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By SLGFD at 11:51 am, Apr 05, 2022



Town of
MatthewsTM
North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

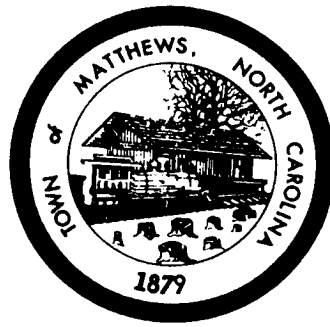
For the Fiscal Year Ended June 30, 2020

Town of Matthews North Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year
Ended June 30, 2020**

Prepared By
Department of Finance



Town of Matthews, North Carolina

LIST OF PRINCIPAL OFFICIALS

Town Council

Mayor

John F. Higdon

Commissioners

Renee Garner (Mayor Pro-Tem)

Dave Bland

Jeff Miller

John R. Urban

Ken McCool

Reverend Larry W. Whitley

Town Manager

H. Hazen Blodgett, III

Assistant Town Manager

Becky Hawke

Finance Director

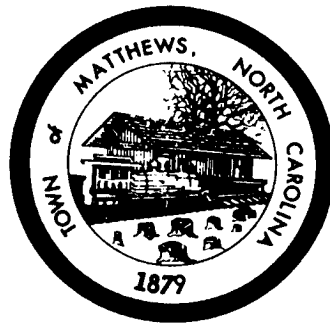
Beth Blair

Town Clerk

Lori Canapinno

Town Attorney

Charles R. Buckley, III
Cranford, Buckley, Schultze, Tomchin, Allen & Buie, P.A



TOWN OF MATTHEWS, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i-vi
2019 GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
Boards and Committees	viii-ix
Area Map	x
Responsibilities of Town Government	xi-xii
Organizational Charts	xiii-xix
Financial Section	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
<u>Exhibit</u>	
Government-Wide Financial Statements:	
A Statement of Net Position	14
B Statement of Activities	15
Fund Financial Statements:	
C Balance Sheet - Governmental Funds	16
D Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
E Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18

TOWN OF MATTHEWS, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	19
	Notes to the Financial Statements	20-50
<u>Schedule</u>	Required Supplemental Financial Data:	
A-1	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance Last Four Fiscal Years	51
A-2	Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance Last Four Fiscal Years	52
A-3	Proportionate Share of Net Pension Liability (Asset) Local Government Employees' Retirement System Last Seven Fiscal Years	53
A-4	Contributions - Local Government Employees' Retirement System Last Seven Fiscal Years	54
	Supplementary Information:	
	General Fund:	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund Consolidated	55
2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	56-59
3	Capital Reserve Fund - Building Maintenance Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	60

TOWN OF MATTHEWS, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Major Capital Projects Fund:	
4	Major Capital Project Fund - Capital Improvement Program Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	61-62
	Nonmajor Special Revenue Fund:	
5	Major Capital Project Fund - Windsor Run Improvements Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	63
	Additional Financial Data:	
6	Nonmajor Governmental Funds Combining Balance Sheet	64
7	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
8	Nonmajor Capital Project Fund - Safer Grants Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	66
9	Nonmajor Special Revenue Fund - Tourism Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	67
	Additional Financial Data:	
10	Schedule of Ad Valorem Taxes Receivable	68
11	Analysis of Current Year Levy	69
	Statistical Section:	
	Government-Wide Information:	
	Net Position By Component	70
	Changes in Net Position	71-72

TOWN OF MATTHEWS, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

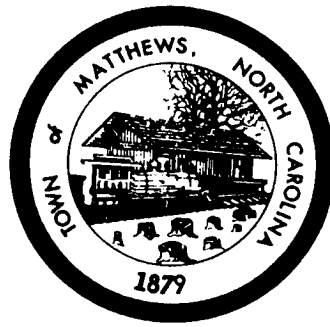
	<u>Page</u>
Statistical Section (continued):	
Fund Information:	
Fund Balances of Government Funds (Modified Accrual)	73
Changes in Fund Balances of Governmental Funds (Modified Accrual)	74
Assessed Value and Estimated Actual Value of Taxable Property	75
Property Tax Rates - Direct and Overlapping Governments	76
Principal Property Taxpayers	77
Property Tax Levies and Collections	78
Ratios of General Bonded Debt Outstanding	79
Ratios of Outstanding Debt By Type	80
Direct and Overlapping Governmental Activities Debt	81
Legal Debt Margin Information	82
Demographic and Economic Statistics	83
Principal Employers	84
Full-Time Equivalent Town Government Employees By Function	85
Operating Indications By Function	86
Capital Asset Statistics By Function	87

TOWN OF MATTHEWS, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

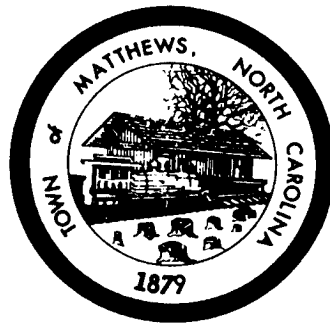
TABLE OF CONTENTS

	<u>Page</u>
Compliance Section:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	88-89
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	90-92
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	93-94
Schedule of Findings, Responses, and Questioned Costs	95-97
Corrective Action Plan	98
Schedule of Prior Year Audit Findings	99
Schedule of Expenditures of Federal and State Awards	100



Introductory Section

-
- ❖ Transmittal Letter
 - ❖ Certificate of Achievement for Excellence in Financial Reporting
 - ❖ Boards and Committees
 - ❖ Responsibilities of Town Government
 - ❖ Area Map
 - ❖ Organizational Chart
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November 11, 2020

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

State law requires that each unit of local government shall have its accounts audited after the close of its each fiscal year by a certified public accountant. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

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

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

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

HISTORY OF MATTHEWS

Matthews began as a small farming community in the 1800's. Cotton farmers completely cleared the land, leaving tree stumps in every direction; thus, the first name for the community became Stumptown.

In 1874, the Carolina Central Railway Company built a railroad through the Town as a part of the line from Wilmington, North Carolina to Tennessee. The first train rolled into the community on December 15, 1874 and people from miles around came to see the "Iron Horse." The name of the Town was changed to Matthews in honor of Edward Matthews, a director of the railroad.

The Town was incorporated in 1879 and the first census in 1880 showed a population of 191. When originally surveyed, the Town of Matthews was laid out to include a one-mile radius from

what is now the Town square at the intersection of John and Trade Streets. Election records of 1886 show that 51 people voted for the mayor – Wilson T. Carpenter, 24 years old, a teacher and a registered pharmacist. T. M. Chambers was the first Marshall of the Town and, like his counterparts in the Wild West, dispensed justice with a gun slung on his hip.

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

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

PROFILE OF THE GOVERNMENT

The Town of Matthews is located in southeastern Mecklenburg County and is found in the southern piedmont of North Carolina. It has a land area of approximately seventeen square miles and has a population of 33,138.

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

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

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

The Matthews Police Department includes 63 full-time sworn officer positions, 20 full-time civilian and 1 part-time civilian positions alongside part-time and volunteer staff. The department is led by the Police Chief. Fire and EMS protection is administered by the Town's full time and volunteer fire department along with mutual aid agreements with other Mecklenburg and Union County fire departments. The department is led by the Fire Chief.

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

LOCAL ECONOMY

Beginning in 1980, the Town of Matthews experienced phenomenal growth from a village of 1,648 to a current population of 33,138. Though much of the growth was originally due to annexation, a significant portion is also attributable to increased residential development that occurred within the Town limits, along with new multi-family and retirement community developments. In June 2003, the town limits reached their ultimate expansion, as no further annexation is anticipated to ever be possible. The town is constrained by the location of the City of Charlotte to the north and west, the Town of Mint Hill to the east and Union County to the south. Future growth will be characterized more by infill development and more intense redevelopment.

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

In 1994, Novant Health, (formally Presbyterian Hospital) opened a medical facility in Matthews. They recently completed a \$19 million expansion adding a fifth floor. A \$27 million expansion to double the women's services center was completed in 2016. An 89,000 square foot rehabilitant and skilled nursing facility with over 250 new full time jobs opened in 2013. Novant Health Matthews Medical Center provides a wide range of health services including maternity, surgery, cardiovascular and cancer care. In addition, the hospital offers outpatient services and high-level diagnostic capabilities. The proliferation of physician offices and other medical facilities has occurred around the hospital.

In the fall of 1998, a satellite campus of Central Piedmont Community College, the CPCC Levine Campus, opened in Matthews with an enrollment of over 6,000 students. This campus has since expanded its size to an enrollment of over 10,000 students. CPCC Levine Campus covers approximately 406,000 square feet, spans 61 acres and has approximately 147 full-time faculty and staff and 135 part-time faculty and staff. Along with the college campus, there are five public schools in Matthews (three elementary schools, a middle school, and a high school) and two private schools, each fielding classes from pre-kindergarten to high school.

In recent years, Matthews has focused on how best to manage growth. School overcrowding, traffic congestion and a growing recognition that available land for new development is a finite resource all reinforce the need for the Town to continue its tradition of strong land use planning. In recent years, the Town has studied different growth scenarios showing build-out of the community at different densities and how the tax base would be impacted. Fiscal impact analyses have been used during the rezoning process to assess the financial impact of new development. Improvements to roadway infrastructure and planned mass transit will provide the Town with additional tools to manage growth in the appropriate manner.

It is estimated that about 120 people move to Mecklenburg County each day. Matthews currently has a growth rate similar to both Charlotte and other Mecklenburg County towns. Among the developments under way are close to 1,000 new apartments, new retirement housing at continuing care retirement communities and a mixture of new single-family homes and townhomes. Commercial development trails residential development by a large margin, with retail and medical offices under construction in various locations.

LONG-TERM FINANCIAL PLANNING

The General Statutes of North Carolina provide that net debt may not exceed 8% of the present market value of taxable property as certified by the county tax assessor. This provision, when compared to the net debt of the Town, provides a legal debt margin for the Town at June 30, 2020 of \$390,397,012.

Matthews has aggressively addressed many of its future capital needs with recent projects. In 2007, the Town implemented a Capital Improvement Program (CIP) that focuses on the adoption of a rolling five (5) year plan. The plan anticipates projects and equipment needs on a multi-year basis and explores alternative funding methods, while remaining focused on the adopted fund balance policy of retaining 34% of available fund balance to prior year operating expenses.

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

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

RELEVANT FINANCIAL POLICIES

The Town modified its Fund Balance Policy on March 26, 2018. The change made was to maintain 34% of available Fund Balance against prior year's actual expenditures, including transfers. Previously, the policy was 34% Unassigned Fund Balance against the subsequent year's budgeted expenditures. When the policy was originally adopted in 2003, the Town typically had \$10M in expenditures. Now, the Town hovers around \$24M. The Town was struggling to maintain this percentage of unassigned fund balance, as well as maintaining assigned fund balance for concurrent projects.

In its regularly scheduled board meetings, the Town Board approved 64 ordinances that changed the Town's budget or fee schedule.

MAJOR INITIATIVES

The Town completed several improvement projects this year. The largest project was a road resurfacing project. Although, most of the Town street maintenance expenditures are for pavement preservation, every few years the roads in the worst condition must be reconstructed. The funding for this project was mostly from the North Carolina Department of Transportation Powell Bill funding, supplemented by funding from auto tag fees.

Another project upgraded the pedestrian lights in the Matthews downtown area to LED lights. These upgrades are expected to save 6,741 kilowatt (KWH) hours per month.

Two other construction projects included resurfacing around Town Hall and reconstructing the intersection of North Trade Street and Matthews Station Street to increase pedestrian safety.

The Town continues to place an emphasis on its parks, trails and greenways. Additional trails and expanded capacity of the Community Garden are examples of development within Purser-Hulsey Park. Improving bicycle and pedestrian connectivity remains an important initiative. A new 10-foot-wide multi-use path, the Crestdale Heritage Trail (1.5 miles) was completed, connecting the Four Mile Creek Greenway to Downtown Matthews. Other multi use paths and greenway connections are also being designed to connect areas of Matthews.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Matthews for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. The Town has received twenty-two consecutive Certificates of Achievement for the fiscal years ending 1998-2019. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report could not have been accomplished without the efficient and dedicated efforts of management, the finance department staff, the various employees who assisted in obtaining information, and our independent Certified Public Accountants' Martin Starnes and Associates, CPAs, P.A. Staff would also like to thank the Mayor and Board of Commissioners for their support in the management of the Town of Matthews' finances.

Respectfully,

A handwritten signature in black ink that reads "Beth Blair". The signature is written in a cursive, flowing style.

Beth Blair, MBA
Finance Director
Town of Matthews, NC



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Matthews
North Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

BOARDS AND COMMITTEES

The Town of Matthews has numerous boards and advisory committees that help make recommendations to the Town Board of Commissioners. These boards and committees are an integral part in helping shape the future of the Town. Citizens are invited and encouraged to participate. Please note that the following boards are presented in summary only.

Appearance / Tree Advisory Committee

The Matthews Appearance / Tree Advisory Committee makes a study of the visual characteristics and needs of the Town and promotes those activities and programs that enhance the Town character, preserving and beautifying the landscape, in order to make Matthews a cleaner, greener, and more aesthetically pleasing community.

Board of Adjustment

The Board of Adjustment is a quasi-judicial board that interprets town ordinances and policies for unique situations or special cases related to the town Zoning Ordinance.

Cultural Diversity Council

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

Economic Development Advisory Committee

The Economic Development Advisory Committee (EDAC) markets the Town to facilitate the economic development process. Major emphasis is placed on the retention and expansion of existing business and industry, the attraction of new business opportunities, and the continued revitalization of the Town's economic base.

Education Committee

The Matthews Committee on Education (MCE) acts in an advisory capacity to the Town Board on matters of interest and importance to students and parents. The MCE works together with the Charlotte-Mecklenburg School (CMS) system, charter schools, private schools and home schools in Matthews to promote a strong, healthy and cooperative relationship amongst them, and to promote equal opportunities for all students who attend Matthews schools.

Environmental Advisory Committee

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

Historic Preservation Advisory Committee

The Matthews Historic Preservation Advisory Committee focuses on the preservation of properties and artifacts, education of the community, and partnerships with municipal and civic organizations, including the Matthews Historical Foundation and the Charlotte-Mecklenburg Historic Landmarks Commission, to advance the cause of historic preservation.

Parks and Recreation Advisory Committee

The Parks, Recreation and Cultural Resource Advisory Committee serves as an advisory body in matters affecting recreation and special events including planning, promotion and marketing of same. The Committee provides input for the long-range planning of resources towards park projects, acquisition of land and other indoor/outdoor recreational activities. Additionally, the Committee ensures that Matthews has a current cultural plan which include arts, science and history programs both at the Matthews Community Center and in the community at large.

Planning Board

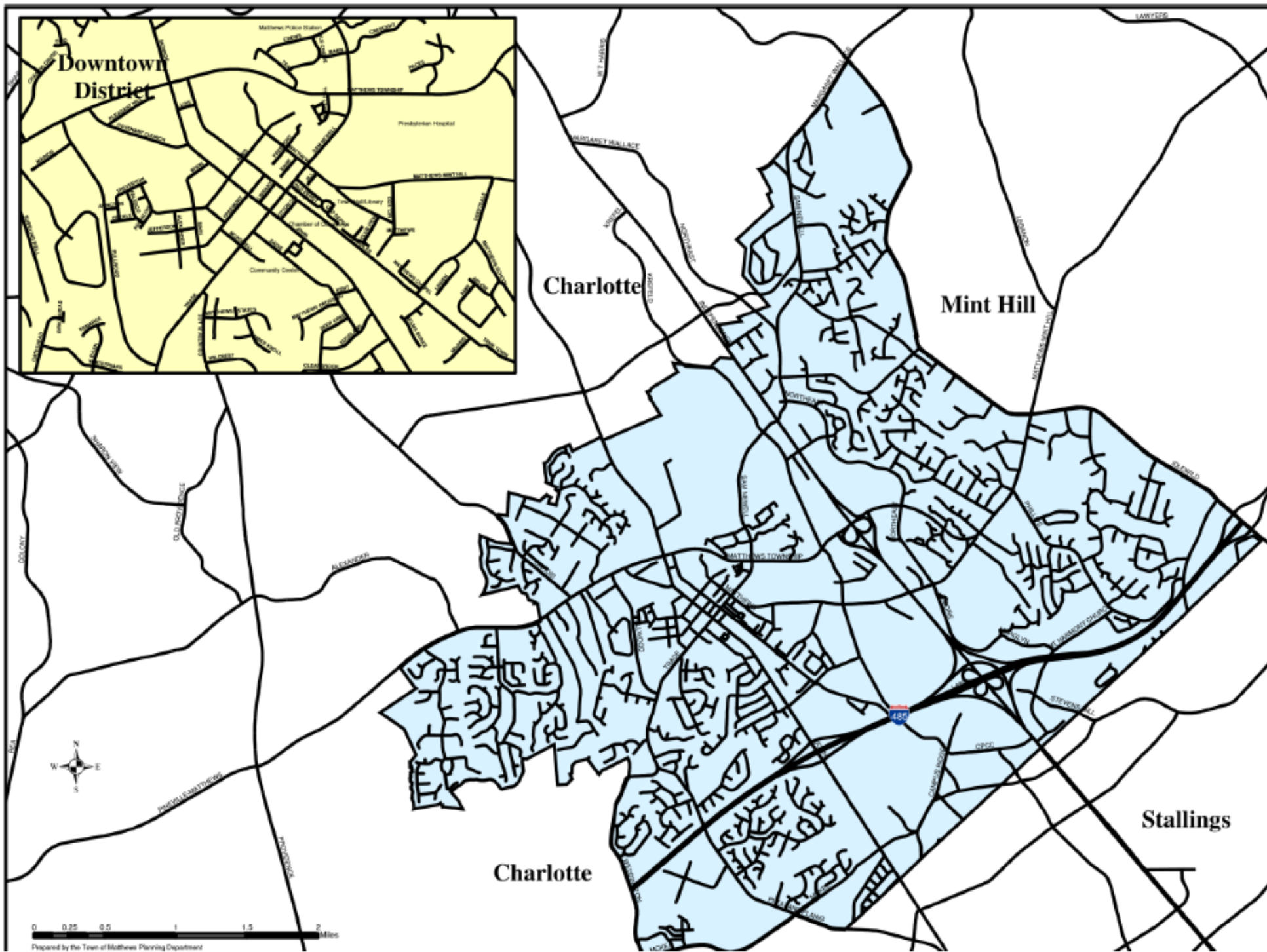
The North Carolina General Statutes authorizes municipalities to develop comprehensive future growth and development plans, and land development regulations to implement those plans. The statutes also call for municipalities to create a planning board to make recommendations on these land development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

Transportation Advisory Committee

The Transportation Advisory Committee (TAC) assists in the development of a master transportation system plan to include, but not be limited to, current and future roads and location of same; mass transit corridors and infrastructure types; car-van-bus pools/park & ride solutions; pedestrian greenways; and bike paths. The TAC also makes recommendations to the Matthews Town Board of Commissioners on issues such as speed hump placement, traffic calming, etc., and provides review input on major projects that may affect transportation such as major area re-zonings.

