

Town of Matthews North Carolina

Annual Financial Report

**For the Fiscal Year
Ended June 30, 2019**

Prepared By
Department of Finance

TOWN OF MATTHEWS, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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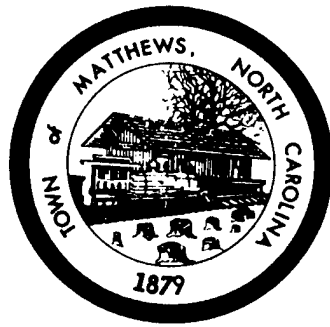
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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"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, 2019, 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, 2019, 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, 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 combining and individual fund statements, budgetary schedules, other schedules, 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.

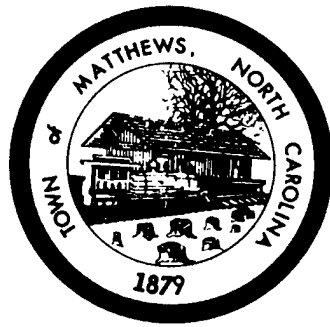
The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial 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, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 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, North Carolina
November 21, 2019



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, 2019. 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

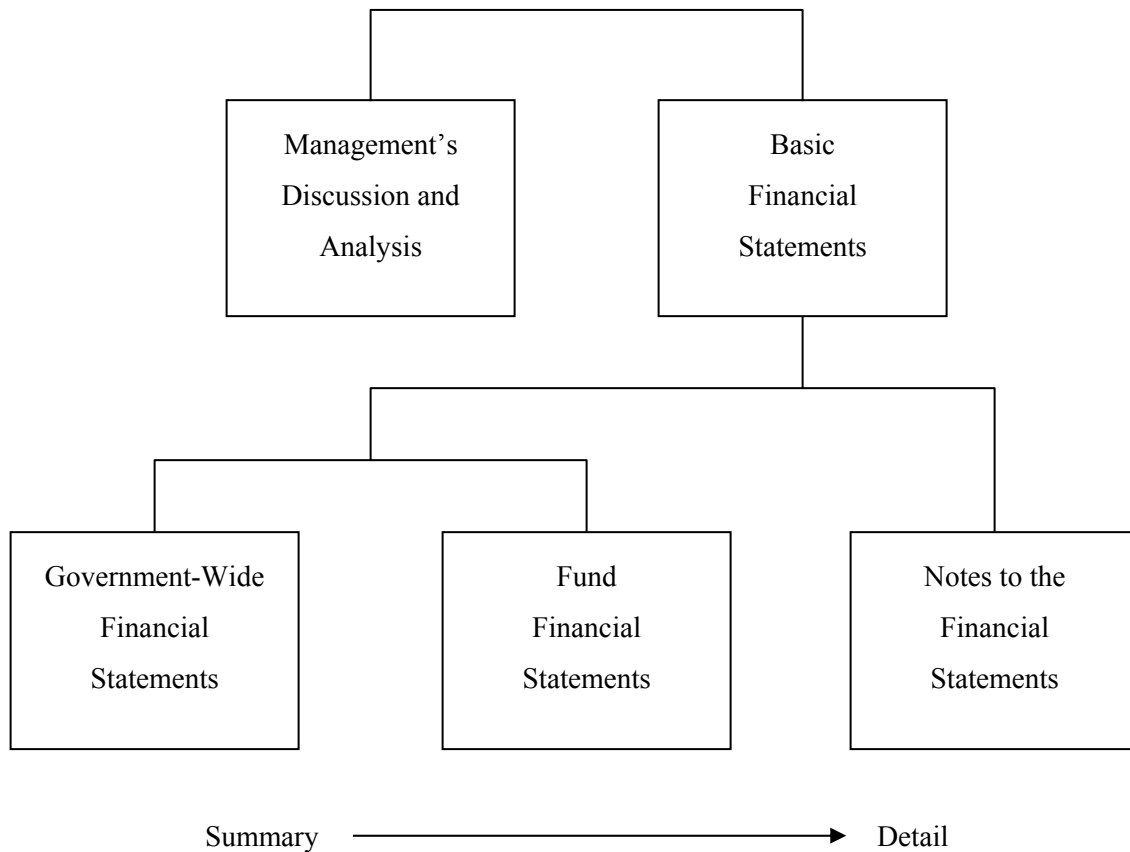
- The assets and deferred outflows of resources of the Town of Matthews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$261,935,059 (*net position*).
- The Town's net position increased by \$506,025, due to the revenues greater than total expenses. At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$18,498,005, a decrease of \$618,648, in comparison with the prior year. Approximately 43.12% of this total amount, or \$7,975,984, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$10,248,120, or 45.02%, of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews' total debt decreased by \$990,597 during the current fiscal year.
- The Town of Matthews increased fund balance of the Tourism Fund by \$47,709. This was due to revenue growth over expenditures. This leaves an ending fund balance of \$1,304,036 in fiscal year ended June 30, 2019. The Town anticipates the fund to remain stable.
- The Town holds a bond rating of AA+ with Standard & Poor's and a bond rating of Aa1 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	
	2019	2018
Assets:		
Current and other assets	\$ 20,340,976	\$ 20,774,940
Capital assets, net	<u>253,305,489</u>	<u>253,028,447</u>
Total assets	<u>273,646,465</u>	<u>273,803,387</u>
Deferred Outflows of Resources:		
Pension deferrals	1,834,431	946,396
Contributions to pension plan	<u>770,776</u>	<u>622,439</u>
Total deferred outflows of resources	<u>2,605,207</u>	<u>1,568,835</u>
Liabilities:		
Current liabilities	2,598,383	2,200,720
Non-current liabilities	<u>11,365,777</u>	<u>11,098,382</u>
Total liabilities	<u>13,964,160</u>	<u>13,299,102</u>
Deferred Inflows of Resources:		
Pension deferrals	176,709	192,991
Unearned grant	<u>175,744</u>	<u>451,095</u>
Total deferred inflows of resources	<u>352,453</u>	<u>644,086</u>
Net Position:		
Net investment in capital assets	250,632,772	249,665,133
Restricted	7,862,034	7,790,486
Unrestricted	<u>3,440,253</u>	<u>3,973,415</u>
Total net position	<u>\$ 261,935,059</u>	<u>\$ 261,429,034</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 \$261,935,059 as of June 30, 2019. The Town's net position increased by \$506,025 for the fiscal year ended June 30, 2019. However, the largest portion (96%) 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 \$3,440,253 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, 2019 is 99.74%. 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, 2019 is 99.66%.

Town of Matthews’ Changes in Net Position

Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 2,200,295	\$ 2,170,019
Operating grants and contributions	1,379,172	1,195,821
Capital grants and contributions	117,158	1,669,942
General revenues:		
Property taxes	13,000,503	12,823,206
Other taxes	5,484,339	5,155,437
Unrestricted intergovernmental	1,822,352	1,736,832
Investment earnings	374,490	168,125
Total revenues	<u>24,378,309</u>	<u>24,919,382</u>
Expenses:		
General government	3,836,104	3,391,800
Public safety	9,443,085	9,403,531
Public works	3,691,073	2,668,553
Environmental protection	2,452,371	2,353,853
Cultural and recreation	3,666,664	2,270,557
Economic and physical development	590,062	492,603
Interest on long-term debt	192,925	204,153
Total expenses	<u>23,872,284</u>	<u>20,785,050</u>
Change in net position	506,025	4,134,332
Net Position:		
Beginning of year - July 1	<u>261,429,034</u>	<u>257,294,702</u>
End of year - June 30	<u><u>\$ 261,935,059</u></u>	<u><u>\$ 261,429,034</u></u>

Governmental Activities

Governmental activities increased the Town's net position by \$506,025, as compared to an increase of \$4,134,332 in the prior year. Key elements of this increase and changes from prior year are as follows:

- General Fund: Positive income growth in Ad Valorem Taxes due to tax base growth. Positive income growth from local sales and use tax distributions. Positive income growth from Recreation activities. Positive income growth from Investment Earnings. Expenditure reductions due to lapsed public safety salaries, and unspent dollars committed to transportation and stormwater system improvements.
- Tourism Fund: Positive income growth over increased 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 \$10,248,120, while total fund balance reached was \$11,884,785. The Town currently has an available fund balance of 45.02% of General Fund expenditures and transfer to other funds, while total fund balance represents 52.21% of the same amount.

