



Town of  
**Matthews**<sup>TM</sup>  
North Carolina

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2016**



# **Town of Matthews North Carolina**

## **Comprehensive Annual Financial Report**

**For the Fiscal Year  
Ended June 30, 2016**

**Prepared By**  
Department of Finance



# **Town of Matthews, North Carolina**

## **LIST OF PRINCIPAL OFFICIALS**

### **Town Council**

#### **Mayor**

James (Jim) P. Taylor

#### **Commissioners**

John F. Higdon (Mayor Pro-Tem)

Chris Melton

Jeff Miller

Rev. Larry Whitley

John R. Urban

John Ross

### **Town Manager**

H. Hazen Blodgett, III

### **Assistant Town Manager**

Becky Hawke

### **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, 2016

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, 2016.

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 30,010.

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 CPMC 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. CPMC 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 greater downtown area.

Alongside the continued growth of the regional economy, the challenge for the Town will be the management of infill 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, 2016 of \$278,860,849.

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.

### RELEVENT FINANCIAL POLICIES

The Town did not establish any new or modify any existing policies during the fiscal year ending June 30, 2016. In its regularly scheduled board meetings, the Town Board approved 45 ordinances that changed the Town's budget or fee schedule.

## MAJOR INITIATIVES

The Town is nearly completion on several street improvement projects that used several financing sources including bond proceeds, federal and state grants, and local monies. The S. Trade Street improvement project is using \$5.5M of bond proceeds to improve and expand a significant portion of the thoroughfare in order to alleviate a major congestion point. The Campus Ridge road project will be the first of three phases to connect McKee Road through to John Street in order to make a major connection between two heavily traveled in town thoroughfares. 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 completed was the repair of the Community Center roof. The next phase is to access the functionality of the heating and cooling devices as they are approaching end of useful life. Also under consideration is a in-building lighting feasibility and analysis.

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 \$675,000 of the \$975,000 was issued as refunds during the fiscal year 2014-2015, with the remaining \$300,000 issued in fiscal year 2015-2016.

In fiscal year 2016, the Town was presented the opportunity to purchase the Levine Senior Center property. The property and land was valued at around \$4M and the Town secured the property for \$750,000. The Town then entered into a management agreement that allows the non-profit occupier to continue to run the center as a rent free tenant.

The Town continues to place an emphasis on its park and greenway inventory. With the recent naming of the Purser-Hulsey Park located on Hwy 51, the Town has begun to take public input on the amenities it should consider for the nearly 90 acre park.

## 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, 2015. The Town has received seventeen consecutive Certificates of Achievement for the fiscal years ending 1998-2015. 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 "T".

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, 2015**

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**

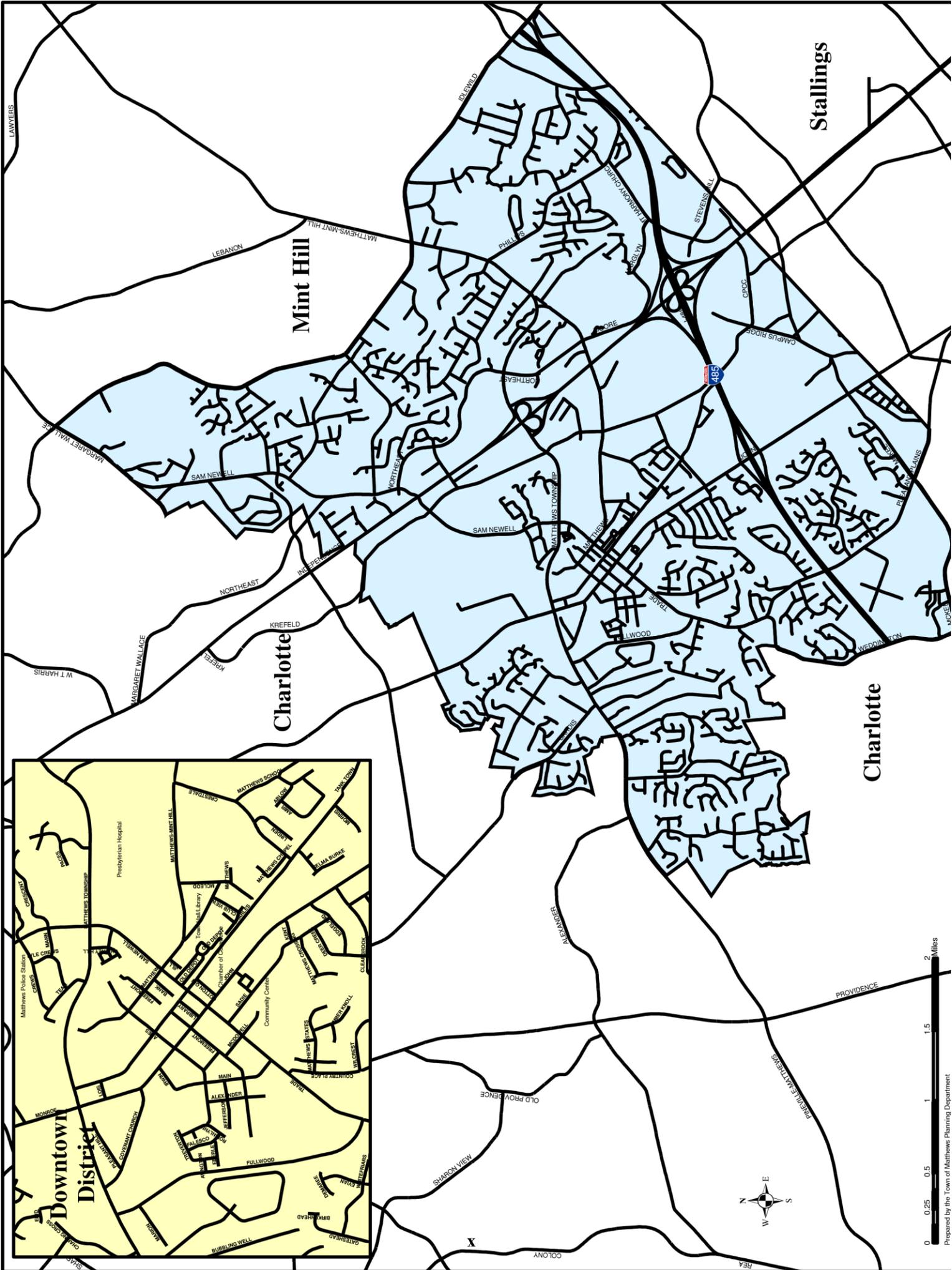
Responsibilities: The Planning Board investigates Town plans and growth and makes recommendations to the Board of Commissioners.

**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.

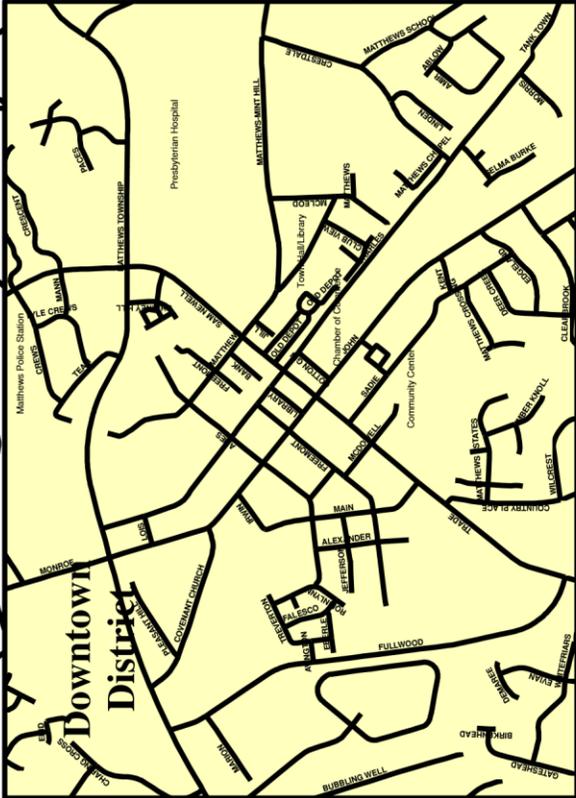


Mint Hill

Stallings

Charlotte

Charlotte



Downtown District



Prepared by the Town of Matthews Planning Department

## 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.

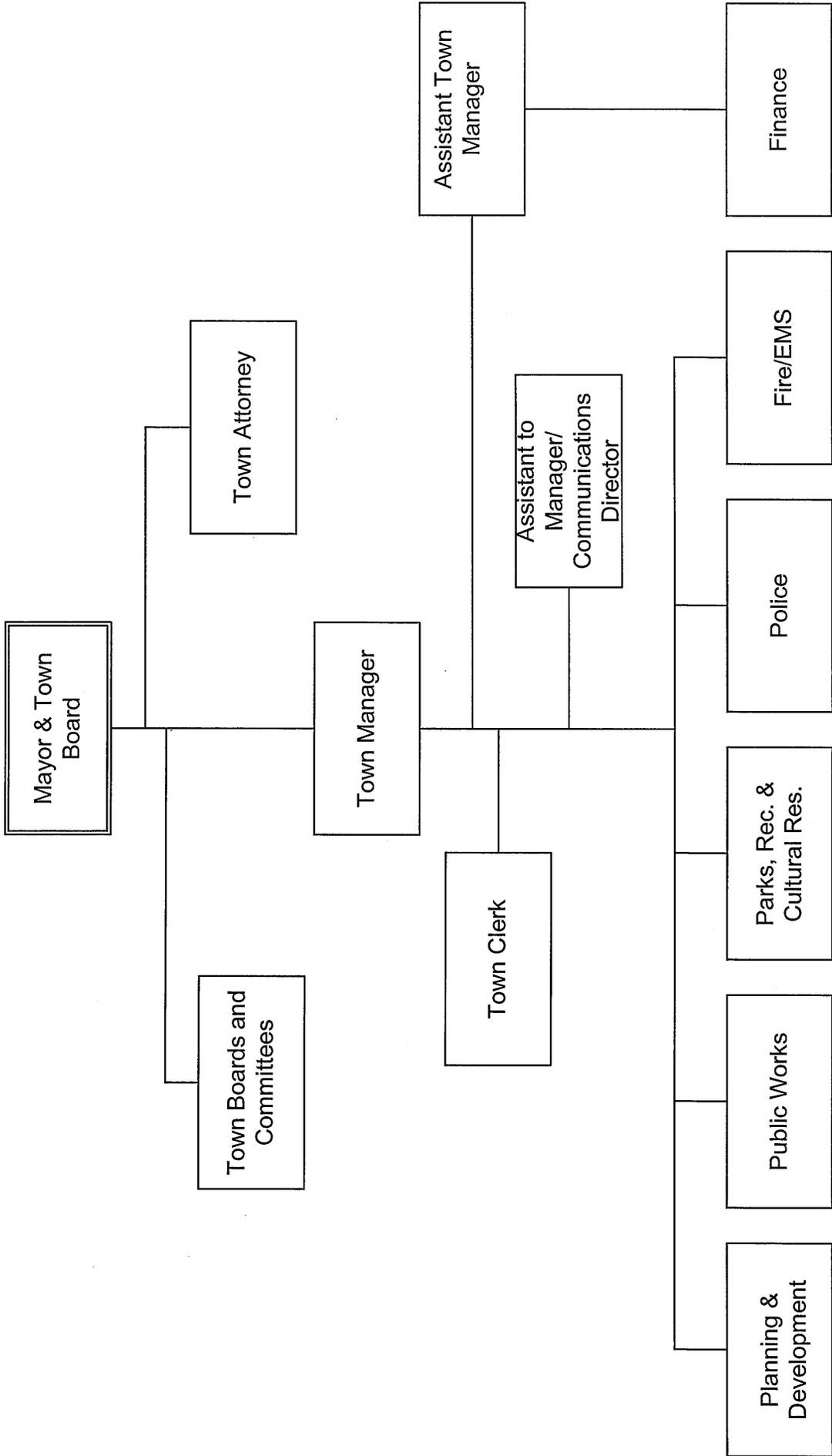
## **Parks and Recreation/Cultural Arts**

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.