Veteran Advisory Committee

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



RESPONSIBILITIES OF TOWN GOVERNMENT

Governing Body

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

The mission of the Matthews Board of Commissioners is to represent the public interest, promote quick, courteous response to residents' problems, provide leadership and direction to the Town's future, and to ensure the present and future fiscal integrity of the municipal government. The Town of Matthews has a Council-Manager form of government. Under this form of government, the elected Board of Commissioners set policies for the operation of the Town.

Administrative

The Administrative Department, under the Council-Manager form of government, supports the role of the Town Manager in implementing the policy decisions of the Council. The Town Manager is appointed by the Town Council and is responsible for the performance of all town departments. The function of the Town Manager is to carry out the policies of the Town Council, the day-to-day management of the Town, the preparation of the Annual Operating Budget, interacting with citizens and local businesses, and involvement with community groups. An Assistant Town Manager, under the supervision of the Town Manager, supervises the town's Information Technology, Finance, Safety and Risk Management and Human Resource functions.

Finance

Responsibilities of this department are to administer the financial affairs of the Town under the direction of the Finance Director. This encompasses investment of all Town funds, maintaining accounting and financial records, and the billing and collection of Town monies. This includes but is not limited to reconciling real estate and personal property taxes and animal licenses which are billed and collected by third parties; preparing biweekly payroll, and weekly accounts payables. The department prepares the Comprehensive Annual Financial Report, assists with Annual Operating Budget and Capital Improvement Budgets and Plans, and performing special projects such as monthly financial reports, cash flow projections, and providing centralized purchasing services.

Planning and Zoning

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

Public Safety

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

Matthews Fire and EMS is a combination department consisting of a career Chief, an Administrative Assistant, three career Captains, three career Lieutenants, 18 career Firefighter/EMT's, and 57 volunteers, ranging in rank from FF/EMT through Assistant Chief. Our staffing model utilizes career Firefighter/EMT's and volunteers to ensure the town is provided the best emergency services possible.

Matthews Fire & EMS responds to approximately 3,500 calls for service each year. The department responds to neighboring cities and towns when requested as part of the county mutual aid agreement. In addition to emergency response, the department also participates in numerous public relations events. Such events include education/prevention presentations, fire station tours for school, church and other civic groups, as well as apparatus displays at various businesses during safety days.

Public Works

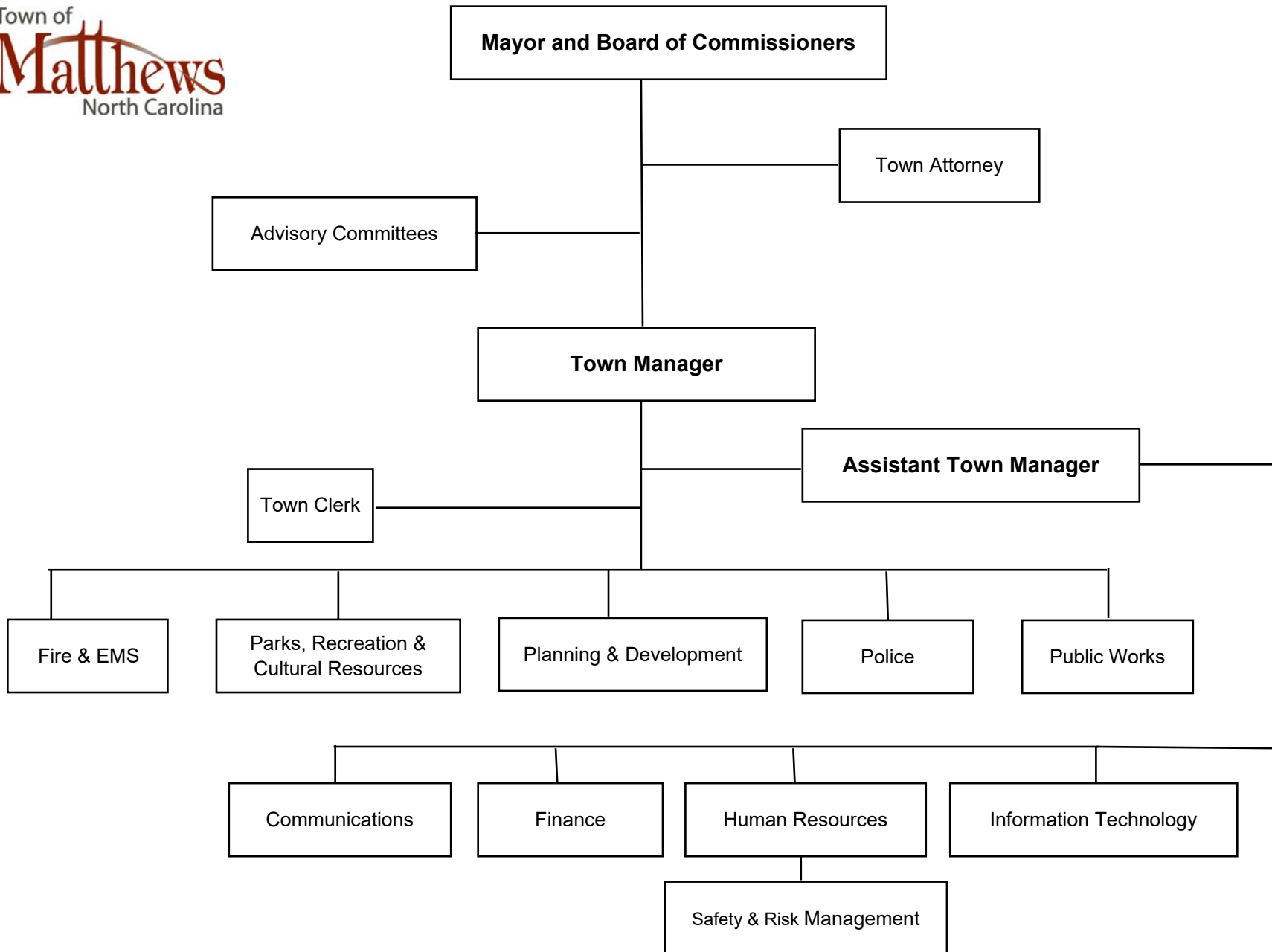
The Public Works Department consists of eight divisions. They are Administrative, Streets/Roads and Sidewalks, Fleet, Landscaping, Storm Water, Sanitation and Animal Control. Primary functions include maintenance and construction of sidewalks, road and roadway maintenance (including street rights-of-way),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

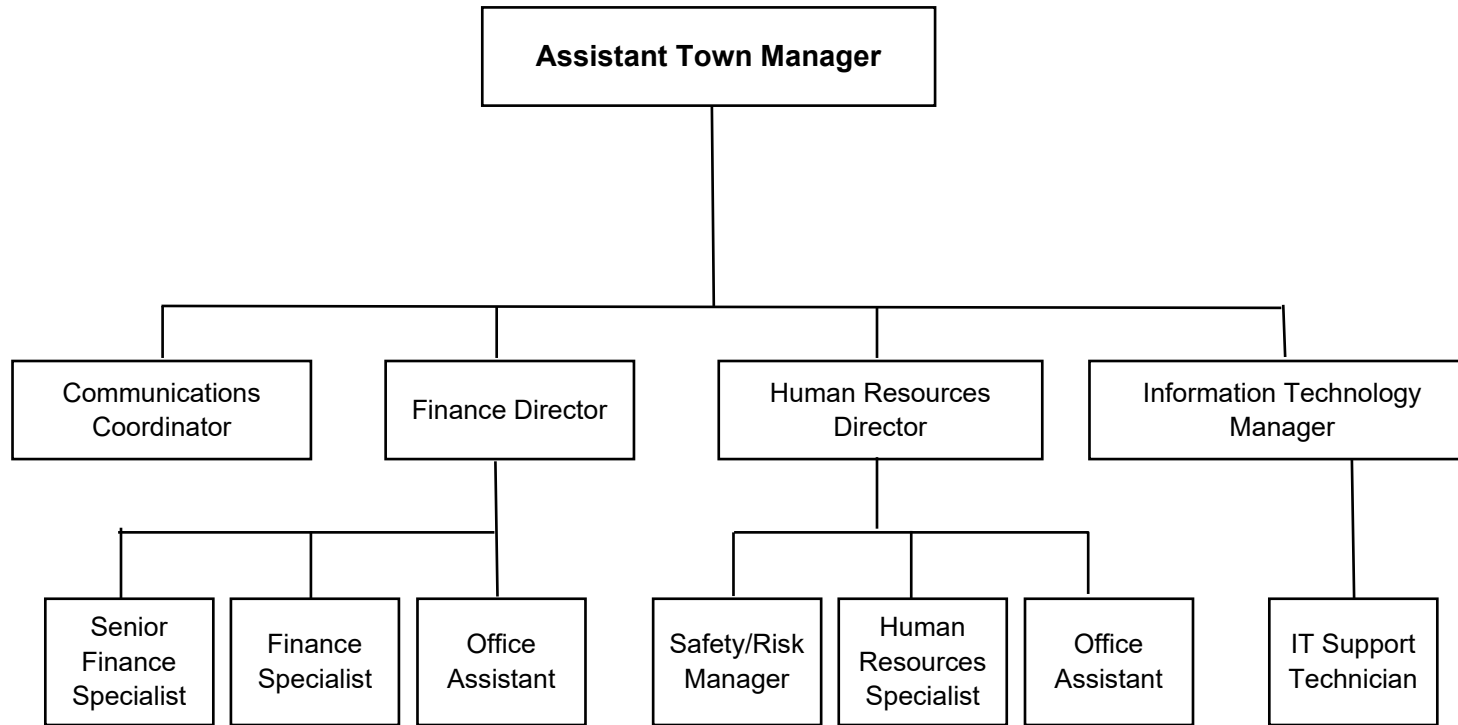
Parks and Recreation/Cultural Arts

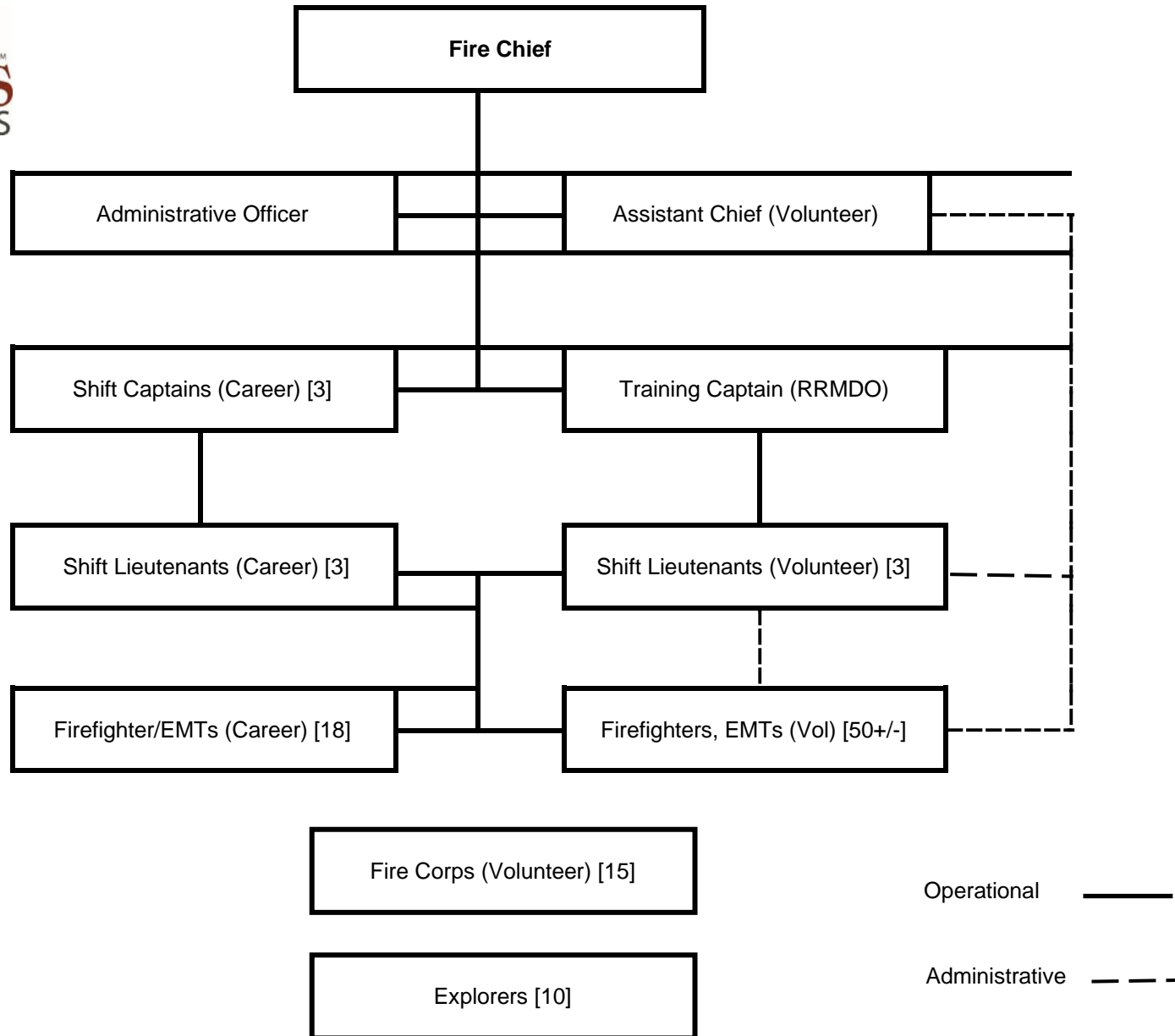
The Parks and Recreation Department offers a wide variety of services, programs, activities and opportunities for individuals of all ages and abilities. Eight park facilities, greenways and open space also provide recreational opportunities for the citizens and surrounding communities. They are responsible for comprehensive planning, public relations, park acquisition and development, and policy and procedure implementation.

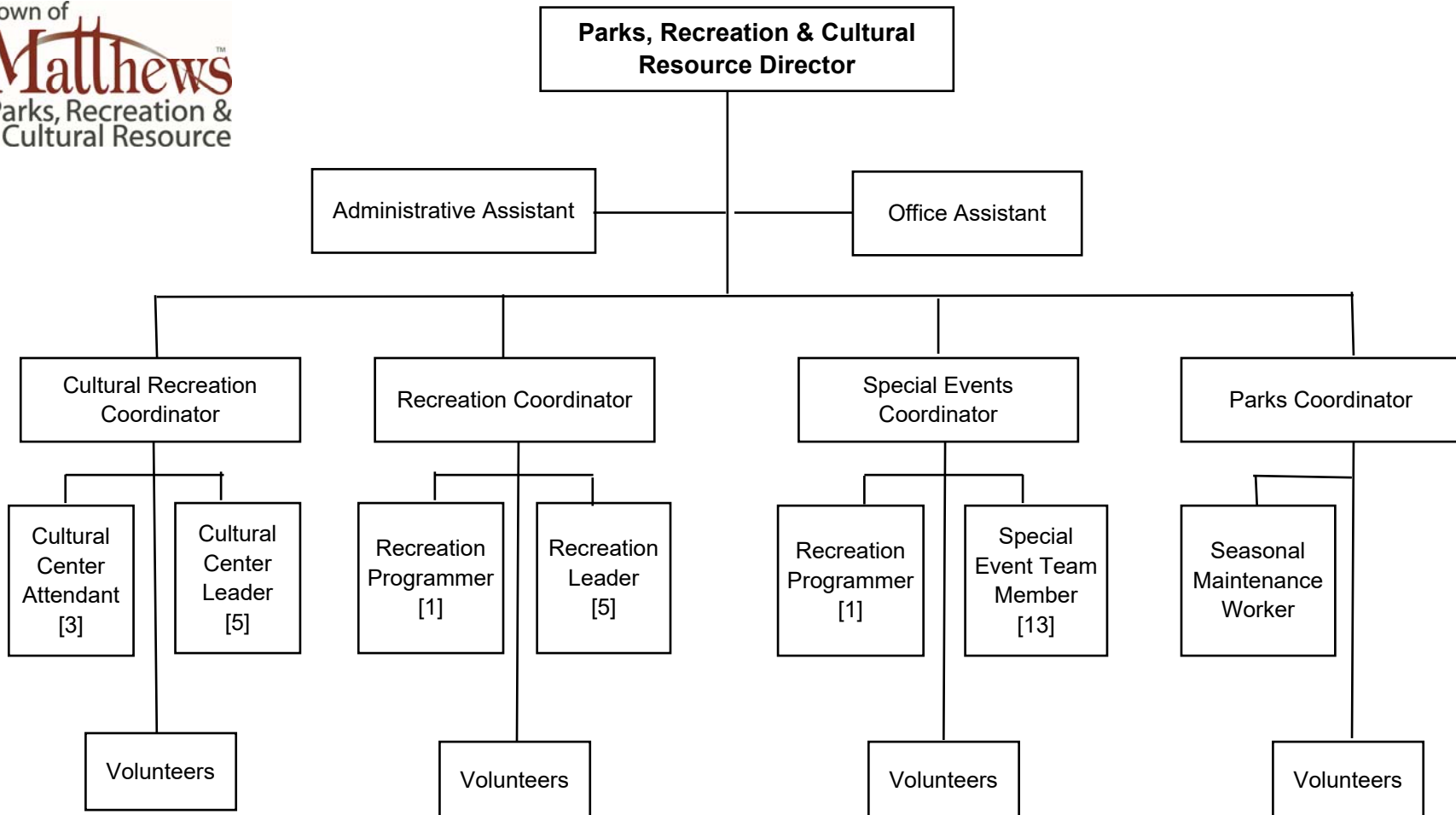
The Cultural Arts Division maintains the Matthews Community Center. They work with and help promote cultural arts through various theater groups within the town. Numerous instructional programs and day camps are offered for area residents.