At June 30, 2019, the governmental funds of the Town of Matthews reported a combined fund balance of \$18,498,005, with a net decrease in fund balance of \$618,648. The General Fund had an increase in fund balance of \$403,712 mostly due to unspent monies for transportation projects. The Capital Improvement program had a decrease in fund balance of \$1,071,421 due to spending committed monies on capital and capital projects. The Windsor Run Improvements Fund had an increase in fund balance of \$4,160 that is restricted to improving the transportation corridor in the southern quadrant of the municipality.

General Fund Budgetary Highlights

During fiscal year 2019, 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 (excluding transfers) exceeded final amended budget numbers by nearly 2.79%. Actual expenditures were less than final budgetary figures by roughly 9.77%.

Highlights include:

- Gross Ad valorem taxes increased by \$213,525 offset by a \$103,419 prior year tax refund due to a property revaluation for a net increase of 110,106
- Overall revenues, not including transfers or fund balance appropriations, exceeded estimated budgets by \$1,428,206.
- 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 2020.

Capital Assets and Debt Administration

Capital Assets. The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2019 totals \$253,305,489 (net of accumulated depreciation). These assets include land, buildings, machinery, equipment, vehicles, and park facilities.

Major capital transactions during the year are detailed below.

- Transfers from construction in progress – \$162,293
- Additions to building and land improvements – \$570,175
- Additions to infrastructure – \$1,131,957
- Additions to police and other vehicles – \$928,408
- Additions to equipment – \$292,805

Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2019	2018
Land	\$ 228,438,440	\$ 227,995,629
Construction in progress	498,806	397,052
Buildings	30,656,753	30,370,046
Infrastructure	97,496,849	96,364,892
Equipment	5,665,763	5,480,093
Vehicles and motorized equipment	7,214,498	6,843,429
Accumulated depreciation	(116,665,620)	(114,422,694)
Total capital assets, net	<u>\$ 253,305,489</u>	<u>\$ 253,028,447</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, 2019, the Town of Matthews had total bonded debt outstanding of \$4,300,000, 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	
	2019	2018
General obligation bonds	\$ 4,300,000	\$ 4,600,000
Notes payable	2,672,717	3,553,766
Total	<u>\$ 6,972,717</u>	<u>\$ 8,153,766</u>

The Town of Matthews' total general obligation bond and notes payable debt decreased by \$1,181,049 (14.5%) 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 \$289,176,342.

Additional information regarding the Town of Matthews' long-term debt can be found in the notes to the basic financial statements beginning on page 44.

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 2018-19, 388 building permits totaling \$99,835,274 were issued.
- Ad Valorem taxes increased by 1.7% in Fiscal Year 2018-19.
- Sales and use taxes have increased for seven consecutive years. Fiscal Year 2018-19 showed a growth of approximately 9.3%% from the prior year.
- Tourism revenues have increased for four consecutive years. Fiscal Year 2018-19 showed a growth of approximately 2.8% from the prior year.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities

General Fund. The Town of Matthews approved a \$25,641,282 General Fund budget for the fiscal year ending June 30, 2020. This represents a 10.6% increase from the fiscal year ended June 30, 2019. The property tax rate is \$.28 per \$100 valuation which is 1.87 cent property tax increase above revenue neutral to fund increased operating costs. There was a property revaluation done in FY18-19 that takes effect in FY19-20. There was no fund balance appropriation included in the original budget; however, the Town expects to bring forward assigned and committed fund balance during the fiscal year as certain projects progress.

The adopted Fiscal Year 2020 budgeted expenditures in the General Fund are expected to provide a continuation of current service levels, with an expectation of increased costs for solid waste fees, health, property/liability and worker's compensation insurance costs. It also includes a 3.0% pool of funds for salary increases based on performance for employees. It also includes approximately \$250,000 to fully fund a Fire and EMS 24-hour staffing model. The Town feels this will increase overall public safety and confidence in the Fire/EMS services it can provide. It also includes \$231,000 for the addition of four new positions for the Police department. Unassigned fund balance dollars provide additional security as the economy continues to stabilize.

Tourism Fund. The Town of Matthews approved a \$2,081,158 Tourism Fund budget for the fiscal year ending June 30, 2020. \$197,158 fund balance appropriation was 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.

TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Current assets:	
Cash and investments	\$ 13,332,238
Restricted cash and investments	4,968,259
Taxes receivable, net	200,069
Accounts receivable, net	186,391
Due from other governments	1,540,069
Prepaid items	113,950
Total current assets	<u>20,340,976</u>
Non-current assets:	
Capital assets :	
Non-depreciable	228,937,246
Depreciable, net	<u>24,368,243</u>
Total non-current assets	<u>253,305,489</u>
Total assets	<u>273,646,465</u>
Deferred Outflows of Resources:	
Pension deferrals	1,834,431
Contributions to pension plan in current fiscal year	<u>770,776</u>
Total deferred outflows of resources	<u>2,605,207</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	1,479,924
Current portion of compensated absences	52,428
Current portion of long-term liabilities	<u>1,066,031</u>
Total current liabilities	<u>2,598,383</u>
Non-current liabilities:	
Net pension liability	2,787,739
Total pension liability	2,199,505
Non-current portion of compensated absences	471,847
Non-current portion of long-term liabilities	<u>5,906,686</u>
Total non-current liabilities	<u>11,365,777</u>
Total liabilities	<u>13,964,160</u>
Deferred Inflows of Resources:	
Pension deferrals	176,709
Advances from grantor	<u>175,744</u>
Total deferred inflows of resources	<u>352,453</u>
Net Position:	
Net investment in capital assets	250,632,772
Restricted for:	
Stabilization by state statute	1,657,853
Streets	598,197
Public safety	81,280
Cultural and recreation	1,235,922
Capital outlay	4,288,782
Unrestricted	<u>3,440,253</u>
Total net position	<u>\$ 261,935,059</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, 2019

					Net Revenue (Expense) and Changes in Net Position
					Primary Government
		Program Revenues			
			Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 3,836,104	\$ 107,435	\$ 20,000	\$ -	\$ (3,708,669)
Public safety	9,443,085	481,648	236,647	117,158	(8,607,632)
Public works	3,691,073	889,394	766,582	-	(2,035,097)
Environmental protection	2,452,371	-	-	-	(2,452,371)
Economic and physical development	590,062	24,800	-	-	(565,262)
Cultural and recreation	3,666,664	697,018	355,943	-	(2,613,703)
Interest on long-term debt	192,925	-	-	-	(192,925)
Total primary government	<u>\$ 23,872,284</u>	<u>\$ 2,200,295</u>	<u>\$ 1,379,172</u>	<u>\$ 117,158</u>	<u>(20,175,659)</u>
General Revenues:					
Taxes:					
Ad valorem taxes					13,000,503
Local options sales tax					3,535,900
Utility franchise and excise tax					1,948,439
Occupancy tax					539,473
Prepared food tax					1,014,308
Rental car tax					138,644
Privilege licenses					1,720
Other taxes and licenses					128,207
Investment earnings					374,490
Total general revenues					<u>20,681,684</u>
Change in net position					506,025
Net Position:					
Beginning of year - July 1					<u>261,429,034</u>
End of year - June 30					\$ 261,935,059

