Unrestricted intergovernmental	188,300	188,300	218,473	30,173
Restricted intergovernmental	1,539,554	1,760,921	1,635,821	(125,100)
Permits and fees	15,000	15,000	15,000	-
Sales and services	1,369,850	1,413,722	1,564,049	150,327
Investment earnings	1,000	1,000	1,400	400
Miscellaneous	72,661	123,913	242,173	118,260
Total revenues	<u>18,721,868</u>	<u>19,038,359</u>	<u>19,560,473</u>	<u>522,114</u>
Expenditures:				
Current:				
General government	3,506,313	3,507,370	3,504,431	2,939
Public safety	7,330,320	7,651,676	7,414,685	236,991
Public works	3,047,344	3,506,838	2,253,628	1,253,210
Environmental protection	2,536,958	2,471,738	2,457,262	14,476
Economic and physical development	471,531	491,531	439,866	51,665
Cultural and recreation	1,137,850	1,331,524	1,309,387	22,137
Contingency	30,000	11,335	-	11,335
Debt service:				
Principal retirement	1,235,383	1,235,383	1,222,951	12,432
Interest and other charges	137,000	137,000	136,895	105
Total expenditures	<u>19,432,699</u>	<u>20,344,395</u>	<u>18,739,105</u>	<u>1,605,290</u>
Revenues over (under) expenditures	<u>(710,831)</u>	<u>(1,306,036)</u>	<u>821,368</u>	<u>2,127,404</u>
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	13,268	3,268
Transfers to other funds	(265,670)	(265,670)	(265,670)	-
Transfers from other funds	966,501	1,561,706	575,000	(986,706)
Total other financing sources (uses)	<u>710,831</u>	<u>1,306,036</u>	<u>322,598</u>	<u>(983,438)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,143,966	<u>\$ 1,143,966</u>
Fund Balance:				
Beginning of year - July 1			<u>6,719,067</u>	
End of year - June 30			<u>\$ 7,863,033</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, 2015

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities except for services provided and used which were not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The Town reports the following major governmental 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, 2015

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.

The Town reports the following nonmajor governmental fund:

Tourism Special Revenue Fund. This fund is used to account for the occupancy and prepared food taxes received and expended exclusively for the purpose of promoting the Town's activities and events.

C. Measurement Focus and Basis of Accounting

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Mecklenburg County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

Deposits and Investments

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

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

Restricted Assets

Unexpended debt proceeds are presented as restricted cash as their use is completely restricted to the purposes for which the funds were received or designated for by an outside third party. In accordance with State law [G.S. 136-41.1 through 136-41.4], Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of local streets.

Governmental Activities:

General Fund

Streets	\$ 670,896
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Capital Improvement Program Capital Project Fund

Culture and recreation - unexpended bond proceeds	<u>4,176,173</u>
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Total governmental activities	<u>\$ 4,847,069</u>
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Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. The taxes levied are based on the assessed values as of January 1, 2014.

Allowance for Uncollectible Accounts

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Prepaid Items

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

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has only one item that meets the criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB Statement No. 68.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld for the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave, with such leave being fully vested when earned. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of the time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

In lieu of such payment, the employee is entitled to additional time off for such holiday hours worked. In lieu of payment for overtime hours worked, an employee may take additional hours off. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Net Position/Fund Balances

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

Long-Term Note Receivable – portion of fund balance that is not an available resource because it represents the amount not expected to be converted to cash during the subsequent fiscal year.

Restricted Fund Balance

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

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

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

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

Restricted fund balance/net position on Exhibit A varies from Exhibit C by the amount of unexpended bond proceeds of \$4,176,173 at June 30, 2015.

Restricted fund balance does not include restricted cash for streets as all restricted amount is encumbered at year-end which is included in the calculation of stabilization by State statute. The amount of \$670,896 is included in stabilization of state statute at year end.

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, 2015

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance.

The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

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

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 non-Town funds, and Town funds.

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

The Town has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	\$ 7,865,820
Less:	
Long term note receivable	91,249
Prepays	8,125
Stabilization by State statute	1,884,154
Total available fund balance	<u>\$ 5,882,292</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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)	\$ 7,863,033
Capital Reserve Fund	
investment earnings	183
Transfers out	(50,600)
Fund balance, beginning	<u>53,204</u>
Fund balance, ending (Exhibit D)	<u>\$ 7,865,820</u>

The outstanding encumbrances represent amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances in the General Fund at June 30, 2015 were \$701,461.

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. 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the Town's deposits had a carrying amount of \$948,510 and a bank balance of \$1,162,577. Of the bank balance, \$669,095 was covered by federal depository insurance, and \$493,482 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2015, the Town had \$11,461,829 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%.

Receivables – Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2015 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	\$ 449,632	\$ 1,148,295	\$ 174,349	\$ 91,249	\$ 1,863,525
Allowance for doubtful accounts	(100,000)	-	-	-	(100,000)
Total governmental activities	<u>\$ 349,632</u>	<u>\$ 1,148,295</u>	<u>\$ 174,349</u>	<u>\$ 91,249</u>	<u>\$ 1,763,525</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Due from other governments consisted of the following:

Local option sales tax	\$	448,378
Other taxes and licenses		267,402
Franchise tax		351,132
Sales tax refund receivable		81,383
Total	\$	<u>1,148,295</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, 2015 was \$91,249.

Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 227,052,345	\$ 381,940	\$ -	\$ 227,434,285
Construction in progress	26,997	-	(26,997)	-
Total non-depreciable capital assets	<u>227,079,342</u>	<u>381,940</u>	<u>(26,997)</u>	<u>227,434,285</u>
Depreciable Capital Assets:				
Buildings and improvements	28,493,158	8,400	-	28,501,558
Equipment	3,404,912	317,329	(107,203)	3,615,038
Vehicles and motorized equipment	5,522,881	176,091	(101,623)	5,597,349
Infrastructure	95,646,784	-	-	95,646,784
Total depreciable capital assets	<u>133,067,735</u>	<u>501,820</u>	<u>(208,826)</u>	<u>133,360,729</u>
Less Accumulated Depreciation:				
Buildings and improvements	8,105,861	722,838	-	8,828,699
Equipment	2,378,964	232,895	(107,203)	2,504,656
Vehicles and motorized equipment	4,805,475	364,160	(101,623)	5,068,012
Infrastructure	90,933,332	1,660,145	-	92,593,477
Total accumulated depreciation	<u>106,223,632</u>	<u>\$ 2,980,038</u>	<u>\$ (208,826)</u>	<u>108,994,844</u>
Total depreciable capital assets, net	<u>26,844,103</u>			<u>24,365,885</u>
Capital assets, net	<u>\$ 253,923,445</u>			<u>\$ 251,800,170</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Governmental Activities:	
General government	\$ 1,656,765
Public safety	882,851
Public works	342,729
Economic and physical development	1,738
Culture and recreation	95,955
Total	<u>\$ 2,980,038</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>
Capital assets	\$ 251,800,170
Long-term debt	(8,829,431)
Debt for assets not capitalized by the Town	6,607,132
Net investment in capital assets	<u>\$ 249,577,871</u>

Unexpended debt proceeds listed as restricted cash are for assets not capitalized by the Town of Matthews, therefore, that amount is omitted in the calculation of net investment in capital assets.

B. Liabilities

Pension Plan Obligations

Local Government Employees' Retirement System

Plan Description. The Town is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$529,824 for the year ended June 30, 2015.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported an asset of \$680,921 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town’s proportion was .1155%, which was a decrease of .0056% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$32,163. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 74,402
Net difference between projected and actual earnings on pension plan investments	-	1,585,170
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	42,003
Town contributions subsequent to the measurement date	529,824	-
Total	\$ 529,824	\$ 1,701,575

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$529,824 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2016	\$ (425,467)
2017	(425,467)
2018	(425,467)
2019	(425,174)
2020	-
Thereafter	-
Total	<u>\$ (1,701,575)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies'

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.19%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 2,311,340	\$ (680,921)	\$ (3,200,308)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	
Active plan members	59
Total	60

A separate report was not issued for the Plan.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator and plan members.