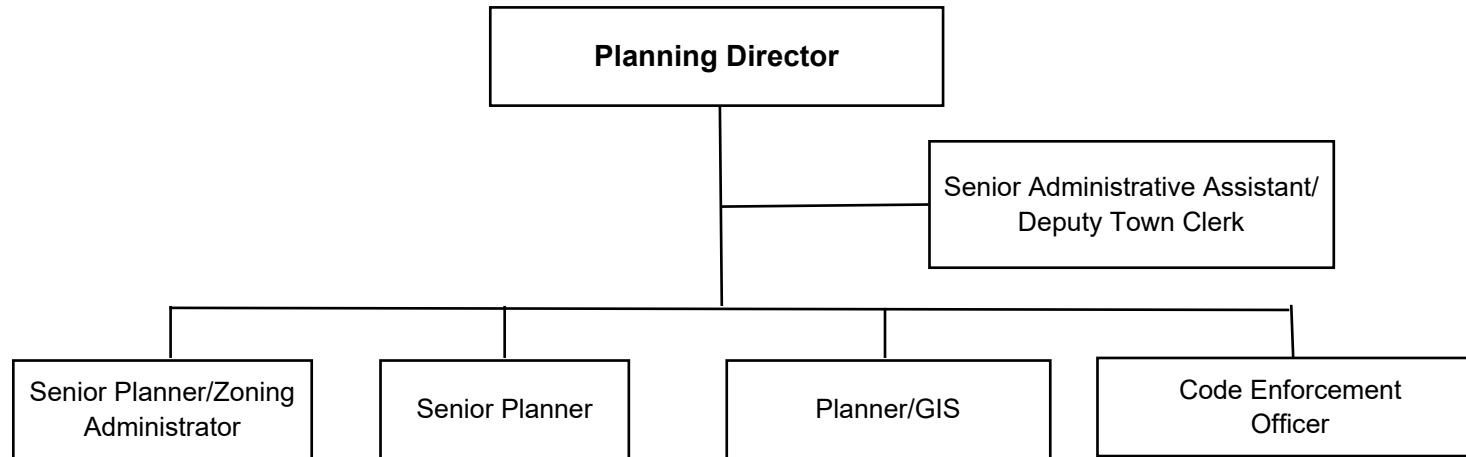
The Special Events Division is responsible for organizing and promoting town sponsored festivals. These include the spring festival, BeachFest, and the Labor Day weekend event, Matthews Alive! that brings 200,000 plus visitors into our area.

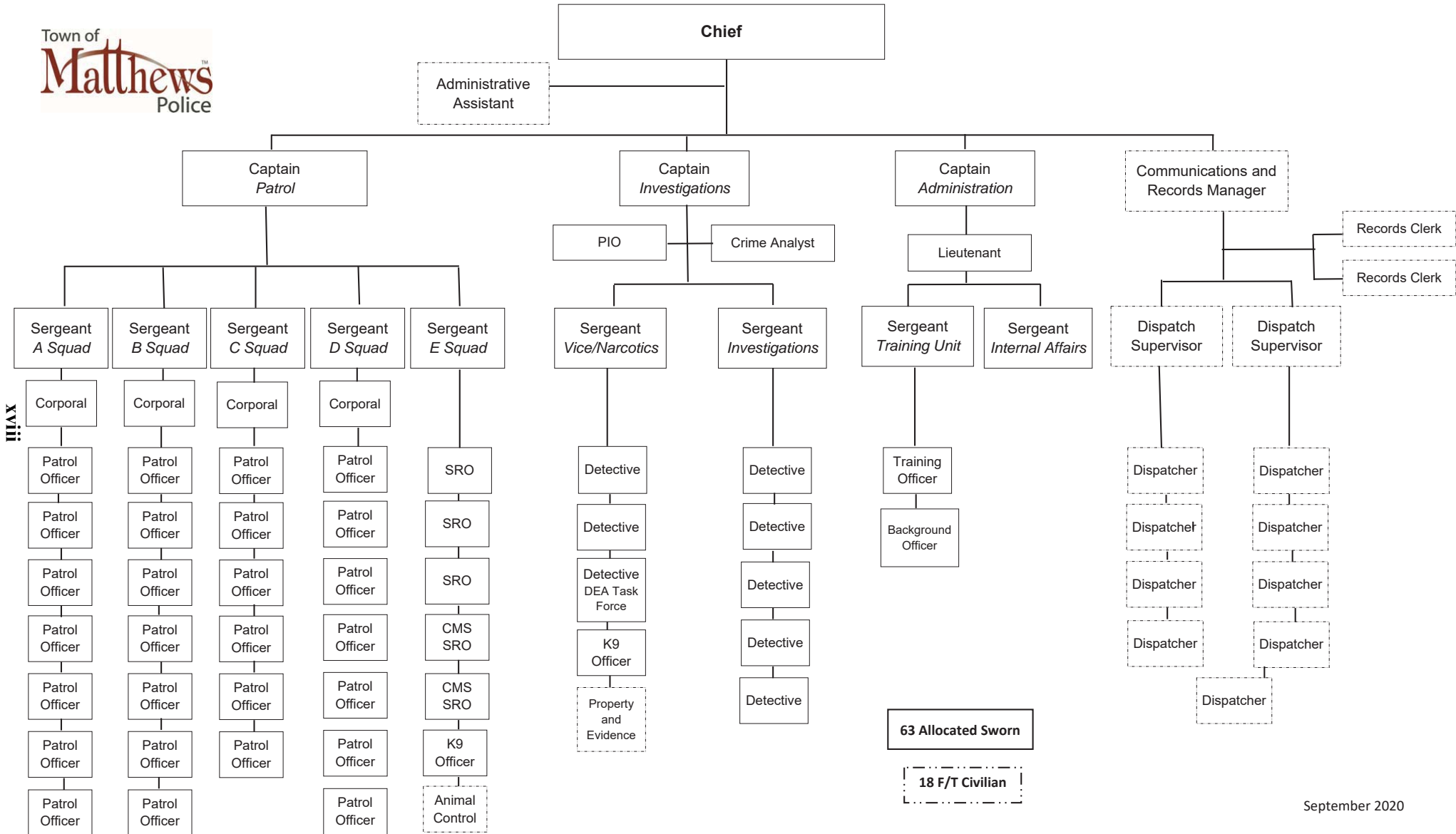


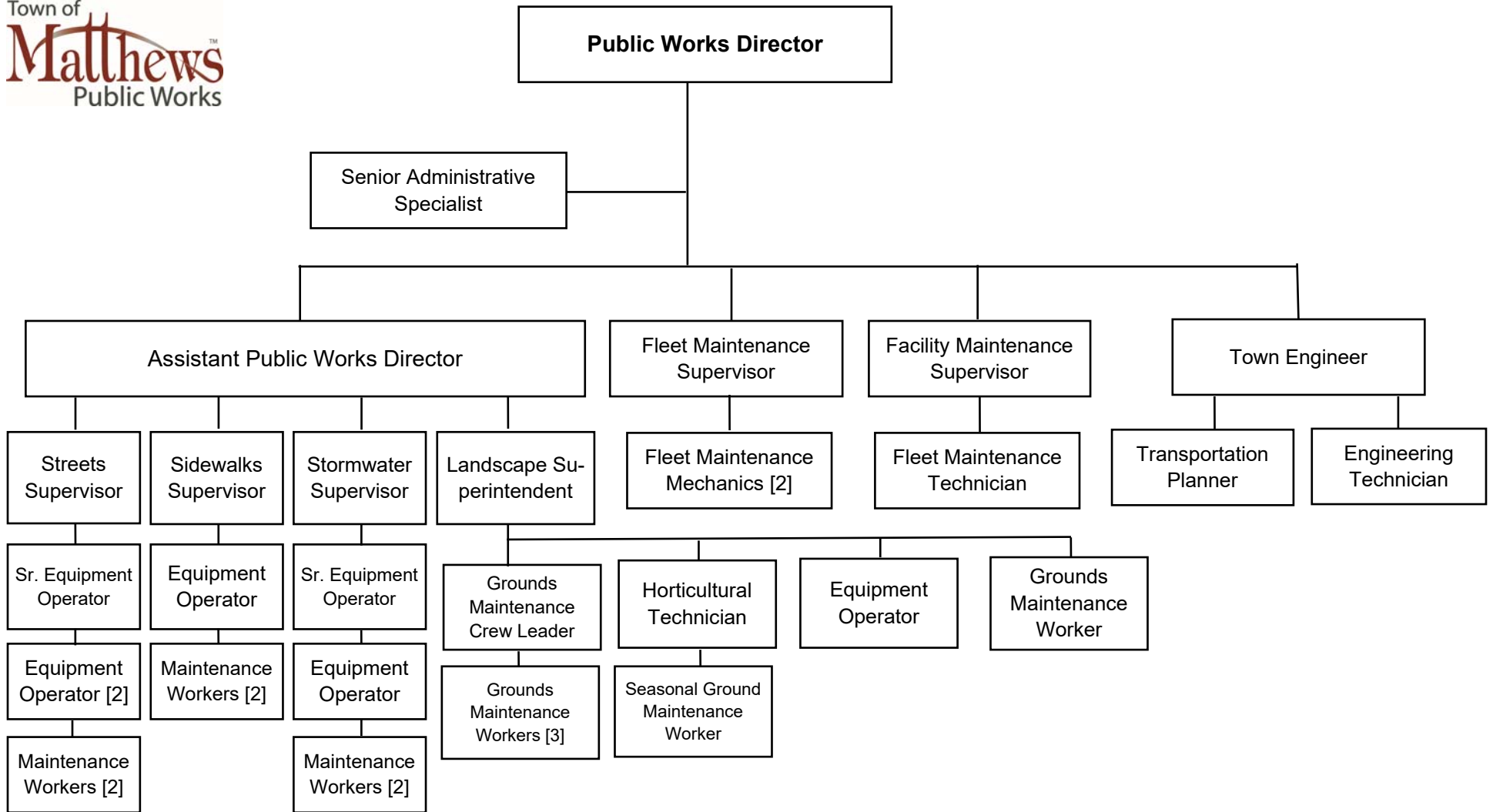


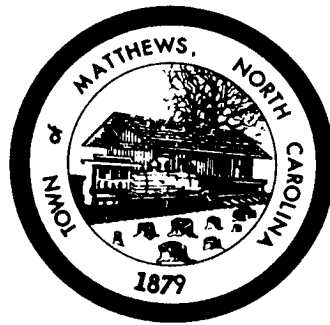












Financial Section

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

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



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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Matthews, North Carolina, as of and for the year ended June 30, 2020, 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, 2020, 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 introductory section, combining and individual fund statements, budgetary schedules, other schedules, statistical section, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

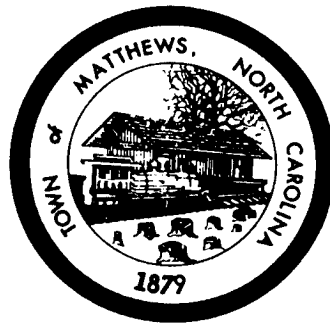
In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020 on our consideration of the Town of Matthews' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 11, 2020 except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is February 28, 2022.



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, 2020. 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

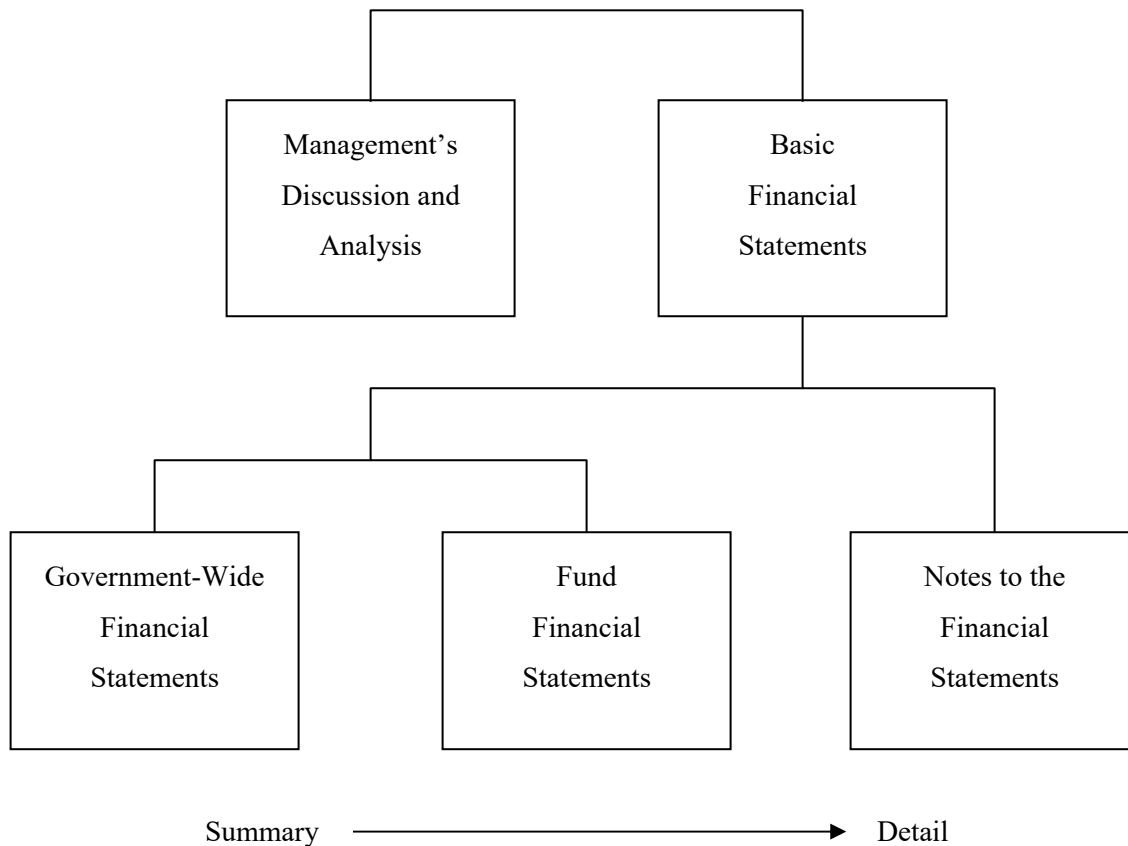
- The assets and deferred outflows of resources of the Town of Matthews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$261,643,012 (*net position*).
- The Town's net position decreased by \$292,047, due to the expenditures greater than total revenues. At the close of the current fiscal year, the Town of Matthews' governmental funds reported combined ending fund balances of \$17,834,961, a decrease of \$663,044, in comparison with the prior year. Approximately 40.73% of this total amount, or \$7,264,621, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for the General Fund was \$9,356,006, or 36.23%, of the total General Fund expenditures and transfers to other funds for the fiscal year.
- The Town of Matthews' total debt decreased by \$409,228 during the current fiscal year.
- The Town of Matthews decreased fund balance of the Tourism Fund by \$643,875. This was due to expenditures greater than revenues. This leaves an ending fund balance of \$660,161 in fiscal year ended June 30, 2020. 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 51 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	
	2020	2019
Assets:		
Current and other assets	\$ 20,971,541	\$ 20,340,976
Capital assets, net	254,130,562	253,305,489
Total assets	<u>275,102,103</u>	<u>273,646,465</u>
Deferred Outflows of Resources:		
Pension deferrals	1,769,576	1,834,431
Contributions to pension plan	921,235	770,776
Total deferred outflows of resources	<u>2,690,811</u>	<u>2,605,207</u>
Liabilities:		
Current liabilities	3,846,102	2,598,383
Non-current liabilities	12,015,807	11,365,777
Total liabilities	<u>15,861,909</u>	<u>13,964,160</u>
Deferred Inflows of Resources:		
Pension deferrals	112,249	176,709
Unearned grant	175,744	175,744
Total deferred inflows of resources	<u>287,993</u>	<u>352,453</u>
Net Position:		
Net investment in capital assets	251,567,133	250,632,772
Restricted	7,149,641	7,862,034
Unrestricted	2,926,238	3,440,253
Total net position	<u>\$ 261,643,012</u>	<u>\$ 261,935,059</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 \$261,643,012 as of June 30, 2020. The Town's net position decreased by \$292,047 for the fiscal year ended June 30, 2020. However, the largest portion (96.15%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Matthews uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Matthews' investments in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A balance of \$2,926,238 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, 2020 is 99.14%. 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, 2020 is 99.68%.

Town of Matthews’ Changes in Net Position

Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for service	\$ 2,131,895	\$ 2,200,295
Operating grants and contributions	1,272,607	1,379,172
Capital grants and contributions	650,820	117,158
General revenues:		
Property taxes	14,548,483	13,000,503
Other taxes	5,391,420	5,484,339
Unrestricted intergovernmental	1,728,924	1,822,352
Investment earnings	234,247	374,490
Total revenues	<u>25,958,396</u>	<u>24,378,309</u>
Expenses:		
General government	5,213,215	3,836,104
Public safety	10,555,505	9,443,085
Public works	4,406,778	3,691,073
Environmental protection	2,642,389	2,452,371
Cultural and recreation	2,633,614	3,666,664
Economic and physical development	621,009	590,062
Interest on long-term debt	177,933	192,925
Total expenses	<u>26,250,443</u>	<u>23,872,284</u>
Change in net position	(292,047)	506,025
Net Position:		
Beginning of year - July 1	<u>261,935,059</u>	<u>261,429,034</u>
End of year - June 30	<u>\$ 261,643,012</u>	<u>\$ 261,935,059</u>

Governmental Activities

Governmental activities decreased the Town's net position by \$292,047, as compared to an increase of \$506,025 in the prior year. Key elements of this decrease and changes from prior year are as follows:

- General Fund: Positive income growth in Ad Valorem Taxes due to tax base growth; Slight income growth from local sales and use tax distribution. These revenue increases were more than offset by the decreases in state allocated tax revenues, recreation revenues and investment earnings coupled with higher actual expenditures in FY20. The FY2020 expenditures were on track with the FY2020 budget before the COVID-19 pandemic began. The total FY2020 expenditures were greater than the realized revenues as many revenue sources decreased unexpectedly in the last quarter of FY2020 due to the pandemic.
- Tourism Fund: Expenditures were greater than revenues in FY2020 as lodging tax and rental car tax revenues were down in FY2020 due to the COVID-19 pandemic.

