



Town of
MatthewsTM
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

Town of Matthews North Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2017**

Prepared By
Department of Finance



Town of Matthews, North Carolina

LIST OF PRINCIPAL OFFICIALS

Town Council

Mayor

James (Jim) P. Taylor

Commissioners

Chris Melton (Mayor Pro-Tem)

John F. Higdon

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
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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-



November 21, 2017

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, 2017.

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.

HISTORY 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 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. 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.

Around the turn of the century, as cotton farming covered the South, 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, downtown Matthews boasted two cotton gins, three general stores, a bank, two doctors, a pharmacy, a gristmill, a blacksmith shop, a livery table and a hotel.

As Charlotte's booming growth spread, the Matthews community became filled with businesses, housing developments, corporate headquarters and thousands of new citizens. Matthews became and continues to be one of North Carolina's most affluent and desirable communities, while at the same time retaining the quaint, small-town atmosphere that has attracted thousands of visitors and families who have chosen to live and work here.

PROFILE OF THE GOVERNMENT

The Town of Matthews 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 30,359.

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 \$27 million expansion to double the women's services center completed in 2016. 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 hospital offers outpatient services and high-level diagnostic capabilities. The proliferation of physician offices and other medical facilities has occurred around the hospital. They have been recognized as a Magnet Health Care Facility.

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

The Levine Senior Center has operated in Matthews since 2005. This 20,000 square foot 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. In 2016, the Town of Matthews purchased the land and physical building that houses the Senior Center. The non-profit organization that caters to the needs of local seniors occupies the facility rent free under a management agreement.

In recent years, Matthews has focused on ways to identify and direct future growth. New projects that have been recently completed 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; projects underway include 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, 2017 of \$279,314,685.

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 subsequent year operating expenses. The Governing Body formally adopts and funds the current fiscal year CIP along with the budget. Each fiscal year this plan is reviewed and updated to continue to rolling (5) year plan.

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

RELEVANT FINANCIAL POLICIES

The Town did not establish any new or modify any existing policies during the fiscal year ending June 30, 2017. In its regularly scheduled board meetings, the Town Board approved 85 ordinances that changed the Town's budget or fee schedule.

MAJOR INITIATIVES

The Town reached 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 used \$5.5M of General Obligation 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 was 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 assess the functionality of the heating and cooling devices as they are approaching end of useful life. Also under consideration is an in-building lighting feasibility and analysis.

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. The Town will begin work to complete the Rice Road Park and a small pocket park along Trade Street in the upcoming fiscal year.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Matthews for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. The Town has received nineteen consecutive Certificates of Achievement for the fiscal years ending 1998-2016. 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.

Respectfully,



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, 2016

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

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

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.

Cultural Diversity Council

The Cultural Diversity Council's role is to foster a climate of mutual respect among the many diverse groups and communities within Matthews; to improve communications between these groups and communities and the Town government and leaders; to offer input towards Town and community issues; and to encourage discussion of differing viewpoints to promote an understanding in a multicultural environment and increase Matthews' capacity to become a more culturally competent organization and community.

Economic Development Advisory Committee

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

The Environmental Advisory Committee provides advice and assistance to the Board of Commissioners on all areas of potential environmental impacts to the Town including air pollution, water pollution, and floodway control problems. The Committee also provides support in selecting solid, household hazardous waste, recycling and yard waste contractors and providing oversight into the appropriate management of these materials.

Historic Preservation Advisory Committee

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 and Recreation Advisory Committee

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

The North Carolina General Statutes authorizes municipalities to develop comprehensive future growth and development plans, and land development regulations to implement those plans. The statutes also call for municipalities to create a planning board to make recommendations on these land development plans and regulations. The Matthews Planning Board was created to advise the Town Board of Commissioners on land development issues from a citizen standpoint.

Special Needs Advisory Committee

The Special Needs Advisory Committee serves as a conduit to reach, refer, and empower physically and mentally challenged citizens of the Matthews community.

Transportation Advisory Committee

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 re-zonings.

Veteran Advisory Committee

The mission of the Matthews Veterans Advisory Committee (MVAC) is to promote a strong, healthy, and cooperative relationship between the Town of Matthews and service members, veterans, and their families; to recognize the roles played by veterans in the defense of this country; to promote equal and inclusive opportunities for veterans and their families in all aspects of society; and to identify and support all individuals and organizations that contribute to this mission.

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 built in Carpenter's Grove, where Stumptown Park now stands. All too soon, the little wooden schoolhouse was overflowing and in 1906 a modern brick building was erected at the cost of \$14,000. The property was purchased by the Town; in 1994, and is now known as the Matthews Community and Performing Arts Center. It is recognized as a Charlotte-Mecklenburg Historic Property and renovations to the structure have recently been completed.

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

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

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

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

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

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

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. Maintaining the town's computer/networking systems, safety and risk management responsibilities and Human Resource functions are also a 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 investment of all Town funds, maintaining accounting and financial records, and the billing and collection of Town monies. This includes but is not limited to reconciling real estate and personal property taxes and animal licenses which are billed and collected by third parties; preparing biweekly payroll, and weekly accounts payables. The department prepares the Comprehensive Annual Financial Report, assists 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.

Public Works

The Public Works Department consists of eight divisions. They are Administrative, Streets/Roads and Sidewalks, Fleet, Landscaping, Storm Water, Sanitation and Animal Control. Primary functions include maintenance and construction of sidewalks, road and roadway maintenance (including street rights-of-way), streetlights, parks maintenance, storm drainage structures and animal control. 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.

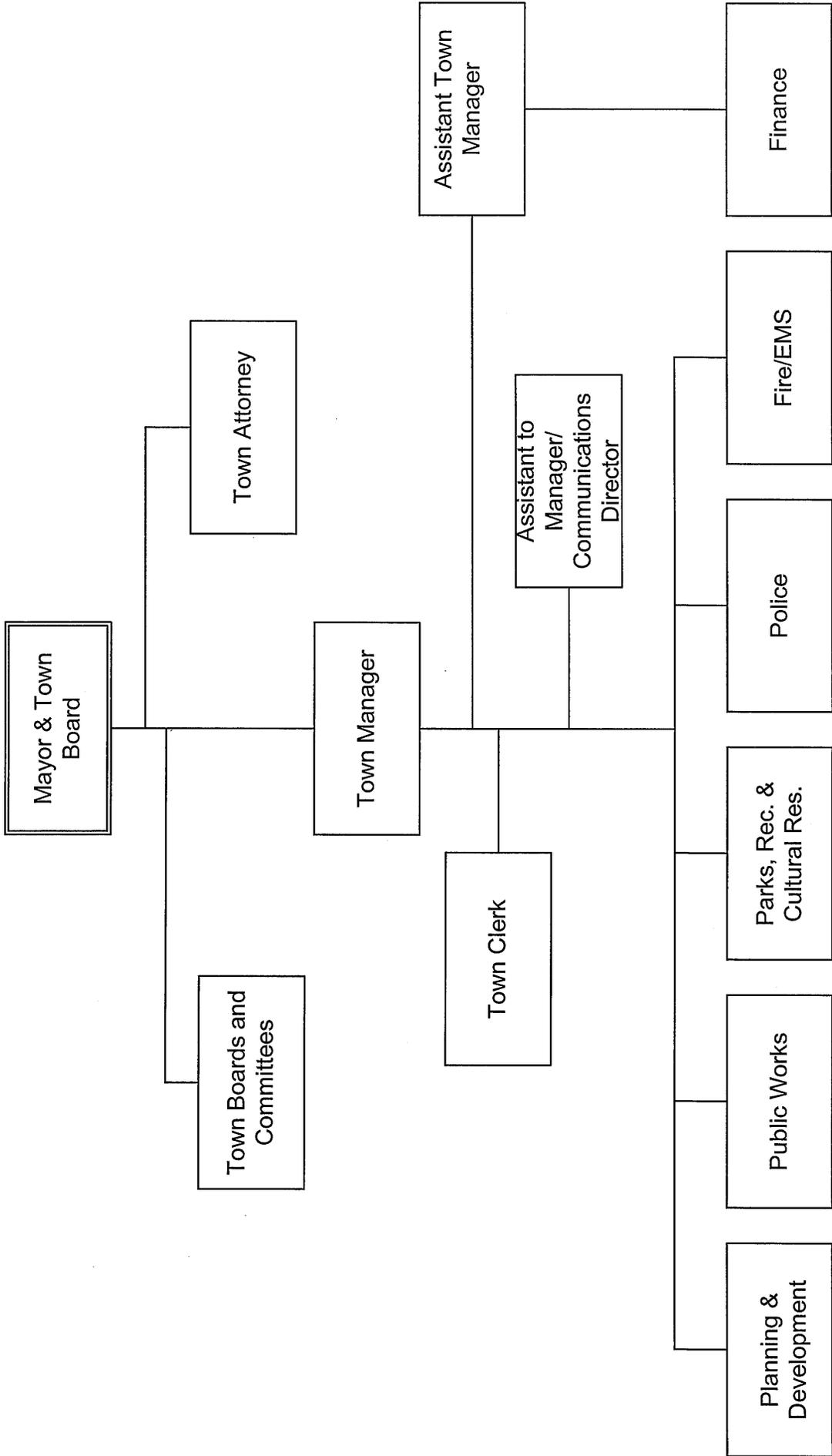
Parks and Recreation/Cultural Arts

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. 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.

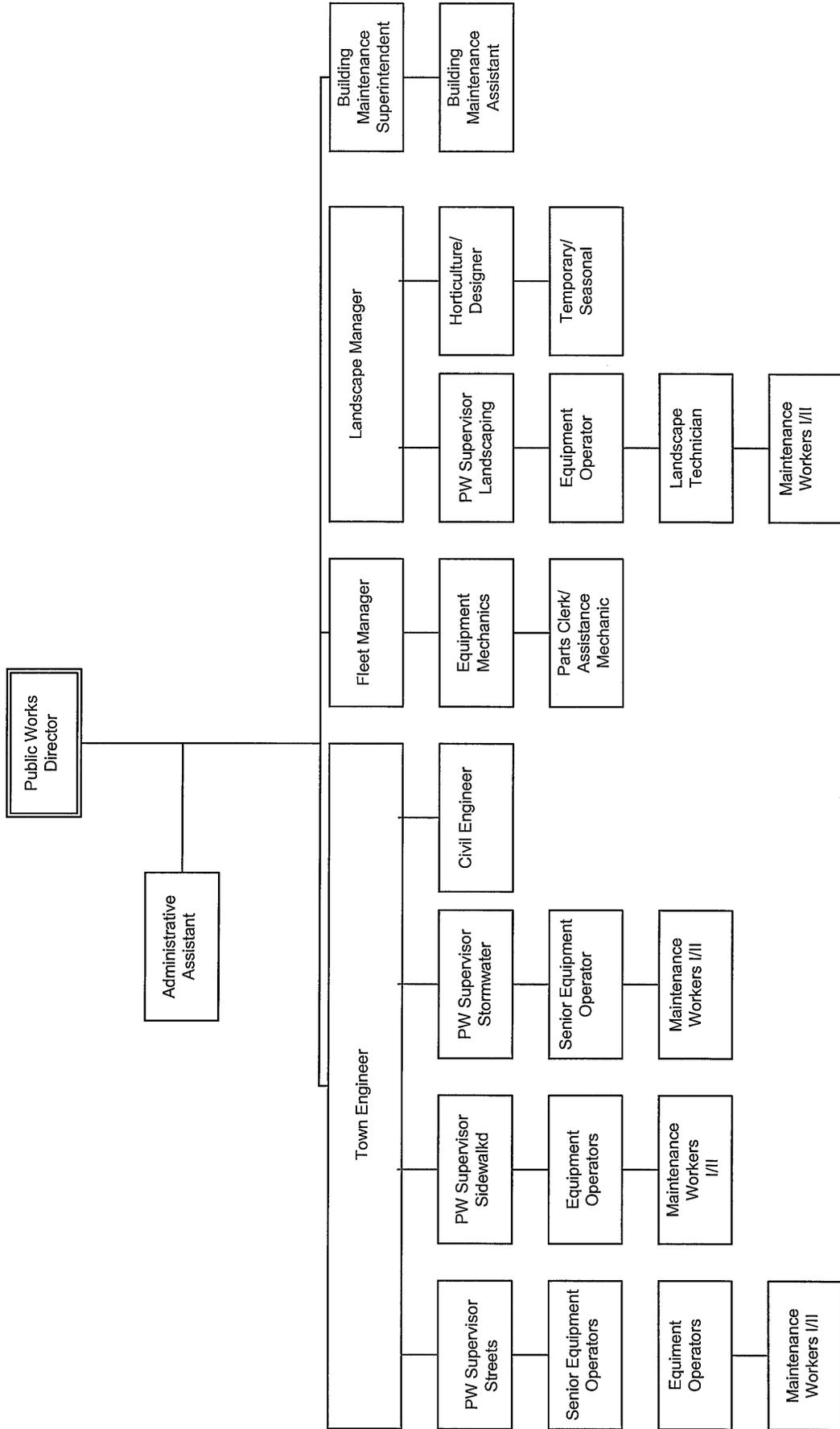
The Special Events Division is responsible for organizing and promoting town sponsored festivals. These include the spring festival, BeachFest, and the Labor Day weekend event, Matthews Alive! that brings 200,000 plus visitors into our area.

