



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2009

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FOR THE YEAR ENDED JUNE 30, 2009

"PRIDE IN OUR PAST, FAITH IN OUR FUTURE"



**Prepared by
Heather N. Taylor, Finance Officer**



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**Town of Fletcher, North Carolina
Financial Report
For the Year Ended June 30, 2009**

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FINANCIAL SECTION



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- Independent Auditors' Report -

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of the Town of Fletcher, North Carolina (the Town), as of and for the year ended June 30, 2009, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. We did not audit the financial statements of the Town of Fletcher ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Fletcher ABC Board, is based solely on the report of other auditors.

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 basic financial statements are free of material misstatement. The financial statements of the Town of Fletcher ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other audit provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
Page Two

As described in Note 12 to the financial statements, the Town restated beginning net assets for governmental activities and fund balance in the General Fund to correct an under-statement of revenue in the prior year.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers Special Separation Allowance Schedule of Funding Progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

September 30, 2009

Dixon Hughes PLLC

Management's Discussion and Analysis

As management of the Town of Fletcher (the Town), we offer readers of the Town of Fletcher's financial statements this narrative overview and analysis of the financial activities of the Town of Fletcher for the fiscal year ended June 30, 2009. 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

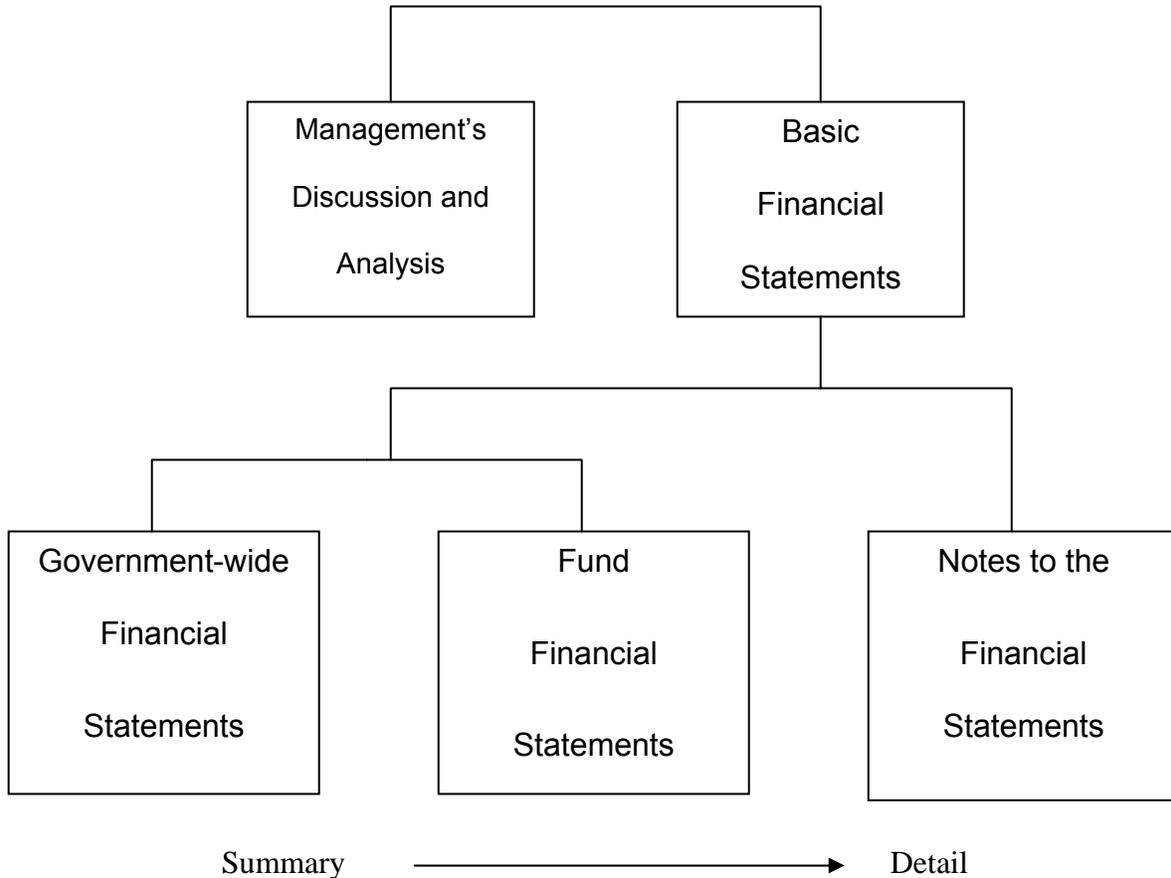
- The assets of the Town of Fletcher *exceeded* its liabilities at the close of the fiscal year by \$6,904,549 (*net assets*).
- The government's total net assets *increased* by \$176,577, due to an *increase* in the *governmental type* activities net assets.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,783,448, an increase of \$1,780 in comparison with the prior year. Approximately thirty-one percent of this total amount, or \$557,133, is available for spending at the government's discretion (**unreserved fund balance**).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). 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.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town 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 those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. 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 financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The final category is the component unit. Although legally separate from the Town, the Fletcher ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Exhibits 3 and 5) 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, 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 are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most 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 government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund and Capital Reserve 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 are on pages 11-31 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’s progress in funding its obligation to provide pension benefits to law enforcement officers. Required supplementary information can be found beginning on page 33 of this report.