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 \$9,356,006, while total fund balance reached was \$11,000,469. The Town currently has an available fund balance of 36.23% of General Fund expenditures and transfer to other funds, while total fund balance represents 42.60% of the same amount.

At June 30, 2020, the governmental funds of the Town of Matthews reported a combined fund balance of \$17,834,961, with a net decrease in fund balance of \$663,044. The General Fund had a decrease in fund balance of \$884,316 mostly due to the impact of the COVID-19 pandemic discussed above. The Capital Improvement program had an increase in fund balance of \$940,598 due to a transfer from the General Fund for road projects approved by the Board and appropriated in FY2019. The Windsor Run Improvements Fund had a decrease in fund balance of \$78,259 that is restricted to improving the transportation corridor in the southern quadrant of the municipality.

General Fund Budgetary Highlights

During fiscal year 2020, 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 1.61%. Actual expenditures were less than final budgetary figures by roughly 8.75%.

Highlights include:

- Gross Ad valorem taxes increased by \$1,547,980 due to tax base growth
- State allocated taxes, recreation revenues and investment earnings were down in FY2020 due to the COVID-19 pandemic
- On the expenditure side, every department and function came in below their approved appropriations however actual expenditures were up in FY2020 versus FY2019 as more income was expected in FY2020 until the COVID-19 pandemic occurred.

Capital Assets and Debt Administration

Capital Assets. The Town of Matthews' investment in capital assets for its governmental activities as of June 30, 2020 totals \$254,130,562 (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 – \$849,183
- Additions to building and land improvements – \$557,351
- Additions to infrastructure – \$2,544,632
- Additions to police and other vehicles – \$530,271
- Additions to equipment – \$285,901

Town of Matthews' Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2020	2019
Land	\$ 225,500,840	\$ 225,460,940
Construction in progress	514,677	498,806
Buildings	35,261,174	34,284,558
Infrastructure	99,798,677	96,839,998
Equipment	6,649,874	6,429,509
Vehicles and motorized equipment	6,027,725	5,757,238
Accumulated depreciation	(119,622,405)	(116,637,894)
Total capital assets, net	<u>\$ 254,130,562</u>	<u>\$ 252,633,155</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, 2020, the Town of Matthews had total bonded debt outstanding of \$4,000,000, 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	
	2020	2019
General obligation bonds	\$ 4,000,000	\$ 4,300,000
Notes payable	2,563,429	2,672,717
Total	<u>\$ 6,563,429</u>	<u>\$ 6,972,717</u>

The Town of Matthews' total general obligation bond and notes payable debt decreased by \$409,288 (5.87%) 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 \$409,643,791.

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 2019-20, 450 building permits totaling \$140,345,448 were issued.
- Ad Valorem taxes increased by 11.2% in Fiscal Year 2019-20.
- Sales and use taxes have increased for eight consecutive years. Fiscal Year 2019-20 showed a growth of approximately .5% from the prior year.
- Tourism revenues had increased for four consecutive years, prior to Fiscal Year 2019-20. Fiscal Year 2019-20 revenues showed a decline of approximately 5.6% from the prior year, due to the COVID-19 pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities

General Fund. The Town of Matthews approved a \$24,641,995 General Fund budget for the fiscal year ending June 30, 2021. This represents a 3.9% decrease from the fiscal year ended June 30, 2020 budget. The property tax rate is \$.28 per \$100 valuation which remains unchanged from the FY2020 rate. 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 COVID-19 pandemic has impacted the forecasted FY2021 vehicle and sales tax revenue, state allocated funding and investment earnings. The adopted Fiscal Year 2021 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, State Health Insurance and State Retirement contributions. It also includes a 3.0% pool of funds for potential salary increases effective January 1, 2021, if approved by the board of commissioners. Unassigned fund balance dollars provide additional security as the economy continues to stabilize.

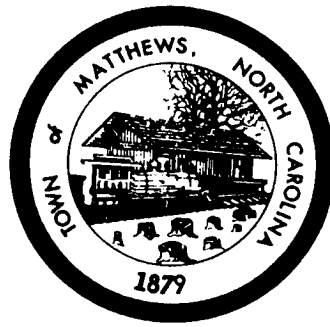
Tourism Fund. The Town of Matthews approved a \$1,497,937 Tourism Fund budget for the fiscal year ending June 30, 2021. \$155,160 fund balance appropriation was used. The COVID-19 pandemic has impacted forecasted FY2021 Tax revenues for meals and lodging. The Tourism Fund is used to support, maintain, operate, market, and promote the performing arts centers, auditoriums, and museums. Tourism and tourism-related programs and activities help set the Town apart in the region.

Requests for Information

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

Basic Financial Statements

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



TOWN OF MATTHEWS, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments	\$ 13,944,529
Restricted cash and investments	4,808,620
Taxes receivable, net	273,362
Accounts receivable, net	427,060
Due from other governments	1,402,990
Prepaid items	114,980
Total current assets	<u>20,971,541</u>
Non-current assets:	
Capital assets:	
Non-depreciable	226,015,517
Depreciable, net	28,115,045
Total non-current assets	<u>254,130,562</u>
Total assets	<u>275,102,103</u>
Deferred Outflows of Resources:	
Pension deferrals	1,769,576
Contributions to pension plan in current fiscal year	921,235
Total deferred outflows of resources	<u>2,690,811</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	2,628,609
Accounts payable from restricted assets	27,755
Current portion of compensated absences	61,408
Current portion of long-term liabilities	1,128,330
Total current liabilities	<u>3,846,102</u>
Non-current liabilities:	
Net pension liability	3,554,568
Total pension liability	2,473,471
Non-current portion of compensated absences	552,669
Non-current portion of long-term liabilities	5,435,099
Total non-current liabilities	<u>12,015,807</u>
Total liabilities	<u>15,861,909</u>
Deferred Inflows of Resources:	
Pension deferrals	112,249
Advances from grantor	175,744
Total deferred inflows of resources	<u>287,993</u>
Net Position:	
Net investment in capital assets	251,567,133
Restricted for:	
Stabilization by state statute	1,728,179
Streets	482,455
Public safety	86,765
Cultural and recreation	640,597
Capital outlay	4,211,645
Unrestricted	2,926,238
Total net position	<u>\$ 261,643,012</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, 2020

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 5,213,215	\$ 256,300	\$ 224,000	\$ 179,200	\$ (4,553,715)
Public safety	10,555,505	476,859	239,808	19,530	(9,819,308)
Public works	4,406,778	887,265	761,263	-	(2,758,250)
Environmental protection	2,642,389	-	-	-	(2,642,389)
Economic and physical development	621,009	25,577	30,000	-	(565,432)
Cultural and recreation	2,633,614	485,894	17,536	452,090	(1,678,094)
Interest on long-term debt	177,933	-	-	-	(177,933)
Total primary government	<u>\$ 26,250,443</u>	<u>\$ 2,131,895</u>	<u>\$ 1,272,607</u>	<u>\$ 650,820</u>	<u>(22,195,121)</u>
General Revenues:					
Taxes:					
Ad valorem taxes					14,548,483
Local options sales tax					3,554,185
Utility franchise and excise tax					1,837,235
Occupancy tax					418,328
Prepared food tax					1,060,318
Rental car tax					103,596
Privilege licenses					1,380
Other taxes and licenses					145,302
Investment earnings					234,247
Total general revenues					<u>21,903,074</u>
Change in net position					(292,047)
Net Position:					
Beginning of year - July 1					<u>261,935,059</u>
End of year - June 30					\$ 261,643,012

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

TOWN OF MATTHEWS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Improvement Program	Windsor Run Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 11,231,747	\$ 2,071,805	\$ -	\$ 640,977	\$ 13,944,529
Restricted cash and investments	569,220	175,744	4,063,656	-	4,808,620
Taxes receivable, net	273,362	-	-	-	273,362
Accounts receivable	247,928	179,132	-	-	427,060
Due from other funds	1,395	-	-	-	1,395
Due from other governments	1,383,426	-	-	19,564	1,402,990
Prepaid items	114,980	-	-	-	114,980
Total assets	<u>\$ 13,822,058</u>	<u>\$ 2,426,681</u>	<u>\$ 4,063,656</u>	<u>\$ 660,541</u>	<u>\$ 20,972,936</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,444,961	\$ 111,112	\$ -	\$ 380	\$ 2,556,453
Accounts payable from restricted assets	-	-	27,755	-	27,755
Due to other funds	-	-	-	1,395	1,395
Total liabilities	<u>2,444,961</u>	<u>111,112</u>	<u>27,755</u>	<u>1,775</u>	<u>2,585,603</u>
Deferred Inflows of Resources:					
Unavailable taxes	273,362	-	-	-	273,362
Advances from grantor	-	175,744	-	-	175,744
Unavailable revenue	103,266	-	-	-	103,266
Total deferred inflows of resources	<u>376,628</u>	<u>175,744</u>	<u>-</u>	<u>-</u>	<u>552,372</u>
Fund Balances:					
Non-spendable:					
Prepays	114,980	-	-	-	114,980
Restricted:					
Stabilization by state statute	1,529,483	179,132	-	19,564	1,728,179
Streets	482,455	-	-	-	482,455
Public safety	86,765	-	-	-	86,765
Cultural and recreation	-	-	-	640,597	640,597
Capital outlay	-	175,744	4,035,901	-	4,211,645
Committed:					
Capital outlay	-	1,784,949	-	-	1,784,949
Vehicle lease payments	307,171	-	-	-	307,171
Assigned:					
Assigned for streets	395,777	-	-	-	395,777
Assigned for cultural and recreation	113,555	-	-	-	113,555
Assigned for environmental protection - stormwater	650,002	-	-	-	650,002
Unassigned	7,320,281	-	-	(1,395)	7,318,886
Total fund balances	<u>11,000,469</u>	<u>2,139,825</u>	<u>4,035,901</u>	<u>658,766</u>	<u>17,834,961</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,822,058</u>	<u>\$ 2,426,681</u>	<u>\$ 4,063,656</u>	<u>\$ 660,541</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.					254,130,562
Net pension liability (LGERS)					(3,554,568)
Total pension liability (LEOSSA)					(2,473,471)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.					921,235
Pension related deferrals					1,657,327
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.					376,628
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.					(7,249,662)
Net position of governmental activities					<u>\$ 261,643,012</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, 2020

	General Fund	Capital Improvement Program	Windsor Run Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 14,475,189	\$ -	\$ -	\$ -	\$ 14,475,189
Other taxes and licenses	5,505,239	-	-	1,582,242	7,087,481
Unrestricted intergovernmental	275,033	-	-	-	275,033
Restricted intergovernmental	1,088,454	452,090	40,000	5,128	1,585,672
Sales and services	1,701,099	-	-	-	1,701,099
Investment earnings	234,236	11	-	-	234,247
Miscellaneous	297,007	-	-	17,311	314,318
Total revenues	<u>23,576,257</u>	<u>452,101</u>	<u>40,000</u>	<u>1,604,681</u>	<u>25,673,039</u>
Expenditures:					
Current:					
General government	3,646,513	-	118,259	-	3,764,772
Public safety	9,975,632	68,175	-	2,320	10,046,127
Public works	5,490,411	450,593	-	-	5,941,004
Environmental protection	2,642,389	-	-	-	2,642,389
Economic and physical development	465,908	153,673	-	-	619,581
Cultural and recreation	1,524,728	530,019	-	684,568	2,739,315
Debt service:					
Principal retirement	908,344	-	-	171,667	1,080,011
Interest and other charges	182,330	-	-	6,615	188,945
Total expenditures	<u>24,836,255</u>	<u>1,202,460</u>	<u>118,259</u>	<u>865,170</u>	<u>27,022,144</u>
Revenues over (under) expenditures	<u>(1,259,998)</u>	<u>(750,359)</u>	<u>(78,259)</u>	<u>739,511</u>	<u>(1,349,105)</u>
Other Financing Sources (Uses):					
Long-term debt issued	370,723	300,000	-	-	670,723
Transfers (to) other funds	(987,757)	-	-	(1,380,578)	(2,368,335)
Transfers from other funds	977,378	1,390,957	-	-	2,368,335
Proceeds from sale of capital assets	15,338	-	-	-	15,338
Total other financing sources (uses)	<u>375,682</u>	<u>1,690,957</u>	<u>-</u>	<u>(1,380,578)</u>	<u>686,061</u>
Net change in fund balances	(884,316)	940,598	(78,259)	(641,067)	(663,044)
Fund Balances:					
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 11,000,469</u>	<u>\$ 2,139,825</u>	<u>\$ 4,035,901</u>	<u>\$ 658,766</u>	<u>\$ 17,834,961</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, 2020

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)	\$ (663,044)
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.	3,955,704
Depreciation is recognized as an expense in the Statement of Activities; however, it is not reported in the governmental funds.	(3,309,831)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	
Donation of capital assets	179,200
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.	106,157
Pension expense	(890,731)
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.	409,288
Accrued interest that does not require current financial resources and is not reported as an expenditure in the governmental funds statement.	11,012
Expenses related to the increase in vacation and sick pay 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>(89,802)</u>
Change in net position of governmental activities per Exhibit B	<u>\$ (292,047)</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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 14,170,501	\$ 14,053,467	\$ 14,475,189	\$ 421,722
Other taxes and licenses	5,794,134	5,794,134	5,505,239	(288,895)
Unrestricted intergovernmental	258,000	258,000	275,033	17,033
Restricted intergovernmental	918,417	925,945	1,088,454	162,509
Sales and services	1,823,500	1,675,582	1,701,099	25,517
Investment earnings	365,000	365,000	234,236	(130,764)
Miscellaneous	144,387	131,633	297,007	165,374
Total revenues	<u>23,473,939</u>	<u>23,203,761</u>	<u>23,576,257</u>	<u>372,496</u>
Expenditures:				
Current:				
General government	3,789,082	3,835,530	3,646,513	189,017
Public safety	10,093,941	10,538,439	9,975,632	562,807
Public works	4,873,476	6,402,427	5,490,411	912,016
Environmental protection	2,716,167	3,000,956	2,642,389	358,567
Economic and physical development	566,925	602,739	465,908	136,831
Cultural and recreation	1,688,878	1,745,986	1,524,728	221,258
Debt service:				
Principal retirement	894,364	908,494	908,344	150
Interest and other charges	166,449	184,243	182,330	1,913
Total expenditures	<u>24,789,282</u>	<u>27,218,814</u>	<u>24,836,255</u>	<u>2,382,559</u>
Revenues over (under) expenditures	<u>(1,315,343)</u>	<u>(4,015,053)</u>	<u>(1,259,998)</u>	<u>2,755,055</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,350,000	3,628,033	-	(3,628,033)
Long-term debt issued	-	370,723	370,723	-
Sale of capital assets	50,000	15,296	15,338	42
Transfers to other funds	(852,000)	(1,009,257)	(987,757)	21,500
Transfers from other funds	767,343	1,010,258	977,378	(32,880)
Total other financing sources (uses)	<u>1,315,343</u>	<u>4,015,053</u>	<u>375,682</u>	<u>(3,639,371)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(884,316)</u>	<u>\$ (884,316)</u>
Fund Balance:				
Beginning of year - July 1			<u>11,752,538</u>	
End of year - June 30			<u>\$ 10,868,222</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, 2020

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, 2020

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, 2020

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, 2020

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 mutual 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, 2020, The Term portfolio has a duration of .15 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	\$ 482,455
Equitable sharing	86,765

Other Governmental Funds:

Unearned capital grant	175,744
Windsor Run Improvements Fund	4,063,656
Total governmental restricted cash	<u>\$ 4,808,620</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, 2019.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 2020 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, 2020

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, 2020

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.

Committed for Vehicle Lease Payments – portion of fund balance for use only for approved vehicle lease payments in the General Fund.

Assigned Fund Balance

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

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

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

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

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

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 11,000,469
Less:	
Prepays	114,980
Stabilization by state statute	<u>1,529,483</u>
Total available fund balance	<u><u>\$ 9,356,006</u></u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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)	\$ 10,868,222
Capital Reserve Fund	
Fund balance, beginning	<u>132,247</u>
Fund balance, ending (Exhibit D)	<u>\$ 11,000,469</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, 2020

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, 2020, the Town's deposits had a carrying amount of \$503,789 and a bank balance of \$574,427. Of the bank balance, \$512,511 was covered by federal depository insurance, and \$61,916 was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash fund totaled \$152.