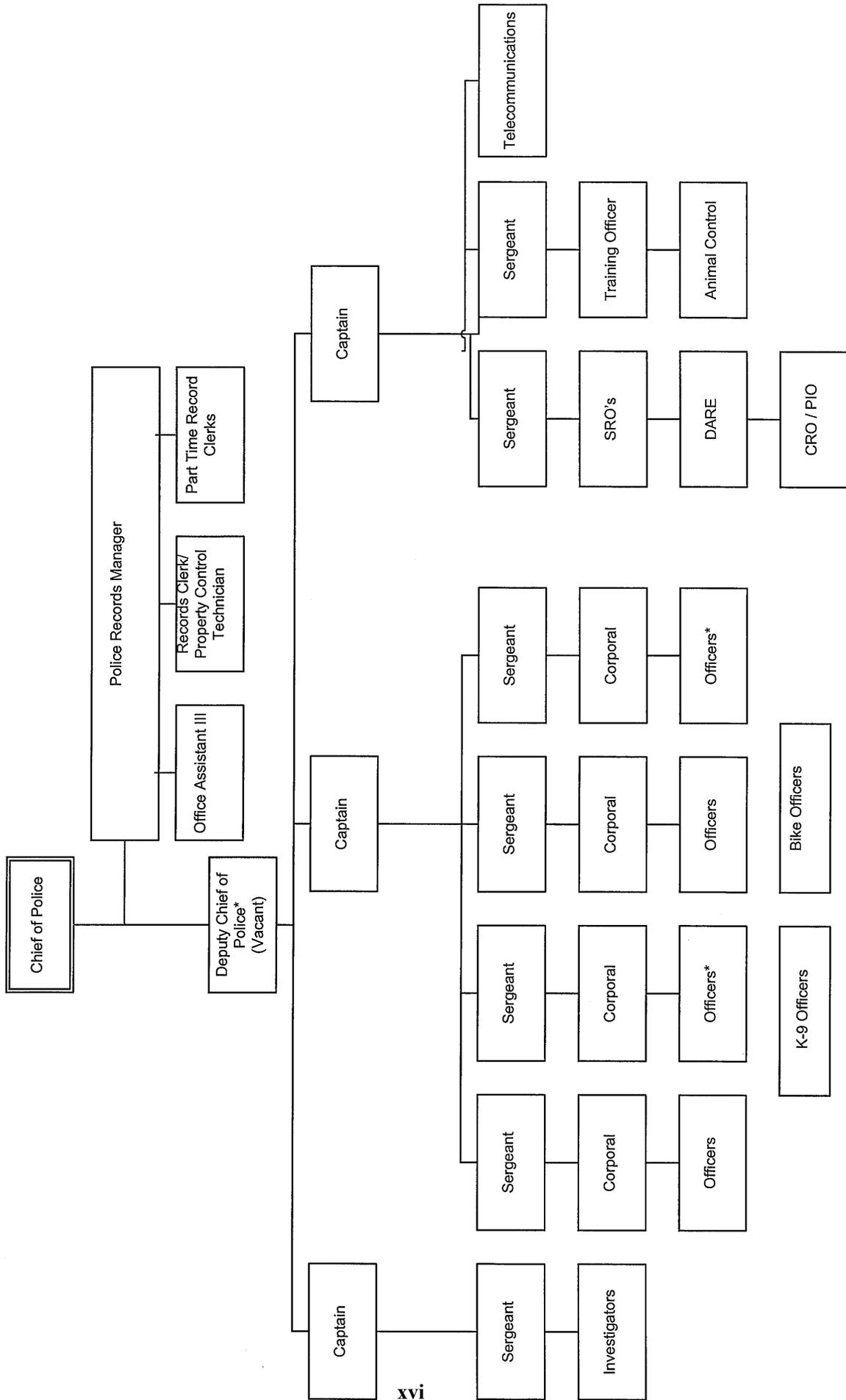
The Special Events Division is responsible for organizing and promoting town sponsored festivals. These include a spring BeachFest, a fall Labor day event, Matthews Alive!, that brings 200,000 plus visitors into our area, and the winter Hometown Holidays festival.

Organizational Structure



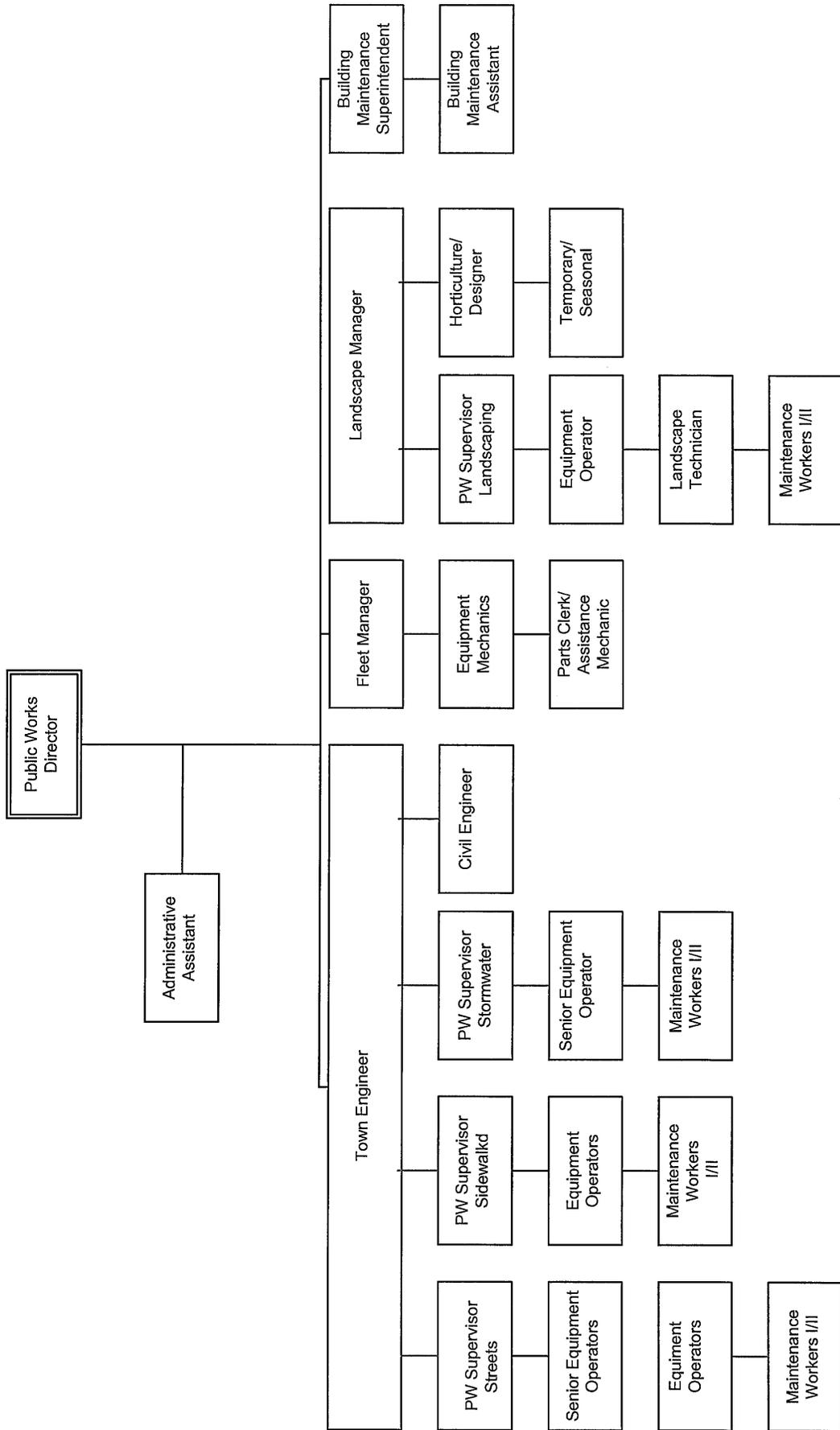
# Police Department

## Organizational Structure



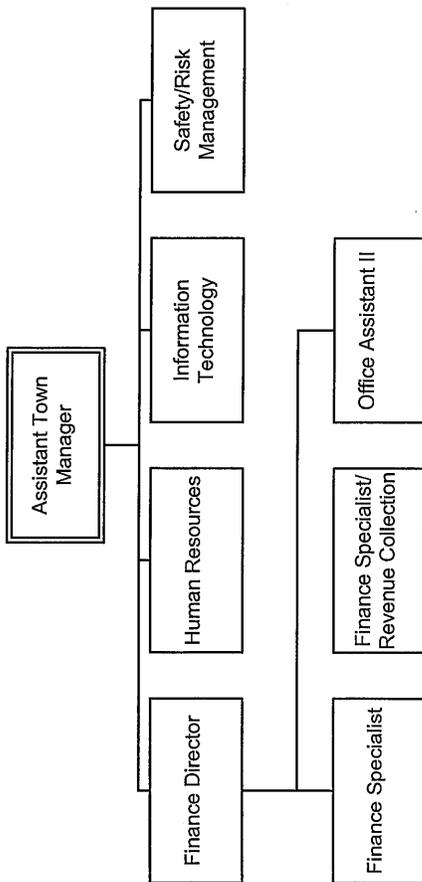
# Public Works Department

## Organizational Structure



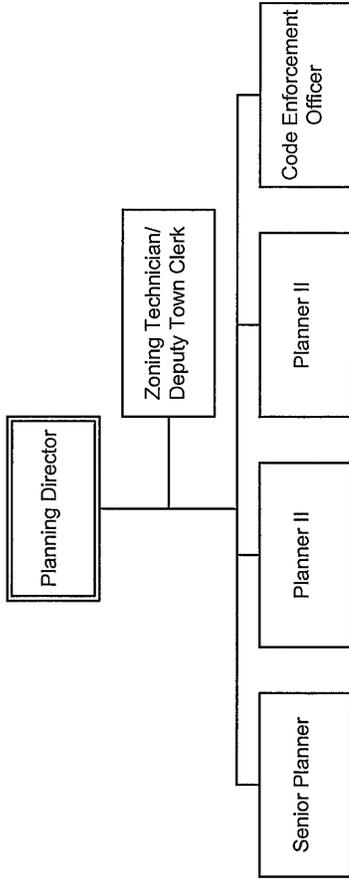
# Assistant Town Manager

Organizational Structure



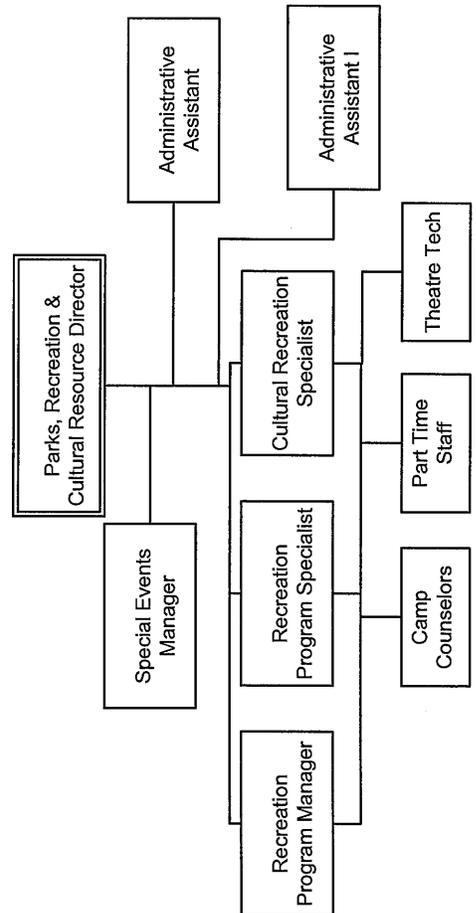
# Planning Department

Organizational Structure



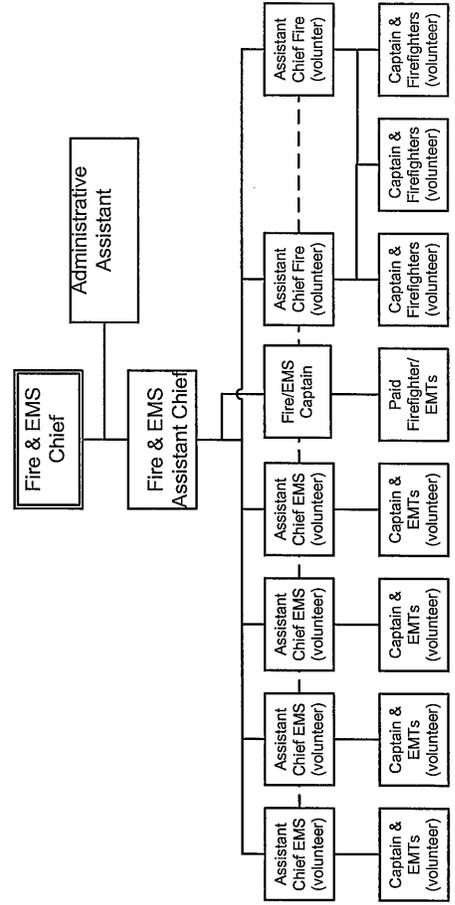
# Parks & Recreation/Cultural Resources

Organizational Structure



# Fire & EMS Department

Organizational Structure



## Financial Section

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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, 2016, 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, 2016, 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 Schedule of Funding Progress, 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 Liability (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, individual fund statements, budgetary schedules, other schedules, statistical section, and Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, 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, 2016 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 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, 2016