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

TOWN OF MATTHEWS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Improvement Program	Windsor Run Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 10,778,226	\$ 1,315,753	\$ -	\$ 1,238,259	\$ 13,332,238
Restricted cash and investments	679,477	175,744	4,113,038	-	4,968,259
Taxes receivable, net	200,069	-	-	-	200,069
Accounts receivable	119,367	65,502	1,122	400	186,391
Due from other funds	1,795	-	-	-	1,795
Due from other governments	1,471,955	-	-	68,114	1,540,069
Prepaid items	113,950	-	-	-	113,950
Total assets	<u>\$ 13,364,839</u>	<u>\$ 1,556,999</u>	<u>\$ 4,114,160</u>	<u>\$ 1,306,773</u>	<u>\$ 20,342,771</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,209,583	\$ 182,028	\$ -	\$ 5,145	\$ 1,396,756
Due to other funds	-	-	-	1,795	1,795
Total liabilities	<u>1,209,583</u>	<u>182,028</u>	<u>-</u>	<u>6,940</u>	<u>1,398,551</u>
Deferred Inflows of Resources:					
Unavailable taxes	200,068	-	-	-	200,068
Advances from grantor	-	175,744	-	-	175,744
Unavailable revenue	70,403	-	-	-	70,403
Total deferred inflows of resources	<u>270,471</u>	<u>175,744</u>	<u>-</u>	<u>-</u>	<u>446,215</u>
Fund Balances:					
Non-spendable:					
Prepays	113,950	-	-	-	113,950
Restricted:					
Stabilization by state statute	1,522,715	65,502	1,122	68,514	1,657,853
Streets	598,197	-	-	-	598,197
Public safety	81,280	-	-	-	81,280
Cultural and recreation	-	-	-	1,235,922	1,235,922
Capital outlay	-	175,744	4,113,038	-	4,288,782
Committed:					
Capital outlay	-	957,981	-	-	957,981
Assigned:					
Assigned for streets	693,350	-	-	-	693,350
Assigned for cultural and recreation	118,854	-	-	-	118,854
Assigned for environmental protection - stormwater	612,207	-	-	-	612,207
Assigned for subsequent years' expenditures	1,350,000	-	-	-	1,350,000
Unassigned	6,794,232	-	-	(4,603)	6,789,629
Total fund balances	<u>11,884,785</u>	<u>1,199,227</u>	<u>4,114,160</u>	<u>1,299,833</u>	<u>18,498,005</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,364,839</u>	<u>\$ 1,556,999</u>	<u>\$ 4,114,160</u>	<u>\$ 1,306,773</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.					253,305,489
Net pension liability (LGRS)					(2,787,739)
Total pension liability (LEOSSA)					(2,199,505)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.					770,776
Pension related deferrals					1,657,722
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.					270,471
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.					(7,580,160)
Net position of governmental activities					<u>\$ 261,935,059</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, 2019

	General Fund	Capital Improvement Program	Windsor Run Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 13,014,214	\$ -	\$ -	\$ -	\$ 13,014,214
Other taxes and licenses	5,604,572	-	-	1,692,425	7,296,997
Unrestricted intergovernmental	260,335	-	-	-	260,335
Restricted intergovernmental	971,182	326,914	20,000	-	1,318,096
Sales and services	1,918,214	-	-	-	1,918,214
Investment earnings	374,480	10	-	-	374,490
Miscellaneous	189,398	-	-	10,582	199,980
Total revenues	<u>22,332,395</u>	<u>326,924</u>	<u>20,000</u>	<u>1,703,007</u>	<u>24,382,326</u>
Expenditures:					
Current:					
General government	3,560,300	-	15,840	-	3,576,140
Public safety	9,401,919	51,496	-	11,664	9,465,079
Public works	3,767,666	145,355	-	-	3,913,021
Environmental protection	2,452,371	-	-	-	2,452,371
Economic and physical development	528,682	80,432	-	-	609,114
Cultural and recreation	1,611,862	1,414,683	-	636,997	3,663,542
Debt service:					
Principal retirement	1,009,382	-	-	171,667	1,181,049
Interest and other charges	187,884	-	-	8,820	196,704
Total expenditures	<u>22,520,066</u>	<u>1,691,966</u>	<u>15,840</u>	<u>829,148</u>	<u>25,057,020</u>
Revenues over (under) expenditures	<u>(187,671)</u>	<u>(1,365,042)</u>	<u>4,160</u>	<u>873,859</u>	<u>(674,694)</u>
Other Financing Sources (Uses):					
Transfers (to) other funds	(243,621)	-	-	(828,958)	(1,072,579)
Transfers from other funds	778,958	293,621	-	-	1,072,579
Proceeds from sale of capital assets	56,046	-	-	-	56,046
Total other financing sources (uses)	<u>591,383</u>	<u>293,621</u>	<u>-</u>	<u>(828,958)</u>	<u>56,046</u>
Net change in fund balances	403,712	(1,071,421)	4,160	44,901	(618,648)
Fund Balances:					
Beginning of year - July 1	<u>11,481,073</u>	<u>2,270,648</u>	<u>4,110,000</u>	<u>1,254,932</u>	<u>19,116,653</u>
End of year - June 30	<u>\$ 11,884,785</u>	<u>\$ 1,199,227</u>	<u>\$ 4,114,160</u>	<u>\$ 1,299,833</u>	<u>\$ 18,498,005</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, 2019

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)	\$ (618,648)
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.	3,187,392
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(2,910,350)
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.	(4,017)
Pension expense	(131,444)
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.	990,597
Accrued interest that does not require current financial resources and is not reported as an expenditure in the governmental funds statement.	3,779
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>(11,284)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 506,025</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 13,205,000	\$ 13,205,004	\$ 13,014,214	\$ (190,790)
Other taxes and licenses	5,298,450	5,298,450	5,604,572	306,122
Unrestricted intergovernmental	235,000	235,000	260,335	25,335
Restricted intergovernmental	818,728	923,854	971,182	47,328
Sales and services	1,659,910	1,749,741	1,918,214	168,473
Investment earnings	170,000	170,000	374,480	204,480
Miscellaneous	105,000	144,144	189,398	45,254
Total revenues	<u>21,492,088</u>	<u>21,726,193</u>	<u>22,332,395</u>	<u>606,202</u>
Expenditures:				
Current:				
General government	3,568,799	3,688,207	3,560,300	127,907
Public safety	9,071,697	9,634,784	9,401,919	232,865
Public works	3,254,002	5,329,129	3,767,666	1,561,463
Environmental protection	2,432,927	2,892,112	2,452,371	439,741
Economic and physical development	528,585	557,688	528,682	29,006
Cultural and recreation	1,615,477	1,657,634	1,611,862	45,772
Debt service:				
Principal retirement	1,009,385	1,009,385	1,009,382	3
Interest and other charges	191,599	190,433	187,884	2,549
Total expenditures	<u>21,672,471</u>	<u>24,959,372</u>	<u>22,520,066</u>	<u>2,439,306</u>
Revenues over (under) expenditures	<u>(180,383)</u>	<u>(3,233,179)</u>	<u>(187,671)</u>	<u>3,045,508</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	2,645,400	-	(2,645,400)
Sale of capital assets	15,000	15,000	56,046	41,046
Transfers to other funds	(575,000)	(319,703)	(243,621)	76,082
Transfers from other funds	740,383	892,482	778,958	(113,524)
Total other financing sources (uses)	<u>180,383</u>	<u>3,233,179</u>	<u>591,383</u>	<u>(2,641,796)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	403,712	<u>\$ 403,712</u>
Fund Balance:				
Beginning of year - July 1			<u>11,348,826</u>	
End of year - June 30			<u>\$ 11,752,538</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, 2019

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 seven-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, 2019

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, 2019

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, 2019

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) government money market fund, is measured at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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	\$ 598,197
Equitable sharing	81,280

Other Governmental Funds:

Unearned capital grant	175,744
Windsor Run Improvements Fund	4,113,038
Total governmental restricted cash	<u>\$ 4,968,259</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, 2018.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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:

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets the criteria, contributions made to the pension plan in the 2019 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 criteria 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 of discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the term of the related debt.

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

Compensated Absences

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Net Position/Fund Balances

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

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.

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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

Capital Outlay Capital Improvement Program – portion of fund balance that is restricted for use only on capital improvement program projects.

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.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

It is the policy of the Town of Matthews to maintain an available fund balance at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from fluctuations of revenue sources. Based on the recommendation of the State Treasurer's Office, the Town of Matthews will maintain never less than 8 percent of the next year's budget in the unassigned fund balance. Furthermore, it shall be the policy goal of the Town of Matthews to maintain an available fund balance of not less than 34 percent of the most recently closed fiscal year's actual expenditures (including transfers), subject to specific actions of the Board, relating to special opportunities or expenses. In the event the fund balance shall decline below the policy amount, council shall develop a recovery plan to rebuild the fund balance as soon as practical.

Any amounts remaining in the fiscal year-end available fund balance in excess of 34 percent of the most recently closed fiscal year's actual expenditures (including transfers), excluding any federal and state pass-through revenue, shall be designated as available for subsequent year's expenditures. This excess amount will be available for appropriation by the Board of Commissioners in a subsequent fiscal year to fund capital, operating or debt service expenditure as determined by the Board of Commissioners during the budget for that subsequent fiscal year.

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	\$ 11,884,785
Less:	
Prepays	113,950
Stabilization by state statute	<u>1,522,715</u>
Total available fund balance	<u>\$ 10,248,120</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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)	\$ 11,752,538
Capital Reserve Fund	
Fund balance, beginning	<u>132,247</u>
Fund balance, ending (Exhibit D)	<u>\$ 11,884,785</u>

F. Accounting Estimates

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

2. Detail Notes On All Funds

A. Assets

Deposits

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in their name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash 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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, the Town's deposits had a carrying amount of \$597,235 and a bank balance of \$661,493. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$161,493 was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$177.