Organizational Structure



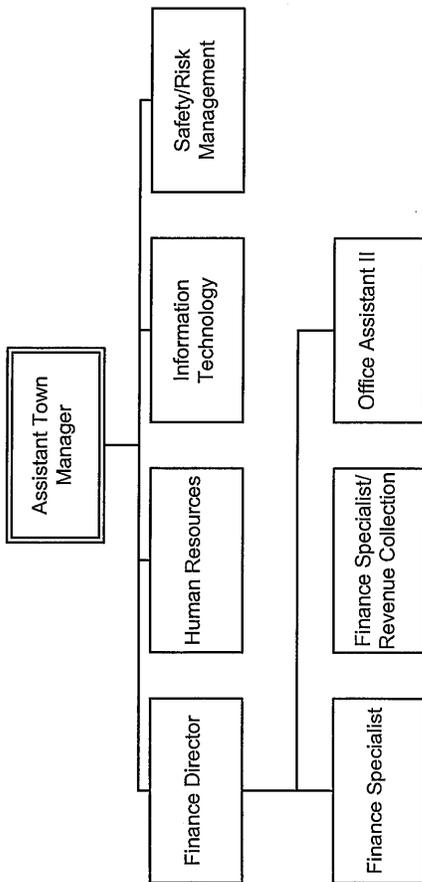
Public Works Department

Organizational Structure



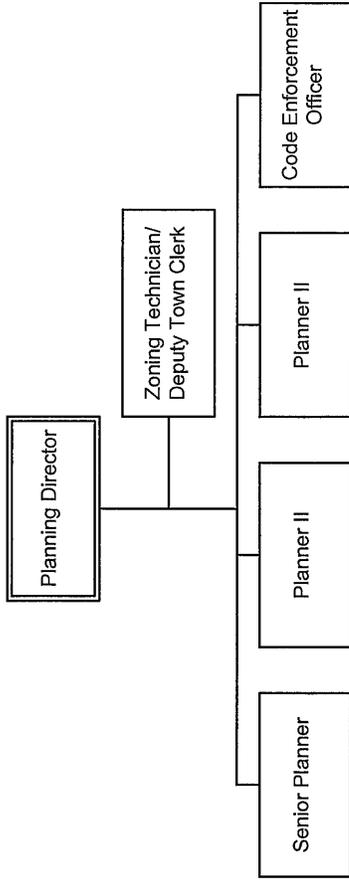
Assistant Town Manager

Organizational Structure



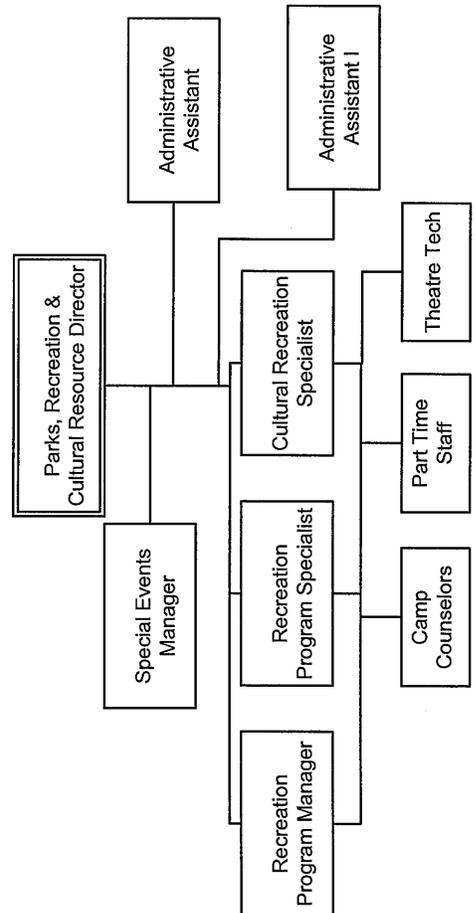
Planning Department

Organizational Structure



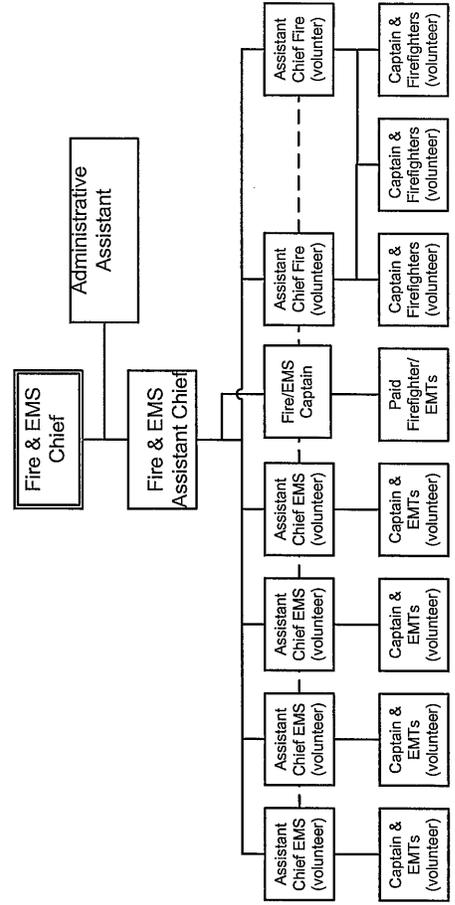
Parks & Recreation/Cultural Resources

Organizational Structure



Fire & EMS Department

Organizational Structure



Financial Section

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
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, 2017, 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 financial statement 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, 2017, 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 Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedules of Funding Progress and Schedule of 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, combining and individual fund statements, budgetary schedules, other schedules, statistical section, and the 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 combining and 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 relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the 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 November 21, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Matthews' 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
November 21, 2017



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, 2017. 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

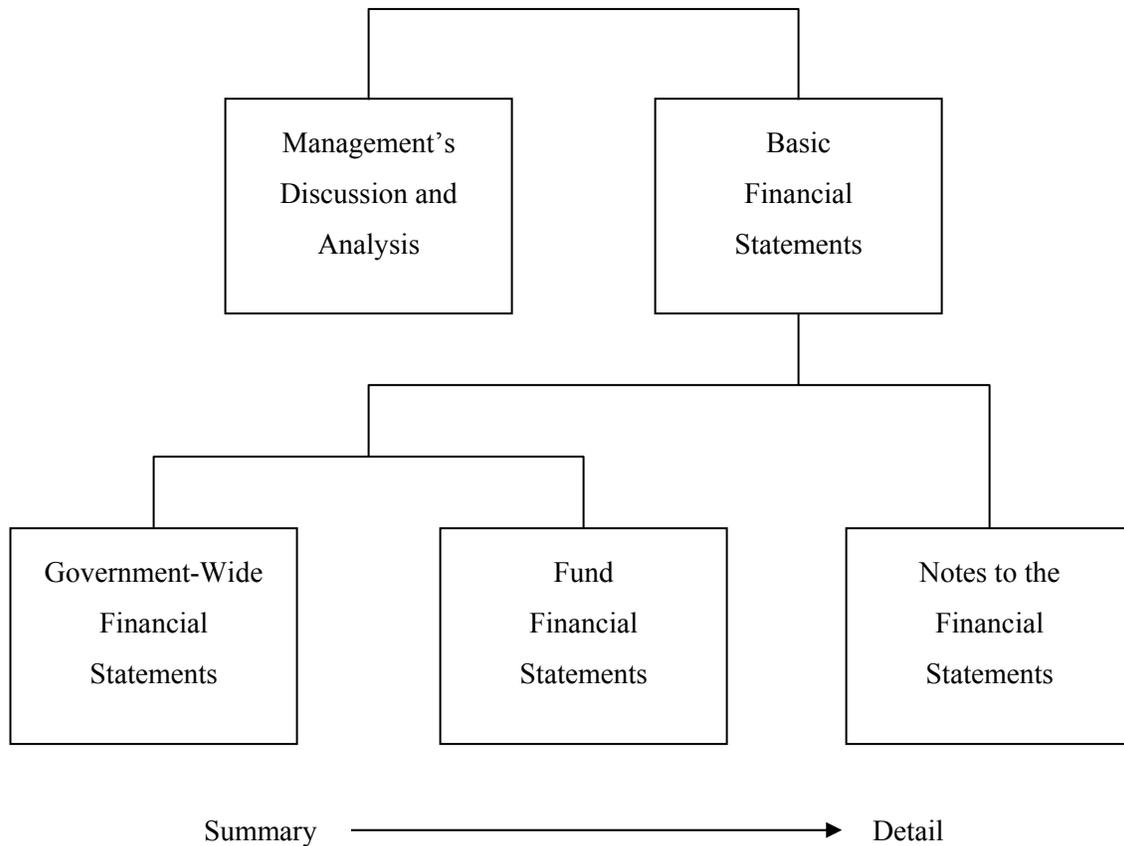
- The assets and deferred outflows of resources of the Town of Matthews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$257,294,702 (*net position*).
- The Town's net position increased by \$5,260,040, primarily due to the increase in total revenues and decrease in total expenses. At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$14,664,217, an increase of \$3,813,055, in comparison with the prior year. Approximately 45.11% of this total amount, or \$6,615,401, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$7,857,761, or 39.39%, of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews' total debt decreased by \$1,387,796 during the current fiscal year.
- The Town of Matthews increased fund balance of the Tourism Fund by \$184,392. This was due to revenue growth over expenditures. This leaves an ending fund balance of \$1,024,008 in fiscal year ending June 30, 2017. 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 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 50 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

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets	\$ 16,386,720	\$ 13,443,648
Capital assets, net	<u>252,528,803</u>	<u>252,118,023</u>
Total assets	<u>268,915,523</u>	<u>265,561,671</u>
Deferred Outflows of Resources:		
Pension deferrals	1,596,960	87,101
Contributions to pension plan	<u>569,501</u>	<u>484,114</u>
Total deferred outflows of resources	<u>2,166,461</u>	<u>571,215</u>
Liabilities:		
Current liabilities	2,065,728	3,357,960
Non-current liabilities	<u>11,007,386</u>	<u>8,989,070</u>
Total liabilities	<u>13,073,114</u>	<u>12,347,030</u>
Deferred Inflows of Resources:		
Pension deferrals	227,568	334,227
Unearned grant	<u>486,600</u>	<u>-</u>
Total deferred inflows of resources	<u>227,568</u>	<u>334,227</u>
Net Position:		
Net investment in capital assets	250,229,589	249,116,013
Restricted	6,414,757	3,189,988
Unrestricted	<u>650,356</u>	<u>1,145,628</u>
Total net position	<u>\$ 257,294,702</u>	<u>\$ 253,451,629</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 \$257,294,702 as of June 30, 2017. The Town's net position increased by \$5,260,040 for the fiscal year ended June 30, 2017. However, the largest portion (97%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Matthews uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Matthews' investments in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A balance of \$650,356 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, 2017 is 99.55%. The North Carolina Department of Motor Vehicles started collection of motor vehicle taxes in September 2013 with a new program called “Tax and Tag”. The percent of net levy collected for the year ended June 30, 2017 is 100.00%.