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, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	148,607
Interest on net pension obligation		38,242
Adjustment to annual required contribution		<u>(64,610)</u>
Annual pension cost		122,239
Contributions made		<u>13,045</u>
Increase in net pension obligation		109,194
Net pension obligation:		
Beginning of year - July 1		<u>764,844</u>
End of year - June 30	\$	<u><u>874,038</u></u>

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 100,782	14.52%	\$ 676,974
2014	122,239	10.67%	764,844
2015	122,239	10.67%	874,038

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,227,668. The covered payroll (annual payroll of active employees covered by the plan) was \$3,175,206, and the ratio of the UAAL to the covered payroll was 38.66 percent. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Other Post-Employment Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). In 1992, the Town adopted a resolution whereby the Town provided post-employment healthcare benefits to retirees of the Town, provided they met certain qualifications. Under this resolution, the Town agreed to pay for the cost of the Medicare supplement for retirees over age 65 with 25 years of continuous service with the Town. Shortly thereafter, the Town amended this resolution to no longer include this post-employment benefit; therefore, currently only one retiree is eligible for post-employment benefits. The Town obtains healthcare coverage through private insurers. For the fiscal year ended June 30, 2015, there were no post-employment employees on the revised Town policy. A separate report was not issued for the plan.

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

Retirees and dependents receiving benefits	1
--	---

Funding Policy. The Town agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. Members that retire with at least 20 years of service are allowed to purchase health insurance at their own expense. Retiree has lifetime benefits for a medical supplemental policy and Medicare will not assume coverage. The Town has chosen to fund the benefits on a pay-as-you-go basis.

The current annual required contribution (ARC) is \$10,535, and no annual payroll is covered because the Town has closed the plan and no longer offers post-retirement healthcare benefits to active members. For fiscal year 2015, the Town contributed \$4,297. There were no contributions by employees for the fiscal year ended June 30, 2015. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the post-retirement benefits:

Annual required contribution	\$	10,535
Interest on net OPEB obligation		1,007
Adjustment to annual required contribution		<u>(8,729)</u>
Annual OPEB cost (expense)		2,813
Contributions made		<u>(4,297)</u>
Increase (decrease) in net OPEB obligation		(1,484)
Net OPEB obligation:		
Beginning of year - July 1		<u>25,194</u>
End of year - June 30	\$	<u><u>23,710</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost (AOC)</u>	<u>Percentage</u> <u>of AOC</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2015	\$ 2,813	152.76%	\$ 23,710
2014	2,097	211.49%	25,194
2013	858	571.10%	27,532

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, 2015

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

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

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

Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Accounts Payable – Disaggregate Information

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	\$ 556,732	\$ 107,943	\$ 664,675
Other governmental	57,113	-	57,113
Total governmental activities	\$ 613,845	\$ 107,943	\$ 721,788

Deferred Outflows/Inflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to the pension plan in current fiscal year	\$ 529,824

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

	Amount
Taxes receivable (General Fund)	\$ 349,632
General billing receivables (General Fund)	39,269
Privilege license receivable (General Fund)	26,614
Pension deferrals	1,701,575
Total	\$ 2,117,090

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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Risk Management

The Town of Matthews is exposed to a variety of risks for loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; torts and natural disasters. The Town will eliminate or transfer risks whenever possible.

However, funds are used to purchase insurance products for group health, workers' compensation and property/casualty exposures.

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

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

There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Claims and Judgments

At June 30, 2015, 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Bonds payable at June 30, 2015, are comprised of the following:

General Obligation Bonds - Serviced by the General Fund:

\$5,930,000 Water and Sewer Refunding Bonds dated April 1, 2004, and due in increasing annual principal installments through June 1, 2012; installments through June 1, 2018; interest at variable rates from 2.0% to 4.0%	\$ 1,000,000
\$5,500,000 Water and Sewer Refunding Bonds dated October 28, 2014 and due in increasing annual principal installments through February 1, 2016; installments through February 1, 2034; interest at variable rates from 2.0% to 4.0%	<u>5,500,000</u>
Total	<u>\$ 6,500,000</u>

Notes Payable

As of June 30, 2015, the Town was obligated under the following notes payable to banks used to renovate buildings and acquire equipment. The notes payable were as follows:

Issued \$727,184 December 2008 note payable requiring monthly payments of \$6,926, including principal and interest at the rate of 3.580% per annum through July 2019; secured by various equipment	\$ 312,174
Issued \$2,674,532 July 2012 note payable requiring monthly payments of \$5,000 to \$70,000, including principal and interest at the rate of 3.52% per annum through June 2017; secured by real estate and equipment	1,125,194
Issued \$200,000 April 2015 note payable requiring annual payments of \$51,864, including principal and interest at the rate of 1.48% per annum through April 2019; secured by equipment	200,000
Issued \$275,000 November 2010 note payable requiring semi-annual payments of \$20,000 to \$24,000, including principal and interest at the effective rate of 2.00% per annum through November 2017; secured by real estate	98,214
Issued \$861,246 January 2010 note payable requiring annual payments of \$113,603, including interest at the rate of 5.38% per annum through January 2020; secured by equipment	<u>486,717</u>
Total	<u>\$ 2,222,299</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Year Ending <u>June 30</u>	General Obligation Bonds		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 695,000	\$ 207,252	\$ 801,269	\$ 69,097	\$ 1,496,269	\$ 276,349
2017	685,000	152,488	869,817	40,315	1,554,817	192,803
2018	520,000	132,050	286,281	19,972	806,281	152,022
2019	300,000	117,250	157,129	12,071	457,129	129,321
2020	300,000	111,250	107,803	5,800	407,803	117,050
2021-2025	1,500,000	463,250	-	-	1,500,000	463,250
2026-2030	1,500,000	273,500	-	-	1,500,000	273,500
2031-2034	1,000,000	69,250	-	-	1,000,000	69,250
Total	<u>\$ 6,500,000</u>	<u>\$ 1,526,290</u>	<u>\$ 2,222,299</u>	<u>\$ 147,255</u>	<u>\$ 8,722,299</u>	<u>\$ 1,673,545</u>

At June 30, 2015, the Town of Matthews had a legal debt margin of approximately \$273,500,945.

Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2015.

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation bonds	\$ 1,400,000	\$ 5,500,000	\$ (400,000)	\$ 6,500,000	\$ 695,000
Premium	-	107,132	-	107,132	-
Notes payable	2,845,250	200,000	(822,951)	2,222,299	801,269
Compensated absences	435,369	315,550	(324,292)	426,627	42,663
OPEB liability	25,194	2,813	(4,297)	23,710	-
Net pension obligation (LGERS)	1,459,720	-	(1,459,720)	-	-
Net pension obligation (LEO)	764,844	122,239	(13,045)	874,038	-
Governmental activity long-term liabilities	<u>\$ 6,930,377</u>	<u>\$ 6,247,734</u>	<u>\$(3,024,305)</u>	<u>\$ 10,153,806</u>	<u>\$ 1,538,932</u>

Compensated absences, net pension liabilities, and OPEB liabilities for governmental activities have typically been liquidated in the General Fund. The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

C. Interfund Balances and Activities

Transfers To/From Other Funds

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Improvement Fund	\$ 265,670	To offset cost of construction in progress
Capital Reserve Fund	Capital Improvement Fund	50,600	To offset cost of construction in progress
Tourism Fund	Capital Improvement Fund	205,000	To offset cost of construction in progress
Capital Improvement Fund	Tourism Fund	292,000	To offset operating costs
Tourism Fund	General Fund	575,000	To offset operating costs

3. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

4. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting For Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. This implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result the net position for the governmental activities decreased by \$988,490.