Investments

At June 30, 2019, the Town had \$17,703,085 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%.

Receivables – Allowances for Doubtful Accounts

The receivables shown in Exhibit A at June 30, 2019 were as follows:

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accounts Receivable</u>	<u>Total</u>
Governmental Activities:				
Governmental	\$ 300,069	\$ 1,540,069	\$ 186,391	\$ 2,026,529
Allowance for doubtful accounts	(100,000)	-	-	(100,000)
Total governmental activities	<u>\$ 200,069</u>	<u>\$ 1,540,069</u>	<u>\$ 186,391</u>	<u>\$ 1,926,529</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Due from other governments consisted of the following:

Local option sales tax	\$ 625,475
Other taxes and licenses	324,118
Cable and electricity franchise tax	353,724
Piped natural gas excise tax	31,338
Telecommunications sales tax	58,080
Sales tax refund receivable	<u>147,334</u>
Total	<u><u>\$ 1,540,069</u></u>

Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 227,995,629	\$ -	\$ -	\$ 442,811	\$ 228,438,440
Construction in progress	<u>397,052</u>	<u>1,491,949</u>	<u>-</u>	<u>(1,390,195)</u>	<u>498,806</u>
Total non-depreciable capital assets	<u>228,392,681</u>	<u>1,491,949</u>	<u>-</u>	<u>(947,384)</u>	<u>228,937,246</u>
Depreciable Capital Assets:					
Buildings and improvements	30,370,046	184,457	(2,950)	105,200	30,656,753
Equipment	5,480,093	243,470	(107,135)	49,335	5,665,763
Vehicles and motorized equipment	6,843,429	398,910	(557,339)	529,498	7,214,498
Infrastructure	<u>96,364,892</u>	<u>868,606</u>	<u>-</u>	<u>263,351</u>	<u>97,496,849</u>
Total depreciable capital assets	<u>139,058,460</u>	<u>1,695,443</u>	<u>(667,424)</u>	<u>947,384</u>	<u>141,033,863</u>
Less Accumulated Depreciation:					
Buildings and improvements	11,044,250	918,761	(2,950)	-	11,960,061
Equipment	3,517,810	542,697	(107,135)	-	3,953,372
Vehicles and motorized equipment	5,625,739	445,855	(557,339)	-	5,514,255
Infrastructure	<u>94,234,895</u>	<u>1,003,037</u>	<u>-</u>	<u>-</u>	<u>95,237,932</u>
Total accumulated depreciation	<u>114,422,694</u>	<u>\$ 2,910,350</u>	<u>\$ (667,424)</u>	<u>\$ -</u>	<u>116,665,620</u>
Total depreciable capital assets, net	<u>24,635,766</u>				<u>24,368,243</u>
Capital assets, net	<u>\$ 253,028,447</u>				<u>\$ 253,305,489</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Governmental Activities:

General government	\$ 319,029
Public safety	823,648
Public works	1,377,829
Economic and physical development	1,428
Cultural and recreation	388,416
Total	<u>\$ 2,910,350</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	<u>Governmental Activities</u>
Capital assets	\$ 253,305,489
Long-term debt	(6,972,717)
Debt for assets not capitalized by the Town	4,300,000
Net investment in capital assets	<u>\$ 250,632,772</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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

Contributions. Contribution provisions are established by 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, 2019 was 8.50% of compensation for law enforcement officers and 7.75% 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 \$723,724 for the year ended June 30, 2019.

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.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the Town reported a liability of \$2,787,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was .11751%, which was an increase of .00038% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$793,905. At June 30, 2019, 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	\$ 430,082	\$ 14,431
Change in assumptions	739,758	-
Net difference between projected and actual earnings on pension plan investments	382,674	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	90,687	39,863
Town contributions subsequent to the measurement date	<u>723,724</u>	<u>-</u>
Total	<u>\$ 2,366,925</u>	<u>\$ 54,294</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$723,724 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 ending June 30, 2020. 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
2020	\$ 760,196
2021	486,077
2022	108,362
2023	234,272
2024	-
Thereafter	-
Total	<u>\$ 1,588,907</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	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 2018 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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 6,696,391	\$ 2,787,739	\$ (478,391)

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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	55
Total	59

A separate report was not issued for the Plan.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

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

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

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

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 \$72,838 as benefits came due for the reporting period.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the Town reported a total pension liability of \$2,199,505. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$168,537.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,975	\$ 31,447
Changes of assumptions	83,255	90,968
Town of benefit payments and plan administrative expense made subsequent to the measurement date	<u>47,052</u>	<u>-</u>
Total	<u><u>\$ 238,282</u></u>	<u><u>\$ 122,415</u></u>

\$47,052 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 ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 14,783
2021	14,783
2022	14,783
2023	17,108
2024	7,358
Thereafter	<u>-</u>
Total	<u><u>\$ 68,815</u></u>

\$47,052 paid as benefits came due have been reported as deferred outflows of resources.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 2,367,061	\$ 2,199,505	\$ 2,044,018

Schedule of Changes in Total Pension Liability

Law Enforcement Officers Special Separation Allowance

	2019
Beginning balance	\$ 2,066,583
Changes for the year:	
Service cost	89,601
Interest on the total pension liability	64,153
Difference between expected and actual experience	130,900
Changes of assumptions and other inputs	(78,894)
Benefit payments	(72,838)
Net changes	132,922
Ending balance of the total pension liability	\$ 2,199,505

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 793,905	\$ 168,537	\$ 962,442
Pension liability	2,787,739	2,199,505	4,987,244
Proportionate share of the net pension liability	0.11751%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 430,082	\$ 107,975	\$ 538,057
Changes of assumptions	739,758	83,255	823,013
Net difference between projected and actual earnings on plan investments	382,674	-	382,674
Changes in proportion and differences between contributions and proportionate share of contributions	90,687	-	90,687
Benefit payments and administrative costs paid subsequent to the measurement date	<u>723,724</u>	<u>47,052</u>	<u>770,776</u>
Total deferred outflows of resources	<u>\$ 2,366,925</u>	<u>\$ 238,282</u>	<u>\$ 2,605,207</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 14,431	\$ 31,447	\$ 45,878
Changes of assumptions	-	90,968	90,968
Changes in proportion and differences between contributions and proportionate share of contributions	<u>39,863</u>	<u>-</u>	<u>39,863</u>
Total deferred inflows of resources	<u>\$ 54,294</u>	<u>\$ 122,415</u>	<u>\$ 176,709</u>

Other Employment Benefits

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 723,724
Benefit payments and administration expenses for LEOSSA made subsequent to measurement date	47,052
Changes of assumptions (LEOSSA)	83,255
Differences between expected and actual experience (LEOSSA)	107,975
Differences between expected and actual experience (LGERS)	430,082
Changes of assumptions (LGERS)	739,758
Net difference between projected and actual experience (LGERS)	382,674
Town contributions and proportionate share of contributions	90,687
Total	<u>\$ 2,605,207</u>

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

	<u>Amount</u>
Taxes receivable (General Fund)	\$ 200,068
General billing receivables (General Fund)	70,403
Unearned grant (Capital Project Fund)	175,744
Changes in assumptions (LEOSSA)	90,968
Differences between expected and actual experience (LEOSSA)	31,447
Differences between expected and actual experience (LGERS)	14,431
Changes in porportion and differences between employer contributions and proportionate share (LGERS)	39,863
Total	<u>\$ 622,924</u>

Accounts Payable – Disaggregate Information

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:			
General	\$ 1,209,583	\$ 83,168	\$ 1,292,751
Capital Improvement program	182,028	-	182,028
Other governmental	5,145	-	5,145
Total governmental activities	<u>\$ 1,396,756</u>	<u>\$ 83,168</u>	<u>\$ 1,479,924</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Commitments

Town Hall Columns. The Town of Matthews has entered into contracts for replacing the columns at Town Hall. The contracts have various dates and terms and have renewal options of like terms. The costs of such contracts are dependent upon usage and consumer price index adjustments.

Town Hall Handrails. The Town of Matthews has entered into contracts for replacing the handrails at Town Hall. 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.

Stormwater Contract Work. The Town of Matthews has entered into contracts for various stormwater projects in Matthews. 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.