Town of Matthews’ Changes in Net Position

Figure 3

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 2,014,536	\$ 1,781,034
Operating grants and contributions	1,156,358	2,827,893
Capital grants and contributions	3,873,751	547,325
General revenues:		
Property taxes	12,202,765	11,704,515
Other taxes	4,924,326	4,758,557
Unrestricted intergovernmental	1,704,022	1,663,635
Investment earnings	53,994	23,873
Total revenues	<u>25,929,752</u>	<u>23,306,832</u>
Expenses:		
General government	3,249,371	3,154,459
Public safety	8,461,648	8,227,291
Public works	3,361,045	5,693,214
Environmental protection	2,428,836	3,956,335
Cultural and recreation	2,412,834	2,706,523
Economic and physical development	480,707	648,837
Interest on long-term debt	275,271	84,279
Total expenses	<u>20,669,712</u>	<u>24,470,938</u>
Change in net position	<u>5,260,040</u>	<u>(1,164,106)</u>
Net Position:		
Beginning of year - July 1	253,451,629	254,615,735
Restatement	(1,416,967)	-
Beginning of year - July 1 as restated	<u>252,034,662</u>	<u>254,615,735</u>
End of year - June 30	<u>\$ 257,294,702</u>	<u>\$ 253,451,629</u>

Governmental Activities

Governmental activities increased the Town's net position by \$5,260,040, as compared to a decrease of \$1,164,106 in the prior year. Key elements of this increase and changes from prior year are as follows:

- Recording of a net pension liability
- Local commitment from development to improve transportation corridor in southern quadrant of municipality
- Positive income in General Fund due to unspent dollars committed to transportation improvements
- Positive income in Tourism Fund due to revenue growth over stable expenditures

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 \$7,857,761, while total fund balance reached was \$9,506,499. The Town currently has an available fund balance of 39.39% of General Fund expenditures and transfer to other funds, while total fund balance represents 47.66% of the same amount.

At June 30, 2017, the governmental funds of the Town of Matthews reported a combined fund balance of \$14,664,217, with a net increase in fund balance of \$3,813,055. The General Fund had an increase in fund balance of \$1,676,399 for mostly due to unspent monies for transportation projects. The Capital Improvement Program had a decrease in fund balance of \$1,106,341 due to spending committed monies on capital and capital projects. The Windsor Run Improvements Fund had an increase in fund balance of \$3,060,000 that is restricted to improving the transportation corridor in the southern quadrant of the municipality.

General Fund Budgetary Highlights

During Fiscal Year 2017, 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 \$519,947, and exceeded the estimated budget by \$374,089.
- Overall revenues, not including transfers or fund balance appropriations, exceeded estimated budgets by \$827,991.
- On the expenditure side, every department and function came in below their approved appropriations.
- Public Works did not spend a significant portion of its resurfacing allowance for the year, setting themselves up for a large resurfacing project in spring of 2018.

Capital Assets and Debt Administration

Capital Assets. The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2017 totals \$252,528,803 (net of accumulated depreciation). These assets include land, buildings, machinery, equipment, vehicles, and park facilities.

Major capital transactions during the year are detailed below.

- Additions to construction in progress – \$352,758
- Additions to building and land improvements – \$142,577
- Additions to police and other vehicles – \$828,265
- Additions to equipment – \$368,537

Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 227,990,029	\$ 227,434,285
Construction in progress	1,559,936	1,207,178
Buildings	29,231,292	29,088,715
Infrastructure	95,646,784	95,646,784
Equipment	4,054,789	3,686,252
Vehicles and motorized equipment	6,833,573	6,211,433
Accumulated depreciation	<u>(112,787,600)</u>	<u>(111,156,624)</u>
Total capital assets, net	<u>\$ 252,528,803</u>	<u>\$ 252,118,023</u>

Additional information on the Town's capital assets can be found in the notes to basic financial statements on pages 31-32.

Long-Term Debt. As of June 30, 2017, the Town of Matthews had total bonded debt outstanding of \$5,120,000, all completely backed by the full faith and credit of the Town.

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

Figure 5

	Governmental Activities	
	2017	2016
General obligation bonds	\$ 5,120,000	\$ 5,805,000
Notes payable	2,299,214	3,002,010
Total	\$ 7,419,214	\$ 8,807,010

The Town of Matthews' total General Obligation Bond and notes payable debt decreased by \$1,387,796 (15.8%) during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Matthews is approximately \$260,688,574.

Additional information regarding the Town of Matthews' long-term debt can be found in the notes to the basic financial statements beginning on page 46.

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 2016-2017, building permits totaling \$89,158,925 were issued. This reflects a 132% growth over the previous year.
- Accordingly, Ad Valorem taxes increased by 4.4% in Fiscal Year 2016-2017.
- Sales and use taxes have increased for five consecutive years. Fiscal Year 2016-2017 showed a growth of approximately 5.2% from the prior year.
- Tourism revenues have increased for consecutive years. Fiscal Year 2016-2017 showed a growth of approximately 9.25% from the prior year.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities

General Fund. The Town of Matthews approved a \$21,527,597 General Fund budget for the fiscal year ending June 30, 2018. This represents a 4.11% increase from the fiscal year ended June 30, 2017. The property tax rate remained at \$0.3400 per \$100 valuation and the auto tag fees remained \$25 per registered motor vehicle. There was an assigned fund balance appropriation of \$203,000 used to fund stormwater capital and a gym floor replacement.

The adopted Fiscal Year 2018 budgeted 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. It also funds \$866,000 towards the capital project needs as identified in its current Capital Improvement Plan. Unassigned fund balance dollars provide additional security as the economy continues to stabilize. They are also available for unexpected expenditures and/or opportunities.

Tourism Fund. The Town of Matthews approved a \$1,500,000 Tourism Fund budget for the fiscal year ending June 30, 2018. There was no fund balance appropriation used. The Tourism Fund is used to support, maintain, operate, market, and promote the performing arts centers, auditoriums, and museums. Tourism and tourism-related programs and activities help set the Town apart in the region.

Requests for Information

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

Basic Financial Statements

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



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Current assets:	
Cash and investments	\$ 9,858,565
Restricted cash and investments	4,336,163
Taxes receivable, net	294,681
Accounts receivable, net	281,944
Due from other governments	1,414,723
Prepaid items	109,395
Total current assets	<u>16,295,471</u>
Non-current assets:	
Notes receivable	91,249
Capital assets :	
Non-depreciable	229,549,965
Depreciable, net	<u>22,978,838</u>
Total non-current assets	<u>252,620,052</u>
Total assets	<u>268,915,523</u>
Deferred Outflows of Resources:	
Pension deferrals	1,596,960
Contributions to pension plan in current fiscal year	<u>569,501</u>
Total deferred outflows of resources	<u>2,166,461</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	909,478
Current portion of compensated absences	46,106
Current portion of long-term liabilities	<u>1,110,144</u>
Total current liabilities	<u>2,065,728</u>
Non-current liabilities:	
Net pension liability	2,394,206
Total pension liability	1,867,523
Non-current portion of compensated absences	414,951
Non-current portion of long-term liabilities	<u>6,330,706</u>
Total non-current liabilities	<u>11,007,386</u>
Total liabilities	<u>13,073,114</u>
Deferred Inflows of Resources:	
Pension deferrals	227,568
Unearned grant	<u>486,600</u>
Total deferred inflows of resources	<u>714,168</u>
Net Position:	
Net investment in capital assets	250,229,589
Restricted for:	
Stabilization by State statute	1,594,867
Streets	740,280
Public safety	49,283
Cultural and recreation	970,327
Capital outlay	3,060,000
Unrestricted	<u>650,356</u>
Total net position	<u>\$ 257,294,702</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, 2017**

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General government	\$ 3,249,371	\$ 135,649	\$ -	\$ 408,238	\$ (2,705,484)
Public safety	8,461,648	335,359	333,826	148,169	(7,644,294)
Public works	3,361,045	873,397	797,575	3,183,996	1,493,923
Environmental protection	2,428,836	-	-	-	(2,428,836)
Economic and physical development	480,707	30,323	-	39,008	(411,376)
Cultural and recreation	2,412,834	639,808	24,957	94,340	(1,653,729)
Interest on long-term debt	<u>275,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(275,271)</u>
Total primary government	<u>\$ 20,669,712</u>	<u>\$ 2,014,536</u>	<u>\$ 1,156,358</u>	<u>\$ 3,873,751</u>	<u>(13,625,067)</u>
General Revenues:					
Taxes:					
Ad valorem taxes					12,202,765
Local options sales tax					3,009,254
Utility franchise and excise tax					1,915,072
Occupancy tax					596,584
Prepared food tax					888,192
Rental car tax					113,742
Privilege licenses					2,224
Other taxes and licenses					103,280
Investment earnings					<u>53,994</u>
Total general revenues					<u>18,885,107</u>
Change in net position					<u>5,260,040</u>
Net Position:					
Beginning of year - July 1					253,451,629
Restatement					<u>(1,416,967)</u>
Beginning of year - July 1, as restated					<u>252,034,662</u>
End of year - June 30					<u>\$ 257,294,702</u>

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

TOWN OF MATTHEWS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Capital Improvement Program	Windsor Run Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 7,880,291	\$ 1,003,908	\$ -	\$ 974,366	\$ 9,858,565
Restricted cash and investments	789,563	486,600	3,060,000	-	4,336,163
Taxes receivable, net	294,681	-	-	-	294,681
Notes receivable	91,249	-	-	-	91,249
Accounts receivable	188,852	90,880	-	2,212	281,944
Due from other funds	2,212	-	-	-	2,212
Due from other governments	1,361,042	-	-	53,681	1,414,723
Prepaid items	109,395	-	-	-	109,395
Total assets	<u>\$ 10,717,285</u>	<u>\$ 1,581,388</u>	<u>\$ 3,060,000</u>	<u>\$ 1,030,259</u>	<u>\$ 16,388,932</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 812,093	\$ 19,683	\$ -	\$ 5,434	\$ 837,210
Due to other funds	-	-	-	2,212	2,212
Total liabilities	<u>812,093</u>	<u>19,683</u>	<u>-</u>	<u>7,646</u>	<u>839,422</u>
Deferred Inflows of Resources:					
Unavailable taxes	294,681	-	-	-	294,681
Unearned grant	-	486,600	-	-	486,600
Unavailable revenue	104,012	-	-	-	104,012
Total deferred inflows of resources	<u>398,693</u>	<u>486,600</u>	<u>-</u>	<u>-</u>	<u>885,293</u>
Fund Balances:					
Non-spendable:					
Long term note receivable	91,249	-	-	-	91,249
Prepays	109,395	-	-	-	109,395
Restricted:					
Stabilization by State statute	1,448,094	90,880	-	55,893	1,594,867
Streets	740,280	-	-	-	740,280
Public Safety	49,283	-	-	-	49,283
Cultural and recreation	-	-	-	970,327	970,327
Capital outlay	-	-	3,060,000	-	3,060,000
Committed:					
Capital outlay	-	984,225	-	-	984,225
Assigned:					
Assigned for streets	674,739	-	-	-	674,739
Assigned for cultural and recreation	105,418	-	-	-	105,418
Assigned for environmental protection - stormwater	347,596	-	-	-	347,596
Unassigned	5,940,445	-	-	(3,607)	5,936,838
Total fund balances	<u>9,506,499</u>	<u>1,075,105</u>	<u>3,060,000</u>	<u>1,022,613</u>	<u>14,664,217</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,717,285</u>	<u>\$ 1,581,388</u>	<u>\$ 3,060,000</u>	<u>\$ 1,030,259</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.					
					252,528,803
Net pension liability (LGERS)					
					(2,394,206)
Total pension liability (LEOSSA)					
					(1,867,523)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.					
					569,501
Pension related deferrals					
					1,369,392
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.					
					398,693
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>(7,974,175)</u>
Net position of governmental activities					
					<u>\$ 257,294,702</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, 2017