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)***
 - ❖ Schedule of Matthews Proportionate Share of Net Pension Liability (Asset) and Contributions for ***LGERS***
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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, 2015

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)
12/31/2005	\$ -	\$ 357,202	\$ 357,202	0.00%	\$ 2,226,099	16.05%
12/31/2006	-	403,306	403,306	0.00%	2,486,737	13.60%
12/31/2007	-	496,452	496,452	0.00%	2,640,727	18.80%
12/31/2008	-	728,727	728,727	0.00%	2,686,047	27.13%
12/31/2009	-	1,136,609	1,136,609	0.00%	2,954,932	38.46%
12/31/2010	-	871,535	871,535	0.00%	2,895,935	30.10%
12/31/2011	-	870,636	870,636	0.00%	2,979,150	29.22%
12/31/2012	-	905,013	905,013	0.00%	2,834,902	31.92%
12/31/2013	-	1,075,211	1,075,211	0.00%	3,021,501	35.59%
12/31/2014	-	1,227,668	1,227,668	0.00%	3,175,206	38.66%

TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2005	\$ 53,365	8.12%
2006	55,496	10.54%
2007	58,496	17.65%
2008	55,855	133.70%
2009	61,000	26.49%
2010	78,725	33.87%
2011	120,973	17.08%
2012	105,038	13.94%
2013	108,038	13.55%
2014	112,688	3.12%
2015	148,607	8.78%

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	12/31/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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, 2015

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
2015	\$ 10,535	40.79%
2014	10,535	42.10%
2013	10,535	46.51%
2012	10,535	44.61%
2011	16,734	28.05%
2010	16,734	26.06%

Notes to the Required Schedules:

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

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

*Includes inflation at 3.00%

TOWN OF MATTHEWS, NORTH CAROLINA**TOWN OF MATTHEWS PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS*****Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
Matthews' proportion of the net pension liability (asset) (%)	-0.11546%	0.12110%
Matthews' proportion of the net pension liability (asset) (\$)	\$ (680,921)	\$ 1,459,720
Matthews' covered-employee payroll	\$ 6,632,393	\$ 6,093,728
Matthews' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.27%)	23.95%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

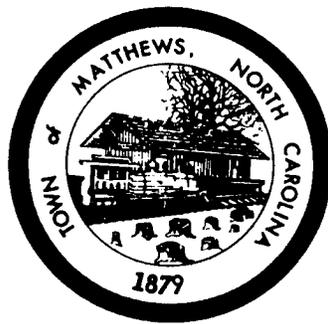
* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF MATTHEWS, NORTH CAROLINA

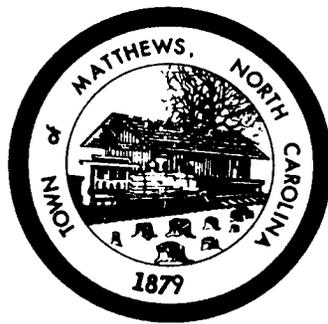
TOWN OF MATTHEWS CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARSLocal Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 529,824	\$ 471,230
Contributions in relation to the contractually required contribution	<u>529,824</u>	<u>471,230</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Matthews' covered-employee payroll	\$ 7,310,377	\$ 6,632,393
Contributions as a percentage of covered-employee payroll	7.25%	7.10%



Supplementary Information and Individual Fund Financial Statements

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



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total General Fund</u>
Revenues:			
Ad valorem taxes	\$ 11,024,527	\$ -	\$ 11,024,527
Other taxes and licenses	4,859,030	-	4,859,030
Unrestricted intergovernmental	218,473	-	218,473
Restricted intergovernmental	1,635,821	-	1,635,821
Permits and fees	15,000	-	15,000
Sales and services	1,564,049	-	1,564,049
Investment earnings	1,400	183	1,583
Miscellaneous	242,173	-	242,173
Total revenues	<u>19,560,473</u>	<u>183</u>	<u>19,560,656</u>
Expenditures:			
Current:			
General government	3,504,431	-	3,504,431
Public safety	7,414,685	-	7,414,685
Public works	2,253,628	-	2,253,628
Environmental protection	2,457,262	-	2,457,262
Economic and physical development	439,866	-	439,866
Culture and recreation	1,309,387	-	1,309,387
Debt service:			
Principal retirement	1,222,951	-	1,222,951
Interest and other charges	136,895	-	136,895
Total expenditures	<u>18,739,105</u>	<u>-</u>	<u>18,739,105</u>
Revenues over (under) expenditures	<u>821,368</u>	<u>183</u>	<u>821,551</u>
Other Financing Sources (Uses):			
Transfers (to) other funds	(265,670)	(50,600)	(316,270)
Transfers from other funds	575,000	-	575,000
Proceeds from sale of capital assets	13,268	-	13,268
Total other financing sources (uses)	<u>322,598</u>	<u>(50,600)</u>	<u>271,998</u>
Net change in fund balances	1,143,966	(50,417)	1,093,549
Fund Balances:			
Beginning of year - July 1	<u>6,719,067</u>	<u>53,204</u>	<u>6,772,271</u>
End of year - June 30	<u>\$ 7,863,033</u>	<u>\$ 2,787</u>	<u>\$ 7,865,820</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 11,161,000	\$ 10,975,301	\$ (185,699)	\$ 11,043,203
Penalties and interest	40,000	49,226	9,226	80,882
Total	<u>11,201,000</u>	<u>11,024,527</u>	<u>(176,473)</u>	<u>11,124,085</u>
Other Taxes and Licenses:				
Local option sales tax	2,495,861	2,689,154	193,293	2,351,106
Piped natural gas excise tax	150,000	3,347	(146,653)	232,923
Utility franchise tax	880,650	1,294,723	414,073	829,795
Telecommunications sales tax	331,200	357,060	25,860	345,097
Tipping tax	15,800	19,013	3,213	19,904
In lieu of land dedication fees	-	33,560	33,560	-
Animal control license	25,000	25,001	1	25,370
Cablevision franchise fees	196,692	225,192	28,500	204,769
Rental vehicle tax	39,300	39,242	(58)	53,981
Privilege licenses	200,000	172,738	(27,262)	180,223
Total	<u>4,334,503</u>	<u>4,859,030</u>	<u>524,527</u>	<u>4,243,168</u>
Unrestricted Intergovernmental:				
Beer and wine tax	117,000	140,525	23,525	124,243
ABC profit distribution	71,300	77,948	6,648	70,064
Total	<u>188,300</u>	<u>218,473</u>	<u>30,173</u>	<u>194,307</u>
Restricted Intergovernmental:				
Powell Bill allocation	766,626	766,103	(523)	745,750
CMUD bond payment reimbursement	450,063	450,063	-	473,388
Police Grant - D.A.R.E.	15,007	15,007	-	14,432
CDBG	49,000	-	(49,000)	-
Fire - SAFER grants	319,491	246,304	(73,187)	37,155
Miscellaneous grants	160,734	158,344	(2,390)	123,129
Total	<u>1,760,921</u>	<u>1,635,821</u>	<u>(125,100)</u>	<u>1,393,854</u>
Permits and Fees:				
Planning revenue	15,000	15,000	-	15,000
Total	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Sales and Services:				
Stormwater fees	613,758	587,039	(26,719)	565,258
Rental fees	205,584	204,289	(1,295)	228,795
Recreation program revenues	107,000	172,954	65,954	152,089
Community center revenues	190,000	303,902	113,902	255,691
Zoning ordinance sales	12,500	20,598	8,098	12,852
Rescue/EMS assistance	100,000	90,166	(9,834)	94,525
Police services	23,794	24,015	221	9,906
Other police contracts	161,086	161,086	-	131,986
Police agreement	-	-	-	31
Total	<u>1,413,722</u>	<u>1,564,049</u>	<u>150,327</u>	<u>1,451,133</u>
Investment Earnings	<u>1,000</u>	<u>1,400</u>	<u>400</u>	<u>732</u>
Miscellaneous:				
Other	<u>123,913</u>	<u>242,173</u>	<u>118,260</u>	<u>112,027</u>
Total	<u>123,913</u>	<u>242,173</u>	<u>118,260</u>	<u>112,027</u>
Total revenues	<u>19,038,359</u>	<u>19,560,473</u>	<u>522,114</u>	<u>18,534,306</u>
Expenditures:				
General Government:				
Salaries and employee benefits	18,906	18,906	-	18,916
Expenses allowance	38,000	30,450	7,550	34,911
Operating expenses	<u>178,561</u>	<u>186,113</u>	<u>(7,552)</u>	<u>166,224</u>
Total	<u>235,467</u>	<u>235,469</u>	<u>(2)</u>	<u>220,051</u>
Administration:				
Salaries and employee benefits	2,643,223	2,613,251	29,972	2,362,262
Operating expenditures	616,180	644,939	(28,759)	660,148
Capital outlay	<u>12,500</u>	<u>10,772</u>	<u>1,728</u>	<u>18,376</u>
Total	<u>3,271,903</u>	<u>3,268,962</u>	<u>2,941</u>	<u>3,040,786</u>
Total general government	<u>3,507,370</u>	<u>3,504,431</u>	<u>2,939</u>	<u>3,260,837</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Public Safety:				
Police:				
Salaries and employee benefits	4,415,538	4,422,012	(6,474)	4,232,277
Operating expenditures	1,106,665	975,975	130,690	792,004
Capital outlay	237,600	236,987	613	316,417
Total	<u>5,759,803</u>	<u>5,634,974</u>	<u>124,829</u>	<u>5,340,698</u>
Fire:				
Salaries and employee benefits	1,055,883	1,066,860	(10,977)	814,094
Operating expenditures	614,508	497,434	117,074	303,508
Donation to volunteer fire departments	142,500	144,000	(1,500)	144,000
Total	<u>1,812,891</u>	<u>1,708,294</u>	<u>104,597</u>	<u>1,261,602</u>
Animal Control:				
Salaries and employee benefits	46,717	44,989	1,728	42,625
Other operating expenses	32,265	26,428	5,837	24,042
Total	<u>78,982</u>	<u>71,417</u>	<u>7,565</u>	<u>66,667</u>
Total public safety	<u>7,651,676</u>	<u>7,414,685</u>	<u>236,991</u>	<u>6,668,967</u>
Public Works:				
Street Department:				
Salaries and employee benefits	1,301,526	1,268,887	32,639	1,269,003
Operating expenses	1,646,414	960,177	686,237	1,389,757
Capital outlay	558,898	24,564	534,334	22,655
Total	<u>3,506,838</u>	<u>2,253,628</u>	<u>1,253,210</u>	<u>2,681,415</u>
Environmental Protection:				
Sanitation:				
Contracted services	1,908,700	1,891,807	16,893	1,868,892
Total	<u>1,908,700</u>	<u>1,891,807</u>	<u>16,893</u>	<u>1,868,892</u>
Storm Water:				
Salaries and employee benefits	370,108	374,157	(4,049)	348,109
Operating expenses	192,902	191,298	1,604	198,656
Capital outlay	28	-	28	1,809
Total	<u>563,038</u>	<u>565,455</u>	<u>(2,417)</u>	<u>548,574</u>
Total environmental protection	<u>2,471,738</u>	<u>2,457,262</u>	<u>14,476</u>	<u>2,417,466</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	392,013	370,411	21,602	363,160
Operating expenses	99,518	69,455	30,063	42,766
Total	491,531	439,866	51,665	405,926
Culture and Recreation:				
Parks:				
Salaries and employee benefits	608,392	596,819	11,573	560,298
Operating expenses	708,132	704,104	4,028	595,313
Capital outlay	15,000	8,464	6,536	14,131
Total	1,331,524	1,309,387	22,137	1,169,742
Debt Service:				
Principal retirement	1,235,383	1,222,951	12,432	1,402,569
Interest and other charges	137,000	136,895	105	179,037
Total	1,372,383	1,359,846	12,537	1,581,606
Contingency	11,335	-	11,335	-
Total expenditures	20,344,395	18,739,105	1,605,290	18,185,959
Revenues over (under) expenditures	(1,306,036)	821,368	2,127,404	348,347
Other Financing Sources (Uses):				
Sale of capital assets	10,000	13,268	3,268	20,627
Transfer (to) other funds	(265,670)	(265,670)	-	(367,483)
Transfer from other funds	1,561,706	575,000	(986,706)	698,172
Total other financing sources (uses):	1,306,036	322,598	(983,438)	351,316
Net change in fund balance	\$ -	1,143,966	\$ 1,143,966	699,663
Fund Balance:				
Beginning of year - July 1		6,719,067		6,019,404
End of year - June 30		\$ 7,863,033		\$ 6,719,067