USI Insurance Services, LLC provides the general liability, auto liability and property (per values on the property schedule) and workers' compensation coverages. This company specializes 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 four fiscal years.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Claims and Judgments

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

General Obligation Indebtedness

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

Bonds payable at June 30, 2019 are comprised of the following:

General Obligation Bonds - Serviced by the General Fund:

\$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>\$ 4,300,000</u>
Total	<u><u>\$ 4,300,000</u></u>

The \$5,500,000 street improvement bonds are direct placement bonds. The pledged security, events of default, remedies for default, and bond covenants are governed by the same trust agreement as the publicly offered GO bonds.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Notes Payable

As of June 30, 2019, 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 \$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	\$ 350,000
Issued \$740,982 January 2016 note payable requiring monthly payments of \$7,719, including principal and interest at the rate of 3.160% per annum through January 2024; secured by real estate	463,113
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	3,722
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	274,630
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	107,803
Issued \$1,124,744 November 2017 note payable requiring annual payments of \$239,111, including interest at the rate of 2.08% per annum through October 2022; secured by equipment	909,028
Issued \$529,498 March 2018 note payable requiring annual payments of \$114,190, including interest at the rate of 2.58% per annum through February 2023; secured by equipment	428,969
Issued \$245,452 August 31, 2016 note payable requiring annual payments of ranging from \$25,452 to \$55,000, with no interest; secured by real estate.	<u>135,452</u>
Total	<u>\$ 2,672,717</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

In April 2016, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$700,000 for a roof. Real estate is pledged as collateral for the debt while it is outstanding. The loan agreement calls for monthly installments of \$9,722, including 1.890% interest. The loan agreement denotes certain events of default and upon occurrence; A. Installment payments immediately come due and payable; B. Proceed by appropriate court action to enforce the Town's performance or recover of from the breach thereof; C. Pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner BB&T may deem appropriate; D. Foreclosure and recovery of attorney's fees and other expenses. The amount outstanding at June 30, 2019 is \$350,000.

In January 2016, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$740,982 for a building. Real estate is pledged as collateral for the debt while it is outstanding. The loan agreement calls for monthly installments of \$9,182, including 3.160% interest. The loan agreement denotes certain events of default and upon occurrence; A. Installment payments immediately come due and payable; B. Proceed by appropriate court action to enforce the Town's performance or recover for the breach thereof; C. Foreclosure and recovery of attorney's fees and other expenses. The amount outstanding at June 30, 2019 is \$463,114.

In December 2008, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$740,982 for a building. Various equipment is pledged as collateral for the debt while it is outstanding. The loan agreement calls for monthly installments of \$6,926, including 3.580% interest. The loan agreement denotes certain events of default and upon occurrence of any event of default the bank may declare the entire outstanding principal and accrued interest immediately due and payable. The amount outstanding at June 30, 2019 is \$3,722.

In November 2016, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$405,000 for equipment. Equipment is pledged as collateral for the debt while it is outstanding. The loan agreement calls for an annual installment of \$71,670, including 1.74% interest. The loan agreement denotes certain events of default and upon occurrence; A. Installment payments immediately come due and payable; B. Proceed by appropriate court action to enforce the Town's performance or recover for the breach thereof; C. Provided via Project Fund agreement require BB&T to pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner BB&T may reasonably deem appropriate; D. Use of all available remedies under agreement, including execution as provided in Section 6.03, and recovery of attorney's fees and other expenses. The amount outstanding at June 30, 2019 is \$274,630.

In January 2010, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$861,246 for equipment. Equipment is pledged as collateral for the debt while it is outstanding. The loan agreement calls for annual installments of \$113,603, including 5.38% interest. The loan agreement denotes certain events of default and upon occurrence; A. Installment payments immediately come due and payable; B. Proceed by appropriate court action to enforce the Town's performance or recover of from the breach thereof; C. Exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina, to the extent permitted by law, take possession of any collateral without any court

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

order or other process of law and without liability to sell, lease, sublease, or make other disposition of the same in a commercially reasonable manner to cover balance due, thereafter, paying Lessee any proceeds over balance due; D. Take possession of any proceeds of the equipment, including net proceeds; E. Pursue any other remedy available at law or equity to the bank. The amount outstanding at June 30, 2019 is \$107,803.

In November 2017, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$1,124,744 for equipment. Equipment is pledged as collateral for the debt while it is outstanding. The loan agreement calls for annual installments of \$239,111, including 2.08% interest. The loan agreement denotes certain events of default and upon occurrence; A. Lessor, with or without terminating the lease, may declare all rental payments payable under the lease to the end of the then-current fiscal year of lessee to be immediately due and payable by lessee, whereupon such rental payments shall be immediately due and payable; B. Lessor may require equipment to be promptly returned in a manner set forth in Section 21 or lessor may locate and repossess such equipment without demand or notice, without any court order or other process of law with no liability for any damage occasioned by such repossession; C. Lessor may sell, lease or otherwise dispose of any equipment, in whole or in part, in one or more public or private transactions, and if lessor so disposes of any equipment, then lessor shall apply the entire proceeds of such disposition as follows: first, to pay costs that lessor has incurred in connection with exercising its remedies; second, to payment of amounts that are payable by lessee under clause (a) above; and then to payment of the termination value set forth in the applicable payment schedule for the last rent payment due date for the fiscal year in which the related default occurs, provided that excess proceeds over payments is promptly paid by lessor to lessee; D. Lessor may terminate, cancel, or rescind any lease as to any and all equipment; E. Lessor may exercise any other remedy available, at law or in equity, with respect to such event of default. Lessee shall pay the reasonable attorney's fees and expenses incurred by lessor in exercising any remedy hereunder. The amount outstanding at June 30, 2019 is \$909,028.

In March 2018, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$529,498 for equipment. Equipment is pledged as collateral for the debt while it is outstanding. The loan agreement calls for annual installments of \$114,190, including 2.58% interest. The loan agreement denotes certain events of default and upon occurrence; A. Installment payments immediately come due and payable; B. Proceed by appropriate court action to enforce the Town's performance or recover for the breach thereof; C. Provided via Project Fund agreement require BB&T to pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner BB&T may reasonably deem appropriate; D. Use of all available remedies under agreement, including execution as provided in Section 6.03, and recovery of attorney's fees and other expenses. The amount outstanding at June 30, 2019 is \$428,969.

In August 2016, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$245,452 for real estate. Real estate is pledged as collateral for the debt while it is outstanding. The loan agreement calls for annual installments of \$55,000, with no interest. The loan agreement denotes certain events of default and upon occurrence; A. Installment payments immediately come due and payable; B. All remaining principal sum with interest and any prepayment premium immediately come due and payable. The amount outstanding at June 30, 2019 is \$135,452.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Year Ending June 30	General Obligation Bonds		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 300,000	\$ 111,250	\$ 766,031	\$ 64,741	\$ 1,066,031	\$ 175,991
2021	300,000	105,250	662,911	45,393	962,911	150,643
2022	300,000	99,250	641,950	31,672	941,950	130,922
2023	300,000	93,250	509,202	17,171	809,202	110,421
2024	300,000	87,250	92,623	2,927	392,623	90,177
2025-2029	1,500,000	312,500	-	-	1,500,000	312,500
2030-2034	1,300,000	108,500	-	-	1,300,000	108,500
Total	<u>\$ 4,300,000</u>	<u>\$ 917,250</u>	<u>\$ 2,672,717</u>	<u>\$ 161,904</u>	<u>\$ 6,972,717</u>	<u>\$ 1,079,154</u>

At June 30, 2019, the Town of Matthews had a legal debt margin of approximately \$289,176,342.

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, 2019.

	June 30, 2018	Increases	Decreases	June 30, 2019	Current Portion
Governmental Activities:					
Direct placement - general obligation bonds	\$ 4,600,000	\$ -	\$ (300,000)	\$ 4,300,000	\$ 300,000
Direct placement installment purchases	3,553,766	-	(881,049)	2,672,717	766,031
Compensated absences	512,991	382,643	(371,359)	524,275	52,428
Net pension liability (LGRS)	1,736,563	-	1,051,176	2,787,739	-
Total pension liability (LEO)	<u>2,066,583</u>	<u>284,654</u>	<u>(151,732)</u>	<u>2,199,505</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 12,469,903</u>	<u>\$ 667,297</u>	<u>\$ (652,964)</u>	<u>\$ 12,484,236</u>	<u>\$ 1,118,459</u>

Compensated absences and net pension 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, 2019

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	\$ 243,621	To provide funds for construction in progress expenditures
Tourism Fund	General Fund	778,958	To provide funds for tourism costs
Tourism Fund	Capital Improvement Fund	50,000	To provide funds for construction in progress expenditures

Due to/From Other Funds

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
SAFER Grants Fund	General Fund	\$ 1,795	To provide temporary fund resources

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.