	General Fund	Capital Improvement Program	Windsor Run Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 12,241,089	\$ -	\$ -	\$ -	\$ 12,241,089
Other taxes and licenses	5,075,288	-	-	1,598,518	6,673,806
Unrestricted intergovernmental	244,203	-	-	-	244,203
Restricted intergovernmental	1,408,433	357,344	3,060,000	-	4,825,777
Permits and fees	30,000	-	-	-	30,000
Sales and services	1,722,325	-	-	-	1,722,325
Investment earnings	51,968	2,026	-	-	53,994
Miscellaneous	216,579	-	-	5,761	222,340
Total revenues	<u>20,989,885</u>	<u>359,370</u>	<u>3,060,000</u>	<u>1,604,279</u>	<u>26,013,534</u>
Expenditures:					
Current:					
General government	3,112,695	-	-	-	3,112,695
Public safety	7,948,170	643,692	-	6,325	8,598,187
Public works	2,269,211	1,300,948	-	-	3,570,159
Environmental protection	2,290,591	138,245	-	-	2,428,836
Economic and physical development	478,969	-	-	-	478,969
Cultural and recreation	1,284,524	603,107	-	558,936	2,446,567
Debt service:					
Principal retirement	1,676,129	-	-	116,667	1,792,796
Interest and other charges	218,537	-	-	13,230	231,767
Total expenditures	<u>19,278,826</u>	<u>2,685,992</u>	<u>-</u>	<u>695,158</u>	<u>22,659,976</u>
Revenues over (under) expenditures	<u>1,711,059</u>	<u>(2,326,622)</u>	<u>3,060,000</u>	<u>909,121</u>	<u>3,353,558</u>
Other Financing Sources (Uses):					
Long-term debt issued	-	405,000	-	-	405,000
Transfers (to) other funds	(668,151)	-	-	(726,124)	(1,394,275)
Transfers from other funds	578,994	815,281	-	-	1,394,275
Proceeds from sale of capital assets	54,497	-	-	-	54,497
Total other financing sources (uses)	<u>(34,660)</u>	<u>1,220,281</u>	<u>-</u>	<u>(726,124)</u>	<u>459,497</u>
Net change in fund balances	<u>1,676,399</u>	<u>(1,106,341)</u>	<u>3,060,000</u>	<u>182,997</u>	<u>3,813,055</u>
Fund Balances:					
Beginning of year - July 1	8,489,090	2,181,446	-	839,616	11,510,152
Restatement	(658,990)	-	-	-	(658,990)
Beginning of year, as restated	<u>7,830,100</u>	<u>2,181,446</u>	<u>-</u>	<u>839,616</u>	<u>10,851,162</u>
End of year - June 30	<u>\$ 9,506,499</u>	<u>\$ 1,075,105</u>	<u>\$ 3,060,000</u>	<u>\$ 1,022,613</u>	<u>\$ 14,664,217</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, 2017**

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)	\$ 3,813,055
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.	2,247,881
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(1,837,101)
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.	(83,782)
Pension expense	(211,786)
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.	1,387,796
Accrued interest that does not require current financial resources and is not reported as an expenditure in the governmental funds statement	(43,504)
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>(12,519)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 5,260,040</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 11,867,000	\$ 11,867,000	\$ 12,241,089	\$ 374,089
Other taxes and licenses	4,919,645	4,919,645	5,075,288	155,643
Unrestricted intergovernmental	235,000	235,000	244,203	9,203
Restricted intergovernmental	1,414,738	1,460,769	1,408,433	(52,336)
Permits and fees	15,000	15,000	30,000	15,000
Sales and services	1,458,557	1,465,492	1,722,325	256,833
Investment earnings	5,000	45,000	51,968	6,968
Miscellaneous	110,430	153,988	216,579	62,591
Total revenues	<u>20,025,370</u>	<u>20,161,894</u>	<u>20,989,885</u>	<u>827,991</u>
Expenditures:				
Current:				
General government	3,254,958	3,176,455	3,112,695	63,760
Public safety	7,721,159	8,171,137	7,948,170	222,967
Public works	3,084,301	3,284,364	2,269,211	1,015,153
Environmental protection	2,348,678	2,321,603	2,290,591	31,012
Economic and physical development	506,806	506,806	478,969	27,837
Cultural and recreation	1,282,119	1,339,663	1,284,524	55,139
Debt service:				
Principal retirement	1,741,145	1,685,614	1,676,129	9,485
Interest and other charges	232,303	214,759	218,537	(3,778)
Total expenditures	<u>20,171,469</u>	<u>20,700,401</u>	<u>19,278,826</u>	<u>1,421,575</u>
Revenues over (under) expenditures	<u>(146,099)</u>	<u>(538,507)</u>	<u>1,711,059</u>	<u>2,249,566</u>
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	54,497	44,497
Transfers to other funds	(505,280)	(668,151)	(696,181)	(28,030)
Transfers from other funds	641,379	1,196,658	578,994	(617,664)
Total other financing sources (uses)	<u>146,099</u>	<u>538,507</u>	<u>(62,690)</u>	<u>(601,197)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,648,369</u>	<u>\$ 1,648,369</u>
Fund Balance:				
Beginning of year - July 1			8,452,774	
Restatement			<u>(658,990)</u>	
Beginning of year, as restated			<u>7,793,784</u>	
End of year - June 30			<u>\$ 9,442,153</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, 2017

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, 2017

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.

Windsor Run Improvements Fund. This fund is used to account for contribution funds that are restricted for general improvements within the Town.

The Town reports the following nonmajor governmental funds:

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.

SAFER Grants Fund. This fund is used to account for money set aside by the Town for fire and emergency response purposes.

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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. 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 Fund, 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, SAFER Fund and Windsor Run Improvements 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an 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 grant 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. Drug forfeiture equitable sharing funds are classified as restricted because the funds are restricted by its source for public safety purposes. Windsor Run funds are classified as restricted because the funds are restricted by its source for general improvements of a specific area within the Town.

Governmental Activities:

General Fund:

Streets	\$ 740,280
Equitable sharing	49,283
Unearned Capital Grant	486,600
Windsor Run Improvements Fund	<u>3,060,000</u>
Total governmental restricted cash	<u>\$ 4,336,163</u>

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, 2016.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Allowance for Uncollectible Accounts

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

Prepaid Items

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

meets the criterion, contributions made to the pension plan in the 2017 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 three items that meet the criterion for this category, pension deferrals, receivables, and unearned grants.

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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)].

Streets – portion of fund balance that is restricted for use for street projects.

Public Safety – portion of fund balance that is restricted for the public safety volunteer program.

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

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Committed for capital outlay – portion of fund balance for use only for approved capital outlay projects in the Capital Improvements Fund.

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.

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

Assigned for Streets – portion of fund balance budgeted by the Board for use for street projects.

Assigned for Culture and Recreation – portion of fund balance budgeted for use only on tourism related activities to promote cultural and recreation.

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 General Fund is the only fund where it is appropriate to report positive unassigned fund balance.

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.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 9,506,499
Less:	
Long-term note receivable	91,249
Prepays	109,395
Stabilization by State statute	<u>1,448,094</u>
Total available fund balance	<u><u>\$ 7,857,761</u></u>

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 D). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending (Exhibit F)	\$ 9,442,153
Transfers in	28,030
Fund balance, beginning	<u>36,316</u>
Fund balance, ending (Exhibit D)	<u><u>\$ 9,506,499</u></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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$502,430 and a bank balance of \$745,316. Of the bank balance, \$462,278 was covered by federal depository insurance, and \$283,038 was covered by collateral held under the Pooling Method. At June 30, 2017, the Town's petty cash fund totaled \$80.

Investments

At June 30, 2017, the Town had \$13,692,218 invested with North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

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

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Receivables – Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2017 were as follows:

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accounts Receivable</u>	<u>Total</u>
Governmental Activities:				
Governmental	\$ 394,681	\$ 1,414,723	\$ 281,944	\$ 2,091,348
Allowance for doubtful accounts	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total governmental activities	<u>\$ 294,681</u>	<u>\$ 1,414,723</u>	<u>\$ 281,944</u>	<u>\$ 1,991,348</u>

Due from other governments consisted of the following:

Local option sales tax	\$	588,948
Other taxes and licenses		218,436
Cable and electricity franchise tax		344,692
Piped Natural Gas excise tax		26,083
Telecommunications sales tax		70,840
Sales tax refund receivable		<u>165,724</u>
Total		<u>\$ 1,414,723</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, 2017 was \$91,249.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	June 30, 2016	Increases	Decreases	June 30, 2017
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 227,434,285	\$ 555,744	\$ -	\$ 227,990,029
Construction in progress	1,207,178	352,758	-	1,559,936
Total non-depreciable capital assets	228,641,463	908,502	-	229,549,965
Depreciable Capital Assets:				
Buildings and improvements	29,088,715	142,577	-	29,231,292
Equipment	3,686,252	368,537	-	4,054,789
Vehicles and motorized equipment	6,211,433	828,265	(206,125)	6,833,573
Infrastructure	95,646,784	-	-	95,646,784
Total depreciable capital assets	134,633,184	1,339,379	(206,125)	135,766,438
Less Accumulated Depreciation:				
Buildings and improvements	9,553,278	741,461	-	10,294,739
Equipment	2,794,664	276,787	-	3,071,451
Vehicles and motorized equipment	5,353,440	393,388	(206,125)	5,540,703
Infrastructure	93,455,242	425,465	-	93,880,707
Total accumulated depreciation	111,156,624	\$ 1,837,101	\$ (206,125)	112,787,600
Total depreciable capital assets, net	23,476,560			22,978,838
Capital assets, net	\$ 252,118,023			\$ 252,528,803

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

Governmental Activities:	
General government	\$ 435,026
Public safety	814,542
Public works	483,654
Economic and physical development	1,738
Cultural and recreation	102,141
Total	\$ 1,837,101

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2017 is composed of the following elements:

	<u>Governmental Activities</u>
Capital assets	\$ 252,528,803
Long-term debt	(7,419,214)
Debt for assets not capitalized by the Town	5,120,000
Net investment in capital assets	<u>\$ 250,229,589</u>

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 (LEO) 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 report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 G.S. 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, 2017 was 8.00% of compensation for law enforcement officers and 7.34% 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 \$562,979 for the year ended June 30, 2017.

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, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a liability of \$2,394,206 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Town's proportion was .11281%, which was a decrease of .01698% from its proportion measured as of June 30, 2015.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

For the year ended June 30, 2017, the Town recognized pension expense of \$639,312. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,983	\$ 83,896
Change in assumptions	163,982	-
Net difference between projected and actual earnings on pension plan investments	1,323,695	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	64,300	103,673
Town contributions subsequent to the measurement date	<u>562,979</u>	<u>-</u>
Total	<u>\$ 2,159,939</u>	<u>\$ 187,569</u>

\$562,979 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, 2018. Other amounts reported as deferred inflows or deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 210,783
2019	211,071
2020	625,663
2021	361,874
2022	-
Thereafter	-
Total	<u>\$ 1,409,391</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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.

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:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 5,682,568	\$ 2,394,206	\$ (352,478)

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 of Matthews administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service, or have attained 55 years of age and have completed five or more years of creditable service. 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	<u>58</u>
Total	<u><u>59</u></u>

A separate report was not issued for the Plan.

Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. 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 73.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$13,045 as benefits came due for the reporting period.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

At June 30, 2017, the Town reported a total pension liability of \$1,867,523. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$141,974.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 39,999
Town of benefit payments and plan administrative expense made subsequent to the measurement date	6,522	-
Total	\$ 6,522	\$ 39,999

\$6,522 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	Amount
2018	\$ 7,054
2019	7,054
2020	7,054
2021	7,054
2022	7,054
Thereafter	4,729

\$6,522 paid as benefits came due and are reported as deferred outflows of resources.