TOWN OF MATTHEWS, NORTH CAROLINA

CAPITAL RESERVE FUND - STORMWATER PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 183	\$ (183)
Total revenues	<u>-</u>	<u>183</u>	<u>(183)</u>
Other Financing Sources (Uses):			
Transfer to other funds	(50,600)	(50,600)	-
Appropriated fund balance	<u>50,600</u>	<u>-</u>	<u>(50,600)</u>
Total other financing sources (uses)	<u>-</u>	<u>(50,600)</u>	<u>(50,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>(50,417)</u>	<u>\$ (50,417)</u>
Fund Balance:			
Beginning of year - July 1		<u>53,204</u>	
End of year - June 30		<u>\$ 2,787</u>	

Capital Projects Fund

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



TOWN OF MATTHEWS, NORTH CAROLINA

**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, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Investment earnings		\$ 11,188	\$ -	\$ 11,188	
Restricted intergovernmental		2,869,926	162,034	3,031,960	
Miscellaneous		80,851	688	81,539	
Donations		2,400	71,629	74,029	
Total revenues	<u>\$ 10,968,921</u>	<u>2,964,365</u>	<u>234,351</u>	<u>3,198,716</u>	<u>\$ (7,770,205)</u>
Expenditures:					
Culture and Recreation:					
Park equipment replacement		-	17,704	17,704	
Wayfinding system		439,028	30,716	469,744	
Total culture and recreation		<u>439,028</u>	<u>48,420</u>	<u>487,448</u>	
Public Safety:					
Police radio system upgrade		347,862	36,801	384,663	
Volunteer fire truck		150,000	-	150,000	
Police Mobile CAD		339,107	-	339,107	
Total public safety		<u>836,969</u>	<u>36,801</u>	<u>873,770</u>	
Public Works:					
W. Charles Street Connector Project		163,258	5,900	169,158	
Buckley Way Project		26,997	11,550	38,547	
North Trade Street Project		40,192	-	40,192	
South Trade Street Project		473,527	-	473,527	
Right-of-way Crestdale		-	62,848	62,848	
Public works vehicle and equipment		-	65,329	65,329	
Streetsweeper		-	238,183	238,183	
Hwy 51-Matthews-Idlewild Intersection		81,250	-	81,250	
S. Trade Street Project - GO Bonds		125,294	1,658,179	1,783,473	
Improvements: Hwy 51-Matthews					
Mint Hill Road		65,753	-	65,753	
Total public works		<u>976,271</u>	<u>2,041,989</u>	<u>3,018,260</u>	
Environmental Protection:					
Campus Ridge Project		488,485	139,087	627,572	
Information Systems:					
Financial software		100,682	-	100,682	

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, 2015

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Debt Service:					
Principal		1,857,512	-	1,857,512	
Interest		82,957	-	82,957	
Total debt service		<u>1,940,469</u>	<u>-</u>	<u>1,940,469</u>	
Total expenditures	<u>21,567,514</u>	<u>4,781,904</u>	<u>2,266,297</u>	<u>7,048,201</u>	<u>14,519,313</u>
Revenues over (under) expenditures	<u>(10,598,593)</u>	<u>(1,817,539)</u>	<u>(2,031,946)</u>	<u>(3,849,485)</u>	<u>6,749,108</u>
Other Financing Sources (Uses):					
Transfer from other funds	8,196,816	587,483	521,270	1,108,753	(7,088,063)
Transfer to other funds	(292,000)	-	(292,000)	(292,000)	-
Premium issued	107,132	-	107,132	107,132	-
Long-term debt issued	2,540,145	1,622,791	5,700,000	7,322,791	4,782,646
Proceeds from sale of capital assets	<u>46,500</u>	<u>193,009</u>	<u>-</u>	<u>193,009</u>	<u>146,509</u>
Total other financing sources (uses)	<u>10,598,593</u>	<u>2,403,283</u>	<u>6,036,402</u>	<u>8,439,685</u>	<u>(2,158,908)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 585,744</u>	<u>4,004,456</u>	<u>\$ 4,590,200</u>	<u>\$ 4,590,200</u>
Fund Balance:					
Beginning of year - July 1			<u>585,744</u>		
End of year - June 30			<u>\$ 4,590,200</u>		