## 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, 2016. 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

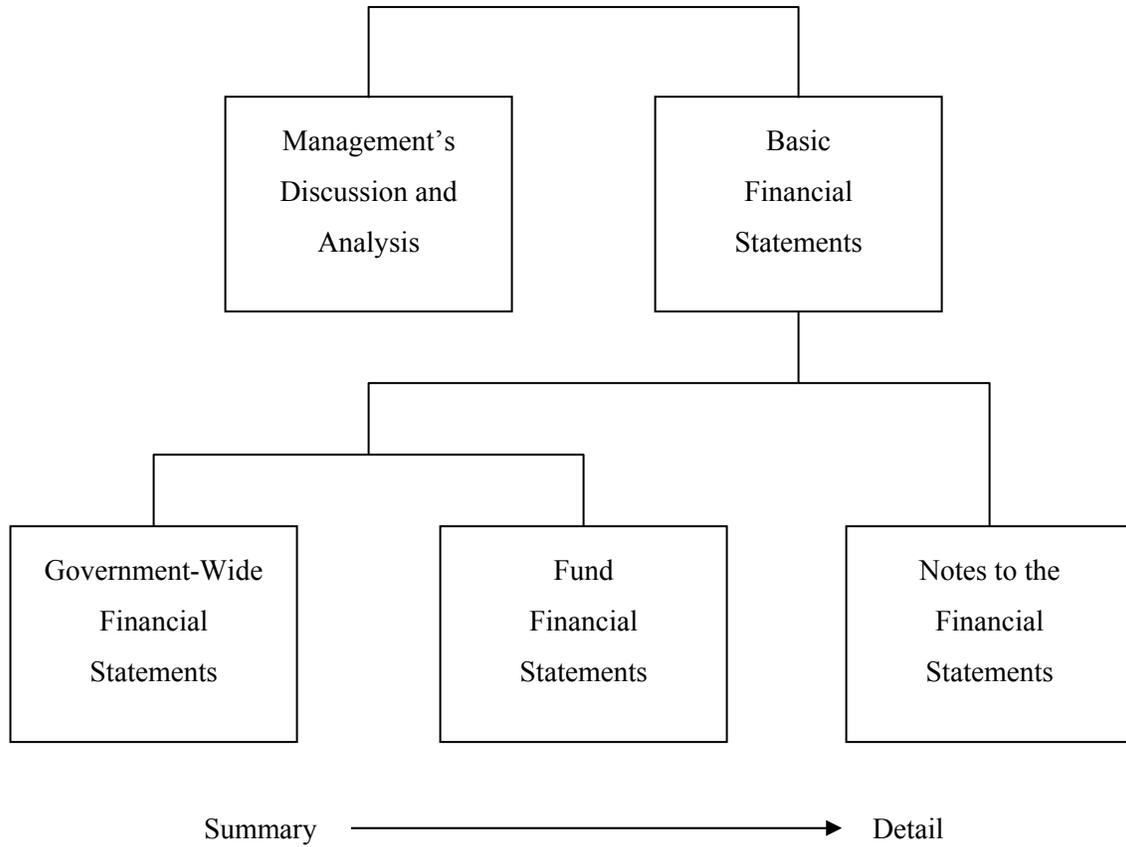
- The assets and deferred outflows of resources of the Town of Matthews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$253,451,629 (*net position*).
- The Town's net position decreased by \$1,164,106, primarily due to net changes in fund balances, depreciation 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 \$11,510,152, a decrease of \$1,642,477 in comparison with the prior year. Approximately 44.07% of this total amount, or \$5,072,979, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$6,811,532, or 33.79%, of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews' total debt increased by \$84,711 during the current fiscal year.
- The Town of Matthews increased fund balance of the Tourism Fund by \$143,007. 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 \$839,616 in fiscal year ending June 30, 2016. 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 47 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

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Current and other assets	\$ 13,443,648	\$ 14,862,910
Capital assets, net	252,118,023	251,800,170
Total assets	<u>265,561,671</u>	<u>266,663,080</u>
<b>Deferred Outflows of Resources:</b>		
Pension deferrals	87,101	-
Contributions to pension plan	484,114	529,824
Total deferred outflows of resources	<u>571,215</u>	<u>529,824</u>
<b>Liabilities:</b>		
Current liabilities	3,357,960	2,260,720
Non-current liabilities	8,989,070	8,614,874
Total liabilities	<u>12,347,030</u>	<u>10,875,594</u>
<b>Deferred Inflows of Resources:</b>		
Pension deferrals	334,227	1,701,575
Total deferred inflows of resources	<u>334,227</u>	<u>1,701,575</u>
<b>Net Position:</b>		
Net investment in capital assets	249,116,013	249,577,871
Restricted	3,189,988	2,994,790
Unrestricted	1,145,628	2,043,074
Total net position	<u>\$ 253,451,629</u>	<u>\$ 254,615,735</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 \$253,451,629 as of June 30, 2016. The Town's net position decreased by \$1,164,106 for the fiscal year ended June 30, 2016. 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 \$1,145,628 is unrestricted.

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

- Mecklenburg County bills and collects all real property and motor vehicle tax due to the Town of Matthews. The percent of net levy collected for the year ended June 30, 2016 is 99.53. 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, 2016 is 100.00.

## Town of Matthews' Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
Program revenues:		
Charges for service	\$ 1,781,034	\$ 1,838,112
Operating grants and contributions	2,827,893	1,463,348
Capital grants and contributions	547,325	608,407
General revenues:		
Property taxes	11,704,515	10,950,151
Other taxes	4,758,557	4,569,476
Unrestricted intergovernmental	1,663,635	1,764,629
Investment earnings	23,873	1,583
Total revenues	23,306,832	21,195,706
<b>Expenses:</b>		
General government	3,154,459	5,218,577
Public safety	8,227,291	8,267,556
Public works	5,693,214	3,928,735
Environmental protection	3,956,335	2,596,349
Cultural and recreation	2,706,523	2,051,727
Economic and physical development	648,837	441,604
Interest on long-term debt	84,279	227,853
Total expenses	24,470,938	22,732,401
Increase (decrease) in net position	(1,164,106)	(1,536,695)
<b>Net Position:</b>		
Beginning of year - July 1	254,615,735	257,140,920
Restatement	-	(988,490)
Beginning of year - July 1 as restated	254,615,735	256,152,430
End of year - June 30	\$ 253,451,629	\$ 254,615,735

## **Governmental Activities**

Governmental activities decreased the Town's net position by \$1,164,106 as compared to \$1,536,695 in the prior year. Key elements of this decrease and changes from prior year are as follows:

- Recording of a net pension liability
- 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 \$6,811,532, while total fund balance reached \$8,489,090. The Town currently has an available fund balance of 33.79% of General Fund expenditures and transfer to other funds, while total fund balance represents 42.11% of the same amount.

At June 30, 2016, the governmental funds of the Town of Matthews reported a combined fund balance of \$11,510,152 with a net decrease in fund balance of \$1,642,477. Included in this change in fund balance is the debt proceeds of \$1,580,982. Fund balance decreased in the Capital Improvement Program Fund by \$2,408,754 due to the debt issuance. The Tourism Fund had an increase in fund balance of \$143,007 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 2016, 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 1%. Actual expenditures were less than final budgetary figures by roughly 7%.

Highlights include:

- Ad valorem taxes increased by \$696,615, however it was below the estimated budget due to the remaining tax refunds due from the 2011 Tax Re-Evaluation appeals that were paid out.
- Unrestricted intergovernmental revenues exceeded budget due to favorable sales tax revenues for both local option sales taxes and tax on electric sales.
- On the expenditure side, major savings were found from a transition to the State Health Plan for employee health coverage. This relationship not only provides a more stable rate environment, it has resulted in savings of nearly \$300,000 from the prior year.
- Public Works did not spend all of its resurfacing allowance for the year, setting themselves up for a significant resurfacing project in spring of 2017.

### Capital Assets and Debt Administration

**Capital Assets.** The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2016 totals \$252,118,023 (net of accumulated depreciation). These assets include land, buildings, machinery, equipment, vehicles, and park facilities.

Major capital transactions during the year are detailed below.

- Construction in progress – \$1,207,178
- Additions to building and land improvements - \$587,157
- Additions to police and other vehicles – \$614,084
- Public Works equipment purchases – \$71,214

#### Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Land	\$ 227,434,285	\$ 227,434,285
Construction in progress	1,207,178	-
Buildings	29,088,715	28,501,558
Infrastructure	95,646,784	95,646,784
Equipment	3,686,252	3,615,038
Vehicles and motorized equipment	6,211,433	5,597,349
Accumulated depreciation	<u>(111,156,624)</u>	<u>(108,994,844)</u>
Total capital assets, net	<u>\$ 252,118,023</u>	<u>\$ 251,800,170</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, 2016, the Town of Matthews had total bonded debt outstanding of \$5,805,000, 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**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
General obligation bonds	\$ 5,805,000	\$ 6,500,000
Notes payable	3,002,010	2,222,299
Total	\$ 8,807,010	\$ 8,722,299

The Town of Matthews’ total General Obligation Bond and notes payable debt increased by \$84,711 (0.97%) 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 \$278,860,849.

Additional information regarding the Town of Matthews’ long-term debt can be found in the notes to the basic financial statements beginning on page 43.

**Economic Factors and Next Year's Budgets and Rates**

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

- Taxable building permits issued continue pointing to a strengthening economy. During Fiscal Year 2015-2016, building permits totaling \$89,158,925 were issued. This reflects a 132% growth over the previous year.
- Sales and use taxes have increased for four consecutive years. Fiscal Year 2015-2016 showed a growth of approximately 6.3% 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, \$340,000 in 15-16, and the remaining \$35,000 in early 16-17.

- The Town 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 December 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 with expected completion in spring 2017.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

#### **Governmental Activities**

**General Fund.** The Town of Matthews approved a \$20,676,749 General Fund budget for the fiscal year ending June 30, 2017. This represents a 1.45% increase from the fiscal year ended June 30, 2016. The property tax rate remained at \$0.3400 per \$100 valuation and the auto tag fees remained \$25 per registered motor vehicle. There was no fund balance appropriation used.

The adopted Fiscal Year 2016 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 \$1,395,000 Tourism Fund budget for the fiscal year ending June 30, 2017. 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

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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.