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	(2.86%)	(3.86%)	(4.86%)
Total pension liability	\$ 2,034,359	\$ 1,867,523	\$ 1,713,455

Schedule of Changes in Total Pension Liability
Law Enforcement Officers Special Separation Allowance

	2017
Beginning balance	\$ 1,780,093
Service cost	84,212
Interest on the total pension liability	63,316
Changes of assumptions and other inputs	(47,053)
Benefit payments	(13,045)
Net changes	87,430
Ending balance of the total pension liability	\$ 1,867,523

The plan currently uses mortality tables that vary by age 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017, there were no post-employment employees on the revised Town policy. 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, 2017

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 2017, the Town contributed \$4,613. There were no contributions by employees for the fiscal year ended June 30, 2017. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town.

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

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		906
Adjustment to annual required contribution		<u>(7,850)</u>
Annual OPEB cost (expense)		3,591
Contributions made		<u>(4,613)</u>
Increase (decrease) in net OPEB obligation		(1,022)
Net OPEB obligation:		
Beginning of year - July 1		<u>22,658</u>
End of year - June 30	\$	<u>21,636</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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>
2017	\$ 3,591	128.46%	\$ 21,636
2016	3,268	132.19%	22,658
2015	2,813	152.76%	23,710

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.

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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 562,979
Benefit payments made and administration expenses for LEOSSA	6,522
Differences between expected and actual experience (LGERS)	44,983
Changes of assumptions (LGERS)	163,982
Net difference between projected and actual experience (LGERS)	1,323,695
Town contributions and proportionate share of contributions	<u>64,300</u>
Total	<u>\$ 2,166,461</u>

TOWN OF MATTHEWS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Deferred inflows of resources at year-end are composed of the following elements:

	Amount
Taxes receivable (General Fund)	\$ 294,681
General billing receivables (General Fund)	104,012
Unearned grant (Capital Project Fund)	486,600
Changes in assumptions (LEOSSA)	39,999
Differences between expected and actual experience (LGERS)	83,896
Changes in porportion and differences between employer contributions and proportionate share (LGERS)	103,673
Total	\$ 1,112,861

Accounts Payable – Disaggregate Information

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental Activities:				
General	\$ 439,603	\$ 372,490	\$ 72,268	\$ 884,361
Capital Improvement Program	19,683	-	-	19,683
Other governmental	5,434	-	-	5,434
Total governmental activities	<u>\$ 464,720</u>	<u>\$ 372,490</u>	<u>\$ 72,268</u>	<u>\$ 909,478</u>

Commitments

Sanitation. The Town of Matthews has entered into contracts with Browning-Ferris Industries of South Atlantic, Inc. for the curbside pick-up and disposal of rubbish, yard waste, and recyclable materials, and the use of a sanitary landfill. The contracts have various dates and terms and have renewal options of like terms. The costs of such contracts are dependent upon usage and consumer price index adjustments.

Risk Management

The Town 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The Town of Matthews participates in the self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through this pool, the Town has worker's compensation coverage up to the statutory limits. Glatfelter Insurance Group provides the general liability, auto liability and property (per values on the property schedule) coverages. Both companies specialize in providing insurance products to public entities such as municipalities. They are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town has elected not to carry flood insurance through the National Flood Insurance Plan (NFIP) due to its location not being mapped and designated as an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

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 \$250,000 through Travelers Insurance Group. 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, 2017, 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, 2017**

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, 2017 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; 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%	\$ 220,000
\$5,500,000 Street Improvement Bonds dated October 28, 2014; 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>4,900,000</u>
Total	<u>\$ 5,120,000</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Notes Payable

As of June 30, 2017, 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	\$ 70,683
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	583,333
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	648,359
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	163,548
Issued \$405,000 November 2016 note payable requiring annual payments of \$71,670, including principal and interest at the rate of 1.74% per annum through November 2022; secured by equipment	405,000
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	101,469
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	19,643
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>307,179</u>
Total	<u>\$ 2,299,214</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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
2018	\$ 520,000	\$ 132,050	\$ 590,144	\$ 62,819	\$ 1,110,144	\$ 194,869
2019	300,000	117,250	513,525	46,121	813,525	163,371
2020	300,000	111,250	383,984	31,828	683,984	143,078
2021	300,000	105,250	277,345	19,733	577,345	124,983
2022	300,000	99,250	278,527	13,416	578,527	112,666
2023-2027	1,500,000	390,500	255,689	33,422	1,755,689	423,922
2028-2032	1,500,000	194,750	-	-	1,500,000	194,750
2033-2035	400,000	16,250	-	-	400,000	16,250
Total	<u>\$ 5,120,000</u>	<u>\$ 1,166,550</u>	<u>\$ 2,299,214</u>	<u>\$ 207,339</u>	<u>\$ 7,419,214</u>	<u>\$ 1,373,889</u>

At June 30, 2017, the Town of Matthews had a legal debt margin of approximately \$280,688,574.

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, 2017.

	June 30, 2016	Increases	Decreases	June 30, 2017	Current Portion
Governmental Activities:					
General obligation bonds	\$ 5,805,000	\$ -	\$ (685,000)	\$ 5,120,000	\$ 520,000
Notes payable	3,002,010	405,000	(1,107,796)	2,299,214	590,144
Compensated absences	447,516	953,813	(940,272)	461,057	46,106
OPEB liability	22,658	3,591	(4,613)	21,636	-
Net pension obligation (LGERS)	582,490	1,811,716	-	2,394,206	-
Total pension obligation (LEO)	<u>1,007,571</u>	<u>859,952</u>	<u>-</u>	<u>1,867,523</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 10,867,245</u>	<u>\$ 4,034,072</u>	<u>\$ (2,737,681)</u>	<u>\$ 12,163,636</u>	<u>\$ 1,156,250</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, 2017**

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	\$ 668,151	To provide funds for construction in progress expenditures
Tourism Fund	Capital Improvement Fund	147,130	To provide funds for construction in progress expenditures
Tourism Fund	General Fund	578,994	To provide funds for operating costs
General Fund	Capital Reserve Fund	28,030	To provide funds for stormwater projects

Due to/From Other Funds

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
SAFER	General Fund	\$ 2,212	To offset negative fund cash

3. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

4. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for governmental activities decreased \$757,977.

During the fiscal year ended June 30, 2017, the Town determined that certain liabilities that were subject to accrual in the General Fund as of June 30, 2016 had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect of which decreased beginning fund balance by \$658,990.

Required Supplemental Financial Data

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

- ❖ Schedule of Changes in Total Pension Liability for ***Law Enforcement Officers' Special Separation Allowance***
 - ❖ Schedule of Total Pension Liability as a Percentage of Covered Payroll 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***
-



TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 1,780,093
Service cost	84,212
Interest on the total pension liability	63,316
Changes in assumptions and other inputs	(47,053)
Benefit payments	(13,045)
Ending balance of the total pension liability	\$ 1,867,523

TOWN OF MATTHEWS, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
 FOR THE YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance

		<u>2017</u>
Total pension liability	\$	1,867,523
Covered payroll	\$	3,310,833
Total pension liability as a percentage of covered payroll		56.41%

Notes to the Schedules:

The Town of Matthews has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

TOWN OF MATTHEWS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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
2017	\$ 10,535	43.79%
2016	10,535	41.01%
2015	10,535	40.79%

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 FOUR FISCAL YEARS*

Local Government Employees' Retirement System				
	2017	2016	2015	2014
Matthews' proportion of the net pension liability (asset) (%)	0.11281%	0.12979%	-0.11546%	-0.12110%
Matthews' proportion of the net pension liability (asset) (\$)	\$ 2,394,206	\$ 582,490	\$ (680,921)	\$ 1,459,720
Matthews' covered-employee payroll	\$ 6,983,190	\$ 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	34.29%	7.97%	(10.27%)	23.95%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	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 FOUR FISCAL YEARSLocal Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 562,979	\$ 484,114	\$ 529,824	\$ 471,230
Contributions in relation to the contractually required contribution	<u>562,979</u>	<u>484,114</u>	<u>529,824</u>	<u>471,230</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Matthews' covered-employee payroll	\$ 7,444,749	\$ 6,983,190	\$ 7,310,377	\$ 6,632,393
Contributions as a percentage of covered-employee payroll	7.56%	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

- ❖ 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
 - ❖ Windsor Run Improvements Fund
 - ❖ SAFER Grants Fund
-



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:				
Ad valorem taxes	\$ 12,241,089	\$ -	\$ -	\$ 12,241,089
Other taxes and licenses	5,075,288	-	-	5,075,288
Unrestricted intergovernmental	244,203	-	-	244,203
Restricted intergovernmental	1,408,433	-	-	1,408,433
Permits and fees	30,000	-	-	30,000
Sales and services	1,722,325	-	-	1,722,325
Investment earnings	51,968	-	-	51,968
Miscellaneous	216,579	-	-	216,579
Total revenues	<u>20,989,885</u>	<u>-</u>	<u>-</u>	<u>20,989,885</u>
Expenditures:				
Current:				
General government	3,112,695	-	-	3,112,695
Public safety	7,948,170	-	-	7,948,170
Public works	2,269,211	-	-	2,269,211
Environmental protection	2,290,591	-	-	2,290,591
Economic and physical development	478,969	-	-	478,969
Cultural and recreation	1,284,524	-	-	1,284,524
Debt service:				
Principal retirement	1,676,129	-	-	1,676,129
Interest and other charges	218,537	-	-	218,537
Total expenditures	<u>19,278,826</u>	<u>-</u>	<u>-</u>	<u>19,278,826</u>
Revenues over (under) expenditures	<u>1,711,059</u>	<u>-</u>	<u>-</u>	<u>1,711,059</u>
Other Financing Sources (Uses):				
Transfers (to) other funds	(696,181)	-	28,030	(668,151)
Transfers from other funds	578,994	28,030	(28,030)	578,994
Proceeds from sale of capital assets	54,497	-	-	54,497
Total other financing sources (uses)	<u>(62,690)</u>	<u>28,030</u>	<u>-</u>	<u>(34,660)</u>
Net change in fund balances	<u>1,648,369</u>	<u>28,030</u>	<u>-</u>	<u>1,676,399</u>
Fund Balances:				
Beginning of year - July 1	8,452,774	36,316	-	8,489,090
Restatement	(658,990)	-	-	(658,990)
Beginning of year, as restated	<u>7,793,784</u>	<u>36,316</u>	<u>-</u>	<u>7,830,100</u>
End of year - June 30	<u>\$ 9,442,153</u>	<u>\$ 64,346</u>	<u>\$ -</u>	<u>\$ 9,506,499</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 11,827,000	\$ 12,193,731	\$ 366,731	\$ 11,661,958
Penalties and interest	40,000	47,358	7,358	59,184
Total	11,867,000	12,241,089	374,089	11,721,142
Other Taxes and Licenses:				
Local option sales tax	2,936,945	3,009,254	72,309	2,858,263
Piped natural gas excise tax	40,000	102,979	62,979	66,137
Utility franchise tax	1,357,700	1,312,919	(44,781)	1,335,150
Telecommunications sales tax	300,000	285,420	(14,580)	287,560
Tipping tax	15,000	20,392	5,392	19,451
In lieu of land dedication fees	-	69,831	69,831	27,309
Animal control license	25,000	21,235	(3,765)	24,679
Cablevision franchise fees	210,000	213,754	3,754	211,447
Rental vehicle tax	35,000	37,280	2,280	34,487
Privilege licenses	-	2,224	2,224	10,270
Total	4,919,645	5,075,288	155,643	4,874,753
Unrestricted Intergovernmental:				
Beer and wine tax	140,000	137,410	(2,590)	132,013
ABC profit distribution	95,000	106,793	11,793	112,804
Total	235,000	244,203	9,203	244,817
Restricted Intergovernmental:				
Powell Bill allocation	767,575	767,575	-	772,343
CMUD bond payment reimbursement	408,238	408,238	-	432,063
Police Grant - D.A.R.E.	13,079	13,579	500	14,332
Fire - SAFER grants	217,000	170,872	(46,128)	296,716
Miscellaneous grants	54,877	48,169	(6,708)	115,262
Total	1,460,769	1,408,433	(52,336)	1,630,716
Permits and Fees:				
Planning revenue	15,000	30,000	15,000	-