TOWN OF MATTHEWS, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST THREE FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,066,583	\$ 1,867,523	\$ 1,780,093
Service cost	89,601	75,432	84,212
Interest on the total pension liability	64,153	71,599	63,316
Differences between expected and actual experience in the measurement of the total pension liability	130,900	(46,901)	-
Changes in assumptions and other inputs	(78,894)	124,167	(47,053)
Benefit payments	<u>(72,838)</u>	<u>(25,237)</u>	<u>(13,045)</u>
Ending balance of the total pension liability	<u>\$ 2,199,505</u>	<u>\$ 2,066,583</u>	<u>\$ 1,867,523</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

*Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2026.

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
LAST THREE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 2,199,505	\$ 2,066,583	\$ 1,867,523
Covered payroll	\$ 3,267,159	\$ 3,203,924	\$ 3,310,833
Total pension liability as a percentage of covered payroll	67.32%	64.50%	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.

*Information is not required to be presented retroactively. This schedule will not present 10 years' worth of information until fiscal year 2026.

TOWN OF MATTHEWS, NORTH CAROLINA

**TOWN OF MATTHEWS PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS***

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Matthews' proportion of the net pension liability (asset) (%)	0.11751%	0.11367%	0.11281%	0.12979%	-0.11546%	-0.12110%
Matthews' proportion of the net pension liability (asset) (\$)	\$ 2,787,739	\$ 1,736,563	\$ 2,394,206	\$ 582,490	\$ (680,921)	\$ 1,459,720
Matthews' covered payroll	\$ 7,776,309	\$ 7,444,749	\$ 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 payroll	35.85%	23.33%	34.29%	7.97%	(10.27%)	23.95%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	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 SIX FISCAL YEARS**

Local Government Employees' Retirement System						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 723,724	\$ 609,820	\$ 562,979	\$ 484,114	\$ 529,824	\$ 471,230
Contributions in relation to the contractually required contribution	<u>723,724</u>	<u>609,820</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Matthews' covered payroll	\$8,935,040	\$7,776,309	\$7,444,749	\$6,983,190	\$7,310,377	\$6,632,393
Contributions as a percentage of covered payroll	8.10%	7.84%	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.

TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Reserve Fund	Total General Fund
Revenues:			
Ad valorem taxes	\$ 13,014,214	\$ -	\$ 13,014,214
Other taxes and licenses	5,604,572	-	5,604,572
Unrestricted intergovernmental	260,335	-	260,335
Restricted intergovernmental	971,182	-	971,182
Sales and services	1,918,214	-	1,918,214
Investment earnings	374,480	-	374,480
Miscellaneous	189,398	-	189,398
Total revenues	<u>22,332,395</u>	<u>-</u>	<u>22,332,395</u>
Expenditures:			
Current:			
General government	3,560,300	-	3,560,300
Public safety	9,401,919	-	9,401,919
Public works	3,767,666	-	3,767,666
Environmental protection	2,452,371	-	2,452,371
Economic and physical development	528,682	-	528,682
Cultural and recreation	1,611,862	-	1,611,862
Debt service:			
Principal retirement	1,009,382	-	1,009,382
Interest and other charges	187,884	-	187,884
Total expenditures	<u>22,520,066</u>	<u>-</u>	<u>22,520,066</u>
Revenues over (under) expenditures	<u>(187,671)</u>	<u>-</u>	<u>(187,671)</u>
Other Financing Sources (Uses):			
Transfers (to) other funds	(243,621)	-	(243,621)
Transfers from other funds	778,958	-	778,958
Proceeds from sale of capital assets	56,046	-	56,046
Total other financing sources (uses)	<u>591,383</u>	<u>-</u>	<u>591,383</u>
Net change in fund balances	403,712	-	403,712
Fund Balances:			
Beginning of year - July 1	<u>11,348,826</u>	<u>132,247</u>	<u>11,481,073</u>
End of year - June 30	<u>\$ 11,752,538</u>	<u>\$ 132,247</u>	<u>\$ 11,884,785</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, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 13,165,004	\$ 12,976,504	\$ (188,500)	\$ 12,867,517
Penalties and interest	40,000	37,710	(2,290)	36,591
Total	<u>13,205,004</u>	<u>13,014,214</u>	<u>(190,790)</u>	<u>12,904,108</u>
Other Taxes and Licenses:				
Local option sales tax	3,273,450	3,535,900	262,450	3,235,022
Piped natural gas excise tax	50,000	124,233	74,233	131,802
Utility franchise tax	1,400,000	1,388,754	(11,246)	1,317,981
Telecommunications sales tax	290,000	239,727	(50,273)	261,917
Tipping tax	15,000	23,052	8,052	20,495
In lieu of land dedication fees	-	30,962	30,962	54,108
Animal control license	25,000	20,414	(4,586)	21,828
Cablevision franchise fees	210,000	195,725	(14,275)	208,715
Rental vehicle tax	35,000	44,085	9,085	34,624
Privilege licenses	-	1,720	1,720	1,810
Total	<u>5,298,450</u>	<u>5,604,572</u>	<u>306,122</u>	<u>5,288,302</u>
Unrestricted Intergovernmental:				
Beer and wine tax	135,000	134,067	(933)	133,615
ABC profit distribution	<u>100,000</u>	<u>126,268</u>	<u>26,268</u>	<u>121,158</u>
Total	<u>235,000</u>	<u>260,335</u>	<u>25,335</u>	<u>254,773</u>
Restricted Intergovernmental:				
Powell Bill allocation	772,000	766,582	(5,418)	772,816
CMUD bond payment reimbursement	-	-	-	228,800
Police Grant - D.A.R.E.	4,000	-	(4,000)	1,500
Fire - SAFER grants	42,728	87,442	44,714	218,313
Miscellaneous grants	<u>105,126</u>	<u>117,158</u>	<u>12,032</u>	<u>96,733</u>
Total	<u>923,854</u>	<u>971,182</u>	<u>47,328</u>	<u>1,318,162</u>
Permits and Fees:				
Planning revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>

TOWN OF MATTHEWS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Stormwater fees	840,000	867,056	27,056	850,562
Rental fees	55,000	36,079	(18,921)	232,060
Recreation program revenues	154,113	208,860	54,747	217,922
Community center revenues	329,860	453,555	123,695	381,641
Zoning ordinance sales	25,000	24,800	(200)	33,801
Rescue/EMS assistance	85,000	65,778	(19,222)	56,557
Police services	14,732	15,497	765	25,762
Other police contracts	246,036	246,589	553	137,273
Total	<u>1,749,741</u>	<u>1,918,214</u>	<u>168,473</u>	<u>1,935,578</u>
Investment Earnings	<u>170,000</u>	<u>374,480</u>	<u>204,480</u>	<u>167,334</u>
Miscellaneous:				
Other	<u>144,144</u>	<u>189,398</u>	<u>45,254</u>	<u>145,166</u>
Total revenues	<u>21,726,193</u>	<u>22,332,395</u>	<u>606,202</u>	<u>22,028,423</u>
Expenditures:				
General Government:				
Salaries and employee benefits	56,679	56,679	-	46,997
Expenses allowance	3,417	3,417	-	46,806
Operating expenses	<u>186,670</u>	<u>186,666</u>	<u>4</u>	<u>150,878</u>
Total	<u>246,766</u>	<u>246,762</u>	<u>4</u>	<u>244,681</u>
Administration:				
Salaries and employee benefits	2,461,290	2,362,773	98,517	2,202,875
Operating expenditures	911,511	882,125	29,386	765,884
Capital outlay	<u>68,640</u>	<u>68,640</u>	<u>-</u>	<u>10,083</u>
Total	<u>3,441,441</u>	<u>3,313,538</u>	<u>127,903</u>	<u>2,978,842</u>
Total general government	<u>3,688,207</u>	<u>3,560,300</u>	<u>127,907</u>	<u>3,223,523</u>
Public Safety:				
Police:				
Salaries and employee benefits	5,405,436	5,357,908	47,528	4,815,915
Operating expenditures	1,136,205	1,043,100	93,105	838,307
Capital outlay	<u>354,171</u>	<u>352,317</u>	<u>1,854</u>	<u>1,431,872</u>
Total	<u>6,895,812</u>	<u>6,753,325</u>	<u>142,487</u>	<u>7,086,094</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, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and employee benefits	1,912,048	1,900,898	11,150	1,316,260
Operating expenditures	411,404	336,974	74,430	590,109
Donation to volunteer fire departments	299,649	299,571	78	225,000
Capital outlay	25,620	25,619	1	27,845
Total	2,648,721	2,563,062	85,659	2,159,214
Animal Control:				
Salaries and employee benefits	62,294	61,751	543	49,644
Other operating expenses	27,957	23,781	4,176	27,507
Total	90,251	85,532	4,719	77,151
Total public safety	9,634,784	9,401,919	232,865	9,322,459
Public Works:				
Street Department:				
Salaries and employee benefits	1,650,823	1,614,489	36,334	1,397,438
Operating expenses	3,492,806	1,972,725	1,520,081	1,281,212
Capital outlay	185,500	180,452	5,048	205,224
Total	5,329,129	3,767,666	1,561,463	2,883,874
Environmental Protection:				
Sanitation:				
Contracted services	1,725,593	1,707,155	18,438	1,646,061
StormWater:				
Salaries and employee benefits	422,896	409,997	12,899	411,948
Operating expenses	557,129	220,069	337,060	188,118
Capital outlay	186,494	115,150	71,344	107,726
Total	1,166,519	745,216	421,303	707,792
Total environmental protection	2,892,112	2,452,371	439,741	2,353,853
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	432,560	427,466	5,094	432,944
Operating expenses	125,128	101,216	23,912	57,921
Total	557,688	528,682	29,006	490,865