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## TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Governmental Activities</u>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 8,302,569
Restricted cash and investments	2,072,603
Taxes receivable, net	333,005
Accounts receivable, net	1,204,564
Due from other governments	1,348,356
Prepaid items	91,302
Total current assets	<u>13,352,399</u>
Non-current assets:	
Notes receivable	91,249
Capital assets :	
Non-depreciable	228,641,463
Depreciable, net	<u>23,476,560</u>
Total non-current assets	<u>252,209,272</u>
Total assets	<u>265,561,671</u>
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	87,101
Contributions to pension plan in current fiscal year	<u>484,114</u>
Total deferred outflows of resources	<u>571,215</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	1,479,785
Current portion of compensated absences	44,752
Current portion of long-term liabilities	<u>1,833,423</u>
Total current liabilities	<u>3,357,960</u>
Non-current liabilities:	
Net pension liability	582,490
Non-current portion of compensated absences	402,764
Non-current portion of long-term liabilities	<u>8,003,816</u>
Total non-current liabilities	<u>8,989,070</u>
Total liabilities	<u>12,347,030</u>
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	<u>334,227</u>
<b>Net Position:</b>	
Net investment in capital assets	249,116,013
Restricted for:	
Stabilization by State statute	2,403,450
Culture and recreation	786,538
Unrestricted	<u>1,145,628</u>
Total net position	<u>\$ 253,451,629</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, 2016**

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net Revenue (Expense) and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Governmental Activities</b>
<b>Primary Government: Governmental Activities:</b>					
General government	\$ 3,154,459	\$ 73,832	\$ -	\$ 432,063	\$ (2,648,564)
Public safety	8,227,291	399,189	458,290	115,262	(7,254,550)
Public works	5,693,214	605,073	2,344,439	-	(2,743,702)
Environmental protection	3,956,335	-	-	-	(3,956,335)
Economic and physical development	648,837	20,745	-	-	(628,092)
Culture and recreation	2,706,523	682,195	25,164	-	(1,999,164)
Interest on long-term debt	84,279	-	-	-	(84,279)
<b>Total primary government</b>	<b>\$ 24,470,938</b>	<b>\$ 1,781,034</b>	<b>\$ 2,827,893</b>	<b>\$ 547,325</b>	<b>(19,314,686)</b>
<b>General Revenues:</b>					
Taxes:					
Ad valorem taxes					11,704,515
Local options sales tax					2,858,263
Utility franchise and excise tax					1,900,294
Occupancy tax					564,840
Prepared food tax					802,033
Rental car tax					96,035
Privilege licenses					10,270
Other taxes and licenses					190,457
Investment earnings					23,873
<b>Total general revenues</b>					<b>18,150,580</b>
Change in net position					(1,164,106)
<b>Net Position:</b>					
Beginning of year - July 1					254,615,735
End of year - June 30					<b>\$ 253,451,629</b>

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

## TOWN OF MATTHEWS, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Capital Improvement Program	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and investments	\$ 7,032,767	\$ 475,188	\$ 794,614	\$ 8,302,569
Restricted cash and investments	372,163	1,700,440	-	2,072,603
Taxes receivable, net	333,005	-	-	333,005
Notes receivable	91,249	-	-	91,249
Accounts receivable	349,199	855,365	-	1,204,564
Due from other governments	1,295,278	-	53,078	1,348,356
Prepaid items	91,302	-	-	91,302
Total assets	<u>\$ 9,564,963</u>	<u>\$ 3,030,993</u>	<u>\$ 847,692</u>	<u>\$ 13,443,648</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 221,235	\$ 849,547	\$ 8,076	\$ 1,078,858
Accounts payable from restricted assets	372,163	-	-	372,163
Total liabilities	<u>593,398</u>	<u>849,547</u>	<u>8,076</u>	<u>1,451,021</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable taxes	333,005	-	-	333,005
Unavailable revenue	149,470	-	-	149,470
Total deferred inflows of resources	<u>482,475</u>	<u>-</u>	<u>-</u>	<u>482,475</u>
<b>Fund Balances:</b>				
Non-spendable:				
Long term note receivable	91,249	-	-	91,249
Prepays	91,302	-	-	91,302
Restricted:				
Stabilization by State statute	1,495,007	855,365	53,078	2,403,450
Culture and recreation	-	-	786,538	786,538
Capital outlay	-	1,700,440	-	1,700,440
Assigned for streets	528,561	-	-	528,561
Assigned for public safety	200,000	-	-	200,000
Assigned for environmental protection - stormwater	233,516	-	-	233,516
Unassigned	5,849,455	(374,359)	-	5,475,096
Total fund balances	<u>8,489,090</u>	<u>2,181,446</u>	<u>839,616</u>	<u>11,510,152</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,564,963</u>	<u>\$ 3,030,993</u>	<u>\$ 847,692</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.				252,118,023
Net pension liability (LGERS)				(582,490)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.				484,114
Pension related deferrals				(247,126)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.				482,475
Some liabilities, including bonds payable, accrued interest, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(10,313,519)</u>
Net position of governmental activities				<u>\$ 253,451,629</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, 2016

	<u>General Fund</u>	<u>Capital Improvement Program</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 11,721,142	\$ -	\$ -	\$ 11,721,142
Other taxes and licenses	4,874,753	-	1,463,852	6,338,605
Unrestricted intergovernmental	244,817	-	-	244,817
Restricted intergovernmental	1,630,716	1,567,100	-	3,197,816
Sales and services	1,576,179	-	-	1,576,179
Investment earnings	18,877	4,996	-	23,873
Miscellaneous	137,440	-	-	137,440
Total revenues	<u>20,203,924</u>	<u>1,572,096</u>	<u>1,463,852</u>	<u>23,239,872</u>
<b>Expenditures:</b>				
Current:				
General government	3,743,059	-	-	3,743,059
Public safety	7,572,182	40,000	-	7,612,182
Public works	3,219,686	2,869,903	-	6,089,589
Environmental protection	2,414,863	1,541,472	-	3,956,335
Economic and physical development	443,876	203,223	-	647,099
Cultural and recreational	1,314,861	837,652	496,486	2,648,999
Debt service:				
Principal retirement	1,496,271	-	-	1,496,271
Interest and other charges	270,590	-	-	270,590
Total expenditures	<u>20,475,388</u>	<u>5,492,250</u>	<u>496,486</u>	<u>26,464,124</u>
Revenues over (under) expenditures	<u>(271,464)</u>	<u>(3,920,154)</u>	<u>967,366</u>	<u>(3,224,252)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	740,982	840,000	-	1,580,982
Transfers (to) other funds	(421,400)	-	(824,359)	(1,245,759)
Transfers from other funds	574,359	671,400	-	1,245,759
Proceeds from sale of capital assets	793	-	-	793
Total other financing sources (uses)	<u>894,734</u>	<u>1,511,400</u>	<u>(824,359)</u>	<u>1,581,775</u>
Net change in fund balances	623,270	(2,408,754)	143,007	(1,642,477)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>7,865,820</u>	<u>4,590,200</u>	<u>696,609</u>	<u>13,152,629</u>
End of year - June 30	<u>\$ 8,489,090</u>	<u>\$ 2,181,446</u>	<u>\$ 839,616</u>	<u>\$ 11,510,152</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, 2016

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

Net change in fund balances - governmental funds (Exhibit D)	\$ (1,642,477)
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.	2,479,633
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(2,161,780)
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.	66,960
Pension expense	145,328
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.	(84,711)
Accrued interest that does not require current financial resources and is not reported as an expenditure in the governmental funds statement	186,311
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>(153,370)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ (1,164,106)</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 12,058,000	\$ 12,058,002	\$ 11,721,142	\$ (336,860)
Other taxes and licenses	4,566,078	4,716,078	4,874,753	158,675
Unrestricted intergovernmental	190,000	190,000	244,817	54,817
Restricted intergovernmental	1,524,000	1,643,409	1,630,716	(12,693)
Permits and fees	15,000	15,000	-	(15,000)
Sales and services	1,395,388	1,424,888	1,576,179	151,291
Investment earnings	-	-	18,862	18,862
Miscellaneous	88,250	94,894	137,440	42,546
Total revenues	<u>19,836,716</u>	<u>20,142,271</u>	<u>20,203,909</u>	<u>61,638</u>
<b>Expenditures:</b>				
Current:				
General government	3,486,376	4,301,929	3,743,059	558,870
Public safety	7,618,026	7,904,828	7,572,182	332,646
Public works	3,032,412	3,733,863	3,219,686	514,177
Environmental protection	2,596,192	2,620,192	2,414,863	205,329
Economic and physical development	482,356	500,941	443,876	57,065
Cultural and recreation	1,150,144	1,300,144	1,314,861	(14,717)
Contingency	83,514	82,214	-	82,214
Debt service:				
Principal retirement	1,496,273	1,496,273	1,496,271	2
Interest and other charges	280,023	280,023	270,590	9,433
Total expenditures	<u>20,225,316</u>	<u>22,220,407</u>	<u>20,475,388</u>	<u>1,745,019</u>
Revenues over (under) expenditures	<u>(388,600)</u>	<u>(2,078,136)</u>	<u>(271,479)</u>	<u>1,806,657</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	115,000	115,000	-	(115,000)
Long-term debt issued	-	740,982	740,982	-
Sale of capital assets	10,000	10,000	793	(9,207)
Transfers to other funds	(421,400)	(421,400)	(454,914)	(33,514)
Transfers from other funds	685,000	1,633,554	574,359	(1,059,195)
Total other financing sources (uses)	<u>388,600</u>	<u>2,078,136</u>	<u>861,220</u>	<u>(1,216,916)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	589,741	<u>\$ 589,741</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>7,863,033</u>	
End of year - June 30			<u>\$ 8,452,774</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, 2016

### 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, 2016

**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, 2016

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, 2016

commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

### 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	\$ 372,163
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#### Capital Improvement Program Capital Project Fund

Culture and recreation - unexpended bond proceeds	<u>1,700,440</u>
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Total governmental activities	<u>\$ 2,072,603</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, 2015.

### 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, 2016

### 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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 two items that meets the criterion, contributions made to the pension plan in the 2016 fiscal year and pension deferrals. 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 two items that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB Statement No. 68 and receivables.

# **TOWN OF MATTHEWS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

### **Long-Term Obligations**

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

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

### **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, 2016

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 \$1,700,440 at June 30, 2016.

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 \$372,163 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, 2016

### 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.

### 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	\$ 8,489,090
<b>Less:</b>	
Long term note receivable	91,249
Prepays	91,302
Stabilization by State statute	<u>1,495,007</u>
Total available fund balance	<u>\$ 6,811,532</u>

**TOWN OF MATTHEWS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Fund balance, ending (Exhibit F)	\$ 8,452,774
Capital Reserve Fund	
investment earnings	15
Transfers in	33,514
Fund balance, beginning	<u>2,787</u>
Fund balance, ending (Exhibit D)	<u>\$ 8,489,090</u>

**F. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

**2. 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, 2016

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, 2016, the Town's deposits had a carrying amount of \$1,140,230 and a bank balance of \$1,583,508. Of the bank balance, \$667,437 was covered by federal depository insurance, and \$916,071 was covered by collateral held under the Pooling Method.

### Investments

At June 30, 2016, the Town had \$9,234,942 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, 2016 were as follows:

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accounts Receivable</u>	<u>Total</u>
<b>Governmental Activities:</b>				
Governmental	\$ 433,005	\$ 1,348,356	\$ 1,204,564	\$ 2,985,925
Allowance for doubtful accounts	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total governmental activities	<u>\$ 333,005</u>	<u>\$ 1,348,356</u>	<u>\$ 1,204,564</u>	<u>\$ 2,885,925</u>

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Due from other governments consisted of the following:

Local option sales tax	\$	510,911
Other taxes and licenses		278,321
Franchise tax		442,490
Sales tax refund receivable		<u>116,634</u>
Total	\$	<u><u>1,348,356</u></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, 2016 was \$91,249.

### Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 227,434,285	\$ -	\$ -	\$ 227,434,285
Construction in progress	<u>-</u>	<u>1,207,178</u>	<u>-</u>	<u>1,207,178</u>
Total non-depreciable capital assets	<u>227,434,285</u>	<u>1,207,178</u>	<u>-</u>	<u>228,641,463</u>
<b>Depreciable Capital Assets:</b>				
Buildings and improvements	28,501,558	587,157	-	29,088,715
Equipment	3,615,038	71,214	-	3,686,252
Vehicles and motorized equipment	5,597,349	614,084	-	6,211,433
Infrastructure	<u>95,646,784</u>	<u>-</u>	<u>-</u>	<u>95,646,784</u>
Total depreciable capital assets	<u>133,360,729</u>	<u>1,272,455</u>	<u>-</u>	<u>134,633,184</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	8,828,699	724,579	-	9,553,278
Equipment	2,504,656	290,008	-	2,794,664
Vehicles and motorized equipment	5,068,012	285,428	-	5,353,440
Infrastructure	<u>92,593,477</u>	<u>861,765</u>	<u>-</u>	<u>93,455,242</u>
Total accumulated depreciation	<u>108,994,844</u>	<u>\$ 2,161,780</u>	<u>\$ -</u>	<u>111,156,624</u>
Total depreciable capital assets, net	<u>24,365,885</u>			<u>23,476,560</u>
Capital assets, net	<u>\$ 251,800,170</u>			<u>\$ 252,118,023</u>

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

### Governmental Activities:

General government	\$	858,164
Public safety		751,248
Public works		451,584
Economic and physical development		1,738
Culture and recreation		99,046
Total	\$	<u>2,161,780</u>

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following elements:

		<u>Governmental Activities</u>
Capital assets	\$	252,118,023
Long-term debt		(8,807,010)
Debt for assets not capitalized by the Town		<u>5,805,000</u>
Net investment in capital assets	\$	<u>249,116,013</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, 2016

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](http://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, 2016, was 7.15% of compensation for law enforcement officers and 6.76% 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 \$484,114 for the year ended June 30, 2016.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*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, 2016, the Town reported a liability of \$582,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability 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, 2015, the Town’s proportion was .1298%, which was an increase of .014% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$338,789. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 136,918
Net difference between projected and actual earnings on pension plan investments	-	165,833
Changes in proportion and differences between Town contributions and proportionate share of contributions	87,101	31,476
Town contributions subsequent to the measurement date	484,114	-
Total	<b><u>\$ 571,215</u></b>	<b><u>\$ 334,227</u></b>

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$484,114 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows or deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2017	\$ (180,950)
2018	(180,950)
2019	(180,636)
2020	295,410
2021	-
Thereafter	-
Total	<u>\$ (247,126)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2014 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.

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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' 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, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

*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, 2016**

*Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the Town's proportionate share of the net pension liability 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:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 4,061,784	\$ 582,490	\$ (2,348,738)

*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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	
Active plan members	58
Total	59

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, 2016

### 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, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% 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, 2014 was 16 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	\$ 179,683
Interest on net pension obligation	43,702
Adjustment to annual required contribution	<u>(76,807)</u>
Annual pension cost	146,578
Contributions made	<u>13,045</u>
Increase in net pension obligation	133,533
Net pension obligation:	
Beginning of year - July 1	<u>874,038</u>
End of year - June 30	<u>\$ 1,007,571</u>

**TOWN OF MATTHEWS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2014	\$ 146,578	8.90%	\$ 764,844
2015	122,239	10.67%	874,038
2016	146,578	8.90%	1,007,571

**Funded Status and Funding Progress.** As of December 31, 2015, 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 \$1,780,093. The covered payroll (annual payroll of active employees covered by the plan) was \$3,310,833, and the ratio of the UAAL to the covered payroll was 53.76 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, 2016, 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 2016, the Town contributed \$4,320. There were no contributions by employees for the fiscal year ended June 30, 2016. 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, 2016

**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		948
Adjustment to annual required contribution		(8,215)
Annual OPEB cost (expense)		3,268
Contributions made		(4,320)
Increase (decrease) in net OPEB obligation		(1,052)
Net OPEB obligation:		
Beginning of year - July 1		23,710
End of year - June 30	\$	22,658

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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>
2016	\$ 3,268	132.19%	\$ 22,658
2015	2,813	152.76%	23,710
2014	2,097	211.49%	25,194

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, 2016

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, 2016**

**Accounts Payable – Disaggregate Information**

	<b>Vendors</b>	<b>Accrued Interest</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	\$ 593,398	\$ 28,764	\$ 622,162
Other governmental	857,623	-	857,623
Total governmental activities	\$ 1,451,021	\$ 28,764	\$ 1,479,785

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are comprised of the following:

<b>Source</b>	<b>Amount</b>
Pension deferrals	\$ 87,101
Contributions to the pension plan in current fiscal year	484,114
Total	\$ 571,215

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

	<b>Amount</b>
Taxes receivable (General Fund)	\$ 333,005
General billing receivables (General Fund)	133,860
Privilege license receivable (General Fund)	15,610
Pension deferrals	334,227
Total	\$ 816,702

**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, 2016**

### **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, 2016, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

**TOWN OF MATTHEWS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Long-Term Obligations**

**General Obligation Indebtedness**

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

Bonds payable at June 30, 2016, 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%	\$ 605,000
\$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>5,200,000</u>
Total	<u><u>\$ 5,805,000</u></u>

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Notes Payable

As of June 30, 2016, 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 \$140,000 December 2015 note payable requiring monthly payments of \$5,890, including principal and interest at the rate of 1.970% per annum through December 2017; secured by equipment	\$ 140,000
Issued \$700,000 April 2016 note payable requiring monthly payments of \$9,722, including principal and interest at the rate of 1.890% per annum through March 2022; secured by real estate	700,000
Issued \$740,982 January 2016 note payable requiring monthly payments of \$7,719, including principal and interest at the rate of 3.160% per annum through January 2024; secured by real estate	740,982
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	239,220
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	572,483
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	151,096
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	58,929
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>399,300</u>
Total	<u>\$ 3,002,010</u>

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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
2017	\$ 685,000	\$ 152,488	\$ 1,148,423	\$ 79,718	\$ 1,833,423	\$ 232,206
2018	520,000	132,050	566,254	52,877	1,086,254	184,927
2019	300,000	117,250	366,418	38,452	666,418	155,702
2020	300,000	111,250	317,093	27,049	617,093	138,299
2021	300,000	105,250	209,290	4,410	509,290	109,660
2022-2026	1,500,000	427,250	394,532	19,767	1,894,532	447,017
2027-2031	1,500,000	235,250	-	-	1,500,000	235,250
2032-2034	700,000	38,250	-	-	700,000	38,250
Total	<u>\$ 5,805,000</u>	<u>\$ 1,319,038</u>	<u>\$ 3,002,010</u>	<u>\$ 222,273</u>	<u>\$ 8,807,010</u>	<u>\$ 1,541,311</u>

At June 30, 2016, the Town of Matthews had a legal debt margin of approximately \$278,860,849.

### 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, 2016.

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 6,500,000	\$ -	\$ (695,000)	\$ 5,805,000	\$ 685,000
Premium	107,132	-	(107,132)	-	-
Notes payable	2,222,299	1,580,982	(801,271)	3,002,010	1,148,423
Compensated absences	426,627	904,686	(883,797)	447,516	44,752
OPEB liability	23,710	3,268	(4,320)	22,658	-
Net pension obligation (LGERS)	-	582,490	-	582,490	-
Net pension obligation (LEO)	<u>874,038</u>	<u>146,578</u>	<u>(13,045)</u>	<u>1,007,571</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 10,153,806</u>	<u>\$ 3,218,004</u>	<u>\$ (2,504,565)</u>	<u>\$ 10,867,245</u>	<u>\$ 1,878,175</u>

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

# TOWN OF MATTHEWS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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	\$ 421,400	To offset cost of construction in progress
General Fund	Capital Reserve Fund	33,514	To offset cost of construction in progress
Tourism Fund	Capital Improvement Fund	250,000	To offset cost of construction in progress
Tourism Fund	General Fund	574,359	To offset operating costs

### 3. Summary Disclosure of Significant Commitments and Contingencies

#### Federal and State-Assisted Programs

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



## Required Supplemental Financial Data

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

- ❖ Schedule of Funding Progress for ***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, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
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%
12/31/2015	-	1,780,093	1,780,093	0.00%	3,310,883	53.76%

**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	12/31/15
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50% - 7.35%
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, 2016

## Schedule of Funding Progress

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 Covered Payroll ((b - a) / c)
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
2016	\$ 10,535	41.01%
2015	10,535	40.79%
2014	10,535	42.10%

## 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 THREE FISCAL YEARS\***

<b>Local Government Employees' Retirement System</b>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Matthews' proportion of the net pension liability (asset) (%)	0.12979%	-0.11546%	-0.12110%
Matthews' proportion of the net pension liability (asset) (\$)	\$ 582,490	\$ (680,921)	\$ 1,459,720
Matthews' covered-employee payroll	\$ 7,310,377	\$ 6,632,393	\$ 6,093,728
Matthews' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.97%	( 10.27%)	23.95%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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.

The pension schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

## TOWN OF MATTHEWS, NORTH CAROLINA

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

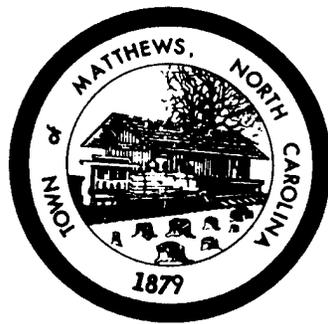
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 484,114	\$ 529,824	\$ 471,230
Contributions in relation to the contractually required contribution	<u>484,114</u>	<u>529,824</u>	<u>471,230</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Matthews' covered-employee payroll	\$ 6,983,190	\$ 7,310,377	\$ 6,632,393
Contributions as a percentage of covered-employee payroll	6.93%	7.25%	7.10%

The pension schedules are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

## Supplementary Information and Individual Fund Financial Statements

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- ❖ 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, 2016