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Stormwater fees	733,333	834,425	101,092	601,158
Rental fees	112,724	116,793	4,069	182,857
Recreation program revenues	130,000	186,922	56,922	188,874
Community center revenues	225,000	337,249	112,249	312,313
Zoning ordinance sales	20,000	30,323	10,323	20,745
Rescue/EMS assistance	90,000	65,997	(24,003)	88,794
Police services	16,935	12,843	(4,092)	36,506
Other police contracts	137,500	137,773	273	144,932
Total	<u>1,465,492</u>	<u>1,722,325</u>	<u>256,833</u>	<u>1,576,179</u>
Investment Earnings	<u>45,000</u>	<u>51,968</u>	<u>6,968</u>	<u>18,862</u>
Miscellaneous:				
Other	<u>153,988</u>	<u>216,579</u>	<u>62,591</u>	<u>137,440</u>
Total revenues	<u>20,161,894</u>	<u>20,989,885</u>	<u>827,991</u>	<u>20,203,909</u>
Expenditures:				
General Government:				
Salaries and employee benefits	19,777	19,779	(2)	19,340
Expenses allowance	49,500	40,883	8,617	42,035
Operating expenses	141,000	129,198	11,802	224,947
Total	<u>210,277</u>	<u>189,860</u>	<u>20,417</u>	<u>286,322</u>
Administration:				
Salaries and employee benefits	2,224,721	2,162,464	62,257	2,000,014
Operating expenditures	721,457	741,665	(20,208)	696,756
Capital outlay	20,000	18,706	1,294	759,967
Total	<u>2,966,178</u>	<u>2,922,835</u>	<u>43,343</u>	<u>3,456,737</u>
Total general government	<u>3,176,455</u>	<u>3,112,695</u>	<u>63,760</u>	<u>3,743,059</u>
Public Safety:				
Police:				
Salaries and employee benefits	4,573,368	4,555,815	17,553	4,425,677
Operating expenditures	908,570	837,307	71,263	920,357
Capital outlay	618,055	614,825	3,230	360,246
Total	<u>6,099,993</u>	<u>6,007,947</u>	<u>92,046</u>	<u>5,706,280</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and employee benefits	1,178,977	1,133,727	45,250	1,088,753
Operating expenditures	605,474	532,759	72,715	507,012
Donation to volunteer fire departments	151,000	151,000	-	151,000
Capital outlay	54,938	47,916	7,022	36,915
Total	1,990,389	1,865,402	124,987	1,783,680
Safer Grant:				
Operating expenses	-	-	-	1,300
Animal Control:				
Salaries and employee benefits	49,700	48,364	1,336	45,667
Other operating expenses	31,055	26,457	4,598	35,255
Total	80,755	74,821	5,934	80,922
Total public safety	8,171,137	7,948,170	222,967	7,572,182
Public Works:				
Street Department:				
Salaries and employee benefits	1,497,335	1,355,219	142,116	1,197,947
Operating expenses	1,725,529	860,753	864,776	1,891,181
Capital outlay	61,500	53,239	8,261	130,558
Total	3,284,364	2,269,211	1,015,153	3,219,686
Environmental Protection:				
Sanitation:				
Contracted services	1,588,269	1,581,583	6,686	1,876,073
StormWater:				
Salaries and employee benefits	374,218	424,598	(50,380)	333,978
Operating expenses	328,116	256,169	71,947	174,551
Capital outlay	31,000	28,241	2,759	30,261
Total	733,334	709,008	24,326	538,790
Total environmental protection	2,321,603	2,290,591	31,012	2,414,863

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	420,069	418,123	1,946	378,352
Operating expenses	86,737	60,846	25,891	65,524
Total	506,806	478,969	27,837	443,876
Cultural and Recreation:				
Parks:				
Salaries and employee benefits	641,234	621,824	19,410	627,039
Operating expenses	698,429	662,700	35,729	687,822
Total	1,339,663	1,284,524	55,139	1,314,861
Debt Service:				
Principal retirement	1,685,614	1,676,129	9,485	1,496,271
Interest and other charges	214,759	218,537	(3,778)	270,590
Total	1,900,373	1,894,666	5,707	1,766,861
Total expenditures	20,700,401	19,278,826	1,421,575	20,475,388
Revenues over (under) expenditures	(538,507)	1,711,059	2,249,566	(271,479)
Other Financing Sources (Uses):				
Long-term debt issued	-	-	-	740,982
Sale of capital assets	10,000	54,497	44,497	793
Transfer (to) other funds	(668,151)	(696,181)	(28,030)	(454,914)
Transfer from other funds	1,196,658	578,994	(617,664)	574,359
Total other financing sources (uses):	538,507	(62,690)	(601,197)	861,220
Net change in fund balance	\$ -	1,648,369	\$ 1,648,369	589,741
Fund Balance:				
Beginning of year - July 1		8,452,774		7,863,033
Restatement		(658,990)		-
Beginning of year, as restated		7,793,784		7,863,033
End of year - June 30		\$ 9,442,153		\$ 8,452,774

TOWN OF MATTHEWS, NORTH CAROLINA

**CAPITAL RESERVE FUND - BUILDING MAINTENANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfer from other funds	\$ -	\$ 28,030	\$ 28,030
Total other financing sources (uses)	<u>-</u>	<u>28,030</u>	<u>28,030</u>
Net change in fund balance	<u>\$ -</u>	28,030	<u>\$ 28,030</u>
Fund Balance:			
Beginning of year - July 1		<u>36,316</u>	
End of year - June 30		<u>\$ 64,346</u>	

Capital Projects Funds

- ❖ ***Capital Improvement Program*** – This fund is a multi-year plan used to account for funds that have been earmarked for anticipated capital projects. It addresses both repair and replacement of existing infrastructure; acquisition, construction or development of facilities; equipment purchases or upgrades, and vehicle replacements.
 - ❖ ***Windsor Run Fund*** – This fund is used to account for contribution funds that are restricted for general improvements within the Town.
 - ❖ ***SAFER Grants Fund*** – This fund is used to account for money set aside by the Town for fire and emergency response purposes.
-



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, 2017

Project Authorization	Actual				Variance Over/Under
	Prior Years	Current Year	Closed Projects	Total to Date	
Revenues:					
Investment earnings	\$ 16,184	\$ 2,026	\$ -	\$ 18,210	
Restricted intergovernmental	4,599,060	357,344	-	4,956,404	
Miscellaneous	81,539	-	-	81,539	
Donations	74,029	-	-	74,029	
Total revenues	<u>\$ 6,075,671</u>	<u>4,770,812</u>	<u>359,370</u>	<u>5,130,182</u>	<u>\$ (945,489)</u>
Expenditures:					
Cultural and Recreation:					
Park equipment replacement	50,001	-	-	50,001	
Wayfinding system	527,541	63,377	-	590,918	
Heritage Trail	-	2,752	-	2,752	
Windsor Park	-	1,731	-	1,731	
Rice Road Park	-	12,950	-	12,950	
Downtown projects	-	394,923	-	394,923	
AG Building renovations	747,558	127,374	-	874,932	
Total cultural and recreation	<u>1,325,100</u>	<u>603,107</u>	<u>-</u>	<u>1,928,207</u>	
Public Safety:					
Police radio system upgrade	384,663	-	-	384,663	
Volunteer fire truck	190,000	643,692	-	833,692	
Police Mobile CAD	339,107	-	-	339,107	
Total public safety	<u>913,770</u>	<u>643,692</u>	<u>-</u>	<u>1,557,462</u>	
Public Works:					
W. Charles Street Connector Project	169,158	-	-	169,158	
Buckley Way Project	498,167	-	-	498,167	
North Trade Street Project	40,192	-	-	40,192	
South Trade Street Project	473,527	-	-	473,527	
Right-of-way - Crestdale	89,098	254,728	-	343,826	
Public works vehicle and equipment	65,329	-	-	65,329	
Streetsweeper	238,183	-	-	238,183	
Hwy 51-Matthews - Idlewild Intersection	114,644	1,289	-	115,933	
S. Trade Street Project - GO Bonds	4,134,112	959,177	-	5,093,289	
Improvements: Hwy 51 - Matthews					
Mint Hill Road	65,753	85,754	-	151,507	
Total public works	<u>5,888,163</u>	<u>1,300,948</u>	<u>-</u>	<u>7,189,111</u>	
Economic and Physical Development:					
Vehicle replacement	203,223	-	-	203,223	
Environmental Protection:					
Campus Ridge Project	2,169,044	138,245	-	2,307,289	
Information Systems:					
Financial software	100,682	-	-	100,682	
Debt Service:					
Principal	1,857,512	-	-	1,857,512	
Interest	82,957	-	-	82,957	
Total debt service	<u>1,940,469</u>	<u>-</u>	<u>-</u>	<u>1,940,469</u>	
Total expenditures	<u>24,558,495</u>	<u>12,540,451</u>	<u>2,685,992</u>	<u>15,226,443</u>	<u>9,332,052</u>
Revenues over (under) expenditures	<u>(18,482,824)</u>	<u>(7,769,639)</u>	<u>(2,326,622)</u>	<u>(10,096,261)</u>	<u>8,386,563</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, 2017

	Actual					Variance Over/Under
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date	
Other Financing Sources (Uses):						
Transfer from other funds	8,869,895	1,780,153	815,281	-	2,595,434	(6,274,461)
Transfer (to) other funds	(292,000)	(292,000)	-	-	(292,000)	-
Premium issued	107,132	107,132	-	-	107,132	-
Long-term debt issued	9,594,788	8,162,791	405,000	-	8,567,791	(1,026,997)
Proceeds from sale of capital assets	<u>203,009</u>	<u>193,009</u>	<u>-</u>	<u>-</u>	<u>193,009</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>18,482,824</u>	<u>9,951,085</u>	<u>1,220,281</u>	<u>-</u>	<u>11,171,366</u>	<u>(7,311,458)</u>
Net change in fund balance	\$ -	\$ 2,181,446	(1,106,341)	\$ -	\$ 1,075,105	\$ 1,075,105
Fund Balance:						
Beginning of year - July 1			<u>2,181,446</u>			
End of year - June 30			<u>\$ 1,075,105</u>			

TOWN OF MATTHEWS, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND - WINDSOR RUN IMPROVEMENTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project Authorization	Prior Years	Actual		Variance Over/Under
			Current Year	Total to Date	
Revenues:					
Windsor Run improvements	\$ 3,060,000	\$ -	\$ 3,060,000	\$ 3,060,000	\$ -
Expenditures:					
Windsor Run improvements	3,060,000	-	-	-	3,060,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,060,000	<u>\$ 3,060,000</u>	<u>\$ 3,060,000</u>
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			<u>\$ 3,060,000</u>		

TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	<u>Tourism Fund</u>	<u>SAFER Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 974,366	\$ -	974,366
Accounts receivable	-	2,212	2,212
Due from other governments	53,681	-	53,681
Total assets	<u>\$ 1,028,047</u>	<u>\$ 2,212</u>	<u>\$ 1,030,259</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 4,039	\$ 1,395	\$ 5,434
Due to other funds	-	2,212	2,212
Total liabilities	<u>4,039</u>	<u>3,607</u>	<u>7,646</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	53,681	2,212	55,893
Cultural and recreation	970,327	-	970,327
Unassigned	-	(3,607)	(3,607)
Total fund balances	<u>1,024,008</u>	<u>(1,395)</u>	<u>1,022,613</u>
Total liabilities and fund balances	<u>\$ 1,028,047</u>	<u>\$ 2,212</u>	<u>\$ 1,030,259</u>