Investments

At June 30, 2020, the Town had \$18,249,208 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, 2020 were as follows:

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Accounts Receivable</u>	<u>Total</u>
Governmental Activities:				
Governmental	\$ 373,362	\$ 1,402,990	\$ 427,060	\$ 2,203,412
Allowance for doubtful accounts	(100,000)	-	-	(100,000)
Total governmental activities	<u>\$ 273,362</u>	<u>\$ 1,402,990</u>	<u>\$ 427,060</u>	<u>\$ 2,103,412</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Due from other governments consisted of the following:

Local option sales tax	\$ 530,704
Other taxes and licenses	129,579
CARES Act funds	184,000
Cable and electricity franchise tax	336,841
Piped natural gas excise tax	25,175
Telecommunications sales tax	31,678
Sales tax refund receivable	<u>165,013</u>
Total	<u><u>\$ 1,402,990</u></u>

Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 225,460,940	\$ 39,900	\$ -	\$ -	\$ 225,500,840
Construction in progress	<u>498,806</u>	<u>849,183</u>	<u>-</u>	<u>(833,312)</u>	<u>514,677</u>
Total non-depreciable capital assets	<u>225,959,746</u>	<u>889,083</u>	<u>-</u>	<u>(833,312)</u>	<u>226,015,517</u>
Depreciable Capital Assets:					
Buildings and improvements	34,284,558	557,351	-	419,265	35,261,174
Equipment	6,429,509	285,901	(65,536)	-	6,649,874
Vehicles and motorized equipment	5,757,238	530,271	(259,784)	-	6,027,725
Infrastructure	<u>96,839,998</u>	<u>2,544,632</u>	<u>-</u>	<u>414,047</u>	<u>99,798,677</u>
Total depreciable capital assets	<u>143,311,303</u>	<u>3,918,155</u>	<u>(325,320)</u>	<u>833,312</u>	<u>147,737,450</u>
Less Accumulated Depreciation:					
Buildings and improvements	14,325,151	948,149	-	-	15,273,300
Equipment	4,285,245	573,667	(65,536)	-	4,793,376
Vehicles and motorized equipment	4,100,124	662,881	(259,784)	-	4,503,221
Infrastructure	<u>93,927,374</u>	<u>1,125,134</u>	<u>-</u>	<u>-</u>	<u>95,052,508</u>
Total accumulated depreciation	<u>116,637,894</u>	<u>\$ 3,309,831</u>	<u>\$ (325,320)</u>	<u>\$ -</u>	<u>119,622,405</u>
Total depreciable capital assets, net	<u>26,673,409</u>				<u>28,115,045</u>
Capital assets, net	<u>\$ 252,633,155</u>				<u>\$ 254,130,562</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Governmental Activities:

General government	\$ 369,988
Public safety	1,101,482
Public works	1,579,704
Economic and physical development	1,428
Cultural and recreation	257,229
Total	<u>\$ 3,309,831</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020 is composed of the following elements:

	<u>Governmental Activities</u>
Capital assets	\$ 254,130,562
Long-term debt	(6,563,429)
Debt for assets not capitalized by the Town	4,000,000
Net investment in capital assets	<u>\$ 251,567,133</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, 2020

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, 2020 was 9.70% of compensation for law enforcement officers and 8.95% 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 \$869,282 for the year ended June 30, 2020.

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, 2020

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

At June 30, 2020, the Town reported a liability of \$3,554,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was .13016%, which was an increase of .01265% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,642,240. At June 30, 2020, 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	\$ 608,632	\$ -
Change in assumptions	579,336	-
Net difference between projected and actual earnings on pension plan investments	86,701	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	180,982	18,432
Town contributions subsequent to the measurement date	869,282	-
Total	<u>\$ 2,324,933</u>	<u>\$ 18,432</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$869,282 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, 2021. Other amounts reported as deferred inflows or deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2021	\$ 668,968
2022	248,608
2023	388,919
2024	130,724
2025	-
Thereafter	-
Total	<u>\$ 1,437,219</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 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, 2020

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real</u>
		<u>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 2019 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, 2020

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)	\$ 8,129,947	\$ 3,554,568	\$ (248,499)

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, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	59
Total	64

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, 2020

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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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 \$97,803 as benefits came due for the reporting period.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the Town reported a total pension liability of \$2,473,471. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$221,149.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197,403	\$ 23,720
Changes of assumptions	116,522	70,097
Town of benefit payments and plan administrative expense made subsequent to the measurement date	<u>51,953</u>	<u>-</u>
Total	<u><u>\$ 365,878</u></u>	<u><u>\$ 93,817</u></u>

\$51,953 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, 2021. 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
2021	\$ 51,689
2022	51,689
2023	54,014
2024	44,264
2025	<u>18,452</u>
Total	<u><u>\$ 220,108</u></u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 2,655,180	\$ 2,473,471	\$ 2,304,587

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

	2020
Beginning balance	\$ 2,199,505
Changes for the year:	
Service cost	90,505
Interest on the total pension liability	78,282
Difference between expected and actual experience	137,320
Changes of assumptions and other inputs	65,662
Benefit payments	(97,803)
Net changes	273,966
Ending balance of the total pension liability	\$ 2,473,471

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, 2018 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, 2020

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	\$ 1,642,240	\$ 221,149	\$ 1,863,389
Pension liability	3,554,568	2,473,471	6,028,039
Proportionate share of the net pension liability	0.13016%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 608,632	\$ 197,403	\$ 806,035
Changes of assumptions	579,336	116,522	695,858
Net difference between projected and actual earnings on plan investments	86,701	-	86,701
Changes in proportion and differences between contributions and proportionate share of contributions	180,982	-	180,982
Benefit payments and administrative costs paid subsequent to the measurement date	<u>869,282</u>	<u>51,953</u>	<u>921,235</u>
Total deferred outflows of resources	<u>\$ 2,324,933</u>	<u>\$ 365,878</u>	<u>\$ 2,690,811</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 23,720	\$ 23,720
Changes of assumptions	-	70,097	70,097
Changes in proportion and differences between contributions and proportionate share of contributions	<u>18,432</u>	<u>-</u>	<u>18,432</u>
Total deferred inflows of resources	<u>\$ 18,432</u>	<u>\$ 93,817</u>	<u>\$ 112,249</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, 2020

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	\$ 869,282
Benefit payments and administration expenses for LEOSSA made subsequent to measurement date	51,953
Changes of assumptions (LEOSSA)	116,522
Differences between expected and actual experience (LEOSSA)	197,403
Differences between expected and actual experience (LGERS)	608,632
Changes of assumptions (LGERS)	579,336
Net difference between projected and actual experience (LGERS)	86,701
Town contributions and proportionate share of contributions (LGERS)	180,982
Total	<u>\$ 2,690,811</u>

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

<u>Source</u>	<u>Amount</u>
Taxes receivable (General Fund)	\$ 273,362
General billing receivables (General Fund)	103,266
Unearned grant (Capital Project Fund)	175,744
Changes in assumptions (LEOSSA)	70,097
Differences between expected and actual experience (LEOSSA)	23,720
Changes in proportion and differences between employer contributions and proportionate share (LGERS)	18,432
Total	<u>\$ 664,621</u>

Accounts Payable – Disaggregate Information

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,819,504	\$ 625,457	\$ 72,156	\$ 2,517,117
Capital Improvement program	111,112	-	-	111,112
Windsor Run improvements fund	27,755	-	-	27,755
Other governmental	380	-	-	380
Total governmental activities	<u>\$ 1,958,751</u>	<u>\$ 625,457</u>	<u>\$ 72,156</u>	<u>\$ 2,656,364</u>

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Commitments

Road Resurfacing Project. The Town of Matthews has entered into a contract for reconstructing and resurfacing various roads in Town. The contract was entered into in FY2020, the work was started in FY2020 and was completed in FY2020.

Town Hall Pavement Repairs. The Town of Matthews has entered into a contract for repairs and resurfacing pavement near Town Hall. The contract was entered into in FY2020, the work was started in FY2020 and will be completed in FY2021.

Risk Management

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

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

The North Carolina League of Municipalities 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 \$50,000 through the North Carolina League of Municipalities. 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, 2020

Claims and Judgments

At June 30, 2020, 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, 2020 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>\$ 4,000,000</u>
Total	<u><u>\$ 4,000,000</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, 2020

Notes Payable

As of June 30, 2020, 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.	\$ 233,332
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.	370,491
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.	207,739
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.	688,825
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.	325,847
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.	80,452
Issued \$300,000.00 January 2020 note payable requiring annual payments of \$104,675, including interest at the rate of 2.32% per annum through June 2023; secured by equipment.	300,000
Issued \$23,367 notes payable December 2019 requiring monthly payments of \$437, including interest at the rate of 1.35% through December 2024, secured by vehicle.	21,412
Issued \$34,741 notes payable January 2020 requiring monthly payments of \$702, including interest at the rate of 1.67% through January 2025, secured by vehicle.	31,845

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Issued \$35,024 notes payable February 2020 requiring monthly payments of \$703, including interest at the rate of 1.67% through February 2025, secured by vehicle.	32,693
Issued \$69,304 notes payable April 2020 requiring monthly payments of \$1,259, including interest at the rate of 1.50% through April 2025, secured by vehicles.	67,025
Issued \$208,287 notes payable May 2020 requiring monthly payments of \$1,259, including interest at the rate of 1.50% through May 2025, secured by vehicles.	<u>203,768</u>
Total	<u>\$ 2,563,429</u>

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, 2020 is \$233,332.

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, 2020 is \$370,491.

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, 2020 is \$207,739.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 located 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, 2020 is \$688,825.

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, 2020 is \$325,847.

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, 2020 is \$80,452.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

In January 2020, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$300,000 for equipment. Equipment is pledged as collateral for the debt while it is outstanding. 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 and recovery of attorney's fees and other expenses. The amount outstanding at June 30, 2020 is \$300,000.

In December 2019, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$23,367 for a vehicle. The vehicle is pledged as collateral for the debt while it is outstanding. The loan agreement denotes certain events of default and upon occurrence: A. Demand and receive immediate possession of any or all vehicles without releasing the Town from its obligations; B. Enforce performance by the Town of its obligation; C. Recover damages and expenses sustained by the Town, including court costs and attorneys' fees and expenses; D. Recover all amounts owed by the Town. The amount outstanding at June 30, 2020 is \$21,412.

In January 2020, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$34,741 for a vehicle. The vehicle is pledged as collateral for the debt while it is outstanding. The loan agreement denotes certain events of default and upon occurrence: A. Demand and receive immediate possession of any or all vehicles without releasing the Town from its obligations; B. Enforce performance by the Town of its obligation; C. Recover damages and expenses sustained by the Town, including court costs and attorneys' fees and expenses; D. Recover all amounts owed by the Town. The amount outstanding at June 30, 2020 is \$31,845.

In February 2020, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$35,024 for a vehicle. The vehicle is pledged as collateral for the debt while it is outstanding. The loan agreement denotes certain events of default and upon occurrence: A. Demand and receive immediate possession of any or all vehicles without releasing the Town from its obligations; B. Enforce performance by the Town of its obligation; C. Recover damages and expenses sustained by the Town, including court costs and attorneys' fees and expenses; D. Recover all amounts owed by the Town. The amount outstanding at June 30, 2020 is \$32,693.

In April 2020, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$69,304 for vehicles. The vehicles are pledged as collateral for the debt while it is outstanding. The loan agreement denotes certain events of default and upon occurrence: A. Demand and receive immediate possession of any or all vehicles without releasing the Town from its obligations; B. Enforce performance by the Town of its obligation; C. Recover damages and expenses sustained by the Town, including court costs and attorneys' fees and expenses; D. Recover all amounts owed by the Town. The amount outstanding at June 30, 2020 is \$67,025.

TOWN OF MATTHEWS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

In May 2020, the Town entered into a direct placement loan agreement with a bank. The Town approved for a loan of \$208,287 for vehicles. The vehicles are pledged as collateral for the debt while it is outstanding. The loan agreement denotes certain events of default and upon occurrence: A. Demand and receive immediate possession of any or all vehicles without releasing the Town from its obligations; B. Enforce performance by the Town of its obligation; C. Recover damages and expenses sustained by the Town, including court costs and attorneys' fees and expenses; D. Recover all amounts owed by the Town. The amount outstanding at June 30, 2020 is \$203,768.

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
2021	\$ 300,000	\$ 105,250	\$ 828,330	\$ 62,292	\$ 1,128,330	\$ 167,542
2022	300,000	99,250	809,636	46,304	1,109,636	145,554
2023	300,000	93,250	679,208	29,484	979,208	122,734
2024	300,000	87,250	160,327	12,866	460,327	100,116
2025	300,000	78,250	85,928	8,134	385,928	86,384
2026-3030	1,500,000	273,500	-	-	1,500,000	273,500
2031-2034	1,000,000	69,250	-	-	1,000,000	69,250
Total	<u>\$ 4,000,000</u>	<u>\$ 806,000</u>	<u>\$ 2,563,429</u>	<u>\$ 159,080</u>	<u>\$ 6,563,429</u>	<u>\$ 965,080</u>

At June 30, 2020, the Town of Matthews had a legal debt margin of approximately \$409,643,791.

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, 2020.

	June 30, 2019	Increases	Decreases	June 30, 2020	Current Portion
Governmental Activities:					
Direct placement - general obligation bonds	\$ 4,300,000	\$ -	\$ (300,000)	\$ 4,000,000	\$ 300,000
Direct placement installment purchases	2,672,717	670,723	(780,011)	2,563,429	828,330
Compensated absences	524,275	584,096	(494,294)	614,077	61,408
Net pension liability (LGERS)	2,787,739	766,829	-	3,554,568	-
Total pension liability (LEO)	<u>2,199,505</u>	<u>371,769</u>	<u>(97,803)</u>	<u>2,473,471</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 12,484,236</u>	<u>\$ 2,393,417</u>	<u>\$ (1,672,108)</u>	<u>\$ 13,205,545</u>	<u>\$ 1,189,738</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, 2020

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	\$ 987,757	To provide funds for construction in progress expenditures
Tourism Fund	General Fund	977,378	To provide funds for tourism costs
Tourism Fund	Capital Improvement Fund	403,200	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	\$ 1,395	To provide temporary fund resources

3. Summary Disclosure of Significant Commitments and Contingencies

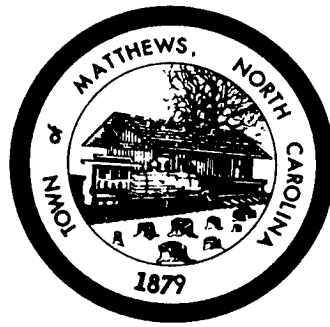
Federal and State-Assisted Programs

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.

4. Subsequent Events

On July 9, 2020, the Town entered into an installment financing agreement in the amount of \$650,000 for purchase of equipment.

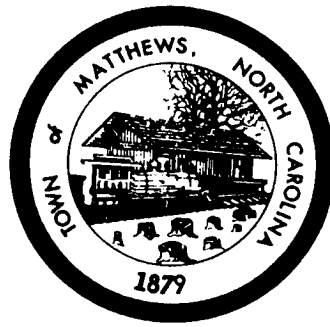
In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen, which are likely to negatively impact Town revenues. At the current time, we are unable to quantify the potential effects of this pandemic.



Required Supplemental Financial Data

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

- ❖ Schedule of Changes in Total Pension Liability for ***Law Enforcement Officers' Special Separation Allowance***
 - ❖ Schedule of Total Pension Liability as a Percentage of Covered Payroll for the ***Law Enforcement Officers' Special Separation Allowance***
 - ❖ Schedule of Matthews Proportionate Share of Net Pension Liability (Asset) and Contributions for ***LGERS***
 - ❖ Schedule of Matthews Last Seven Fiscal Years' Contributions for ***LGERS***
-



TOWN OF MATTHEWS, NORTH CAROLINA

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

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Beginning balance	\$ 2,199,505	\$ 2,066,583	\$ 1,867,523	\$ 1,780,093
Service cost	90,505	89,601	75,432	84,212
Interest on the total pension liability	78,282	64,153	71,599	63,316
Differences between expected and actual experience in the measurement of the total pension liability	137,320	130,900	(46,901)	-
Changes in assumptions and other inputs	65,662	(78,894)	124,167	(47,053)
Benefit payments	(97,803)	(72,838)	(25,237)	(13,045)
Ending balance of the total pension liability	<u>\$ 2,473,471</u>	<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 FOUR FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Total pension liability	\$ 2,473,471	\$ 2,199,505	\$ 2,066,583	\$ 1,867,523
Covered payroll	\$ 3,680,955	\$ 3,267,159	\$ 3,203,924	\$ 3,310,833
Total pension liability as a percentage of covered payroll	67.20%	67.32%	64.50%	56.41%

Notes to the Schedules:

The Town of Matthews has no assets accumulated in a trust that meet 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 SEVEN FISCAL YEARS***

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.13016%	0.11751%	0.11367%	0.11281%	0.12979%	-0.11546%	-0.12110%
Town's proportion of the net pension liability (asset) (\$)	\$ 3,554,568	\$ 2,787,739	\$ 1,736,563	\$ 2,394,206	\$ 582,490	\$ (680,921)	\$ 1,459,720
Town's covered payroll	\$ 8,935,040	\$ 7,776,309	\$ 7,444,749	\$ 6,983,190	\$ 7,310,377	\$ 6,632,393	\$ 6,093,728
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.78%	35.85%	23.33%	34.29%	7.97%	(10.27%)	23.95%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	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.

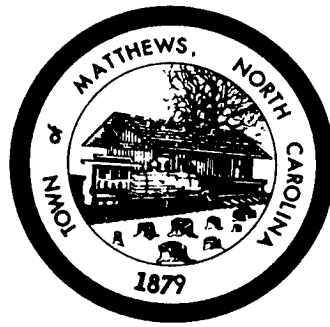
TOWN OF MATTHEWS, NORTH CAROLINA**TOWN OF MATTHEWS CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 869,282	\$ 723,724	\$ 609,820	\$ 562,979	\$ 484,114	\$ 529,824	\$ 471,230
Contributions in relation to the contractually required contribution	869,282	723,724	609,820	562,979	484,114	529,824	471,230
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$9,352,096	\$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	9.30%	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.