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 11,721,142	\$ -	\$ -	\$ 11,721,142
Other taxes and licenses	4,874,753	-	-	4,874,753
Unrestricted intergovernmental	244,817	-	-	244,817
Restricted intergovernmental	1,630,716	-	-	1,630,716
Sales and services	1,576,179	-	-	1,576,179
Investment earnings	18,862	15	-	18,877
Miscellaneous	137,440	-	-	137,440
Total revenues	<u>20,203,909</u>	<u>15</u>	<u>-</u>	<u>20,203,924</u>
<b>Expenditures:</b>				
Current:				
General government	3,743,059	-	-	3,743,059
Public safety	7,572,182	-	-	7,572,182
Public works	3,219,686	-	-	3,219,686
Environmental protection	2,414,863	-	-	2,414,863
Economic and physical development	443,876	-	-	443,876
Culture and recreation	1,314,861	-	-	1,314,861
Debt service:				
Principal retirement	1,496,271	-	-	1,496,271
Interest and other charges	270,590	-	-	270,590
Total expenditures	<u>20,475,388</u>	<u>-</u>	<u>-</u>	<u>20,475,388</u>
Revenues over (under) expenditures	<u>(271,479)</u>	<u>15</u>	<u>-</u>	<u>(271,464)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	740,982	-	-	740,982
Transfers (to) other funds	(454,914)	-	33,514	(421,400)
Transfers from other funds	574,359	33,514	(33,514)	574,359
Proceeds from sale of capital assets	793	-	-	793
Total other financing sources (uses)	<u>861,220</u>	<u>33,514</u>	<u>-</u>	<u>894,734</u>
Net change in fund balances	589,741	33,529	-	623,270
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>7,863,033</u>	<u>2,787</u>	<u>-</u>	<u>7,865,820</u>
End of year - June 30	<u>\$ 8,452,774</u>	<u>\$ 36,316</u>	<u>\$ -</u>	<u>\$ 8,489,090</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 12,018,002	\$ 11,661,958	\$ (356,044)	\$ 10,975,301
Penalties and interest	40,000	59,184	19,184	49,226
Total	<u>12,058,002</u>	<u>11,721,142</u>	<u>(336,860)</u>	<u>11,024,527</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	2,781,078	2,858,263	77,185	2,689,154
Piped natural gas excise tax	135,000	66,137	(68,863)	3,347
Utility franchise tax	1,200,000	1,335,150	135,150	1,294,723
Telecommunications sales tax	330,000	287,560	(42,440)	357,060
Tipping tax	15,000	19,451	4,451	19,013
In lieu of land dedication fees	-	27,309	27,309	33,560
Animal control license	25,000	24,679	(321)	25,001
Cablevision franchise fees	195,000	211,447	16,447	225,192
Rental vehicle tax	35,000	34,487	(513)	39,242
Privilege licenses	-	10,270	10,270	172,738
Total	<u>4,716,078</u>	<u>4,874,753</u>	<u>158,675</u>	<u>4,859,030</u>
<b>Unrestricted Intergovernmental:</b>				
Beer and wine tax	120,000	132,013	12,013	140,525
ABC profit distribution	70,000	112,804	42,804	77,948
Total	<u>190,000</u>	<u>244,817</u>	<u>54,817</u>	<u>218,473</u>
<b>Restricted Intergovernmental:</b>				
Powell Bill allocation	760,000	772,343	12,343	766,103
CMUD bond payment reimbursement	432,000	432,063	63	450,063
Police Grant - D.A.R.E.	14,035	14,332	297	15,007
Fire - SAFER grants	314,000	296,716	(17,284)	246,304
Miscellaneous grants	123,374	115,262	(8,112)	158,344
Total	<u>1,643,409</u>	<u>1,630,716</u>	<u>(12,693)</u>	<u>1,635,821</u>
<b>Permits and Fees:</b>				
Planning revenue	15,000	-	(15,000)	15,000
Total	<u>15,000</u>	<u>-</u>	<u>(15,000)</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Stormwater fees	600,000	601,158	1,158	587,039
Rental fees	197,615	182,857	(14,758)	204,289
Recreation program revenues	105,000	188,874	83,874	172,954
Community center revenues	225,000	312,313	87,313	303,902
Zoning ordinance sales	30,000	20,745	(9,255)	20,598
Rescue/EMS assistance	91,756	88,794	(2,962)	90,166
Police services	38,244	36,506	(1,738)	24,015
Other police contracts	137,273	144,932	7,659	161,086
Total	1,424,888	1,576,179	151,291	1,564,049
<b>Investment Earnings</b>	-	18,862	18,862	1,400
<b>Miscellaneous:</b>				
Other	94,894	137,440	42,546	252,673
Total	94,894	137,440	42,546	252,673
Total revenues	20,142,271	20,203,909	61,638	19,570,973
<b>Expenditures:</b>				
<b>General Government:</b>				
Salaries and employee benefits	19,186	19,340	(154)	18,906
Expenses allowance	43,258	42,035	1,223	30,450
Operating expenses	227,282	224,947	2,335	186,113
Total	289,726	286,322	3,404	235,469
<b>Administration:</b>				
Salaries and employee benefits	2,551,747	2,000,014	551,733	2,613,251
Operating expenditures	699,474	696,756	2,718	644,939
Capital outlay	760,982	759,967	1,015	10,772
Total	4,012,203	3,456,737	555,466	3,268,962
Total general government	4,301,929	3,743,059	558,870	3,504,431
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	4,498,835	4,425,677	73,158	4,422,012
Operating expenditures	1,006,330	920,357	85,973	975,975
Capital outlay	364,033	360,246	3,787	236,987
Total	5,869,198	5,706,280	162,918	5,634,974

**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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Fire:</b>				
Salaries and employee benefits	1,142,593	1,088,753	53,840	1,066,860
Operating expenditures	605,902	507,012	98,890	497,434
Donation to volunteer fire departments	151,000	151,000	-	144,000
Capital outlay	46,600	36,915	9,685	-
Total	<u>1,946,095</u>	<u>1,783,680</u>	<u>162,415</u>	<u>1,708,294</u>
<b>Safer Grant:</b>				
Operating expenses	<u>1,300</u>	<u>1,300</u>	-	-
Total	<u>1,300</u>	<u>1,300</u>	-	-
<b>Animal Control:</b>				
Salaries and employee benefits	48,701	45,667	3,034	44,989
Other operating expenses	<u>39,534</u>	<u>35,255</u>	<u>4,279</u>	<u>26,428</u>
Total	<u>88,235</u>	<u>80,922</u>	<u>7,313</u>	<u>71,417</u>
Total public safety	<u>7,904,828</u>	<u>7,572,182</u>	<u>332,646</u>	<u>7,414,685</u>
<b>Public Works:</b>				
<b>Street Department:</b>				
Salaries and employee benefits	1,326,005	1,197,947	128,058	1,268,887
Operating expenses	2,260,858	1,891,181	369,677	960,177
Capital outlay	<u>147,000</u>	<u>130,558</u>	<u>16,442</u>	<u>24,564</u>
Total	<u>3,733,863</u>	<u>3,219,686</u>	<u>514,177</u>	<u>2,253,628</u>
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Contracted services	<u>1,930,775</u>	<u>1,876,073</u>	<u>54,702</u>	<u>1,891,807</u>
Total	<u>1,930,775</u>	<u>1,876,073</u>	<u>54,702</u>	<u>1,891,807</u>
<b>StormWater:</b>				
Salaries and employee benefits	380,067	333,978	46,089	374,157
Operating expenses	278,850	174,551	104,299	191,298
Capital outlay	<u>30,500</u>	<u>30,261</u>	<u>239</u>	-
Total	<u>689,417</u>	<u>538,790</u>	<u>150,627</u>	<u>565,455</u>
Total environmental protection	<u>2,620,192</u>	<u>2,414,863</u>	<u>205,329</u>	<u>2,457,262</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, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Economic and Physical Development:</b>				
<b>Planning and Zoning:</b>				
Salaries and employee benefits	395,798	378,352	17,446	370,411
Operating expenses	105,143	65,524	39,619	69,455
Total	<u>500,941</u>	<u>443,876</u>	<u>57,065</u>	<u>439,866</u>
<b>Culture and Recreation:</b>				
<b>Parks:</b>				
Salaries and employee benefits	628,194	627,039	1,155	596,819
Operating expenses	671,950	687,822	(15,872)	704,104
Capital outlay	-	-	-	8,464
Total	<u>1,300,144</u>	<u>1,314,861</u>	<u>(14,717)</u>	<u>1,309,387</u>
<b>Debt Service:</b>				
Principal retirement	1,496,273	1,496,271	2	1,222,951
Interest and other charges	280,023	270,590	9,433	136,895
Total	<u>1,776,296</u>	<u>1,766,861</u>	<u>9,435</u>	<u>1,359,846</u>
Contingency	82,214	-	82,214	-
Total expenditures	<u>22,220,407</u>	<u>20,475,388</u>	<u>1,745,019</u>	<u>18,739,105</u>
Revenues over (under) expenditures	<u>(2,078,136)</u>	<u>(271,479)</u>	<u>1,806,657</u>	<u>831,868</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	115,000	-	(115,000)	-
Long-term debt issued	740,982	740,982	-	-
Sale of capital assets	10,000	793	(9,207)	13,268
Transfer (to) other funds	(421,400)	(454,914)	(33,514)	(265,670)
Transfer from other funds	1,633,554	574,359	(1,059,195)	564,500
Total other financing sources (uses):	<u>2,078,136</u>	<u>861,220</u>	<u>(1,216,916)</u>	<u>312,098</u>
Net change in fund balance	<u>\$ -</u>	589,741	<u>\$ 589,741</u>	1,143,966
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>7,863,033</u>		<u>6,719,067</u>
End of year - June 30		<u>\$ 8,452,774</u>		<u>\$ 7,863,033</u>

## 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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 15	\$ (15)
Total revenues	<u>-</u>	<u>15</u>	<u>(15)</u>
<b>Other Financing Sources (Uses):</b>			
Transfer to other funds	(33,514)	-	33,514
Transfer from other funds	<u>33,514</u>	<u>33,514</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>33,514</u>	<u>33,514</u>
Net change in fund balance	<u>\$ -</u>	33,529	<u>\$ 33,529</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,787</u>	
End of year - June 30		<u>\$ 36,316</u>	

TOWN OF MATTHEWS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Investment earnings		\$ 11,188	\$ 4,996	\$ 16,184	
Restricted intergovernmental		3,031,960	1,567,100	4,599,060	
Miscellaneous		81,539	-	81,539	
Donations		74,029	-	74,029	
Total revenues	\$ 10,968,921	3,198,716	1,572,096	4,770,812	\$ (6,198,109)
<b>Expenditures:</b>					
<b>Culture and Recreation:</b>					
Park equipment replacement		17,704	32,297	50,001	
Wayfinding system		469,744	57,797	527,541	
AG Building renovations		-	747,558	747,558	
Total culture and recreation		487,448	837,652	1,325,100	
<b>Public Safety:</b>					
Police radio system upgrade		384,663	-	384,663	
Volunteer fire truck		150,000	40,000	190,000	
Police Mobile CAD		339,107	-	339,107	
Total public safety		873,770	40,000	913,770	
<b>Public Works:</b>					
W. Charles Street Connector Project		169,158	-	169,158	
Buckley Way Project		38,547	459,620	498,167	
North Trade Street Project		40,192	-	40,192	
South Trade Street Project		473,527	-	473,527	
Right-of-way Crestdale		62,848	26,250	89,098	
Public works vehicle and equipment		65,329	-	65,329	
Streetsweeper		238,183	-	238,183	
Hwy 51-Matthews-Idlewild Intersection		81,250	33,394	114,644	
S. Trade Street Project - GO Bonds		1,783,473	2,350,639	4,134,112	
Improvements: Hwy 51-Matthews					
Mint Hill Road		65,753	-	65,753	
Total public works		3,018,260	2,869,903	5,888,163	
<b>Economic and Physical Development:</b>					
Vehicle replacement		-	203,223	203,223	
Total economic and physical development		-	203,223	203,223	
<b>Environmental Protection:</b>					
Campus Ridge Project		627,572	1,541,472	2,169,044	
<b>Information Systems:</b>					
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, 2016**

	<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>	
<b>Debt Service:</b>					
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>7,048,201</u>	<u>5,492,250</u>	<u>12,540,451</u>	<u>9,027,063</u>
Revenues over (under) expenditures	<u>(10,598,593)</u>	<u>(3,849,485)</u>	<u>(3,920,154)</u>	<u>(7,769,639)</u>	<u>2,828,954</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from other funds	8,196,816	1,108,753	671,400	1,780,153	(6,416,663)
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	7,322,791	840,000	8,162,791	5,622,646
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>8,439,685</u>	<u>1,511,400</u>	<u>9,951,085</u>	<u>(647,508)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,590,200</u>	<u>(2,408,754)</u>	<u>\$ 2,181,446</u>	<u>\$ 2,181,446</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>4,590,200</u>		
End of year - June 30			<u>\$ 2,181,446</u>		

## Special Revenue Fund

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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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses:			
Occupancy tax	\$ 532,560	\$ 564,840	\$ 32,280
Prepared food tax	802,400	802,033	(367)
Rental car tax	96,240	96,035	(205)
Sales and services	-	944	944
Total revenues	<u>1,431,200</u>	<u>1,463,852</u>	<u>32,652</u>
<b>Expenditures:</b>			
Culture and recreation			
Tourism	<u>496,200</u>	<u>496,486</u>	<u>(286)</u>
Revenues over (under) expenditures	<u>935,000</u>	<u>967,366</u>	<u>(32,366)</u>
<b>Other Financing Sources (Uses):</b>			
Transfer to other funds	<u>(935,000)</u>	<u>(824,359)</u>	<u>(110,641)</u>
Total other financing sources (uses)	<u>(935,000)</u>	<u>(824,359)</u>	<u>(110,641)</u>
Net change in fund balance	<u>\$ -</u>	<u>143,007</u>	<u>\$ 143,007</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>696,609</u>	
End of year - June 30		<u>\$ 839,616</u>	



## Additional Financial Data

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This section contains additional information on property taxes:

- ❖ General Fund – Schedule of Ad Valorem Taxes Receivable
  - ❖ Analysis of Current Tax Levy
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## TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 12,225,884	\$ 12,168,633	\$ 57,251
2014-2015	51,652	-	13,509	38,143
2013-2014	55,121	-	14,670	40,451
2012-2013	47,853	-	8,524	39,329
2011-2012	45,514	-	11,272	34,242
2010-2011	91,400	-	1,815	89,585
2009-2010	39,623	-	4,309	35,314
2008-2009	35,004	-	3,372	31,632
2007-2008	41,319	-	272	41,047
2006-2007	26,343	-	332	26,011
2005-2006	15,803	-	15,803	-
Total	<u>\$ 449,632</u>	<u>\$ 12,225,884</u>	<u>\$ 12,242,511</u>	433,005
Less: Allowance for uncollectible accounts				<u>(100,000)</u>
Ad valorem taxes receivable, net				<u>\$ 333,005</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 11,721,142
Reconciling items:				
Penalties and interest collected				(59,184)
Amounts written off due to Statute of Limitations				15,803
Prior year releases and other adjustments				<u>564,750</u>
Total collections and credits				<u>\$ 12,242,511</u>

## TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
FOR THE YEAR ENDED JUNE 30, 2016

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 3,420,999,118	\$ 0.3400	\$ 11,631,397	\$ 11,631,397	\$ -
Registered motor vehicles taxed at current year's rate	<u>446,821,765</u>	0.3400	<u>1,519,194</u>	<u>-</u>	<u>1,519,194</u>
Total	<u>3,867,820,883</u>		<u>13,150,591</u>	<u>11,631,397</u>	<u>1,519,194</u>
<b>Discoveries:</b>					
Prior years' taxes	<u>308,772,647</u>	0.3400	<u>1,049,827</u>	<u>1,049,346</u>	<u>481</u>
<b>Abatement:</b>					
	<u>(580,745,294)</u>	0.3400	<u>(1,974,534)</u>	<u>(1,974,534)</u>	<u>-</u>
Total property valuation	<u>\$ 3,595,848,236</u>				
<b>Net Levy</b>			12,225,884	10,706,209	1,519,675
Uncollected taxes at June 30, 2016			<u>(57,251)</u>	<u>(57,251)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 12,168,633</u>	<u>\$ 10,648,958</u>	<u>\$ 1,519,675</u>
<b>Current Levy Collection Percentage</b>			<u>99.53%</u>	<u>99.47%</u>	<u>100.00%</u>

**Secondary Market Disclosures:****Assessed Valuation:**

Assessment ratio <sup>1</sup>	100%
Real property	\$ 3,420,999,118
Personal property	122,199,176
Public service companies <sup>2</sup>	<u>52,649,942</u>
Total assessed valuation	3,595,848,236
Tax rate per \$100	<u>0.3400</u>
Levy (includes discoveries, releases and abatements) <sup>3</sup>	<u>\$ 12,225,884</u>

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

## Statistical Section

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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.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary government										
Net investment in capital assets	\$ 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	\$ 249,116,013
Restricted	-	-	-	-	1,954,537	2,102,387	2,129,405	2,075,669	2,994,790	3,189,988
Unrestricted	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	1,145,628
Total primary government net position	\$ 277,304,939	\$ 273,241,003	\$ 270,743,299	\$ 265,901,566	\$ 262,488,241	\$ 261,125,202	258,400,436	\$ 257,140,920	\$ 254,615,735	\$ 253,451,629

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 6,644,807	\$ 6,864,191	\$ 6,790,343	\$ 7,039,748	\$ 5,724,666	\$ 6,058,474	\$ 4,866,735	\$ 5,974,279	\$ 5,218,577	\$ 3,154,459
Public safety	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	8,227,291
Public works	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	5,693,214
Environmental protection	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	3,956,335
Economic and physical development	408,458	529,283	473,900	557,786	429,238	468,470	459,159	407,664	441,604	648,837
Cultural and recreation	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	2,706,523
Interest on long term debt	619,269	544,632	647,687	369,276	347,316	290,933	230,229	199,494	227,853	84,279
Total primary government expenses	\$ 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	\$ 24,470,938
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 325,893	\$ 245,145	\$ 561,619	\$ 262,123	\$ 280,464	\$ 442,380	\$ 455,113	\$ 304,997	\$ 342,818	\$ 399,189
Public safety	579,683	424,249	657,850	588,411	600,363	614,991	613,092	587,089	591,114	605,073
Public works	1,675	15,531	12,561	8,908	10,960	13,106	10,823	12,852	20,598	20,745
Economic and physical development	595,730	683,272	615,038	648,934	550,354	726,927	660,049	630,010	765,912	682,195
Cultural and recreation	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions:										
General government	-	4,747	1,000	-	2,500	21,447	17,769	-	-	-
Public safety	12,426	144,107	151,945	95,811	141,576	140,668	128,576	177,745	426,319	458,290
Public works	727,130	843,663	785,619	1,277,582	734,541	789,082	741,986	760,750	1,015,454	2,344,439
Economic and physical development	-	-	-	-	-	-	-	-	-	-
Cultural and recreation	22,113	10,000	30,000	20,000	20,000	1,300,734	20,000	20,867	21,575	25,164
Interest on long term debt	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	617,025	497,237	566,375	545,375	522,475	499,875	481,550	473,388	450,063	432,063
Cultural and recreation	-	-	-	-	176,131	270,403	184,250	125,616	-	115,262
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	\$ 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	\$ 5,156,252
<b>Net (expense)/revenue</b>										
Total governmental activities net (expense)/revenue	\$ (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)	\$ (19,314,686)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 11,704,515
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	2,858,263
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	1,900,294
Other taxes and licenses	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	1,663,635
Unrestricted intergovernmental revenues	1,415,445	-	-	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	484,637	411,605	120,698	29,258	14,394	5,369	3,201	953	1,583	23,873
Miscellaneous	211,890	-	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
<b>Total governmental activities general revenues</b>	<b>\$ 14,299,225</b>	<b>\$ 14,916,019</b>	<b>\$ 15,083,510</b>	<b>\$ 15,109,232</b>	<b>\$ 15,287,675</b>	<b>\$ 15,996,302</b>	<b>\$ 15,959,830</b>	<b>\$ 16,746,282</b>	<b>\$ 17,285,839</b>	<b>\$ 18,150,580</b>
<b>Change in Net Position</b>										
Governmental activities	(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)	(1,164,106)
Net position-beginning	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	254,615,735
Prior period adjustment	-	-	(223,925)	-	-	-	-	-	(988,490)	-
<b>Net position-ending</b>	<b>\$ 277,304,939</b>	<b>\$ 273,241,003</b>	<b>\$ 270,743,299</b>	<b>\$ 265,901,566</b>	<b>\$ 262,488,241</b>	<b>\$ 261,125,202</b>	<b>\$ 258,400,436</b>	<b>\$ 257,140,920</b>	<b>\$ 254,615,735</b>	<b>\$ 253,451,629</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Non-spendable:										
Long term note receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,249	\$ 91,249
Encumbrances	71,908	-	-	-	-	-	-	-	-	-
Prepays	15,000	107,803	18,397	29,739	117,183	89,509	47,581	88,311	8,125	91,302
Stabilization by State Statute	833,747	899,183	915,136	1,375,612	1,768,485	2,038,137	1,274,173	1,155,907	1,884,154	1,495,007
Total Non-spendable	\$ 920,655	\$ 1,006,986	\$ 933,533	\$ 1,405,351	\$ 1,885,668	\$ 2,127,646	\$ 1,321,754	\$ 1,244,218	\$ 1,983,528	\$ 1,677,558
Assigned:										
Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,561
Environmental Protection	-	-	-	-	439,259	124,125	221,342	221,564	171,147	233,516
Culture and Recreation	-	-	-	-	-	-	14,743	17,769	-	-
Public Safety	-	-	-	-	-	-	5,000	4,400	-	200,000
Unassigned	7,697,243	6,421,920	6,354,516	6,275,337	6,256,757	4,780,735	4,509,548	5,284,320	5,711,145	5,849,455
Total General Fund	\$ 8,617,898	\$ 7,428,906	\$ 7,288,049	\$ 7,680,688	\$ 8,581,684	\$ 7,032,506	\$ 6,072,387	\$ 6,772,271	\$ 7,865,820	\$ 8,489,090

**All Other Governmental Funds**

Tourism Fund	\$ 705,041	\$ 1,615,240	\$ 2,238,072	\$ 2,902,096	\$ 1,886,531	\$ 2,100,789	\$ 122,366	\$ 258,133	\$ 634,810	\$ 786,538
Stabilization by State Statute	28,043	42,683	30,335	95,046	186,052	64,250	137,206	317,275	74,068	908,443
Capital Projects Fund	1,284,797	28,623	25,086	(391,787)	(812,805)	(961,263)	595,660	344,354	4,577,931	1,326,081
Total all other governmental funds	\$ 2,017,881	\$ 1,686,546	\$ 2,293,493	\$ 2,605,355	\$ 1,259,778	\$ 1,203,776	\$ 855,232	\$ 919,762	\$ 5,286,809	\$ 3,021,062

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Ad valorem taxes	\$ 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	\$ 11,721,142
Other taxes and licenses	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	6,338,605
Unrestricted intergovernmental	1,415,445	166,412	207,977	93,472	183,995	176,420	173,481	194,307	218,473	244,817
Restricted intergovernmental	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	3,197,816
Permits and fees	25,000	-	-	20,000	15,000	15,000	15,000	15,000	15,000	-
Sales and services	1,477,981	1,332,389	1,487,367	1,495,590	1,381,518	1,738,614	1,661,044	1,451,133	1,564,049	1,576,179
Unrestricted investment earnings	456,481	411,605	120,698	29,258	14,394	5,369	3,201	953	1,583	23,873
Miscellaneous	211,890	62,401	407,446	81,146	182,650	201,637	148,782	112,027	242,861	137,440
Total revenues	17,279,481	17,905,610	18,542,241	18,548,875	18,666,327	20,921,366	19,517,892	20,232,127	21,251,963	23,239,872
<b>Expenditures</b>										
General government	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	3,743,059
Public safety	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	7,612,182
Public works	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	6,089,589
Environmental Prot.	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	3,956,335
Economic and physical development	402,341	519,465	543,151	540,426	413,921	457,534	450,559	405,926	439,866	647,099
Culture and recreation	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	2,648,999
Debt service:										
Principal	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	1,496,271
Interest	619,269	544,632	647,687	369,276	347,315	290,933	230,229	182,509	136,895	270,590
Construction in progress	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	19,685,265	19,470,311	25,543,855	19,500,388	20,450,086	22,610,196	20,838,989	19,488,340	21,611,767	26,464,124
Excess of revenues over (under) expenditures	(2,405,784)	(1,564,701)	(7,001,614)	(951,513)	(1,783,759)	(1,688,830)	(1,321,097)	743,787	(359,804)	(3,224,252)
<b>Other financing sources (uses)</b>										
Debt issued, note payable	2,071,000	-	-	-	-	-	-	-	5,700,000	1,580,982
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	793
Premium issued	-	-	-	-	-	-	-	-	107,132	-
Total other financing sources (uses)	7,110,820	44,374	7,673,204	251,282	5,364	25,224	12,434	20,627	5,820,400	1,581,775
Net change in fund balances	\$ 4,705,036	\$ (1,520,327)	\$ 671,590	\$ (700,231)	\$ (1,776,395)	\$ (1,663,606)	\$ (1,308,663)	\$ 764,414	\$ 5,460,596	\$ (1,642,477)
Debt services as a percentage of noncapital expenditures	21.0%	11.9%	41.3%	11.9%	11.2%	17.4%	9.4%	8.3%	6.3%	6.7%

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

Calendar Year Ended December 31	Real Property		Personal Property		Public Service Companies		Total Taxable Assessed Value		Total Direct Tax Rate	
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		
2016	3,420,999,118	122,199,176	52,649,942				3,595,848,236	0.3400		

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	
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
2016	0.3400	0.3400	0.8157	0.8157	1.1557