TOWN OF MATTHEWS, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Tourism Fund</u>	<u>SAFER Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues:			
Other taxes and licenses	\$ 1,598,518	\$ -	\$ 1,598,518
Miscellaneous	831	4,930	5,761
Total revenues	<u>1,599,349</u>	<u>4,930</u>	<u>1,604,279</u>
Expenditures:			
Cultural and recreation	558,936	-	558,936
Public safety	-	6,325	6,325
Principal	116,667	-	116,667
Interest	13,230	-	13,230
Total expenditures	<u>688,833</u>	<u>6,325</u>	<u>695,158</u>
Revenues over (under) expenditures	<u>910,516</u>	<u>(1,395)</u>	<u>909,121</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>(726,124)</u>	<u>-</u>	<u>(726,124)</u>
Net change in fund balances	184,392	(1,395)	182,997
Fund Balances:			
Beginning of year - July 1	<u>839,616</u>	<u>-</u>	<u>839,616</u>
End of year - June 30	<u>\$ 1,024,008</u>	<u>\$ (1,395)</u>	<u>\$ 1,022,613</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUND - SAFER GRANTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	Project Authorization	Actual			Total to Date	Variance Over/Under
		Prior Years	Current Year	Closed Projects		
Revenues:						
SAFER Grant - incentives	\$ 91,990	\$ 1,300	\$ 4,930	\$ -	\$ 6,230	\$ (85,760)
Expenditures:						
SAFER Grant expenditures	91,990	1,300	6,325	-	7,625	84,365
Net change in fund balance	\$ -	\$ -	(1,395)	\$ -	\$ (1,395)	\$ (1,395)
Fund Balance:						
Beginning of year - July 1			-			
End of year - June 30			\$ (1,395)			

Special Revenue Fund

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

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



TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUND - TOURISM FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Current Year</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 500,000	\$ 596,584	\$ 96,584
Prepared food tax	888,000	888,192	192
Rental car tax	95,000	113,742	18,742
Sales and services	<u>-</u>	<u>831</u>	<u>831</u>
Total revenues	<u>1,483,000</u>	<u>1,599,349</u>	<u>116,349</u>
Expenditures:			
Cultural and recreation			
Tourism	<u>564,594</u>	<u>558,936</u>	<u>5,658</u>
Debt Service:			
Principal	116,667	116,667	-
Interest	<u>13,230</u>	<u>13,230</u>	<u>-</u>
Total debt service	<u>129,897</u>	<u>129,897</u>	<u>-</u>
Total expenditures	<u>694,491</u>	<u>688,833</u>	<u>5,658</u>
Revenues over (under) expenditures	788,509	910,516	122,007
Other Financing Sources (Uses):			
Transfer to other funds	<u>(788,509)</u>	<u>(726,124)</u>	<u>62,385</u>
Net change in fund balance	<u>\$ -</u>	184,392	<u>\$ 184,392</u>
Fund Balance:			
Beginning of year - July 1		<u>839,616</u>	
End of year - June 30		<u>\$ 1,024,008</u>	



Additional Financial Data

This section contains additional information on property taxes:

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



TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 12,244,581	\$ 12,189,898	\$ 54,683
2015-2016	57,251	-	19,091	38,160
2014-2015	38,143	-	15,772	22,371
2013-2014	40,451	-	13,666	26,785
2012-2013	39,329	-	9,611	29,718
2011-2012	34,242	-	2,687	31,555
2010-2011	89,585	-	2,036	87,549
2009-2010	35,314	-	1,618	33,696
2008-2009	31,632	-	1,624	30,008
2007-2008	41,047	-	891	40,156
2006-2007	26,011	-	26,011	-
Total	<u>\$ 433,005</u>	<u>\$ 12,244,581</u>	<u>\$ 12,282,905</u>	394,681
Less: Allowance for uncollectible accounts				<u>(100,000)</u>
Ad valorem taxes receivable, net				<u>\$ 294,681</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 12,241,089
Reconciling items:				
Penalties and interest collected				(47,358)
Amounts written off due to Statute of Limitations				26,011
Prior year releases and other adjustments				<u>63,163</u>
Total collections and credits				<u>\$ 12,282,905</u>

TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2017

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,133,821,471	\$ 0.3400	\$ 10,654,993	\$ 10,654,993	\$ -
Registered motor vehicles taxed at current year's rate	464,180,588	0.3400	1,578,214	-	1,578,214
Total	<u>3,598,002,059</u>		<u>12,233,207</u>	<u>10,654,993</u>	<u>1,578,214</u>
Discoveries:					
Prior years' taxes	<u>26,139,412</u>	0.3400	<u>88,874</u>	<u>88,874</u>	<u>-</u>
Abatement:	<u>(22,794,118)</u>	0.3400	<u>(77,500)</u>	<u>(77,500)</u>	<u>-</u>
Total property valuation	<u>\$ 3,601,347,353</u>				
Net Levy			12,244,581	10,666,367	1,578,214
Uncollected taxes at June 30, 2017			<u>(54,683)</u>	<u>(54,683)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 12,189,898</u>	<u>\$ 10,611,684</u>	<u>\$ 1,578,214</u>
Current Levy Collection Percentage			<u>99.55%</u>	<u>99.49%</u>	<u>100.00%</u>

Secondary Market Disclosures:**Assessed Valuation:**

Assessment ratio ¹		<u>100.00%</u>
Real property		\$ 3,137,166,765
Personal property		413,551,699
Public service companies ²		<u>50,628,889</u>
Total assessed valuation		3,601,347,353
Tax rate per \$100		<u>0.3400</u>
Levy (includes discoveries, releases and abatements) ³		<u>\$ 12,244,581</u>

¹ Percentage of appraised value has been established by statute.² Valuation of railroads, telephone companies, and other utilities as determined by North Carolina Property Tax Commission³ The levy includes interest and penalties.

Statistical Section

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



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary government										
Net investment in capital assets	\$ 264,648,341	\$ 261,861,998	\$ 256,498,533	253,669,319	254,103,028	252,890,325	\$ 251,078,195	\$ 249,577,871	\$ 247,699,046	\$ 250,229,589
Restricted	-	-	-	1,954,537	2,102,387	2,129,405	2,075,669	2,994,790	3,189,988	6,414,757
Unrestricted	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	650,356
Total primary government net position	\$ 273,241,003	\$ 270,743,299	\$ 265,901,566	\$ 262,488,241	\$ 261,125,202	\$ 258,400,436	\$ 257,140,920	\$ 254,615,735	\$ 252,034,662	\$ 257,294,702

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 6,864,191	\$ 6,790,343	\$ 7,039,748	\$ 5,724,666	\$ 6,058,474	\$ 4,886,735	\$ 5,974,279	\$ 5,218,577	\$ 3,154,459	\$ 3,249,371
Public safety	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	8,461,648
Public works	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	3,361,045
Environmental protection	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	2,428,836
Economic and physical development	529,283	473,900	557,786	429,238	468,470	459,159	407,664	441,604	648,837	480,707
Cultural and recreation	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	2,412,834
Interest on long term debt	544,632	647,687	369,276	347,316	290,933	230,229	199,494	227,853	84,279	275,271
Total primary government expenses	\$ 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	\$ 20,669,712
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 50,336	\$ 94,455	\$ 51,256	\$ 147,817	\$ 95,080	\$ 110,548	\$ 72,997	\$ 117,670	\$ 73,832	\$ 135,649
Public safety	245,145	561,619	262,123	280,464	442,360	465,113	304,997	342,818	399,189	335,359
Public works	424,249	657,850	588,411	600,363	614,991	613,092	587,099	591,114	605,073	873,397
Economic and physical development	15,531	12,561	8,908	10,960	13,106	10,823	12,852	20,598	20,745	30,323
Cultural and recreation	683,272	615,038	648,934	550,354	726,927	660,049	630,010	765,912	682,195	639,808
Operating grants and contributions:										
General government	4,747	1,000	-	2,500	21,447	17,769	-	-	-	-
Public safety	144,107	151,945	95,811	141,576	140,668	128,576	177,745	426,319	458,290	333,826
Public works	843,663	785,619	1,277,582	734,541	789,082	741,986	760,750	1,015,454	2,344,439	797,575
Cultural and recreation	10,000	30,000	20,000	20,000	1,300,734	20,000	20,867	21,575	25,164	24,957
Capital grants and contributions:										
General government	497,237	566,375	545,375	522,475	499,875	481,550	473,388	450,063	432,063	408,238
Cultural and recreation	-	-	-	176,131	270,403	184,250	125,616	-	115,262	94,340
Environmental protection	-	-	-	-	-	88,184	300,204	-	-	39,008
Public works	9,317	1,948,541	-	5,307	-	-	-	-	-	3,183,996
Public safety	-	-	1,515	208,884	28,624	84,831	-	158,344	-	148,169
Total governmental activities program revenues	\$ 2,927,804	\$ 5,425,003	\$ 3,499,915	\$ 3,401,372	\$ 4,943,317	\$ 3,596,771	\$ 3,466,525	\$ 3,909,867	\$ 5,156,252	\$ 7,044,645
Net (expense)/revenue										
Total governmental activities net (expense)/revenue	\$ (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)	\$ (13,625,067)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 12,202,765
Local option sales tax	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	3,009,254
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	1,915,072
Other taxes and licenses	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	1,704,022
Unrestricted investment earnings	411,605	120,698	29,258	14,394	5,369	3,201	953	1,583	23,873	53,994
Total governmental activities general revenues	\$ 14,916,019	\$ 15,083,510	\$ 15,109,232	\$ 15,287,675	\$ 15,996,302	\$ 15,959,830	\$ 16,746,282	\$ 17,285,839	\$ 18,150,580	\$ 18,885,107
Change in Net Position										
Governmental activities	(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)	5,260,040
Net position-beginning	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
Prior period adjustment	--	(223,925)	--	--	--	--	--	(988,490)	--	(1,416,967)
Net position-ending	\$ 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	\$ 257,294,702

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Non-spendable:										
Long term note receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,249	\$ 91,249	\$ 91,249
Restricted	-	-	-	-	-	-	-	-	-	789,563
Prepays	107,803	18,397	29,739	117,183	89,509	47,581	88,311	8,125	91,302	109,395
Stabilization by State Statute	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	1,448,094
Total Non-spendable	\$ 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	\$ 2,438,301
Assigned:										
Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,561	\$ 674,739
Environmental Protection	-	-	-	439,259	124,125	221,342	221,564	171,147	233,516	347,596
Culture and Recreation	-	-	-	-	-	14,743	17,769	-	-	105,418
Public Safety	-	-	-	-	-	5,000	4,400	-	200,000	-
Unassigned	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	5,940,445
Total General Fund	\$ 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	\$ 9,506,499
All Other Governmental Funds										
Nonmajor Funds	\$ 1,615,240	\$ 2,238,072	\$ 2,902,096	\$ 1,886,531	\$ 2,100,789	\$ 122,366	\$ 258,133	\$ 634,810	\$ 786,538	\$ 966,720
Windsor Run Improvements Fund	-	-	-	-	-	-	-	-	-	3,060,000
Capital Improvements Fund	28,623	25,086	(391,787)	(812,805)	(961,263)	595,660	344,354	4,577,931	1,326,081	984,225
Stabilization by State Statute	42,683	30,335	95,046	186,052	64,250	137,206	317,275	74,068	908,443	146,773
Total all other governmental funds	\$ 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	\$ 5,157,718