Special Revenue Fund

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

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



TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 429,629	\$ 504,123	\$ 74,494
Prepared food tax	809,859	826,173	16,314
Rental car tax	131,328	126,052	(5,276)
Sales and services	<u>2,000</u>	<u>608</u>	<u>(1,392)</u>
Total revenues	<u>1,372,816</u>	<u>1,456,956</u>	<u>84,140</u>
Expenditures:			
Culture and recreation			
Tourism	<u>850,659</u>	<u>606,365</u>	<u>244,294</u>
Total expenditures	<u>850,659</u>	<u>606,365</u>	<u>244,294</u>
Revenues over (under) expenditures	<u>522,157</u>	<u>850,591</u>	<u>(328,434)</u>
Other Financing Sources (Uses):			
Transfer from other funds	292,000	292,000	-
Transfer to other funds	<u>(814,157)</u>	<u>(780,000)</u>	<u>(34,157)</u>
Total other financing sources (uses)	<u>(522,157)</u>	<u>(488,000)</u>	<u>(34,157)</u>
Net change in fund balance	<u>\$ -</u>	<u>362,591</u>	<u>\$ 362,591</u>
Fund Balance:			
Beginning of year - July 1		<u>334,018</u>	
End of year - June 30		<u>\$ 696,609</u>	



Additional Financial Data

This section contains additional information on property taxes:

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



TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 11,200,735	\$ 11,149,083	\$ 51,652
2013-2014	138,604	-	83,483	55,121
2012-2013	70,186	-	22,333	47,853
2011-2012	49,503	-	3,989	45,514
2010-2011	92,654	-	1,254	91,400
2009-2010	40,745	-	1,122	39,623
2008-2009	36,598	-	1,594	35,004
2007-2008	41,576	-	257	41,319
2006-2007	27,878	-	1,535	26,343
2005-2006	15,904	-	101	15,803
2004-2005	10,360	-	10,360	-
Total	\$ 524,008	\$ 11,200,735	\$ 11,275,111	449,632
Less: Allowance for uncollectible accounts				(100,000)
Ad valorem taxes receivable, net				\$ 349,632
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 11,024,527
Reconciling items:				
Penalties and interest collected				(49,226)
Amounts written off due to Statute of Limitations				10,360
Prior year releases and other adjustments				289,350
Total collections and credits				\$ 11,275,011

TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 3,157,719,370	\$ 0.3175	\$ 10,025,759	\$ 10,025,759	\$ -
Registered motor vehicles taxed at current year's rate	<u>430,152,756</u>	0.3175	<u>1,365,735</u>	<u>-</u>	<u>1,365,735</u>
Total	<u>3,587,872,126</u>		<u>11,391,494</u>	<u>10,025,759</u>	<u>1,365,735</u>
Discoveries:					
Prior years' taxes	<u>10,643,465</u>	0.3175	<u>33,793</u>	<u>33,412</u>	<u>381</u>
Abatement:	<u>(70,725,039)</u>	0.3175	<u>(224,552)</u>	<u>(224,552)</u>	<u>-</u>
Total property valuation	<u>\$ 3,527,790,551</u>				
Net Levy			11,200,735	9,834,619	1,366,116
Uncollected taxes at June 30, 2015			<u>(51,652)</u>	<u>(51,583)</u>	<u>(69)</u>
Current Year's Taxes Collected			<u>\$ 11,149,083</u>	<u>\$ 9,783,036</u>	<u>\$ 1,366,047</u>
Current Levy Collection Percentage			<u>99.54%</u>	<u>99.48%</u>	<u>99.99%</u>

Secondary Market Disclosures:**Assessed Valuation:**

Assessment ratio ¹	100%
Real property	\$ 3,157,719,370
Personal property	315,172,778
Public service companies ²	<u>54,898,403</u>
Total assessed valuation	3,527,790,551
Tax rate per \$100	<u>0.3175</u>
Levy (includes discoveries, releases and abatements) ³	<u>\$ 11,200,735</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 Commission³ The levy includes interest and penalties.

Statistical Section

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



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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Primary government										
Net investment in capital assets	\$ 279,681,491	\$ 262,511,988	\$ 264,648,341	\$ 261,861,998	\$ 256,498,533	253,669,319	254,103,028	252,890,325	\$ 251,078,195	\$ 249,577,871
Restricted	-	-	-	-	-	1,954,537	2,102,387	2,129,405	2,075,669	2,994,790
Unrestricted	806,782	14,792,951	8,592,662	8,881,301	9,403,033	6,864,385	4,919,787	3,380,706	3,987,056	2,043,074
Total primary government net position	<u>\$ 280,488,273</u>	<u>\$ 277,304,939</u>	<u>\$ 273,241,003</u>	<u>\$ 270,743,299</u>	<u>\$ 265,901,566</u>	<u>\$ 262,488,241</u>	<u>\$ 261,125,202</u>	<u>258,400,436</u>	<u>\$ 257,140,920</u>	<u>\$ 254,615,735</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 6,625,826	\$ 6,644,807	\$ 6,864,191	\$ 6,790,343	\$ 7,039,748	\$ 5,724,666	\$ 6,058,474	\$ 4,886,735	\$ 5,974,279	\$ 5,218,577
Public safety	6,263,505	6,646,928	7,221,272	8,175,344	7,620,881	7,687,273	8,342,632	8,267,422	7,617,603	8,267,556
Public works	2,609,510	1,566,573	3,340,233	3,121,238	3,697,289	2,824,717	3,201,853	3,345,621	2,964,931	3,928,735
Environmental protection	1,880,068	2,016,101	2,131,562	2,376,802	2,287,916	2,426,342	2,393,995	2,657,708	2,753,791	2,596,349
Economic and physical development	419,433	408,458	529,283	473,900	557,786	429,238	468,470	459,159	407,664	441,604
Cultural and recreation	946,996	2,547,098	1,276,386	1,196,978	1,877,984	2,662,820	1,546,301	2,434,493	1,554,561	2,051,727
Interest on long term debt	660,906	619,269	544,632	647,687	369,276	347,316	290,933	230,229	199,494	227,853
Total primary government expenses	19,406,244	20,449,234	21,907,559	22,782,292	23,450,880	22,102,372	22,302,658	\$ 22,281,367	21,472,323	22,732,401
Program Revenues										
Governmental activities:										
Charges for services:										
General government	461,468	-	50,336	94,455	51,256	147,817	95,080	110,548	72,997	117,670
Public safety	120,015	325,893	245,145	561,619	262,123	280,464	442,380	455,113	304,997	342,818
Public works	511,389	579,683	424,249	657,850	588,411	600,363	614,991	613,092	587,099	591,114
Economic and physical development	23,864	1,675	15,531	12,561	8,908	10,960	13,106	10,823	12,852	20,598
Cultural and recreation	303,100	595,730	683,272	615,038	648,934	550,354	726,927	660,049	630,010	765,912
Operating grants and contributions:										
General government	9,000	-	4,747	1,000	-	2,500	21,447	17,769	-	-
Public safety	166,759	12,426	144,107	151,945	95,811	141,576	140,668	128,576	177,745	426,319
Public works	728,654	727,130	843,663	785,619	1,277,582	734,541	789,082	741,986	760,750	1,015,454
Economic and physical development	25,000	-	-	-	-	-	-	-	-	-
Cultural and recreation	-	22,113	10,000	30,000	20,000	20,000	1,300,734	20,000	20,867	21,575
Interest on long term debt	636,625	-	-	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	1,568,015	617,025	497,237	566,375	545,375	522,475	499,875	481,550	473,388	450,063
Cultural and recreation	217,820	-	-	-	-	176,131	270,403	184,250	125,616	-
Environmental protection	-	-	-	-	-	-	-	88,184	300,204	-
Public works	-	85,000	9,317	1,948,541	-	5,307	-	-	-	-
Public safety	-	-	-	-	1,515	208,884	28,624	84,831	-	158,344
Total governmental activities program revenues	4,771,709	2,966,675	2,927,604	5,425,003	3,499,915	3,401,372	4,943,317	3,596,771	3,466,525	3,909,867
Net (expense)/revenue										
Total governmental activities net (expense)/revenue	(14,634,535)	(17,482,559)	(18,979,955)	(17,357,289)	(19,950,965)	(18,701,000)	(17,359,341)	(18,684,596)	(18,005,798)	(18,822,534)