Supplementary Information and Individual Fund Financial Statements

- ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund Consolidated
 - ❖ Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
 - ❖ Capital Reserve Fund – Building Maintenance – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 - ❖ Capital Improvement Program Fund
 - ❖ Windsor Run Improvements Fund
 - ❖ Tourism - Special Revenue Fund
 - ❖ SAFER Grants Fund
-



TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Reserve Fund	Total General Fund
Revenues:			
Ad valorem taxes	\$ 14,475,189	\$ -	\$ 14,475,189
Other taxes and licenses	5,505,239	-	5,505,239
Unrestricted intergovernmental	275,033	-	275,033
Restricted intergovernmental	1,088,454	-	1,088,454
Sales and services	1,701,099	-	1,701,099
Investment earnings	234,236	-	234,236
Miscellaneous	297,007	-	297,007
Total revenues	<u>23,576,257</u>	<u>-</u>	<u>23,576,257</u>
Expenditures:			
Current:			
General government	3,646,513	-	3,646,513
Public safety	9,975,632	-	9,975,632
Public works	5,490,411	-	5,490,411
Environmental protection	2,642,389	-	2,642,389
Economic and physical development	465,908	-	465,908
Cultural and recreation	1,524,728	-	1,524,728
Debt service:			
Principal retirement	908,344	-	908,344
Interest and other charges	182,330	-	182,330
Total expenditures	<u>24,836,255</u>	<u>-</u>	<u>24,836,255</u>
Revenues over (under) expenditures	<u>(1,259,998)</u>	<u>-</u>	<u>(1,259,998)</u>
Other Financing Sources (Uses):			
Long-term debt issued	370,723	-	370,723
Transfers (to) other funds	(987,757)	-	(987,757)
Transfers from other funds	977,378	-	977,378
Proceeds from sale of capital assets	15,338	-	15,338
Total other financing sources (uses)	<u>375,682</u>	<u>-</u>	<u>375,682</u>
Net change in fund balances	(884,316)	-	(884,316)
Fund Balances:			
Beginning of year - July 1	<u>11,752,538</u>	<u>132,247</u>	<u>11,884,785</u>
End of year - June 30	<u>\$ 10,868,222</u>	<u>\$ 132,247</u>	<u>\$ 11,000,469</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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 14,013,467	\$ 14,435,670	\$ 422,203	\$ 12,976,504
Penalties and interest	40,000	39,519	(481)	37,710
Total	<u>14,053,467</u>	<u>14,475,189</u>	<u>421,722</u>	<u>13,014,214</u>
Other Taxes and Licenses:				
Local option sales tax	3,645,134	3,554,185	(90,949)	3,535,900
Piped natural gas excise tax	100,000	101,282	1,282	124,233
Utility franchise tax	1,400,000	1,353,503	(46,497)	1,388,754
Telecommunications sales tax	243,000	193,933	(49,067)	239,727
Tipping tax	20,000	23,559	3,559	23,052
In lieu of land dedication fees	130,000	34,326	(95,674)	30,962
Animal control license	20,000	20,470	470	20,414
Cablevision franchise fees	200,000	188,517	(11,483)	195,725
Rental vehicle tax	35,000	34,084	(916)	44,085
Privilege licenses	1,000	1,380	380	1,720
Total	<u>5,794,134</u>	<u>5,505,239</u>	<u>(288,895)</u>	<u>5,604,572</u>
Unrestricted Intergovernmental:				
Beer and wine tax	133,000	133,901	901	134,067
ABC profit distribution	125,000	141,132	16,132	126,268
Total	<u>258,000</u>	<u>275,033</u>	<u>17,033</u>	<u>260,335</u>
Restricted Intergovernmental:				
Powell Bill allocation	758,250	761,263	3,013	766,582
Police Grant - D.A.R.E.	2,000	1,000	(1,000)	-
Fire - SAFER grants	64,885	92,661	27,776	87,442
CARES Act	-	184,000	184,000	-
Miscellaneous grants	100,810	49,530	(51,280)	117,158
Total	<u>925,945</u>	<u>1,088,454</u>	<u>162,509</u>	<u>971,182</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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		2019
	Budget	Actual	Variance Over/Under
			Actual
Sales and Services:			
Stormwater fees	860,000	866,254	6,254
Rental fees	55,000	33,074	(21,926)
Recreation program revenues	168,401	158,898	(9,503)
Community center revenues	249,948	291,982	42,034
Zoning ordinance sales	27,000	25,577	(1,423)
Rescue/EMS assistance	55,000	62,272	7,272
Police services	19,244	21,500	2,256
Other police contracts	240,989	241,542	553
Total	<u>1,675,582</u>	<u>1,701,099</u>	<u>25,517</u>
Investment Earnings	<u>365,000</u>	<u>234,236</u>	<u>(130,764)</u>
Miscellaneous:			
Other	<u>131,633</u>	<u>297,007</u>	<u>165,374</u>
Total revenues	<u>23,203,761</u>	<u>23,576,257</u>	<u>372,496</u>
Expenditures:			
General Government:			
Salaries and employee benefits	58,388	56,748	1,640
Expenses allowance	6,500	4,545	1,955
Operating expenses	<u>174,291</u>	<u>153,018</u>	<u>21,273</u>
Total	<u>239,179</u>	<u>214,311</u>	<u>24,868</u>
Administration:			
Salaries and employee benefits	2,768,342	2,702,458	65,884
Operating expenditures	828,009	729,744	98,265
Capital outlay	-	-	-
Total	<u>3,596,351</u>	<u>3,432,202</u>	<u>164,149</u>
Total general government	<u>3,835,530</u>	<u>3,646,513</u>	<u>189,017</u>
Public Safety:			
Police:			
Salaries and employee benefits	5,780,492	5,625,324	155,168
Operating expenditures	990,996	823,873	167,123
Capital outlay	<u>714,643</u>	<u>707,055</u>	<u>7,588</u>
Total	<u>7,486,131</u>	<u>7,156,252</u>	<u>329,879</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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020			2019
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and employee benefits	2,174,101	2,040,773	133,328	1,900,898
Operating expenditures	372,826	296,014	76,812	336,974
Donation to volunteer fire departments	325,475	316,907	8,568	299,571
Capital outlay	79,996	80,095	(99)	25,619
Total	<u>2,952,398</u>	<u>2,733,789</u>	<u>218,609</u>	<u>2,563,062</u>
Animal Control:				
Salaries and employee benefits	70,817	64,401	6,416	61,751
Other operating expenses	29,093	21,190	7,903	23,781
Total	<u>99,910</u>	<u>85,591</u>	<u>14,319</u>	<u>85,532</u>
Total public safety	<u>10,538,439</u>	<u>9,975,632</u>	<u>562,807</u>	<u>9,401,919</u>
Public Works:				
Street Department:				
Salaries and employee benefits	1,739,989	1,663,296	76,693	1,614,489
Operating expenses	4,638,554	3,811,415	827,139	1,972,725
Capital outlay	23,884	15,700	8,184	180,452
Total	<u>6,402,427</u>	<u>5,490,411</u>	<u>912,016</u>	<u>3,767,666</u>
Environmental Protection:				
Sanitation:				
Contracted services	1,859,879	1,815,719	44,160	1,707,155
StormWater:				
Salaries and employee benefits	406,459	342,352	64,107	409,997
Operating expenses	725,691	479,125	246,566	220,069
Capital outlay	8,927	5,193	3,734	115,150
Total	<u>1,141,077</u>	<u>826,670</u>	<u>314,407</u>	<u>745,216</u>
Total environmental protection	<u>3,000,956</u>	<u>2,642,389</u>	<u>358,567</u>	<u>2,452,371</u>
Economic and Physical Development:				
Planning and Zoning:				
Salaries and employee benefits	485,225	421,797	63,428	427,466
Operating expenses	117,514	44,111	73,403	101,216
Total	<u>602,739</u>	<u>465,908</u>	<u>136,831</u>	<u>528,682</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, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>2020</u>			<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Cultural and Recreation:				
Parks:				
Salaries and employee benefits	732,681	693,627	39,054	704,470
Operating expenses	881,691	730,255	151,436	857,830
Capital outlay	131,614	100,846	30,768	49,562
Total	<u>1,745,986</u>	<u>1,524,728</u>	<u>221,258</u>	<u>1,611,862</u>
Debt Service:				
Principal retirement	908,494	908,344	150	1,009,382
Interest and other charges	184,243	182,330	1,913	187,884
Total	<u>1,092,737</u>	<u>1,090,674</u>	<u>2,063</u>	<u>1,197,266</u>
Total expenditures	<u>27,218,814</u>	<u>24,836,255</u>	<u>2,382,559</u>	<u>22,520,066</u>
Revenues over (under) expenditures	<u>(4,015,053)</u>	<u>(1,259,998)</u>	<u>2,755,055</u>	<u>(187,671)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	3,628,033	-	(3,628,033)	-
Long-term debt issued	370,723	370,723	-	-
Sale of capital assets	15,296	15,338	42	56,046
Transfer (to) other funds	(1,009,257)	(987,757)	21,500	(243,621)
Transfer from other funds	1,010,258	977,378	(32,880)	778,958
Total other financing sources (uses):	<u>4,015,053</u>	<u>375,682</u>	<u>(3,639,371)</u>	<u>591,383</u>
Net change in fund balance	<u>\$ -</u>	<u>(884,316)</u>	<u>\$ (884,316)</u>	<u>403,712</u>
Fund Balance:				
Beginning of year - July 1		<u>11,752,538</u>		<u>11,348,826</u>
End of year - June 30		<u>\$ 10,868,222</u>		<u>\$ 11,752,538</u>

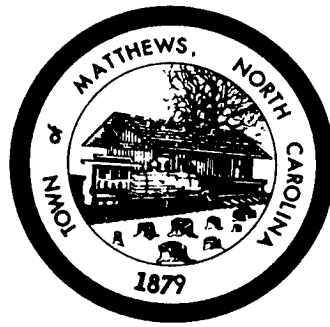
TOWN OF MATTHEWS, NORTH CAROLINA

CAPITAL RESERVE FUND - BUILDING MAINTENANCE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	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>	

Capital Projects Funds

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



TOWN OF MATTHEWS, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings		\$ 19,011	\$ 11	\$ 19,022	
Restricted intergovernmental		5,593,727	452,090	6,045,817	
Miscellaneous		81,539	-	81,539	
Donations		108,029	-	108,029	
Total revenues	\$ 6,870,834	5,802,306	452,101	6,254,407	\$ (616,427)
Expenditures:					
Cultural and Recreation:					
Park equipment replacement		50,001	-	50,001	
Wayfinding system		663,083	(1,864)	661,219	
Heritage Trail		41,403	373,736	415,139	
Windsor Park		1,731	-	1,731	
Rice Road Park		638,436	10,082	648,518	
Pocket parks		50,000	-	50,000	
AG building renovations		937,093	-	937,093	
Engine 22		316,605	-	316,605	
Pleasant Plains		-	8,115	8,115	
Sam Newell Road		-	141,000	141,000	
Gym floor renovation		101,050	(1,050)	100,000	
Total cultural and recreation		2,799,402	530,019	3,329,421	
Public Safety:					
Police radio system upgrade		384,663	(592)	384,071	
Volunteer fire truck		1,175,325	55,403	1,230,728	
Police mobile CAD		339,107	-	339,107	
AEDS		-	13,364	13,364	
Total public safety		1,899,095	68,175	1,967,270	
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	
Consulting and planning		-	28,327	28,327	
Right-of-way - Crestdale		343,826	-	343,826	
Public works vehicle and equipment		65,329	-	65,329	
Streetsweeper		238,183	-	238,183	
Transportation projects		-	3,100	3,100	
Hwy 51-Matthews - Idlewild Intersection		261,480	-	261,480	
Downtown projects		872,314	-	872,314	
S. Trade Street Project - GO bonds		5,093,289	-	5,093,289	
Crestdale multi use		-	48,665	48,665	
Parking lot - E. Charles Street		-	21,809	21,809	
Public Safety security enhancements		-	80,000	80,000	
LED lighting project		-	268,692	268,692	
Improvements: Hwy 51 - Matthews Mint Hill Road		151,507	-	151,507	
Total public works		8,206,972	450,593	8,657,565	

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, 2020**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Economic and Physical Development:					
Vehicle replacement		203,223	-	203,223	
Downtown multimodal study		75,859	60,327	136,186	
Stevens Creek study		4,573	60,751	65,324	
Subarea model grant		-	32,595	32,595	
Total economic and physical development		<u>283,655</u>	<u>153,673</u>	<u>437,328</u>	
Environmental Protection:					
Campus Ridge project		<u>2,307,289</u>	<u>-</u>	<u>2,307,289</u>	
Information Systems:					
Financial software		<u>100,682</u>	<u>-</u>	<u>100,682</u>	
Debt Service:					
Principal		1,857,512	-	1,857,512	
Interest		<u>82,957</u>	<u>-</u>	<u>82,957</u>	
Total debt service		<u>1,940,469</u>	<u>-</u>	<u>1,940,469</u>	
Total expenditures	<u>29,284,705</u>	<u>17,537,564</u>	<u>1,202,460</u>	<u>18,740,024</u>	<u>10,544,681</u>
Revenues over (under) expenditures	<u>(22,413,871)</u>	<u>(11,735,258)</u>	<u>(750,359)</u>	<u>(12,485,617)</u>	<u>9,928,254</u>
Other Financing Sources (Uses):					
Transfer from other funds	11,951,444	3,829,055	1,390,957	5,220,012	(6,731,432)
Transfer (to) other funds	(292,000)	(292,000)	-	(292,000)	-
Premium issued	-	107,132	-	107,132	107,132
Long-term debt issued	10,531,418	9,097,289	300,000	9,397,289	(1,134,129)
Proceeds from sale of capital assets	<u>223,009</u>	<u>193,009</u>	<u>-</u>	<u>193,009</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>22,413,871</u>	<u>12,934,485</u>	<u>1,690,957</u>	<u>14,625,442</u>	<u>(7,788,429)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,199,227</u>	940,598	<u>\$ 2,139,825</u>	<u>\$ 2,139,825</u>
Fund Balance:					
Beginning of year - July 1			<u>1,199,227</u>		
End of year - June 30			<u>\$ 2,139,825</u>		

TOWN OF MATTHEWS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - WINDSOR RUN IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental	\$ 4,080,000	\$ 4,080,000	\$ 40,000	\$ 4,120,000	\$ 40,000
Expenditures:					
Windsor Run improvements	4,130,000	15,840	118,259	134,099	3,995,901
Revenues over (under) expenditures	(50,000)	4,064,160	(78,259)	3,985,901	4,035,901
Other Financing Sources (Uses):					
Transfer from other funds	50,000	50,000	-	50,000	-
Net change in fund balance	\$ -	\$ 4,114,160	(78,259)	\$ 4,035,901	\$ 4,035,901
Fund Balance:					
Beginning of year - July 1			4,114,160		
End of year - June 30			\$ 4,035,901		

TOWN OF MATTHEWS, NORTH CAROLINA**NONMAJOR GOVERNMENTAL FUNDS****COMBINING BALANCE SHEET****JUNE 30, 2020**

	Tourism Fund	SAFER Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	\$ 640,977	\$ -	\$ 640,977
Due from other governments	19,564	-	19,564
Total assets	<u>\$ 660,541</u>	<u>\$ -</u>	<u>\$ 660,541</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 380	\$ -	\$ 380
Due to other funds	-	1,395	1,395
Total liabilities	<u>380</u>	<u>1,395</u>	<u>1,775</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	19,564	-	19,564
Cultural and recreation	640,597	-	640,597
Unassigned	-	(1,395)	(1,395)
Total fund balances	<u>660,161</u>	<u>(1,395)</u>	<u>658,766</u>
Total liabilities and fund balances	<u>\$ 660,541</u>	<u>\$ -</u>	<u>\$ 660,541</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, 2020**

	Tourism Fund	SAFER Fund	Total Nonmajor Governmental Funds
Revenues:			
Other taxes and licenses	\$ 1,582,242	\$ -	\$ 1,582,242
Miscellaneous	17,311	-	17,311
Restricted intergovernmental	-	5,128	5,128
Total revenues	<u>1,599,553</u>	<u>5,128</u>	<u>1,604,681</u>
Expenditures:			
Cultural and recreation	684,568	-	684,568
Public safety	-	2,320	2,320
Debt service:			
Principal	171,667	-	171,667
Interest	<u>6,615</u>	<u>-</u>	<u>6,615</u>
Total expenditures	<u>862,850</u>	<u>2,320</u>	<u>865,170</u>
Revenues over (under) expenditures	736,703	2,808	739,511
Other Financing Sources (Uses):			
Transfers in (out)	<u>(1,380,578)</u>	<u>-</u>	<u>(1,380,578)</u>
Net change in fund balances	(643,875)	2,808	(641,067)
Fund Balances:			
Beginning of year - July 1	<u>1,304,036</u>	<u>(4,203)</u>	<u>1,299,833</u>
End of year - June 30	<u>\$ 660,161</u>	<u>\$ (1,395)</u>	<u>\$ 658,766</u>

TOWN OF MATTHEWS, NORTH CAROLINA

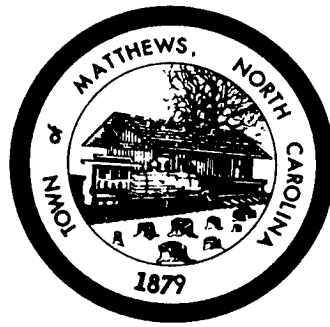
NONMAJOR CAPITAL PROJECT FUND - SAFER GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
SAFER Grant - incentives	\$ 91,990	\$ 36,718	\$ 5,128	\$ 41,846	\$ (50,144)
Expenditures:					
SAFER Grant expenditures	<u>91,990</u>	<u>40,921</u>	<u>2,320</u>	<u>43,241</u>	<u>48,749</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (4,203)</u>	2,808	<u>\$ (1,395)</u>	<u>\$ (1,395)</u>
Fund Balance:					
Beginning of year - July 1			<u>(4,203)</u>		
End of year - June 30			<u>\$ (1,395)</u>		

Special Revenue Fund

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

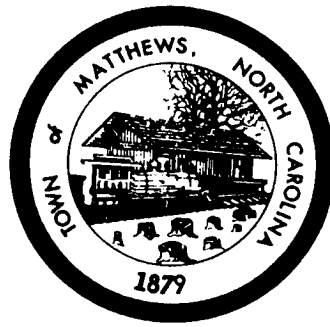
- ❖ ***Tourism*** – This Fund is used to account for the occupancy and prepared food taxes received and expended exclusively for the purpose of promoting the Town's activities and events.
-



TOWN OF MATTHEWS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUND - TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

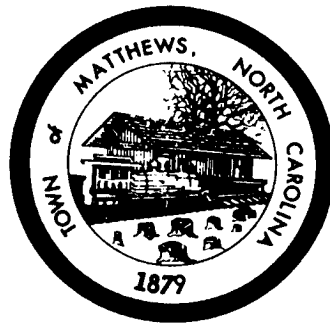
	<u>Budget</u>	<u>Current Year</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Occupancy tax	\$ 525,000	\$ 418,328	\$ (106,672)
Prepared food tax	1,035,000	1,060,318	25,318
Rental car tax	138,000	103,596	(34,404)
Sales and services	-	1,935	1,935
Restricted intergovernmental	186,000	-	(186,000)
Miscellaneous	-	15,376	15,376
Total revenues	<u>1,884,000</u>	<u>1,599,553</u>	<u>(284,447)</u>
Expenditures:			
Cultural and recreation			
Tourism	<u>764,533</u>	<u>684,568</u>	<u>79,965</u>
Debt Service:			
Principal	171,667	171,667	-
Interest	<u>6,615</u>	<u>6,615</u>	<u>-</u>
Total debt service	<u>178,282</u>	<u>178,282</u>	<u>-</u>
Total expenditures	<u>942,815</u>	<u>862,850</u>	<u>79,965</u>
Revenues over (under) expenditures	<u>941,185</u>	<u>736,703</u>	<u>(204,482)</u>
Other Financing Sources (Uses):			
Appropriated fund balance	542,773	-	(542,773)
Transfer to other funds	<u>(1,483,958)</u>	<u>(1,380,578)</u>	<u>103,380</u>
Total other financing sources (uses)	<u>(941,185)</u>	<u>(1,380,578)</u>	<u>(439,393)</u>
Net change in fund balance	<u>\$ -</u>	<u>(643,875)</u>	<u>\$ (643,875)</u>
Fund Balance:			
Beginning of year - July 1		<u>1,304,036</u>	
End of year - June 30		<u>\$ 660,161</u>	