Town of Fletcher, Net Assets

Figure 2

| | Governmental | |
|---|---------------------|-------------------------|
| | Activities | |
| | June 30 | |
| | 2009 | 2008 as restated |
| Current Assets | \$ 1,960,083 | \$ 1,938,359 |
| Capital Assets | 5,800,274 | 5,798,816 |
| Total Assets | 7,760,357 | 7,737,175 |
| Current Liabilities | 261,620 | 270,856 |
| Long-Term Liabilities | 594,188 | 738,347 |
| Total Liabilities | 855,808 | 1,009,203 |
| Investment in Capital Assets, Net of Related Debt | 5,061,085 | 4,913,364 |
| Restricted Net Assets | 680,901 | 704,316 |
| Unrestricted Net Assets | 1,162,563 | 1,110,292 |
| Total Net Assets | \$ 6,904,549 | \$ 6,727,972 |

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$6,904,549 as of June 30, 2009. The Town's net assets *increased* by \$176,577 for the fiscal year ended June 30, 2009. However, the largest portion (73%) 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment 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. Unrestricted net assets totaled \$1,162,563.

Several particular aspects of the Town's financial operations positively influenced the unrestricted portion of net assets:

- The Town continued its diligence in the collection of property taxes by attaining a tax collection percentage of 98.03%, which is comparable to the 2008 statewide average of 97.97%.
- The Town offers an on-line method of payment of taxes. This is a relatively new service that is in its third year of being available to taxpayers. The increase in the utilization of this option has helped to increase the Town's collection rate.
- Another factor that has contributed to the increase in the Town's collection rate this past year is the availability of installment payments. The Tax Office has been active in setting up weekly, bi-weekly, and monthly payment arrangements with individuals who need this option to avoid going into delinquency.
- During the fiscal year ended June 30, 2009, the Town determined that certain unrestricted intergovernmental revenues that were subject to accrual in the General Fund as of June 30, 2008, on a modified accrual basis of account, had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals. The net effect of beginning fund balance by \$91,802. These revenues were also not properly accrued in the government-wide statements; therefore beginning net assets also increased by \$91,802.

Town of Fletcher's Change in Net Assets
Figure 3

| | Governmental | |
|---|----------------------------|----------------------------|
| | Activities | |
| | Years Ended June 30 | |
| | 2009 | 2008 |
| Revenues | | |
| Program Revenues: | | |
| Charges for Service | \$ 139,950 | \$ 142,647 |
| Operating Grants and Contributions | 196,550 | 240,735 |
| General Revenues: | | |
| Property Taxes | 2,581,850 | 2,479,205 |
| Other Taxes | 973,979 | 1,266,951 |
| Grants and Contributions not Restricted to Specific Programs | 673,598 | 767,091 |
| Other | 57,036 | 92,346 |
| | <u>4,622,963</u> | <u>4,988,975</u> |
| Expenses | | |
| General Government | 864,714 | 1,020,003 |
| Public Safety | 1,979,612 | 1,774,856 |
| Transportation | 942,209 | 859,756 |
| Economic and Physical Development | 261,910 | 398,072 |
| Cultural and Recreation | 397,941 | 433,270 |
| | <u>4,446,386</u> | <u>4,485,957</u> |
| Change in Net Assets | <u>176,577</u> | <u>503,018</u> |
| Net Assets, Beginning, as previously reported | 6,727,972 | 6,133,152 |
| Prior Period Adjustment | - | 91,802 |
| Net Assets, Beginning, as restated | <u>6,727,972</u> | <u>6,224,954</u> |
| Net Assets, Ending | <u><u>\$ 6,904,549</u></u> | <u><u>\$ 6,727,972</u></u> |

Governmental Activities – Governmental activities increased the Town’s net assets by \$176,577.