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Ad valorem taxes	\$ 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	\$ 12,241,089
Other taxes and licenses	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	6,673,806
Unrestricted intergovernmental	166,412	207,977	93,472	183,995	176,420	173,481	194,307	218,473	244,817	244,203
Restricted intergovernmental	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	4,825,777
Permits and fees	-	-	20,000	15,000	15,000	15,000	15,000	15,000	-	30,000
Sales and services	1,332,389	1,487,387	1,495,590	1,381,518	1,738,614	1,661,044	1,451,133	1,564,049	1,576,179	1,722,325
Unrestricted investment earnings	411,605	120,698	29,258	14,394	5,369	3,201	953	1,583	23,873	53,994
Miscellaneous	62,401	407,446	81,146	182,650	201,637	148,782	112,027	242,861	137,440	222,340
Total revenues	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	26,013,534
Expenditures										
General government	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	3,112,695
Public safety	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	8,598,187
Public works	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	3,570,159
Environmental Prot.	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	2,428,836
Economic and physical development	519,465	543,151	540,426	413,921	457,534	450,559	405,926	439,866	647,099	478,969
Culture and recreation	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	2,446,567
Debt service:										
Principal	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	1,792,796
Interest	544,632	647,687	369,276	347,315	290,933	230,229	182,509	136,895	270,590	231,767
Total expenditures	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	22,659,976
Excess of revenues over (under) expenditures	(1,564,701)	(7,001,614)	(951,513)	(1,783,759)	(1,688,830)	(1,321,097)	743,787	(359,804)	(3,224,252)	3,353,558
Other financing sources (uses)										
Debt issued, note payable	-	-	-	-	-	-	-	5,700,000	1,580,982	405,000
Sale of capital assets	44,374	7,673,204	251,282	5,364	25,224	12,434	20,627	13,268	793	54,497
Premium issued	-	-	-	-	-	-	-	107,132	-	-
Total other financing sources (uses)	44,374	7,673,204	251,282	5,364	25,224	12,434	20,627	5,820,400	1,581,775	459,497
Net change in fund balances	\$ (1,520,327)	\$ 671,590	\$ (700,231)	\$ (1,778,395)	\$ (1,663,606)	\$ (1,308,663)	\$ 764,414	\$ 5,460,596	\$ (1,642,477)	\$ 3,813,055
Debt services as a percentage of noncapital expenditures	11.9%	41.3%	11.9%	11.2%	17.4%	9.4%	8.3%	6.3%	6.7%	8.9%

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	
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					
2017	3,137,166,765	413,551,699	50,628,889	3,601,347,353	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	
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
2017	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 2017				Fiscal Year 2008			
		Taxable Assessed	Value	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Value	Rank	Percentage of Total Taxable Assessed
					Value				Value
SC Windsor Associates, LP	Retail/shopping center		66,370,700	1	1.84%	38,164,800	3	1.29%	
Family Dollar, Inc	Corporate headquarters		52,524,885	2	1.46%	48,689,447	1	1.64%	
IA Matthews Sycamore Commons, LLC	Retail/shopping center		39,197,500	3	1.09%	25,264,000	5	0.85%	
Adult Communities Total Services, Inc.	Retirement Village		36,046,000	4	1.00%	39,542,994	2	1.33%	
Duke Energy Corp	Utilities		25,629,270	5	0.71%				
Windstream (formally Altel Carolina)	Communication headquarters		18,721,421	6	0.52%				
HEP Investment Company LLC	Retail/shopping center		18,521,100	7	0.51%	17,835,000	7	0.60%	
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	0.85%	
Martin Marietta	Aggregate complex					19,521,680	6	0.66%	
1450 Matthews Township Parkway LP	Medical Office Complex					14,902,100	10	0.50%	
			<u>\$ 311,248,590</u>		<u>8.64%</u>	<u>\$ 261,220,559</u>		<u>8.81%</u>	

Source: Mecklenburg County Office of the Tax Collector

**Town of Matthews, North Carolina
Property Tax levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Levy for Fiscal Year (Original Year)	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Original Levy
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%
2016	12,225,884	12,168,633	99.53%
2017	12,244,581	12,189,898	99.55%

Town of Matthews, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita ⁽¹⁾</u>	<u>Percentage of Personal Income ⁽¹⁾</u>
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%
2017	5,120,000	0.14%	169	0.48%

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				
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%
2017	5,120,000	2,299,214		7,419,214	244	0.69%

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, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<i>Towns:</i> Matthews (1)	\$ 7,419,214	100.00%	\$ 7,419,214
<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>\$ 1,389,503,045</u>		<u>\$ 17,828,573</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed Value of Property	\$ 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	\$ 3,601,347,353
Debt Limit, 8% of Assessed value (Statutory Limitation)	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	288,107,788
Debt applicable to debt limitations: Total bonded debt	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	5,120,000
Debt not evidenced by bonds	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	2,299,214
Total debt applicable to limitations	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	7,419,214
Legal debt limit	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	280,688,574
Total net debt applicable to the limit as a percentage of debt limit	4.96%	4.67%	4.40%	4.16%	2.56%	2.02%	1.46%	3.09%	3.06%	2.58%

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
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
2017	30,359	-	35,191	-	3.80%	71,361	42.6

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

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

	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Family Dollar Stores	1395	1	1,050	1
Novant Health - Matthews	1319	2	750	2
Harris Teeter	1220	3	690	3
Plantation Estates	260	4	300	4
Home Depot	180	5	140	7
Sam's Club	173	6	200	5
Lowe's	152	7	128	9
Town of Matthews	141	8	130	8
Stronghaven Container, Inc	81	9	100	10
Costco Wholesale Inc.	80	10	145	6

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	11	11	11	11	11	11	10	11	11	11
Public safety	81	81	81	81	81	78	87	86	86	86
Public works	33	31	31	29	29	31	31	31	31	31
Economic & phy. development	6	6	6	5	5	6	6	6	6	6
Cultural and recreation	7	7	7	7	7	8	7	7	7	7
Total	138	136	136	133	133	134	141	141	141	141

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Tax collection rate	98.15%	97.69%	97.81%	97.85%	98.17%	98.20%	98.80%	99.54%	99.53%	99.55%
Culture and Recreation										
Attendance at all events/programs/classes	110,810	143,147	149,530	149,661	152,864	158,911	163,473	170,924	172,593	179,324
Total of events/programs/classes	-	-	-	-	-	478	448	461	493	512
Public Safety										
Calls for service	33,144	31,301	33,275	31,396	39,379	22,324	30,930	42,500	45,045	43,291
Arrests	1,220	747	819	804	1,538	1,335	1,708	2,262	1,601	1,642
Citations Issued	13,954	6,834	7,951	4,713	5,662	3,891	4,259	3,814	2,997	3,027
Fire and other non-medical runs	-	-	-	-	731	1,016	1,022	1,141	1,297	2,004
EMS calls	1,844	1,957	1,867	1,867	1,106	1,840	1,862	2,006	2,039	1,194
EMS response time (min)	-	-	-	-	5.28	5.55	5.41	5.51	5.43	5.25
Public Works										
Miles of Streets/Sidewalks	94.09	95.14	95.97	95.97	97.66	97.79	97.79	97.87	97.95	98.94
Town-maintained	66	66	66	66	66	68	68	69	69	70
Economic and Physical Development										
Building Permit Activity	-	-	238	341	315	444	361	398	335	345
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	\$ 30,780,455

Sources: Annual reports from various departments of the Town

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

<u>Function/Program</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Parks and recreation										
Community/Art centers	1	1	1	1	1	2	2	2	2	2
Park facility	5	5	6	6	7	8	8	8	8	8
Park acreage	44	44	44	44	45	45.5	45.5	45.5	46	46
Recreation center	1	1	1	1	1	1	1	1	1	1
Greenway	-	-	-	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Fire protection										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteer Fire/EMS	23	71	65	75	65	69	62	62	62	62
Paid personnel	9	9	9	9	9	9	16	16	16	16
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn officers	57	57	59	59	63	63	62	62	62	62
Civilians - Full-time	14	14	12	12	10	11	8	8	8	8
Civilians - Part-time	13	13	10	10	13	14	11	11	11	11
Patrol vehicles - marked	49	49	49	51	53	53	53	53	53	55
Patrol vehicles - unmarked	15	17	17	18	15	18	18	18	18	19
Public Works										
Town - maintained streets	94.09	95.14	95.97	95.97	97.66	97.79	97.79	97.87	97.95	98.94
Sidewalks	66	66	66	66	66	68	68	69	69	70

Sources: Asset records for departments of the Town

Compliance Section

- ❖ Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*
 - ❖ *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
 - ❖ Corrective Action Plan
 - ❖ Schedule Of Prior Year Audit Findings
 - ❖ Schedule of Expenditures of Federal and State Awards
-



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“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, 2017, 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 November 21, 2017.

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 and; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiency in internal control as described as item 2017-001 in the accompanying Schedule of Findings, Responses and Questioned Costs, that we consider to be a material weakness.

Compliance and Other Matters

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

Town of Matthews' Response to Finding

The Town of Matthews' response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 21, 2017

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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's, 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, 2017. 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 Matthews' 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.

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, 2017.

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
November 21, 2017

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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? X Yes No
- Significant deficiencies identified? Yes X None reported

Non-compliance material to financial statements noted?

 Yes X No

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

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statements Findings Related to the Audit of the Basic Financial Statements

Material Weakness

Finding 2017-001

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

Condition: During the fiscal year ended June 30, 2017, it was determined that certain payroll accruals were not properly accrued for prior years. A prior period adjustment is required to correct material errors related to payroll expense that occurred in periods prior to the current fiscal year under audit.

Effect: Errors in financial reporting could occur in governmental activities.

Cause: Incomplete payroll accrual for prior year.

Recommendation: Care should be taken to ensure that payroll is properly accrued and classified on the general ledger.

Views of Responsible Officials and Planned Corrective Action: The Town agrees with this finding and will adhere to the Corrective Action Plan they set forth.

Section III – State Award Findings and Questioned Costs

None reported.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Section II – Financial Statements Findings Related to the Audit of the Basic Financial Statements

Finding: 2017-001

Name of Contact Person: Christopher Tucker, Finance Director

Corrective Action/Management's Response: The corrective action plan has already been put into place and is as follows: Immediately following the first payroll of any new fiscal year, the General Ledger Distribution Journal will be reconciled to the Accrued Payroll liability line items on the General Fund balance sheet to correspond to the ratio of days that should be accrued into the previous fiscal year. The Finance Director will accept responsibility for ensuring this entry is reconciled correctly and timely.

Proposed Completion Date: Immediately.

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017**

<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>
Federal Programs:					
U.S. Department of Housing and Urban Development					
Direct Program -					
CDBG - Entitlement Grant Cluster					
Community Development Block Grants/Entitlement Grants Cluster	14.218	23118206	\$ 45,902	\$ -	\$ -
Community Development Block Grants/Entitlement Grants Cluster	14.218	31697805	<u>2,751</u>	<u>-</u>	<u>-</u>
Total CDBG - Entitlement Grants Cluster			48,653	-	-
U.S. Department of Justice:					
Direct Program -					
Treasury Forfeiture Fund Program	16.922		36,654	-	-
U.S. Department of Treasury:					
Direct Program -					
Equitable Sharing Program	21.000		3,989	-	-
U.S. Department of Transportation:					
Passed-Through the North Carolina Department of Transportation:					
Highway Planning and Construction Cluster	20.205	U-4713B	<u>110,596</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security:					
Staffing for Adequate Fire and Emergency Response (SAFER) - Salary					
	97.083		19,752	-	-
Staffing for Adequate Fire and Emergency Response (SAFER) - Equipment					
	97.083		1,239	-	-
Staffing for Adequate Fire and Emergency Response (SAFER) - Volunteers					
	97.083		148,355	-	-
Staffing for Adequate Fire and Emergency Response (SAFER) - Incentives					
	97.083		<u>7,625</u>	<u>-</u>	<u>-</u>
Total Staffing for Adequate Fire and Emergency Grants			176,971	-	-
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	95.001		<u>5,189</u>	<u>-</u>	<u>-</u>
Total Federal expenditures			<u>382,052</u>	<u>-</u>	<u>-</u>
State Programs:					
N.C. Department of Commerce:					
Downtown Grants					
		030817-0228	-	128,359	-
N.C. General Assembly:					
Sidewalks Grant					
		101716-4053	-	13,400	-
N.C. Department of Transportation:					
Powell Bill					
		DOT-4	<u>-</u>	<u>530,970</u>	<u>-</u>
Total Federal expenditures			<u>\$ 382,052</u>		
Total State expenditures				<u>\$ 672,729</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, 2017. 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 the 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.