Additional Financial Data

This section contains additional information on property taxes:

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



TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 14,567,253	\$ 14,441,858	\$ 125,395
2018-2019	45,755	-	15,245	30,510
2017-2018	25,618	-	3,637	21,981
2016-2017	25,197	-	1,671	23,526
2015-2016	18,903	-	1,676	17,227
2014-2015	19,742	-	845	18,897
2013-2014	19,498	-	1,548	17,950
2012-2013	20,691	-	862	19,829
2011-2012	21,789	-	464	21,325
2010-2011	77,011	-	289	76,722
2009-2010	25,865	-	25,865	-
Total	\$ 300,069	\$ 14,567,253	\$ 14,493,960	373,362
Less: Allowance for uncollectible accounts				<u>(100,000)</u>
Ad valorem taxes receivable, net				<u>\$ 273,362</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 14,475,189
Reconciling items:				
Penalties and interest collected				(39,519)
Amounts written off due to Statute of Limitations				25,865
Prior year releases and other adjustments				<u>32,425</u>
Total collections and credits				<u>\$ 14,493,960</u>

TOWN OF MATTHEWS, NORTH CAROLINA

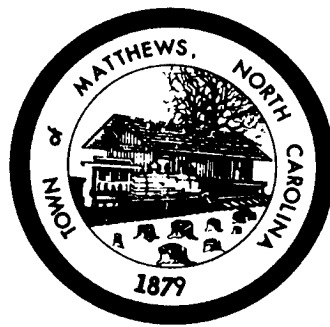
ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	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	\$ 4,682,211,854	\$ 0.2800	\$ 13,110,193	\$ 13,110,193	\$ -
Registered motor vehicles taxed at current year's rate	521,687,079	0.2800	1,460,724	-	1,460,724
Total	5,203,898,933		14,570,917	13,110,193	1,460,724
Abatement:	(1,308,689)	0.2800	(3,664)	(3,664)	-
Total property valuation	\$ 5,202,590,244				
Net Levy			14,567,253	13,106,529	1,460,724
Uncollected taxes at June 30, 2020			(125,395)	(125,395)	-
Current Year's Taxes Collected			\$ 14,441,858	\$ 12,981,134	\$ 1,460,724
Current Levy Collection Percentage			<u>99.14%</u>	<u>99.04%</u>	<u>100.00%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation:					
Assessment ratio ¹					<u>100.00%</u>
Real property				\$ 4,639,916,608	
Personal property				501,660,315	
Public service companies ²				61,013,321	
Total assessed valuation				5,202,590,244	
Tax rate per \$100				0.2800	
Levy (includes discoveries, releases and abatements) ³				\$ 14,567,253	

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

Statistical Section

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



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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government										
Net investment in capital assets	\$ 253,669,319	\$ 254,103,028	\$ 252,890,325	\$ 251,078,195	\$ 249,577,871	\$ 247,699,046	\$ 250,229,589	\$ 249,665,133	\$ 250,632,772	\$ 251,567,133
Restricted	1,954,537	2,102,387	2,129,405	2,075,669	2,994,790	3,189,988	2,384,430	7,790,486	7,862,034	7,149,641
Unrestricted	6,864,385	4,919,787	3,380,706	3,987,056	2,043,074	1,145,628	4,680,683	3,973,415	3,440,253	2,926,238
Total primary government net position	<u>\$ 262,488,241</u>	<u>\$ 261,125,202</u>	<u>258,400,436</u>	<u>\$ 257,140,920</u>	<u>\$ 254,615,735</u>	<u>\$ 252,034,662</u>	<u>\$ 257,294,702</u>	<u>\$ 261,429,034</u>	<u>\$ 261,935,059</u>	<u>\$ 261,643,012</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 5,724,666	\$ 6,058,474	\$ 4,886,735	\$ 5,974,279	\$ 5,218,577	\$ 3,154,459	\$ 3,249,371	\$ 3,391,800	\$ 3,836,104	\$ 5,213,215
Public safety	7,687,273	8,342,632	8,267,422	7,617,603	8,267,556	8,227,291	8,461,648	9,403,531	9,443,085	10,555,505
Public works	2,824,717	3,201,853	3,345,621	2,964,931	3,928,735	5,693,214	3,361,045	2,668,553	3,691,073	4,406,778
Environmental protection	2,426,342	2,393,995	2,657,708	2,753,791	2,596,349	3,956,335	2,428,836	2,353,853	2,452,371	2,642,389
Economic and physical development	429,238	468,470	459,159	407,664	441,604	648,837	480,707	492,603	590,062	621,009
Cultural and recreation	2,662,820	1,546,301	2,434,493	1,554,561	2,051,727	2,706,523	2,412,834	2,270,557	3,666,664	2,633,614
Interest on long term debt	347,316	290,933	230,229	199,494	227,853	84,279	275,271	204,153	192,925	177,933
Total primary government expenses	\$ 22,102,372	\$ 22,302,658	\$ 22,281,367	\$ 21,472,323	\$ 22,732,401	\$ 24,470,938	\$ 20,669,712	\$ 20,785,050	\$ 23,872,284	\$ 26,250,443
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 147,817	\$ 95,080	\$ 110,548	\$ 72,997	\$ 117,670	\$ 73,832	\$ 135,649	\$ 35,146	\$ 107,435	\$ 256,300
Public safety	280,464	442,380	455,113	304,997	342,818	399,189	335,359	352,067	481,648	476,859
Public works	600,363	614,991	613,092	587,099	591,114	605,073	873,397	917,845	889,394	887,265
Economic and physical development	10,960	13,106	10,823	12,852	20,598	20,745	30,323	33,801	24,800	25,577
Cultural and recreation	550,354	726,927	660,049	630,010	765,912	682,195	639,808	831,160	697,018	485,894
Operating grants and contributions:										
General government	2,500	21,447	17,769	-	-	-	-	-	20,000	224,000
Public safety	141,576	140,668	128,576	177,745	426,319	458,290	333,826	382,216	236,647	239,808
Public works	734,541	789,082	741,986	760,750	1,015,454	2,344,439	797,575	787,816	766,582	761,263
Economic and physical development	-	-	-	-	-	-	-	-	-	30,000
Cultural and recreation	20,000	1,300,734	20,000	20,867	21,575	25,164	24,957	25,789	355,943	17,536
Capital grants and contributions:										
General government	522,475	499,875	481,550	473,388	450,063	432,063	408,238	232,800	-	179,200
Cultural and recreation	176,131	270,403	184,250	125,616	-	115,262	94,340	30,000	-	452,090
Public works	5,307	-	-	-	-	-	3,183,996	1,273,976	-	-
Environmental protection	-	-	88,184	300,204	-	-	39,008	-	-	-
Economic and physical development	-	-	-	-	-	-	-	36,433	-	-
Public safety	208,884	28,624	84,831	-	158,344	-	148,169	96,733	117,158	19,530
Total governmental activities program revenues	\$ 3,401,372	\$ 4,943,317	\$ 3,596,771	\$ 3,466,525	\$ 3,909,867	\$ 5,156,252	\$ 7,044,645	\$ 5,035,782	\$ 3,696,625	\$ 4,055,322
Net (expense)/revenue										
Total governmental activities net (expense)/revenue	\$ (18,701,000)	\$ (17,359,341)	\$ (18,684,596)	\$ (18,005,798)	\$ (18,822,534)	\$ (19,314,686)	\$ (13,625,067)	\$ (15,749,268)	\$ (20,175,659)	\$ (22,195,121)

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 10,407,387	\$ 10,737,237	\$ 10,558,073	\$ 11,104,878	\$ 10,950,151	\$ 11,704,515	\$ 12,202,765	\$ 12,823,206	\$ 13,000,503	\$ 14,548,483
Local option sales tax	1,987,038	2,223,793	2,200,892	2,351,106	2,689,154	2,858,263	3,009,254	3,235,022	3,535,900	3,554,185
Utility franchise and excise tax	1,663,936	1,647,936	1,658,201	1,612,584	1,880,322	1,900,294	1,915,072	1,920,415	1,948,439	1,837,235
Other taxes and licenses	1,214,920	1,381,967	1,539,463	1,676,761	1,764,629	1,663,635	1,704,022	1,736,832	1,822,352	1,728,924
Unrestricted investment earnings	14,394	5,369	3,201	953	1,583	23,873	53,994	168,125	374,490	234,247
Total governmental activities general revenues	\$ 15,287,675	\$ 15,996,302	\$ 15,959,830	\$ 16,746,282	\$ 17,285,839	\$ 18,150,580	\$ 18,885,107	\$ 19,883,600	\$ 20,681,684	\$ 21,903,074
Change in Net Position										
Governmental activities	(3,413,325)	(1,363,039)	(2,724,766)	(1,259,516)	(1,536,695)	(1,164,106)	5,260,040	4,134,332	506,025	(292,047)
Net position-beginning	265,901,566	262,488,241	261,125,202	258,400,436	257,140,920	254,615,735	253,451,629	257,294,702	261,429,034	261,935,059
Prior period adjustment	-	-	-	-	(988,490)	-	(1,416,967)	-	-	-
Net position-ending	\$ 262,488,241	\$ 261,125,202	\$ 258,400,436	\$ 257,140,920	\$ 254,615,735	\$ 253,451,629	\$ 257,294,702	\$ 261,429,034	\$ 261,935,059	\$ 261,643,012

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Non-spendable:										
Long term note receivable	\$ -	\$ -	\$ -	\$ -	\$ 91,249	\$ 91,249	\$ 91,249	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	789,563	833,195	679,477	569,220
Prepays	117,183	89,509	47,581	88,311	8,125	91,302	109,395	4,049	113,950	114,980
Stabilization by State Statute	1,768,485	2,038,137	1,274,173	1,155,907	1,884,154	1,495,007	1,448,094	1,577,609	1,522,715	1,529,483
Total Restricted and Non-spendable	\$ 1,885,668	\$ 2,127,646	\$ 1,321,754	\$ 1,244,218	\$ 1,983,528	\$ 1,677,558	\$ 2,438,301	\$ 2,414,853	\$ 2,316,142	\$ 2,213,683
Assigned:										
Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,561	\$ 674,739	\$ 989,236	\$ 693,350	\$ 395,777
Environmental Protection	439,259	124,125	221,342	221,564	171,147	233,516	347,596	490,365	612,207	650,002
Culture and Recreation	-	-	14,743	17,769	-	-	105,418	59,526	118,854	113,555
Public Safety	-	-	5,000	4,400	-	200,000	-	-	-	-
Assigned for subsequent years' expenditures	-	-	-	-	-	-	-	-	1,350,000	-
Committed for vehicle lease payments	-	-	-	-	-	-	-	-	-	307,171
Unassigned	6,256,757	4,780,735	4,509,548	5,284,320	5,711,145	5,849,455	5,940,445	7,527,093	6,794,232	7,320,281
Total General Fund	\$ 8,581,684	\$ 7,032,506	\$ 6,072,387	\$ 6,772,271	\$ 7,865,820	\$ 8,489,090	\$ 9,506,499	\$ 11,481,073	\$ 11,884,785	\$ 11,000,469
All Other Governmental Funds										
Nonmajor Funds	\$ 1,886,531	\$ 2,100,789	\$ 122,366	\$ 258,133	\$ 634,810	\$ 786,538	\$ 966,720	\$ 1,181,289	\$ 1,231,319	\$ 639,202
Windsor Run Improvements Fund	-	-	-	-	-	-	3,060,000	4,110,000	4,113,038	4,035,901
Capital Improvements Fund	(812,805)	(961,263)	595,660	344,354	4,577,931	1,326,081	984,225	2,263,048	1,133,725	1,960,693
Stabilization by State Statute	186,052	64,250	137,206	317,275	74,068	908,443	146,773	81,263	135,138	198,696
Total all other governmental funds	\$ 1,259,778	\$ 1,203,776	\$ 855,232	\$ 919,762	\$ 5,286,809	\$ 3,021,062	\$ 5,157,718	\$ 7,635,600	\$ 6,613,220	\$ 6,834,492

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Ad valorem taxes	\$ 10,387,932	\$ 10,723,296	\$ 10,549,248	\$ 11,124,085	\$ 11,024,527	\$ 11,721,142	\$ 12,241,089	\$ 12,904,108	\$ 13,014,214	\$ 14,475,189
Other taxes and licenses	4,862,628	5,249,384	5,368,672	5,640,564	6,315,986	6,338,605	6,673,806	6,935,572	7,296,997	7,087,481
Unrestricted intergovernmental	183,995	176,420	173,481	194,307	218,473	244,817	244,203	254,773	260,335	275,033
Restricted intergovernmental	1,638,210	2,811,646	1,598,464	1,694,058	1,869,484	3,197,816	4,825,777	2,628,571	1,318,096	1,585,672
Permits and fees	15,000	15,000	15,000	15,000	15,000	-	30,000	15,000	-	-
Sales and services	1,381,518	1,738,614	1,661,044	1,451,133	1,564,049	1,576,179	1,722,325	1,935,578	1,918,214	1,701,099
Unrestricted investment earnings	14,394	5,369	3,201	953	1,583	23,873	53,994	168,125	374,490	234,247
Miscellaneous	182,650	201,637	148,782	112,027	242,861	137,440	222,340	201,860	199,980	314,318
Total revenues	18,666,327	20,921,366	19,517,892	20,232,127	21,251,963	23,239,872	26,013,534	25,043,587	24,382,326	25,673,039
Expenditures										
General government	2,000,166	2,206,358	1,971,785	3,314,435	3,504,431	3,743,059	3,112,695	3,223,523	3,576,140	3,764,772
Public safety	7,920,797	7,916,773	7,784,385	6,819,301	7,451,486	7,612,182	8,598,187	9,634,228	9,465,079	10,046,127
Public works	2,582,977	3,087,343	3,065,216	2,970,740	4,295,617	6,089,589	3,570,159	2,884,066	3,913,021	5,941,004
Environmental Prot.	2,426,342	2,393,995	2,657,708	2,753,791	2,596,349	3,956,335	2,428,836	2,353,853	2,452,371	2,642,389
Economic and physical development	413,921	457,534	450,559	405,926	439,866	647,099	478,969	490,865	609,114	619,581
Culture and recreation	3,060,755	3,006,010	3,153,295	1,599,783	1,964,172	2,648,999	2,446,567	2,413,065	3,663,542	2,739,315
Debt service:										
Principal	1,697,813	3,251,250	1,525,812	1,441,855	1,222,951	1,496,271	1,792,796	1,110,142	1,181,049	1,080,011
Interest	347,315	290,933	230,229	182,509	136,895	270,590	231,767	189,474	196,704	188,945
Total expenditures	20,450,086	22,610,196	20,838,989	19,488,340	21,611,767	26,464,124	22,659,976	22,299,216	25,057,020	27,022,144
Excess of revenues over (under) expenditures	(1,783,759)	(1,688,830)	(1,321,097)	743,787	(359,804)	(3,224,252)	3,353,558	2,744,371	(674,694)	(1,349,105)
Other financing sources (uses)										
Debt issued, note payable	-	-	-	-	5,700,000	1,580,982	405,000	1,654,242	-	670,723
Debt issued, refunding bonds	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	5,364	25,224	12,434	20,627	13,268	793	54,497	53,823	56,046	15,338
Premium Issued	-	-	-	-	107,132	-	-	-	-	-
Total other financing sources (uses)	5,364	25,224	12,434	20,627	5,820,400	1,581,775	459,497	1,708,065	56,046	686,061
Net change in fund balances	\$ (1,778,395)	\$ (1,663,606)	\$ (1,308,663)	\$ 764,414	\$ 5,460,596	\$ (1,642,477)	\$ 3,813,055	\$ 4,452,436	\$ (618,648)	\$ (663,044)
Debt services as a percentage of noncapital expenditures	<u>11.24%</u>	<u>17.40%</u>	<u>9.45%</u>	<u>8.68%</u>	<u>6.56%</u>	<u>7.37%</u>	<u>9.92%</u>	<u>6.56%</u>	<u>6.30%</u>	<u>5.50%</u>

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

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate
2011	2,806,610,526	313,763,609	47,946,669	3,168,320,804	0.3325
2012	3,231,592,066	353,519,669	60,470,721	3,645,582,456	0.3025
2013	3,152,285,289	353,834,050	61,915,728	3,568,035,067	0.3025
2014	3,163,106,142	402,027,411	58,145,502	3,623,279,055	0.3175
2015	3,157,719,370	315,172,778	54,898,403	3,527,790,551	0.3175
2016	3,420,999,118	122,199,176	52,649,942	3,595,848,236	0.3400
2017	3,137,166,765	413,551,699	50,628,889	3,601,347,353	0.3400
2018	3,313,033,824	412,721,293	54,056,354	3,779,811,471	0.3400
2019	3,233,194,502	428,403,974	40,264,758	3,701,863,234	0.3550
2020	4,639,916,608	501,660,315	61,013,321	5,202,590,244	0.2800

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

Fiscal Year	Town of Matthews		Mecklenburg County		Total Direct and Overlapping Rate
	Operating Rate	Total Direct Rate	Operating Rate	Total Direct Rate	
2011	0.3325	0.3325	0.8387	0.8387	1.1712
2012	0.3025	0.3025	0.8166	0.8166	1.1191
2013	0.3025	0.3025	0.7922	0.7922	1.0947
2014	0.3175	0.3175	0.8157	0.8157	1.1332
2015	0.3175	0.3175	0.8157	0.8157	1.1332
2016	0.3400	0.3400	0.8157	0.8157	1.1557
2017	0.3400	0.3400	0.8157	0.8157	1.1557
2018	0.3400	0.3400	0.8157	0.8157	1.1557
2019	0.3550	0.3550	0.8232	0.8232	1.1782
2020	0.2800	0.2800	0.6169	0.6169	0.8969