Key elements of this increase are as follows:

- Tax revenues remained steady.
- Renegotiated ABC Board contract which increased revenues.

Financial Analysis of the Town’s Funds

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

Governmental Funds – The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town’s financing requirements. Specifically, unreserved fund balance 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. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$557,135, while total fund balance reached \$1,684,404. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents twelve percent of total General Fund expenditures, while total fund balance represents thirty-six percent of the same amount. The fund balance available for appropriation of other North Carolina cities of similar size is sixty-five percent.

General Fund Budgetary Highlights – During the fiscal year, the Town revised the budget on four 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) increases in appropriations that become necessary to maintain services.

- An amendment was made to denote installment financing purchase for a Public Works Brush Truck in Other Financing Sources.
- An amendment was made to create the Capital Reserve Fund Budget.
- An amendment was made to record the transfer from the General Fund.
- An amendment was made to decrease certain expenditure accounts to increase appropriations in Powell Bill for current year maintenance, Fletcher Fire prior year adjustment to pay out underpayment from prior year, and other expenditure accounts to keep within budgetary requirements.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2009 and 2008, totaled \$5,800,274 and \$5,798,816, respectively (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Acquisition of brush truck of \$68,662.
- Acquisition of new dump truck of \$24,150.
- Acquisition of new police vehicles of \$42,216.

Capital asset disposals for the year ended June 30, 2009 included vehicles totaling \$84,141.

Town of Fletcher's Capital Assets
Figure 4

| | Governmental Activities | |
|----------------------------|------------------------------------|---------------------|
| | June 30 | |
| | 2009 | 2008 |
| Land | \$ 2,546,961 | \$ 2,546,961 |
| Land Improvements | 2,079,317 | 2,079,317 |
| Buildings and Improvements | 802,116 | 832,340 |
| Equipment and Furniture | 129,373 | 146,129 |
| Vehicles | 242,507 | 194,069 |
| Total | <u>\$ 5,800,274</u> | <u>\$ 5,798,816</u> |

Additional information on the Town’s capital assets can be found in note 4 of the Basic Financial Statements.

Long-term Debt – As of June 30, 2009, the Town’s long-term debt consisted of installment purchase contracts and compensated absences.

Town of Fletcher's Outstanding Debt
Figure 5

| | Governmental Activities | |
|--------------------------------|------------------------------------|-------------|
| | June 30 | |
| | 2009 | 2008 |
| Installment Purchase Contracts | \$ 739,189 | \$ 885,454 |
| Compensated Absences | 63,812 | 75,700 |
| Total | \$ 803,001 | \$ 961,154 |

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town is \$77,114,074.

Additional information regarding the Town’s long-term debt can be found in note 10 of the basic financial statements.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators were used in the budget preparation for the fiscal year ending June 30, 2010.

- At the local level, Fletcher is only experiencing a very small amount of growth and economic activity.
- Residential development as measured by the number of zoning permits issued in the prior year has dropped off dramatically.
- Commercial growth in terms of new construction has also slowed considerably.
- Industrial activity has been the one stabilizing factor in all of this with existing industries such as Wilson Art and Borg Warner announcing minor expansions.
- Overall, the Town expects local economic conditions to continue to fair better than state and national activity as a whole.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Certain goals and priorities were identified in the new budget year. Those goals included the following:

- Keep the tax rate at existing \$.27 per \$100 valuation to support services. Additional revenues generated by a new contract with the ABC Board helped to keep the tax rate at its existing level as well as some new growth in the industrial tax base. A penny of the Town's existing tax rate dedicated to the fire departments was shifted back to support other Town services, which helped to reduce expenses town-wide within the general fund budget.
- Continue to dedicate 4.5 cents of the 27 cent tax rate toward construction projects. 2.5 cents will be for debt service on existing loans and 2 cents will be for new projects.
- The Capital Reserve Fund is budgeted for another contribution in the amount of \$51,742 to be applied toward a future Municipal Center.
- Continue to develop plans for Heart of Fletcher/Fletcher Town Center with NORCOM Development. Secure additional land, tenants, and layout for downtown district with developer.
- Develop preliminary plans and cost estimate for Town Hall. Update the original plans and cost estimates for a new municipal center.
- Construct a dog park, and community gardens area in Fletcher Community Park through use of the Park Development designation of fund balance.