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	8,186,383	8,542,509	9,093,839	10,014,657	10,367,847	10,407,387	10,737,237	10,558,073	11,104,878	10,950,151
Local option sales tax	-	2,237,330	2,487,413	1,695,401	1,889,903	1,987,038	2,223,793	2,200,892	2,351,106	2,689,154
Utility franchise and excise tax	-	-	1,565,435	1,986,645	1,660,154	1,663,936	1,647,936	1,658,201	1,612,584	1,880,322
Other taxes and licenses	1,044,201	1,407,414	1,357,727	1,266,109	1,162,070	1,214,920	1,381,967	1,539,463	1,676,761	1,764,629
Unrestricted intergovernmental revenues	-	1,415,445	-	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	3,637,353	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	220,660	484,637	411,605	120,698	29,258	14,394	5,369	3,201	953	1,583
Miscellaneous	97,074	211,890	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues	<u>13,185,671</u>	<u>14,299,225</u>	<u>14,916,019</u>	<u>15,083,510</u>	<u>15,109,232</u>	<u>15,287,675</u>	<u>15,996,302</u>	<u>15,959,830</u>	<u>16,746,282</u>	<u>17,285,839</u>
Change in Net Position										
Governmental activities	(1,448,864)	(3,183,334)	(4,063,936)	(2,273,779)	(4,841,733)	(3,413,325)	(1,363,039)	(2,724,766)	(1,259,516)	(1,536,695)
Net position-beginning	281,937,137	280,488,273	277,304,939	273,241,003	270,743,299	265,901,566	262,488,241	261,125,202	258,400,436	257,140,920
Prior period adjustment	-	-	-	(223,925)	-	-	-	-	-	(988,490)
Net position-ending	<u>\$ 280,488,273</u>	<u>\$ 277,304,939</u>	<u>\$ 273,241,003</u>	<u>\$ 270,743,299</u>	<u>\$ 265,901,566</u>	<u>\$ 262,488,241</u>	<u>\$ 261,125,202</u>	<u>\$ 258,400,436</u>	<u>\$ 257,140,920</u>	<u>\$ 254,615,735</u>

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)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Non-spendable										
Public works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tourism	-	-	-	-	-	-	-	-	-	-
Long term note receivable	-	-	-	-	-	-	-	-	-	91,249
Encumbrances	52,298	71,908	-	-	-	-	-	-	-	-
Prepays	-	15,000	107,803	18,397	29,739	117,183	89,509	47,581	88,311	8,125
Storm water-appropriated	37,000	-	-	-	-	-	-	-	-	-
Storm water-unappropriated	159,933	-	-	-	-	-	-	-	-	-
Stabilization by State Statute	725,471	833,747	899,183	915,136	1,375,612	1,768,485	2,038,137	1,274,173	1,155,907	1,884,154
Streets - Powell Bill - appropriated	-	-	-	-	-	-	-	-	-	-
Streets - Powell Bill - unappropriated	-	-	-	-	-	-	-	-	-	-
Total Non-spendable	<u>974,702</u>	<u>920,655</u>	<u>1,006,986</u>	<u>933,533</u>	<u>1,405,351</u>	<u>1,885,668</u>	<u>2,127,646</u>	<u>1,321,754</u>	<u>1,244,218</u>	<u>1,983,528</u>
Designated for subsequent year's expenditures	190,146	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	439,259	124,125	221,342	221,564	171,147
Culture and Recreation	-	-	-	-	-	-	-	14,743	17,769	-
Public Safety	-	-	-	-	-	-	-	5,000	4,400	-
Unassigned	<u>3,378,208</u>	<u>7,697,243</u>	<u>6,421,920</u>	<u>6,354,516</u>	<u>6,275,337</u>	<u>6,256,757</u>	<u>4,780,735</u>	<u>4,509,548</u>	<u>5,284,320</u>	<u>5,711,145</u>
Total General Fund	<u>\$ 4,543,056</u>	<u>\$ 8,617,898</u>	<u>\$ 7,428,906</u>	<u>\$ 7,288,049</u>	<u>\$ 7,680,688</u>	<u>\$ 8,581,684</u>	<u>\$ 7,032,506</u>	<u>\$ 6,072,387</u>	<u>\$ 6,528,538</u>	<u>\$ 7,865,820</u>
All Other Governmental Funds										
Reserved for:										
Tourism	\$ 458,058	\$ 705,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm water	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	1,615,240	2,238,072	2,902,096	1,886,531	2,100,789	122,366	258,133	634,810
State Statute	43,430	28,043	42,683	30,335	95,046	186,052	64,250	137,206	317,275	74,068
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated for subsequent year's expenditures:										
Capital projects	<u>886,199</u>	<u>1,284,797</u>	<u>28,623</u>	<u>25,086</u>	<u>(391,787)</u>	<u>(812,805)</u>	<u>(961,263)</u>	<u>595,660</u>	<u>344,354</u>	<u>4,577,931</u>
Total all other governmental funds	<u>\$ 1,387,687</u>	<u>\$ 2,017,881</u>	<u>\$ 1,686,546</u>	<u>\$ 2,293,493</u>	<u>\$ 2,605,355</u>	<u>\$ 1,259,778</u>	<u>\$ 1,203,776</u>	<u>\$ 855,232</u>	<u>\$ 919,762</u>	<u>\$ 5,286,809</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Ad valorem taxes	\$ 8,239,209	\$ 8,584,246	\$ 9,065,438	\$ 9,996,417	\$ 10,317,990	\$ 10,387,932	\$ 10,723,296	\$ 10,549,248	\$ 11,124,085	\$ 11,024,527
Other taxes and licenses	1,220,819	3,644,744	5,410,575	4,948,155	4,701,712	4,862,628	5,249,384	5,368,672	5,640,564	6,315,986
Unrestricted intergovernmental	3,637,353	1,415,445	166,412	207,977	93,472	183,995	176,420	173,481	194,307	218,473
Restricted intergovernmental	2,096,540	1,463,694	1,456,790	1,374,161	1,809,707	1,638,210	2,811,646	1,598,464	1,694,058	1,869,484
Permits and fees	25,000	25,000	-	-	20,000	15,000	15,000	15,000	15,000	15,000
Sales and services	859,423	1,477,981	1,332,389	1,487,387	1,495,590	1,381,518	1,738,614	1,661,044	1,451,133	1,564,049
Unrestricted investment earnings	220,660	456,481	411,605	120,698	29,258	14,394	5,369	3,201	953	1,583
Miscellaneous	94,027	211,890	62,401	407,446	81,146	182,650	201,637	148,782	112,027	242,861
Total revenues	<u>16,393,031</u>	<u>17,279,481</u>	<u>17,905,610</u>	<u>18,542,241</u>	<u>18,548,875</u>	<u>18,666,327</u>	<u>20,921,366</u>	<u>19,517,892</u>	<u>20,232,127</u>	<u>21,251,963</u>
Expenditures										
General government	1,219,626	1,353,264	1,621,076	1,628,588	1,841,775	2,000,166	2,206,358	1,971,785	3,314,435	3,504,431
Public safety	6,082,993	6,666,572	7,196,965	6,985,296	7,077,616	7,920,797	7,916,773	7,784,385	6,819,301	7,451,486
Public works	2,960,024	2,885,327	3,714,121	3,183,643	3,773,534	2,582,977	3,087,343	3,065,216	2,970,740	4,295,617
Environmental Prot.	2,052,783	2,016,101	2,131,562	2,376,802	2,287,916	2,426,342	2,393,995	2,657,708	2,753,791	2,596,349
Economic and physical development	409,860	402,341	519,465	543,151	540,426	413,921	457,534	450,559	405,926	439,866
Culture and recreation	6,164,219	2,661,894	2,241,339	1,214,223	1,927,493	3,060,755	3,006,010	3,153,295	1,599,783	1,964,172
Debt service:										
Principal	1,752,196	3,080,497	1,501,151	8,964,465	1,682,352	1,697,813	3,251,250	1,525,812	1,441,855	1,222,951
Interest	660,584	619,269	544,632	647,687	369,276	347,315	290,933	230,229	182,509	136,895
Construction in progress	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>21,302,285</u>	<u>19,685,265</u>	<u>19,470,311</u>	<u>25,543,855</u>	<u>19,500,388</u>	<u>20,450,086</u>	<u>22,610,196</u>	<u>20,838,989</u>	<u>19,488,340</u>	<u>21,611,767</u>
Excess of revenues over (under) expenditures	(4,909,254)	(2,405,784)	(1,564,701)	(7,001,614)	(951,513)	(1,783,759)	(1,688,830)	(1,321,097)	743,787	(359,804)
Other financing sources (uses)										
Debt issued, note payable	-	2,071,000	-	-	-	-	-	-	-	5,700,000
Debt issued, refunding bonds	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	5,039,820	44,374	7,673,204	251,282	5,364	25,224	12,434	20,627	13,268
Premium Issued	-	-	-	-	-	-	-	-	-	107,132
Total other financing sources (uses)	<u>-</u>	<u>7,110,820</u>	<u>44,374</u>	<u>7,673,204</u>	<u>251,282</u>	<u>5,364</u>	<u>25,224</u>	<u>12,434</u>	<u>20,627</u>	<u>5,820,400</u>
Net change in fund balances	<u>\$ (4,909,254)</u>	<u>\$ 4,705,036</u>	<u>\$ (1,520,327)</u>	<u>\$ 671,590</u>	<u>\$ (700,231)</u>	<u>\$ (1,778,395)</u>	<u>\$ (1,663,606)</u>	<u>\$ (1,308,663)</u>	<u>\$ 764,414</u>	<u>\$ 5,460,596</u>
Debt services as a percentage of noncapital expenditures	<u>11.3%</u>	<u>21.0%</u>	<u>11.9%</u>	<u>41.3%</u>	<u>11.9%</u>	<u>11.2%</u>	<u>17.4%</u>	<u>9.4%</u>	<u>8.3%</u>	<u>6.3%</u>