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, 2019

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Cultural and Recreation:				
Parks:				
Salaries and employee benefits	733,255	704,470	28,785	681,086
Operating expenses	867,379	857,830	9,549	750,295
Capital outlay	57,000	49,562	7,438	-
Total	<u>1,657,634</u>	<u>1,611,862</u>	<u>45,772</u>	<u>1,431,381</u>
Debt Service:				
Principal retirement	1,009,385	1,009,382	3	993,475
Interest and other charges	190,433	187,884	2,549	178,449
Total	<u>1,199,818</u>	<u>1,197,266</u>	<u>2,552</u>	<u>1,171,924</u>
Total expenditures	<u>24,959,372</u>	<u>22,520,066</u>	<u>2,439,306</u>	<u>20,877,879</u>
Revenues over (under) expenditures	<u>(3,233,179)</u>	<u>(187,671)</u>	<u>3,045,508</u>	<u>1,150,544</u>
Other Financing Sources (Uses):				
Appropriated fund balance	2,645,400	-	(2,645,400)	-
Long-term debt issued	-	-	-	1,124,744
Sale of capital assets	15,000	56,046	41,046	53,823
Transfer (to) other funds	(319,703)	(243,621)	76,082	(1,017,901)
Transfer from other funds	892,482	778,958	(113,524)	595,463
Total other financing sources (uses):	<u>3,233,179</u>	<u>591,383</u>	<u>(2,641,796)</u>	<u>756,129</u>
Net change in fund balance	<u>\$ -</u>	403,712	<u>\$ 403,712</u>	1,906,673
Fund Balance:				
Beginning of year - July 1		<u>11,348,826</u>		<u>9,442,153</u>
End of year - June 30		<u>\$ 11,752,538</u>		<u>\$ 11,348,826</u>

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, 2019

	Budget	Actual	Variance Over/Under
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>132,247</u>	
End of year - June 30		<u>\$ 132,247</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, 2019

		Actual				
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date	Variance Over/Under
Revenues:						
Investment earnings		\$ 19,001	\$ 10	\$ -	\$ 19,011	
Restricted intergovernmental		5,266,813	326,914	-	5,593,727	
Miscellaneous		81,539	-	-	81,539	
Donations		108,029	-	-	108,029	
Total revenues	\$ 6,470,334	5,475,382	326,924	-	5,802,306	\$ (668,028)
Expenditures:						
Cultural and Recreation:						
Park equipment replacement		50,001	-	-	50,001	
Wayfinding system		651,321	11,762	-	663,083	
Heritage Trail		39,185	2,218	-	41,403	
Windsor Park		1,731	-	-	1,731	
Rice Road Park		60,621	577,815	-	638,436	
Pocket Parks		50,000	-	-	50,000	
Downtown projects		469,161	403,153	-	872,314	
AG Building renovations		935,013	2,080	-	937,093	
Engine 22		-	316,605	-	316,605	
Gym floor renovation		-	101,050	-	101,050	
Total cultural and recreation		2,257,033	1,414,683	-	3,671,716	
Public Safety:						
Police radio system upgrade		384,663	-	-	384,663	
Volunteer fire truck		1,123,829	51,496	-	1,175,325	
Police Mobile CAD		339,107	-	-	339,107	
Total public safety		1,847,599	51,496	-	1,899,095	
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		343,826	-	-	343,826	
Public works vehicle and equipment		65,329	-	-	65,329	
Streetsweeper		238,183	-	-	238,183	
Hwy 51-Matthews - Idlewild Intersection		116,125	-	-	116,125	
Hwy 51-Matthews - Idlewild Intersection		-	145,355	-	145,355	
S. Trade Street Project - GO bonds		5,093,289	-	-	5,093,289	
Improvements: Hwy 51 - Matthews						
Mint Hill Road		151,507	-	-	151,507	
Total public works		7,189,303	145,355	-	7,334,658	
Economic and Physical Development:						
Vehicle replacement		203,223	-	-	203,223	
Downtown multimodal study		-	75,859	-	75,859	
Stevens Creek study		-	4,573	-	4,573	
Total economic and physical development		203,223	80,432	-	283,655	
Environmental Protection:						
Campus Ridge project		2,307,289	-	-	2,307,289	

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, 2019

		Actual				
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date	Variance Over/Under
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		1,940,469	-	-	1,940,469	
Total expenditures	26,736,280	15,845,598	1,691,966	-	17,537,564	9,198,716
Revenues over (under) expenditures	(20,265,946)	(10,370,216)	(1,365,042)	-	(11,735,258)	8,530,688
Other Financing Sources (Uses):						
Transfer from other funds	10,103,516	3,535,434	293,621	-	3,829,055	(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	10,231,418	9,097,289	-	-	9,097,289	(1,134,129)
Proceeds from sale of capital assets	223,012	193,009	-	-	193,009	(30,003)
Total other financing sources (uses)	20,265,946	12,640,864	293,621	-	12,934,485	(7,331,461)
Net change in fund balance	\$ -	\$ 2,270,648	(1,071,421)	\$ -	\$ 1,199,227	\$ 1,199,227
Fund Balance:						
Beginning of year - July 1			2,270,648			
End of year - June 30			\$ 1,199,227			

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, 2019

		Actual				
	Project Authorization	Prior Years	Current Year	Closed Projects	Total to Date	Variance Over/Under
Revenues:						
Restricted intergovernmental	\$ 4,080,000	\$ 4,060,000	\$ 20,000	\$ -	\$ 4,080,000	\$ -
Expenditures:						
Windsor Run improvements	4,130,000	-	15,840	-	15,840	4,114,160
Total expenditures	-	-	15,840	-	-	-
Revenues over (under) expenditures	(50,000)	4,060,000	4,160	-	4,064,160	(4,114,160)
Other Financing Sources (Uses):						
Transfer from other funds	50,000	50,000	-	-	50,000	-
Net change in fund balance	\$ -	\$ 4,110,000	4,160	\$ -	\$ 4,114,160	\$ 4,114,160
Fund Balance:						
Beginning of year - July 1			4,110,000			
End of year - June 30			\$ 4,114,160			

TOWN OF MATTHEWS, NORTH CAROLINA**NONMAJOR GOVERNMENTAL FUNDS****COMBINING BALANCE SHEET****JUNE 30, 2019**

	Tourism Fund	SAFER Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,238,259	\$ -	\$ 1,238,259
Accounts receivable	-	400	400
Due from other governments	68,114	-	68,114
Total assets	<u>\$ 1,306,373</u>	<u>\$ 400</u>	<u>\$ 1,306,773</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,337	\$ 2,808	\$ 5,145
Due to other funds	-	1,795	1,795
Total liabilities	<u>2,337</u>	<u>4,603</u>	<u>6,940</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	68,114	400	68,514
Cultural and recreation	1,235,922	-	1,235,922
Unassigned	-	(4,603)	(4,603)
Total fund balances	<u>1,304,036</u>	<u>(4,203)</u>	<u>1,299,833</u>
Total liabilities and fund balances	<u>\$ 1,306,373</u>	<u>\$ 400</u>	<u>\$ 1,306,773</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, 2019