Requests for Information

This report is designed to provide an overview of the Town 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 Heather N. Taylor, Finance Officer, 4005 Hendersonville Road, Fletcher, North Carolina 28732, (828) 687-3985, or h.taylor@fletchernc.org.



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Basic Financial Statements

Town of Fletcher, North Carolina
Statement of Net Assets
June 30, 2009

| | Primary Government | Component Unit |
|---|------------------------------------|---------------------------------------|
| | Governmental Activities | Town of Fletcher ABC Board |
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 1,389,887 | \$ 204,258 |
| Taxes Receivable (Net) | 88,974 | - |
| Accounts Receivable | 421,075 | - |
| Inventories | - | 279,293 |
| Net Pension Asset | 34,854 | - |
| Prepaid Expenses | 25,293 | 12,984 |
| | 1,960,083 | 496,535 |
| Total Current Assets | | |
| Capital Assets: | | |
| Land | 2,546,961 | 241,372 |
| Other Capital Assets, Net of Depreciation | 3,253,313 | 996,253 |
| | 5,800,274 | 1,237,625 |
| Total Capital Assets | | |
| | 7,760,357 | 1,734,160 |
| Total Assets | | |

The notes to the financial statements are an integral part of this statement.

Exhibit 1

| | Primary Government | Component Unit |
|---|------------------------------------|---------------------------------------|
| | Governmental Activities | Town of Fletcher ABC Board |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | \$ 44,892 | \$ 154,892 |
| Unearned Revenue | 7,915 | - |
| Long-term Liabilities: | | |
| Due Within One Year | 208,813 | 90,510 |
| Due in More Than One Year | 594,188 | 631,720 |
| Total Liabilities | 855,808 | 877,122 |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 5,061,085 | 515,405 |
| Restricted for: | | |
| Streets | 677,090 | - |
| Public Safety | 3,811 | - |
| Law Enforcement | - | 1,424 |
| Alcohol Rehabilitation and Education | - | 1,994 |
| Municipality Profit Distribution | - | 29,954 |
| Working Capital | - | 65,767 |
| Unrestricted | 1,162,563 | 242,494 |
| Total Net Assets | \$ 6,904,549 | \$ 857,038 |

Town of Fletcher, North Carolina
Statement of Activities
For the Year Ended June 30, 2009

| Functions/Programs | Expenses | Program Revenues | | |
|-----------------------------------|---------------------|------------------------------------|---|---|
| | | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 864,714 | \$ 13,432 | \$ - | \$ - |
| Public Safety | 1,979,612 | 13,035 | 12,433 | - |
| Transportation | 942,209 | - | 172,934 | - |
| Economic and Physical Development | 261,910 | - | 2,460 | - |
| Cultural and Recreation | 397,941 | 113,483 | 8,723 | - |
| Total Primary Government | <u>\$ 4,446,386</u> | <u>\$ 139,950</u> | <u>\$ 196,550</u> | <u>\$ -</u> |
| Component Unit: | | | | |
| ABC Board | <u>\$ 2,103,745</u> | <u>\$ 2,143,363</u> | <u>\$ -</u> | <u>\$ -</u> |

General Revenues:

Taxes:

Property Taxes, Levied for General Purpose

Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Gain on Sale of Capital Assets

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets, Beginning as Previously Reported

Prior Period Adjustment (Note 12)

Net Assets, Beginning as Restated

Net Assets, Ending

The notes to the financial statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Assets | |
|--|---|
| Primary Government | Component Unit |
| Governmental Activities | Town of Fletcher ABC Board |
| \$ (851,282) | \$ - |
| (1,954,144) | - |
| (769,275) | - |
| (259,450) | - |
| (275,735) | - |
| <u>(4,109,886)</u> | <u>-</u> |
| - | 39,618 |
| 2,581,850 | - |
| 973,979 | - |
| 673,598 | - |
| 38,256 | 1,036 |
| 9,636 | - |
| 9,144 | 100 |
| <u>4,286,463</u> | <u>1,136</u> |
| <u>176,577</u> | <u>40,754</u> |
| 6,636,170 | 816,284 |
| 91,802 | - |
| <u>6,727,972</u> | <u>816,284</u> |
| <u>\$ 6,904,549</u> | <u>\$ 857,038</u> |