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

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate
2006	2,246,838,340	382,616,174	44,313,296	2,673,767,810	0.3075
2007	2,404,749,326	433,590,128	81,127,418	2,919,466,872	0.3075
2008	2,623,673,106	288,189,269	51,681,690	2,963,544,065	0.3075
2009	2,652,308,962	293,588,873	52,876,218	2,998,774,053	0.3325
2010	2,769,940,150	318,285,113	52,876,218	3,141,101,481	0.3325
2011	2,806,610,526	313,763,609	47,946,669	3,168,320,804	0.3325
2012	3,231,592,066	353,519,669	60,470,721	3,645,582,456	0.3025
2013	3,152,285,289	353,834,050	61,915,728	3,568,035,067	0.3025
2014	3,163,106,142	402,027,411	58,145,502	3,623,279,055	0.3175
2015	3,157,719,370	315,172,778	54,898,403	3,527,790,551	0.3175

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

Fiscal Year	Town of Matthews		Mecklenburg County		Total Direct and Overlapping Rate
	Operating Rate	Total Direct Rate	Operating Rate	Total Direct Rate	
2006	\$ 0.3075	\$ 0.3075	\$ 0.8638	\$ 0.8638	\$ 1.1713
2007	0.3075	0.3075	0.8387	0.8387	1.1462
2008	0.3075	0.3075	0.8387	0.8387	1.1462
2009	0.3325	0.3325	0.8387	0.8387	1.1712
2010	0.3325	0.3325	0.8387	0.8387	1.1712
2011	0.3325	0.3325	0.8387	0.8387	1.1712
2012	0.3025	0.3025	0.8166	0.8166	1.1191
2013	0.3025	0.3025	0.7922	0.7922	1.0947
2014	0.3175	0.3175	0.8157	0.8157	1.1332
2015	0.3175	0.3175	0.8157	0.8157	1.1332

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

Taxpayer	Type of Business	Fiscal Year 2015			Fiscal Year 2006		
		Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
		Value		Value	Value		Value
SC Windsor Associates, LP	Retail/shopping center	66,370,700	1	1.88%	38,164,800	3	1.43%
Family Dollar, Inc	Corporate headquarters	52,524,885	2	1.49%	39,625,909	1	1.48%
IA Matthews Sycamore Commons, LLC	Retail/shopping center	39,197,500	3	1.11%			
Adult Communities Total Services, Inc.	Retirement Village	36,046,000	4	1.02%	37,814,700	4	1.41%
Duke Energy Corp	Utilities	25,629,270	5	0.73%			
Windstream (formally Alltel Carolina)	Communication headquarters	18,721,421	67	0.53%	17,320,846	8	0.65%
HEP Investment Company LLC	Retail/shopping center	18,521,100	7	0.53%			
Costco Wholesale Corp	Membership Warehouse Club	18,446,472	8	0.52%			
BBR/Paces Commons LLC	Apartment complex	18,082,342	9	0.51%	16,749,300	9	0.63%
WMCI Charlotte VIII LLC	Retail/shopping center	17,708,900	10	0.50%			
Novant Health, Inc.	Health Care				38,829,800	2	1.45%
CIP Inc - (formally PCA National, Inc.)	Corporate headquarters				27,482,862	5	1.03%
Rexham Corp	Corporate headquarters	-			22,819,706	6	0.85%
Martin Marietta	Aggregate complex				22,780,122	7	0.85%
Vinings Creek, LLC					15,268,900	10	0.57%
		<u>\$ 311,248,590</u>		<u>8.82%</u>	<u>\$ 276,856,945</u>		<u>10.35%</u>
Totals		<u>556,126,480</u>		<u>8.8%</u>	<u>\$ 515,549,090</u>		<u>19.3%</u>

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 June 30	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
2006	8,226,868	8,072,994	98.13%	157,540	8,072,994	98.13%
2007	8,619,553	8,459,957	98.15%	121,813	8,459,957	98.15%
2008	9,112,898	8,920,159	97.88%	147,487	8,920,159	97.88%
2009	9,970,924	9,740,361	97.69%	193,693	9,740,361	97.69%
2010	10,249,648	10,024,741	97.81%	175,050	10,024,741	97.81%
2011	10,398,332	10,174,665	97.85%	204,212	10,174,665	97.85%
2012	10,657,838	10,463,066	98.17%	180,830	10,463,066	98.17%
2013	10,645,625	10,453,998	98.20%	197,805	10,453,998	98.20%
2014	11,503,911	11,365,307	98.80%	157,811	11,365,307	98.80%
2015	11,200,735	11,149,083	99.54%	126,028	11,149,083	99.54%

**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)	Percentage of Personal Income
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	0.51%
2009	3,475,000	0.12%	121	0.38%
2010	3,045,000	0.10%	104	0.31%
2011	2,625,000	0.08%	96	0.33%
2012	2,215,000	0.06%	81	0.24%
2013	1,810,000	0.05%	66	0.19%
2014	1,400,000	0.04%	48	0.14%
2015	6,500,000	0.18%	214	0.78%

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			
2006	4,835,000	9,434,268	14,269,268	561	2.25%
2007	4,365,000	8,894,771	13,259,771	499	2.01%
2008	3,915,000	7,843,619	11,758,619	419	1.68%
2009	3,475,000	7,719,542	11,194,542	391	1.57%
2010	3,045,000	7,817,422	10,862,422	372	1.49%
2011	2,625,000	7,780,741	10,405,741	381	1.53%
2012	2,215,000	4,997,917	7,212,917	264	1.06%
2013	1,810,000	3,877,105	5,687,105	200	0.80%
2014	1,400,000	2,845,250	4,245,250	144	0.58%
2015	6,500,000	2,222,299	8,722,299	646	2.35%