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

Taxpayer	Type of Business	Fiscal Year 2016				Fiscal Year 2007				
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
SC Windsor Associates, LP	Retail/shopping center	66,370,700	1	1.85%	38,164,800	3	1.31%			
Family Dollar, Inc	Corporate headquarters	52,524,885	2	1.46%	48,689,447	1	1.67%			
IA Matthews Sycamore Commons, LLC	Retail/shopping center	39,197,500	3	1.09%	25,264,000	5	0.87%			
Adult Communities Total Services, Inc.	Retirement Village	36,046,000	4	1.00%	39,542,994	2	1.35%			
Duke Energy Corp	Utilities	25,629,270	5	0.71%						
Windstream (formally Alltel Carolina)	Communication headquarters	18,721,421	6	0.52%						
HEP Investment Company LLC	Retail/shopping center	18,521,100	7	0.52%	17,835,000	7	0.61%			
Costco Wholesale Corp	Membership Warehouse Club	18,446,472	8	0.51%						
BBR/Paces Commons LLC	Apartment complex	18,082,342	9	0.50%	16,749,300	8	0.57%			
WMCI Charlotte VIII LLC	Retail/shopping center	17,708,900	10	0.49%	15,268,900	9	0.52%			
CIP Inc - (formally PCA National, Inc.)	Corporate headquarters				25,282,338	4	0.87%			
Martin Marietta	Aggregate complex				19,521,680	6	0.67%			
1450 Matthews Township Parkway LP	Medical Office Complex				14,902,100	10	0.51%			
		<u>\$ 311,248,590</u>		<u>8.66%</u>	<u>\$ -</u>		<u>8.95%</u>			
					<u>261,220,559</u>					
Totals		<u>556,126,480</u>		<u>8.7%</u>	<u>\$ 484,276,318</u>		<u>16.6%</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 December 31	Total Levy for Fiscal Year (Original Year)	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Original Levy
2007	8,619,553	8,459,957	98.15%
2008	9,112,898	8,920,159	97.88%
2009	9,970,924	9,740,361	97.69%
2010	10,249,648	10,024,741	97.81%
2011	10,398,332	10,174,665	97.85%
2012	10,657,838	10,463,066	98.17%
2013	10,645,625	10,453,998	98.20%
2014	11,503,911	11,365,307	98.80%
2015	11,200,735	11,149,083	99.54%
2006	12,225,884	12,168,633	99.53%

**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
2007	\$ 4,365,000	0.15%	164	0.57%
2008	3,915,000	0.13%	139	0.51%
2009	3,475,000	0.12%	121	0.38%
2010	3,045,000	0.10%	104	0.31%
2011	2,625,000	0.08%	96	0.33%
2012	2,215,000	0.06%	81	0.24%
2013	1,810,000	0.05%	64	0.19%
2014	1,400,000	0.04%	48	0.15%
2015	6,500,000	0.18%	216	0.66%
2016	5,805,000	0.16%	193	0.58%

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				
2007	\$ 4,365,000	\$ 8,894,771	\$	\$ 13,259,771	499	1.73%
2008	3,915,000	7,843,619		11,758,619	419	1.52%
2009	3,475,000	7,719,542		11,194,542	391	1.23%
2010	3,045,000	7,817,422		10,862,422	372	1.11%
2011	2,625,000	7,780,741		10,405,741	381	1.31%
2012	2,215,000	4,997,917		7,212,917	264	0.77%
2013	1,810,000	3,877,105		5,687,105	200	0.59%
2014	1,400,000	2,845,250		4,245,250	144	0.44%
2015	6,500,000	2,222,299		8,722,299	290	0.88%
2016	5,805,000	3,002,010		8,807,010	293	0.88%

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, 2016**

<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)	\$ 8,807,010	100.00%	\$ 8,807,010
<i>Counties:</i> Mecklenburg County (2)	<u>1,382,083,831</u>	0.75%	<u>10,409,359</u>
Total direct and overlapping debt	<u>\$ 1,390,890,841</u>		<u>\$ 19,216,369</u>

Sources:  
(1) Audited annual financial reports  
(2) Mecklenburg County finance department

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

**Town of Matthews, North Carolina**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value of Property	\$ 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	\$ 3,595,848,236
Debt Limit, 8% of Assessed value (Statutory Limitation)	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	287,667,859
Debt applicable to debt limitations: Total bonded debt	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	5,805,000
Debt not evidenced by bonds	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	3,002,010
Total debt applicable to limitations	13,259,771	11,758,619	11,194,542	10,862,422	10,405,741	7,212,917	5,687,105	4,245,250	8,722,299	8,807,010
Legal debt limit	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	278,860,849
Total net debt applicable to the limit as a percentage of debt limit	5.91%	4.96%	4.67%	4.40%	4.16%	2.56%	2.02%	1.46%	3.09%	3.06%

**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
2007	26,554	57,214,443	28,942	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
2016	30,010	-	33,214	5,595	4.80%	66,859	41.5

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](http://www.bea.gov)

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

	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Family Dollar Stores	1400	1	900	1
Novant Health - Matthews	1315	2	250	6
Harris Teeter	1249	3	680	2
Plantation Estates	275	4	200	7
Home Depot	195	5	140	8
Sam's Club	180	6	135	9
Lowe's	150	7	-	-
Town of Matthews	141	8	125	10
Stronghaven Container, Inc	93	9	-	-
Costco Wholesale Inc.	75	10	-	-
PCA	-	-	625	3
Conbraco	-	-	300	4
Rexham	-	-	260	5

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function</b>										
General government	11	11	11	11	11	11	11	10	11	11
Public safety	77	81	81	81	81	81	78	87	86	86
Public works	38	33	31	31	29	29	31	31	31	31
Economic & phy. development	6	6	6	6	5	5	6	6	6	6
Cultural and recreation	7	7	7	7	7	7	8	7	7	7
<b>Total</b>	<b>139</b>	<b>138</b>	<b>136</b>	<b>136</b>	<b>133</b>	<b>133</b>	<b>134</b>	<b>141</b>	<b>141</b>	<b>141</b>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
Tax collection rate	98.15%	98.15%	97.69%	97.81%	97.85%	98.17%	98.20%	98.80%	99.54%	99.53%
<b>Culture and Recreation</b>										
Attendance at all events/programs/classes	110,214	110,810	143,147	149,530	149,661	152,864	158,911	163,473	170,924	172,593
Total of events/programs/classes	-	-	-	-	-	-	478	448	461	493
<b>Public Safety</b>										
Calls for service	27,175	33,144	31,301	33,275	31,396	39,379	22,324	30,930	42,500	45,045
Arrests	1,239	1,220	747	819	804	1,538	1,335	1,708	2,262	1,601
Citations Issued	13,297	13,954	6,834	7,951	4,713	5,662	3,891	4,259	3,814	2,997
Fire and other non-medical runs	-	-	-	-	-	731	1,016	1,022	1,141	1,297
EMS calls	1,867	1,844	1,957	1,867	1,867	1,106	1,840	1,862	2,006	2,039
EMS response time (min)	-	-	-	-	-	5.28	5.55	5.41	5.51	5.43
<b>Public Works</b>										
Miles of Streets/Sidewalks	93.65	94.09	95.14	95.97	95.97	97.66	97.79	97.79	97.87	97.95
Town-maintained	64	66	66	66	66	66	68	68	69	69
Sidewalks	-	-	-	-	-	-	-	-	-	-
<b>Economic and Physical Development</b>										
Building Permit Activity	-	-	-	238	341	315	444	361	398	335
Taxable Value of Permits Issued	-	-	\$ -	\$ 8,683,304	\$ 11,551,888	\$ 17,491,633	\$ 21,565,301	\$ 22,012,697	\$ 38,424,823	\$ 89,158,925

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

<u>Function/Program</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Parks and recreation</b>										
Community/Art centers	1	1	1	1	1	1	2	2	2	2
Park facility	5	5	5	6	6	7	8	8	8	8
Park acreage	39	44	44	44	44	45	45.5	45.5	45.5	46
Recreation center	1	1	1	1	1	1	1	1	1	1
Greenway	-	-	-	-	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
<b>Fire protection</b>										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteer Fire/EMS	20	23	71	65	75	65	69	62	62	62
Paid personnel	6	9	9	9	9	9	9	16	16	16
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn officers	55	57	57	59	59	63	63	62	62	62
Civilians - Full-time	17	14	14	12	12	10	11	8	8	8
Civilians - Part-time	-	13	13	10	10	13	14	11	11	11
Patrol vehicles - marked	46	49	49	49	51	53	53	53	53	53
Patrol vehicles - unmarked	16	15	17	17	18	15	18	18	18	18
<b>Public Works</b>										
Town - maintained streets	93.65	94.09	95.14	95.97	95.97	97.66	97.79	97.79	99.81	89.78
Sidewalks	64	66	66	66	66	66	68	68	71	72

Sources: Asset records for departments of the Town

## Compliance Section

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- ❖ Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*
  - ❖ *Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act*
  - ❖ *Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act*
  - ❖ Schedule of Findings, Responses, and Questioned Costs
  - ❖ Schedule Of Prior Year Audit Findings
  - ❖ Schedule of Expenditures of Federal and State Awards
-



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

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

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

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Town of 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, 2016, 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, 2016.

### **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 (internal control) 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 of this section 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, 2016

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

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

## **Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Matthews' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Matthews' major federal programs for the year ended June 30, 2016. The Town of Matthews' major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Matthews' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Matthews' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085  
Toll Free Both Locations 1-800-948-0585 ♦ Website: [www.martinstarnes.com](http://www.martinstarnes.com)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Matthews' compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Town of Matthews complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Town of Matthews is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Matthews' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Matthews' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 26, 2016

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

#### **Report on Compliance for Each Major State Program**

We have audited the Town of Matthews, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Matthews' major State programs for the year ended June 30, 2016. The Town of Matthews' major State program is identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Matthew's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Matthews' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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Toll Free Both Locations 1-800-948-0585 ♦ Website: [www.martinstarnes.com](http://www.martinstarnes.com)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Matthews' compliance.

### ***Opinion on Each Major State Program***

In our opinion, the Town of Matthews complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2016.

### ***Report on Internal Control Over Compliance***

Management of the Town of Matthews is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Matthews' internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the types of auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Matthews' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 26, 2016

**TOWN OF MATTHEWS, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes      X   None reported

Non-compliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major federal programs:

- Material weakness (es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

Identification of major federal programs:

**Program Name or Cluster**  
Highway Planning and Construction Cluster

**CFDA#**  
20.205

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

No

**TOWN OF MATTHEWS, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**State Awards**

Internal control over major State programs:

- Material weaknesses identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Powell Bill

**Section II – Financial Statements Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

**Section IV – State Award Findings and Questioned Costs**

None reported.

**TOWN OF MATTHEWS, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

No findings in the previous year.

**TOWN OF MATTHEWS, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
<b>Federal Programs:</b>					
U.S. Department of Housing and Urban Development					
Direct Program -					
Community Development Block Grants/Entitlement Grants Cluster	14.218	23118206	\$ 26,250	\$ -	\$ -
Community Development Block Grants/Entitlement Grants Cluster	14.218	24366273	<u>250,000</u>	<u>-</u>	<u>-</u>
Total CDBG-Entitlement Grants Cluster			276,250	-	-
U.S. Department of Justice:					
Direct Program -					
Equitable Sharing Program	16,922		<u>4,536</u>	<u>-</u>	<u>-</u>
U.S. Department of Transportation:					
Passed-Through the North Carolina Department of Transportation:					
Highway Planning and Construction Cluster	20.205	U-4713B	<u>1,231,764</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security:					
Staffing for Adequate Fire and Emergency Response (SAFER) - Salary					
	97.083	EMW-2013-FH-00353	155,722	-	-
Staffing for Adequate Fire and Emergency Response (SAFER) - Equipment					
	97.083	EMW-2013-FH-00351	1,300	-	-
Staffing for Adequate Fire and Emergency Response (SAFER) - Volunteers					
	97.083	EMW-2015-FO-06990	<u>140,994</u>	<u>-</u>	<u>-</u>
Total Staffing for Adequate Fire and Emergency Grants			298,016	-	-
Executive Office of the President					
Passed-through the North Carolina Department of Justice					
High Intensity Drug Trafficking Areas Program	95.001		<u>89,299</u>	<u>-</u>	<u>-</u>
Total Federal expenditures			<u>1,899,865</u>	<u>-</u>	<u>-</u>
<b>State Programs:</b>					
N.C. Department of Transportation:					
Powell Bill		DOT-4	<u>-</u>	<u>1,071,163</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,899,865</u>		
Total State expenditures				<u>\$ 1,071,163</u>	<u>\$ -</u>

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

**Note 1: Basis of Presentation:**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Matthews under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Matthews, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Matthews.

**Note 2: Summary of Significant Accounting Policies:**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.