	Tourism Fund	SAFER Fund	Total Nonmajor Governmental Funds
Revenues:			
Other taxes and licenses	\$ 1,692,425	\$ -	\$ 1,692,425
Miscellaneous	1,726	8,856	10,582
Total revenues	<u>1,694,151</u>	<u>8,856</u>	<u>1,703,007</u>
Expenditures:			
Cultural and recreation	636,997	-	636,997
Public safety	-	11,664	11,664
Debt service:			
Principal	171,667	-	171,667
Interest	8,820	-	8,820
Total expenditures	<u>817,484</u>	<u>11,664</u>	<u>829,148</u>
Revenues over (under) expenditures	876,667	(2,808)	873,859
Other Financing Sources (Uses):			
Transfers in (out)	<u>(828,958)</u>	<u>-</u>	<u>(828,958)</u>
Net change in fund balances	47,709	(2,808)	44,901
Fund Balances:			
Beginning of year - July 1	<u>1,256,327</u>	<u>(1,395)</u>	<u>1,254,932</u>
End of year - June 30	<u>\$ 1,304,036</u>	<u>\$ (4,203)</u>	<u>\$ 1,299,833</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, 2019

		<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:						
SAFER Grant - incentives	\$ 91,990	\$ 27,862	\$ 8,856	\$ -	\$ 36,718	\$ (55,272)
Expenditures:						
SAFER Grant expenditures	<u>91,990</u>	<u>29,257</u>	<u>11,664</u>	<u>-</u>	<u>40,921</u>	<u>51,069</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,395)</u>	<u>(2,808)</u>	<u>\$ -</u>	<u>\$ (4,203)</u>	<u>\$ (4,203)</u>
Fund Balance:						
Beginning of year - July 1			<u>(1,395)</u>			
End of year - June 30			<u>\$ (4,203)</u>			

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, 2019

	<u>Budget</u>	<u>Current Year</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 525,000	\$ 539,473	\$ 14,473
Prepared food tax	966,000	1,014,308	48,308
Rental car tax	100,000	138,644	38,644
Sales and services	-	1,726	1,726
Total revenues	<u>1,591,000</u>	<u>1,694,151</u>	<u>103,151</u>
Expenditures:			
Cultural and recreation			
Tourism	<u>672,617</u>	<u>636,997</u>	<u>35,620</u>
Debt Service:			
Principal	171,680	171,667	13
Interest	<u>8,820</u>	<u>8,820</u>	<u>-</u>
Total debt service	<u>180,500</u>	<u>180,487</u>	<u>13</u>
Total expenditures	<u>853,117</u>	<u>817,484</u>	<u>35,633</u>
Revenues over (under) expenditures	<u>737,883</u>	<u>876,667</u>	<u>138,784</u>
Other Financing Sources (Uses):			
Appropriated fund balance	204,599	-	(204,599)
Transfer to other funds	<u>(942,482)</u>	<u>(828,958)</u>	<u>113,524</u>
Total other financing sources (uses)	<u>(737,883)</u>	<u>(828,958)</u>	<u>(91,075)</u>
Net change in fund balance	<u>\$ -</u>	<u>47,709</u>	<u>\$ 47,709</u>
Fund Balance:			
Beginning of year - July 1		<u>1,256,327</u>	
End of year - June 30		<u>\$ 1,304,036</u>	

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 13,141,614	\$ 13,095,859	\$ 45,755
2017-2018	45,894	-	20,276	25,618
2016-2017	28,979	-	3,782	25,197
2015-2016	25,494	-	6,591	18,903
2014-2015	19,829	-	87	19,742
2013-2014	19,709	-	211	19,498
2012-2013	21,359	-	668	20,691
2011-2012	23,019	-	1,230	21,789
2010-2011	77,758	-	747	77,011
2009-2010	26,138	-	273	25,865
2008-2009	25,600	-	25,600	-
Total	\$ 313,779	\$ 13,141,614	\$ 13,155,324	300,069
Less: Allowance for uncollectible accounts				<u>(100,000)</u>
Ad valorem taxes receivable, net				<u>\$ 200,069</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 13,014,214
Reconciling items:				
Penalties and interest collected				(37,710)
Amounts written off due to Statute of Limitations				25,600
Prior year releases and other adjustments				<u>153,220</u>
Total collections and credits				<u>\$ 13,155,324</u>

TOWN OF MATTHEWS, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 3,234,202,023	\$ 0.3550	\$ 11,481,417	\$ 11,481,417	\$ -
Registered motor vehicles taxed at current year's rate	468,668,732	0.3550	1,663,774	-	1,663,774
Total	<u>3,702,870,755</u>		<u>13,145,191</u>	<u>11,481,417</u>	<u>1,663,774</u>
Abatement:	<u>(1,007,521)</u>	0.3550	<u>(3,577)</u>	<u>(3,577)</u>	<u>-</u>
Total property valuation	<u>\$ 3,701,863,234</u>				
Net Levy			13,141,614	11,477,840	1,663,774
Uncollected taxes at June 30, 2019			<u>(45,755)</u>	<u>(45,755)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 13,095,859</u>	<u>\$ 11,432,085</u>	<u>\$ 1,663,774</u>
Current Levy Collection Percentage			<u>99.65%</u>	<u>99.60%</u>	<u>100.00%</u>

Secondary Market Disclosures:**Assessed Valuation:**

Assessment ratio ¹	100.00%
Real property	\$ 3,233,194,502
Personal property	428,403,974
Public service companies ²	<u>40,264,758</u>
Total assessed valuation	3,701,863,234
Tax rate per \$100	<u>0.3550</u>
Levy (includes discoveries, releases and abatements) ³	<u>\$ 13,141,614</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.

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MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2019, 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, 2019.

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2019-001 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 from 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' Responses to Findings

The Town of Matthews' response to the findings 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 in them.

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, North Carolina
November 21, 2019

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

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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, 2019. 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 state statutes, regulations, and terms and conditions of its state awards 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 U.S. *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, 2019.

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, North Carolina
November 21, 2019

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

Section II – Financial Statement Findings

Finding 2019-001

Material Weakness

Criteria: Management should have a system in place for the multi-year construction projects to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been detected except through our auditing procedures. The existence of a material adjustment indicates that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of the adjustment related to accounts payable.

Effect: Adjustments not posted could cause material misstatement of the account balances.

Cause: While management has a practice in place of appropriately accruing accounts payable at year-end, this practice was not in place for multi-year construction projects.

Recommendation: Management should obtain an estimate of the cost of work completed at year-end for construction projects to make a year-end accounts payable accrual.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

TOWN OF MATTHEWS, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

Material Weakness

Finding 2019-001

Name of Contact Person: Beth Blair, Finance Director

Corrective Action: The corrective action has already been implemented to accrue for work completed before fiscal year-end for multi-year projects. Project managers will obtain cost estimates of work completed at year-end for multi-year construction projects so the Finance Department can make a year-end accounts payable accrual. There was already a practice in place of appropriately accruing accounts payable at year-end for all other obligations.

Proposed Completion Date: Immediately.

TOWN OF MATTHEWS, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed-Through to Subrecipients
Federal Programs:					
U.S. Department of Justice:					
Direct Program -					
Equitable Sharing Program	16.922		\$ 101,693	\$ -	\$ -
U.S. Department of Treasury:					
Direct Program -					
Equitable Sharing Program	21.016		3,700	-	-
U.S. Department of Homeland Security:					
Passed-Through N.C. Department of Public Safety					
Passed-Through the Town of Whiteville					
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	78499, 78502, 78507, 78510	682	227	-
Direct Program -					
Staffing for Adequate Fire and Emergency					
Response (SAFER) - Salary	97.083		87,442	-	-
Staffing for Adequate Fire and Emergency					
Response (SAFER) - Incentives	97.083		8,856	-	-
Total Staffing for Adequate Fire and Emergency Grants			96,298	-	-
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	95.001		331	-	-
Total federal expenditures			202,704	227	-
State Programs:					
N.C. Department of Commerce:					
Downtown Grants		030817-0228	-	2,802	-
N.C. General Assembly:					
Sidewalks Grant		101716-4053	-	275,351	-
N.C. Department of Transportation:					
Powell Bill		DOT-4	-	942,500	-
Total federal expenditures			\$ 202,704		
Total state expenditures				\$ 1,220,880	\$ -

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, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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.