Source Mecklenburg County tax department

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

		Fiscal Year 2020		Percentage of Total Taxable Assessed	Fiscal Year 2011		
		Taxable Assessed	Rank		Taxable Assessed	Rank	Percentage of Total Taxable Assessed
Taxpayer	Type of Business	Value	Rank	Value	Value	Rank	Value
Windsor Run, LLC	Retirement Village	92,154,900	1	1.77%			
Acts Retirement Life Communities, Inc - 606 Birch View	Retirement Village	66,816,400	2	1.28%			
Acts Retirement Life Communities, Inc - 737 Plantation Estates	Retirement Village	62,686,300	3	1.20%			
Th Property Owner 4 LP	Apartment complex	47,955,700	4	0.92%			
IA Matthews Sycamore Commons, LLC	Retail/shopping center	44,273,100	5	0.85%	45,167,200	4	1.43%
Fountains Matthews Holdings, LLC	Appartment Complex	40,140,700	6	0.77%			
RRE Matthews Reserve Holdings LLC	Apartment complex	31,694,200	7	0.61%			
Windsor Landing Investments LLC	Apartment complex	30,567,700	8	0.59%			
WMCi Charlotte VIII LLC	Retail/shopping center	30,431,700	9	0.58%			
Mid America Apartments (Colonial Village)	Apartment Complex	30,415,500	10	0.58%			
SC Windsor Associates, LP	Retail/shopping center				64,448,345	1	2.03%
Family Dollar, Inc	Corporate headquarters				55,786,910	2	1.76%
Adult Communities Total Services, Inc.	Retirement Village				51,277,500	3	1.62%
Windstream (formerly Alltel Carolina)	Communications headquarters				24,566,257	5	0.66%
Duke Energy Corp	Utilities				23,420,264	6	0.74%
1450 Matthews Township Parkway LP	Medical Office Complex				22,956,100	7	0.72%
Matthews Center Associates	Commercial land developers				21,747,700	8	0.59%
Verizon Wireless	Telecommunications				21,617,343	9	0.68%
Lowe's Home Centers	Retail/home improvement				21,084,199	10	0.57%
		<u>\$ 477,136,200</u>		<u>9.17%</u>	<u>\$ 352,071,818</u>		<u>10.80%</u>

Source: Mecklenburg County Office of the Tax Collector

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

Fiscal Year Ended June 30	Total Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
	(Original Year)	Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2011	\$ 10,398,332	\$ 10,174,665	97.85%	\$ 155,530	\$ 10,330,195	99.34%
2012	10,657,838	10,463,066	98.17%	181,237	10,644,303	99.87%
2013	10,645,625	10,453,998	98.20%	179,440	10,633,438	99.89%
2014	11,503,911	11,365,307	98.80%	125,970	11,491,277	99.89%
2015	11,200,735	11,149,083	99.54%	32,789	11,181,872	99.83%
2016	12,225,884	12,168,633	99.53%	40,024	12,208,657	99.86%
2017	12,244,581	12,189,898	99.55%	31,156	12,221,054	99.81%
2018	12,851,359	12,805,465	99.64%	23,913	12,829,378	99.83%
2019	13,141,614	13,095,859	99.65%	15,245	13,111,104	99.77%
2020	14,567,253	14,441,858	99.14%	-	14,441,858	99.14%

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

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita ⁽¹⁾	Percentage of Personal Income ⁽¹⁾
2011	\$ 2,625,000	0.08%	96	0.33%
2012	2,215,000	0.06%	81	0.24%
2013	1,810,000	0.05%	64	0.19%
2014	1,400,000	0.04%	48	0.15%
2015	6,500,000	0.18%	216	0.66%
2016	5,805,000	0.16%	193	0.58%
2017	5,120,000	0.14%	169	0.48%
2018	4,600,000	0.12%	149	0.40%
2019	4,300,000	0.12%	132	0.35%
2020	4,000,000	0.08%	121	0.31%

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See Table of Demographic and Economic Statistics for personal income and population data

**Town of Matthews, North Carolina
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Total Primary Government	Per Capita	Percentage of Per Capita Income
	General Obligation Bonds	Notes Payable			
2011	\$ 2,625,000	\$ 7,780,741	\$ 10,405,741	381	1.31%
2012	2,215,000	4,997,917	7,212,917	264	0.77%
2013	1,810,000	3,877,105	5,687,105	200	0.59%
2014	1,400,000	2,845,250	4,245,250	144	0.44%
2015	6,500,000	2,222,299	8,722,299	290	0.88%
2016	5,805,000	3,002,010	8,807,010	293	0.88%
2017	5,120,000	2,299,214	7,419,214	244	0.69%
2018	4,600,000	3,363,314	7,963,314	258	0.70%
2019	4,300,000	2,672,717	6,972,717	214	0.56%
2020	4,000,000	2,563,429	6,563,429	198	0.50%

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Town of Matthews, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<i>Towns:</i>			
Matthews (1)	\$ <u>6,563,429</u>	100.00%	\$ <u>6,563,429</u>
<i>Counties:</i>			
Mecklenburg County (2)	\$ <u>1,711,962,003</u>	2.69%	<u>46,051,778</u>
Total direct and overlapping debt	\$ <u><u>1,718,525,432</u></u>		\$ <u><u>52,615,207</u></u>

Sources:

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

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed Value of Property	\$ 3,127,317,895	\$ 3,523,252,231	\$ 3,519,214,876	\$ 3,623,279,055	\$ 3,527,790,551	\$ 3,595,848,236	\$ 3,601,347,353	\$ 3,780,935,882	\$ 3,701,863,234	\$ 5,202,590,244
Debt Limit, 8% of Assessed value (Statutory Limitation)	250,185,432	281,860,178	281,537,190	289,862,324	282,223,244	287,667,859	288,107,788	302,474,871	296,149,059	416,207,220
Debt applicable to debt limitations:										
Total bonded debt	2,625,000	2,215,000	1,810,000	1,400,000	6,500,000	5,805,000	5,120,000	4,600,000	4,300,000	4,000,000
Debt not evidenced by bonds	7,780,741	4,997,917	3,877,105	2,845,250	2,222,299	3,002,010	2,299,214	3,363,314	2,672,717	2,563,429
Total debt applicable to limitations	10,405,741	7,212,917	5,687,105	4,245,250	8,722,299	8,807,010	7,419,214	7,963,314	6,972,717	6,563,429
Legal debt limit	239,779,691	274,647,261	275,850,085	285,617,074	273,500,945	278,860,849	280,688,574	294,511,557	289,176,342	409,643,791
Total net debt applicable to the limit as a percentage of debt limit	<u>4.16%</u>	<u>2.56%</u>	<u>2.02%</u>	<u>1.46%</u>	<u>3.09%</u>	<u>3.06%</u>	<u>2.58%</u>	<u>2.63%</u>	<u>2.35%</u>	<u>1.58%</u>

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

Fiscal Year	Population	Total Personal Income	Per Capita Personal Income	Public School Enrollment	Unemployment Rate	Town Median Family Income	Median Age
2011	27,326	\$ 67,712,169	\$ 28,972	6,061	7.70%	\$ 67,796	35.7
2012	27,326	-	34,235	5,765	8.10%	70,742	35.9
2013	28,403	-	33,728	4,900	6.00%	68,608	38.4
2014	29,464	-	32,728	5,948	5.20%	67,791	40.3
2015	30,030	-	32,945	6,031	5.15%	67,581	40.7
2016	30,010	-	33,214	5,595	4.80%	66,859	41.5
2017	30,359	-	35,191	5,613	3.80%	71,361	42.6
2018	30,849	-	37,105	5,584	3.90%	75,205	43.6
2019	32,635	-	38,118	5,672	4.10%	76,007	43.3
2020	33,138	-	39,379	6,103	7.50%	78,971	43.5

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

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

	2020		2011	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Harris Teeter	1563	1	667	3
Novant Health - Matthews	1239	2	950	2
Family Dollar Stores	425	3	1,700	1
Plantation Estates	425	4	119	5
Costco Wholesale Inc.	265	5	75	8
Lowe's	191	6	60	10
Sam's Club	154	7	115	6
Town of Matthews	152	8	133	4
Home Depot	138	9	70	9
Stronghaven Container, Inc	80	10	89	7

Employers provide the number of employees

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
General government	11	11	11	10	11	11	11	11	11	11
Public safety	81	81	78	87	86	86	86	89	97	101
Public works	29	29	31	31	31	31	31	32	32	27
Economic & phy. development	5	5	6	6	6	6	6	6	6	6
Cultural and recreation	7	7	8	7	7	7	7	7	7	7
Total	133	133	134	141	141	141	141	145	153	152

Note: This schedule represents number of positions appropriated for as of July 1 of each fiscal year.

Source: Town Finance Department

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

Functional Area	FISCAL YEAR									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Tax collection rate	97.85%	98.17%	98.20%	98.80%	99.54%	99.53%	99.55%	99.64%	99.74%	99.14%
Culture and Recreation										
Attendance at all events/programs/classes	149,661	152,864	158,911	163,473	170,924	172,593	179,324	182,124	192,230	24,100
Total of events/programs/classes	-	-	478	448	461	493	512	487	831	1,224
Public Safety										
Calls for service	31,396	39,379	22,324	30,930	42,500	45,045	43,291	44,911	53,978	68,015
Arrests	804	1,538	1,335	1,708	2,262	1,601	1,642	1,725	933	1,116
Citations Issued	4,713	5,662	3,891	4,259	3,814	2,997	3,027	13,954	7,871	5,972
Fire and other non-medical runs	-	731	1,016	1,022	1,141	1,297	2,004	1,540	1,510	1,184
EMS calls	1,867	1,106	1,840	1,862	2,006	2,039	1,194	2,133	2,425	2,287
EMS response time (min)	-	5:28	5:55	5:41	5:51	5:43	5:25	6:14	6:34	5:58
Public Works										
Miles of Streets/Sidewalks										
Town-maintained	95.97	97.66	97.79	97.79	97.87	97.95	98.94	99.83	99.83	99.73
Sidewalks	66	66	68	68	69	69	70	71	104	104
Economic and Physical Development										
Building Permit Activity	341	315	444	361	398	335	345	484	388	450
Taxable Value of Permits Issued	\$ 11,551,888	\$ 17,491,633	\$ 21,565,301	\$ 22,012,697	\$ 38,424,823	\$ 89,158,925	\$ 30,780,455	\$ 59,790,007	\$99,835,274	\$140,345,448

Sources: Annual reports from various departments of the Town; the tax collection rate is from the Mecklenburg County tax office

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Function/Program</u>										
Parks and recreation										
Community/Art centers	1	1	2	2	2	2	2	2	2	2
Park facility	6	7	8	8	8	8	8	8	11	11
Park acreage	44	45	45.5	45.5	45.5	46	46	46	59.5	74.0
Recreation center	1	1	1	1	1	1	1	1	1	1
Greenway	1	1	1	1	1	1	1	1	1	2
Libraries	1	1	1	1	1	1	1	1	1	1
Fire protection										
Stations	2	2	2	2	2	2	2	2	2	2
Volunteer Fire/EMS	75	65	69	62	61	60	55	55	63	57
Paid personnel	9	9	9	16	16	16	16	17	27	27
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sworn officers	59	59	59	58	59	58	58	58	59	63
Civilians - Full-time	12	10	11	8	8	8	8	10	18	20
Civilians - Part-time	10	13	14	11	11	11	11	11	3	1
Patrol vehicles - marked	51	53	53	53	53	53	55	58	57	54
Patrol vehicles - unmarked	18	15	18	18	18	18	19	22	29	27
Public Works										
Town - maintained streets	95.97	97.66	97.79	97.79	97.87	97.95	98.94	99.83	99.83	99.73
Sidewalks	66	66	68	68	69	69	70	71	104	104

Sources: Asset records for departments of the Town

Compliance Section

- ❖ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - ❖ Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act
 - ❖ Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act
 - ❖ Schedule of Findings, Responses, and Questioned Costs
 - ❖ Corrective Action Plan
 - ❖ Schedule of Prior Year Audit Findings
 - ❖ Schedule of Expenditures of Federal and State Awards
-



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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, 2020, 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 11, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Matthews' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Matthews' financial statements are free 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town'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 11, 2020, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is February 28, 2022.

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Matthews, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Matthews' major federal programs for the year ended June 30, 2020. The Town of Matthews' major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Matthews complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

As discussed in Note 5 to the Schedule of Expenditures of Federal and State Awards, the schedule was restated to increase CFDA No. 20.205 expenditures by \$112,800. Finding number 2020-001 was added as a result of this restatement. The previously issued auditor's report dated November 11, 2020 is not to be relied upon due to the restatement of the Schedule of Expenditures of Federal and State Awards. Audit procedures applied subsequent to the original audit report date were limited solely to the restatement of the Schedule of Expenditures of Federal and State Awards. Our opinion on each major federal program is not modified as a result of this restatement.

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The Town of Matthews' response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Town of Matthews' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Matthews' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings, Responses and Questioned Costs as Finding 2020-001 that we consider to be a material weakness.

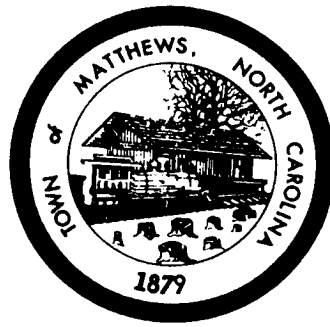
The Town of Matthews' response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Town of Matthews' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Martin Starnes & Associates, CPAs, P.A.

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

November 11, 2020, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is February 28, 2022.



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Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the 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, 2020. 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, 2020.

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 11, 2020, except for the restated Schedule of Expenditures of Federal and State Awards and notes to the Schedule of Expenditures of Federal and State Awards, for which the date is February 28, 2022.

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None reported

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
CDBG - Entitlement Grant Cluster	14.218
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083
Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	No

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the State Single Audit
Implementation Act?

No

Identification of major state programs:

Program Name

Powell Bill

2. Financial Statement Findings

None reported.

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

3. Federal Award Findings and Questioned Costs

Material Weakness

Non-Compliance

Finding 2020-001

Criteria: In accordance with 2 CFR 200 and the State Single Audit Implementation Act, an auditee must prepare a complete and accurate Schedule of Expenditures of Federal and State Awards for the period covered by the auditee's financial statements.

Condition: Subsequent to the issuance of the Town's single audit reporting package for the year ended June 30, 2020, the Town discovered that expenditures for the Highway Planning and Construction Cluster (CFDA No. 20.205) were incorrectly reported. The amount excluded from the cluster was material, resulting in a restatement of the Schedule of Expenditures of Federal and State Awards and a submission of the data collection form reporting package is required.

Effect: Recall and reissue the 2020 Single Audit and submit the required data collection form reporting package.

Cause: Expenditures that were made in 2020 were not claimed for reimbursement until 2021.

Recommendation: Management should reconcile all grant awards and expenditures involving both federal and state awards to the grant document and reimbursement request for proper classification of expenditures.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding and will adhere to the correction action plan on page 98 in this audit report.

4. State Award Findings and Questioned Costs

None reported.

TOWN OF MATTHEWS, NORTH CAROLINA

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

Finding: 2020-001

Name of Contact Person: Teresa Fulk, Finance Director

Corrective Action: Management has put a system in place to review all federal and state grant awards and properly classify each funding source. All grants will be reconciled to the grant documents using the reimbursement requests.

Proposed Completion Date: February 28, 2022

TOWN OF MATTHEWS, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Finding: 2019-001

Status: Corrected.

TOWN OF MATTHEWS, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2020

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 Housing and Urban Development Passthrough Mecklenburg County CDBG - Entitlement Grant Cluster					
Total Community Development Block Grants/Entitlement Grants	14.218	31697805	\$ 245,043	\$ -	\$ -
Total CDBG - Entitlement Grant Cluster			<u>245,043</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice: Direct Program - Equitable Sharing Program	16.922		<u>9,732</u>	<u>-</u>	<u>-</u>
U.S. Department of Treasury: Passthrough Mecklenburg County COVID-19 / Coronavirus Relief Fund	21.019		<u>184,000</u>	<u>-</u>	<u>-</u>
U.S. Department of Transportation: Passed-Through the North Carolina Department of Transportation: Highway Planning and Construction Cluster					
Highway Planning and Construction	20.205	46429.1.1	112,800	-	-
Passed-Through Charlotte Regional Transportation Planning Organization: Highway Planning and Construction	20.205	U-4713B	<u>107,173</u>	<u>-</u>	<u>-</u>
Total Highway Planning and Construction Cluster			<u>219,973</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security: Direct Program - Staffing for Adequate Fire and Emergency Response (SAFER) - Salary	97.083		92,661	-	-
Staffing for Adequate Fire and Emergency Response (SAFER) - Incentives	97.083		<u>2,320</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>94,981</u>	<u>-</u>	<u>-</u>
Executive Office of the President Direct Program - High Intensity Drug Trafficking Areas Program	95.001		<u>331</u>	<u>-</u>	<u>-</u>
Total federal expenditures			<u>754,060</u>	<u>-</u>	<u>-</u>
State Programs:					
N.C. General Assembly: Crestdale Road Grant		5866-J	-	48,665	-
N.C. Department of Transportation: Powell Bill		DOT-4	-	890,616	-
Total federal expenditures			<u>\$ 754,060</u>		
Total state expenditures				<u>\$ 939,281</u>	<u>\$ -</u>

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Matthews under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. 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.

Note 3 - Indirect Cost Rate

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

Note 4 - Coronavirus Relief Funds

The Town of Matthews received \$184,000 of funding from the Coronavirus Relief Fund (21.019) from Mecklenburg County. Municipalities are considered subrecipients of the counties. CRF must be spent during the period March 1, 2020 to December 30, 2020.

Note 5 - Restatement

The Town has restated its original Schedule to increase expenditures reported under CFDA No. 20.205 by \$112,800.