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, 2015

<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)	\$ 8,722,299	100.00%	\$ 8,722,299
<i>Counties:</i>			
Mecklenburg County (2)	2,030,455,075	2.87%	58,274,061
Total direct and overlapping debt	\$ 2,039,177,374		\$ 66,996,360

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)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assessed Value of Property	\$ 2,673,767,810	\$ 2,803,106,667	\$ 2,963,544,064	\$ 2,998,774,053	\$ 3,082,600,902	\$ 3,127,317,895	\$ 3,523,252,231	\$ 3,519,214,876	\$ 3,623,279,055	\$ 3,527,790,551
Debt Limit, 8% of Assessed value (Statutory Limitation)	213,901,425	224,248,533	237,083,525	239,901,924	246,608,072	250,185,432	281,860,178	281,537,190	289,862,324	282,223,244
Debt applicable to debt limitations:										
Total bonded debt	4,835,000	4,365,000	3,915,000	3,475,000	3,045,000	2,625,000	2,215,000	1,810,000	1,400,000	6,500,000
Debt not evidenced by bonds	9,434,268	8,894,771	7,843,619	7,719,542	7,817,422	7,780,741	4,997,917	3,877,105	2,845,250	2,222,299
Statutory Deductions	4,835,000	4,365,000	3,915,000	3,475,000	3,045,000	2,625,000	2,215,000	1,810,000	1,400,000	-
Total debt applicable to limitations	9,434,268	8,894,771	7,843,619	7,719,542	7,817,422	7,780,741	4,997,917	3,877,105	2,845,250	2,222,299
Legal debt limit	199,632,157	210,988,762	225,324,906	228,707,382	235,745,650	239,779,691	274,647,261	275,850,085	285,617,074	273,500,945
Total net debt applicable to the limit as a percentage of debt limit	<u>4.41%</u>	<u>3.97%</u>	<u>3.31%</u>	<u>3.22%</u>	<u>3.17%</u>	<u>3.11%</u>	<u>1.77%</u>	<u>1.38%</u>	<u>0.98%</u>	<u>0.79%</u>

Note: NC Statute GS159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds net yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the Town's net debt outstanding applicable to the limit, and represents the Town's legal borrowing authority.

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

Fiscal Year	Population	Total Personal Income	Per Capita Personal Income	Public School Enrollment	Unemployment Rate	Town Median Family Income	Median Age
2005	24,879	49,562,395	27,471	6,581	5.00%	75,791	-
2006	25,437	53,145,420	-	6,295	4.10%	-	-
2007	26,554	57,214,443	-	6,380	3.50%	81,841	-
2008	28,072	62,571,847	27,546	6,307	4.70%	67,034	-
2009	28,634	66,217,625	31,881	6,175	7.70%	74,073	35.1
2010	29,209	67,712,169	33,391	6,144	7.80%	75,588	36.4
2011	27,326	-	28,972	6,061	7.70%	67,796	35.7
2012	27,326	-	34,235	5,765	8.10%	70,742	35.9
2013	28,403	-	33,728	4,900	6.00%	68,608	38.4
2014	29,464	-	32,728	5,948	5.20%	67,791	40.3
2015	30,030	-	32,945	6,031	5.15%	67,581	40.7

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

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

	<u>2015</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Family Dollar Stores	1400	1	28.46%	900	1	24.90%
Novant Health (Presbyterian Hospital)	1315	2	26.73%	250	6	6.92%
Harris Teeter	1249	3	25.39%	680	2	18.81%
Plantation Estates	275	4	5.59%	200	7	5.53%
Home Depot	195	5	3.96%	140	8	3.87%
Sam's Club	180	6	3.66%	135	9	3.73%
Lowe's	150	7	3.05%	-	-	-
Town of Matthews	141	8	2.87%	125	10	3.46%
Stronghaven Container, Inc	93	9	1.89%	-	-	-
Costco Wholesale Inc.	75	10	1.52%	-	-	-
PCA	-	-	-	625	3	17.29%
Conbraco	-	-	-	300	4	8.30%
Rexham	-	-	-	260	5	7.19%

Note: Total employment was not available for municipality only.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function										
General government	10	11	11	11	11	11	11	11	10	11
Public safety	74	77	81	81	81	81	81	78	87	86
Public works	37	38	33	31	31	29	29	31	31	31
Economic & phy. development	6	6	6	6	6	5	5	6	6	6
Cultural and recreation	6	7	7	7	7	7	7	8	7	7
Total	<u>133</u>	<u>139</u>	<u>138</u>	<u>136</u>	<u>136</u>	<u>133</u>	<u>133</u>	<u>134</u>	<u>141</u>	<u>141</u>

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Tax collection rate	98.13%	98.15%	98.15%	97.69%	97.81%	97.85%	98.17%	98.20%	98.80%	99.54%
Culture and Recreation										
Attendance at all events/programs/classes	-	110,214	110,810	143,147	149,530	149,661	152,864	190,618	186,421	188,698
Total of events/programs/classes	-	-	0	0	-	-	-	478	448	454
Circulation of library materials-Matthews branch	409,388	496,298	540,717	588,765	-	-	-	-	-	-
Children's program attendance	-	21,987	20,921	22,596	-	-	-	-	-	-
Public Safety										
Calls for service	-	27,175	33,144	31,301	33,275	31,396	39,379	22,324	30,930	36,581
Arrests	1,112	1,239	1,220	747	819	804	1,538	1,335	1,708	1,548
Citations Issued	10,693	13,297	13,954	6,834	7,951	4,713	5,662	3,891	4,259	4,136
Fire and other non-medical runs	-	-	-	-	-	-	-	911	1,350	1,422
EMS calls	1,700	1,867	1,844	1,957	1,867	1,867	1,343	1,775	1,529	1,782
EMS response time (min)	4.00	4.75	5.04	5.35	4.07	4.07	5.38	5.11	5.48	5.01
Proactive Community Safety Visits	-	-	-	-	-	-	-	380	106	147
Public Works										
Miles of Streets/Sidewalks										
Town-maintained	89.78	93.65	94.09	95.14	95.97	95.97	97.66	97.79	97.79	99.81
Sidewalks	63	64	66	66	66	66	66	68	68	71
Economic and Physical Development										
Building Permit Activity	-	538	471	295	250	348	302	398	361	487
Total Taxable Permits	-	-	-	-	-	-	\$ 1,975,000	\$ 20,554,319	\$ 22,012,697	25,987,451

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

Sources: Annual reports from various departments of the Town

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Parks and recreation										
Community/Art centers	1	1	1	1	1	1	1	2	2	2
Park facility	5	5	5	5	6	6	7	8	8	8
Park acreage	39	39	44	44	44	44	45	45.5	45.5	45.5
Recreation center	1	1	1	1	1	1	1	1	1	1
Greenway	-	-	-	-	-	1	1	1	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	69	62	62
*Paid personnel	6	6	9	9	9	9	9	9	16	16
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn officers	54	55	57	57	59	59	63	63	62	62
Civilians - Full-time	12	17	14	14	12	12	10	11	8	8
Civilians - Part-time	-	-	13	13	10	10	13	14	11	11
Patrol vehicles - marked	48	46	49	49	49	51	53	53	53	53
Patrol vehicles - unmarked	12	16	15	17	17	18	15	18	18	18
Public Works										
Town - maintained streets	89.78	93.65	94.09	95.14	95.97	95.97	97.66	97.79	97.79	99.81
Sidewalks	63	64	66	66	66	66	66	68	68	71

Sources: Asset records for departments of the Town

Compliance Section

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



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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Matthews' basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Matthews' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Matthews' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 26, 2015

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Section II. Financial Statements Findings

None reported.

TOWN OF MATTHEWS, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Finding 2014-001

Status: Resolved