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Fund Financial Statements

**Town of Fletcher, North Carolina
Balance Sheet
Governmental Funds
June 30, 2009**

| | <u>Major Fund</u> <u>General</u> <u>Fund</u> | <u>Non-Major</u> <u>Fund</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|--|---------------------------------|---|
| Assets | | | |
| Cash and Cash Equivalents | \$ 1,290,843 | \$ 99,044 | \$ 1,389,887 |
| Receivables, Net: | | | |
| Taxes | 88,974 | - | 88,974 |
| Accounts | 421,075 | - | 421,075 |
| Prepaid Items | 25,293 | - | 25,293 |
| | <u>1,826,185</u> | <u>99,044</u> | <u>1,925,229</u> |
| Total Assets | <u>\$ 1,826,185</u> | <u>\$ 99,044</u> | <u>\$ 1,925,229</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | \$ 44,892 | \$ - | \$ 44,892 |
| Deferred Revenue | 96,889 | - | 96,889 |
| | <u>141,781</u> | <u>-</u> | <u>141,781</u> |
| Total Liabilities | <u>141,781</u> | <u>-</u> | <u>141,781</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Streets | 677,090 | - | 677,090 |
| State Statute | 421,075 | - | 421,075 |
| Prepaid Items | 25,293 | - | 25,293 |
| Police | 3,811 | - | 3,811 |
| Unreserved, General Fund: | | | |
| Designated for Future Park Development | 38,300 | - | 38,300 |
| Designated for Subsequent Year's Expenditures | 175,447 | - | 175,447 |
| Board Designated | 31,380 | - | 31,380 |
| Undesignated | 312,008 | - | 312,008 |
| Unreserved, Reported in: | | | |
| Capital Reserve Fund | - | 99,044 | 99,044 |
| | <u>1,684,404</u> | <u>99,044</u> | <u>1,783,448</u> |
| Total Fund Balances | <u>1,684,404</u> | <u>99,044</u> | <u>1,783,448</u> |
| | <u>\$ 1,826,185</u> | <u>\$ 99,044</u> | <u>\$ 1,925,229</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,826,185</u> | <u>\$ 99,044</u> | <u>\$ 1,925,229</u> |

The notes to the financial statements are an integral part of this statement.

Town of Fletcher, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009

Amounts reported for governmental activities in the Statement of Net Assets
(Exhibit 1) are different because:

| | |
|---|---------------------|
| Ending Fund Balances Governmental Funds | \$ 1,783,448 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 5,800,274 |
| Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements. | |
| Uncollected property taxes | 88,974 |
| Net pension assets are not financial resources and therefore are not reported in the funds | 34,854 |
| Some liabilities, are not due and payable in the current period and therefore are not reported in the funds. | <u>(803,001)</u> |
| | <u>\$ 6,904,549</u> |
| Net Assets of Governmental Activities | |

The notes to the financial statements are an integral part of this statement.

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

| | Major Fund General Fund | Non-Major Fund | Total Governmental Funds |
|---|--|---------------------------|---|
| Revenues | | | |
| Ad Valorem Taxes | \$ 2,573,608 | \$ - | \$ 2,573,608 |
| Other Taxes and Licenses | 28,072 | - | 28,072 |
| Unrestricted Intergovernmental | 1,616,634 | - | 1,616,634 |
| Restricted Intergovernmental | 190,697 | - | 190,697 |
| Permits and Fees | 15,914 | - | 15,914 |
| Sales and Services | 132,760 | - | 132,760 |
| Investment Earnings | 37,870 | 386 | 38,256 |
| Miscellaneous | 9,144 | - | 9,144 |
| Total Revenues | <u>4,604,699</u> | <u>386</u> | <u>4,605,085</u> |
| Expenditures | | | |
| Current: | | | |
| General Government | 844,479 | - | 844,479 |
| Public Safety | 1,980,866 | - | 1,980,866 |
| Transportation | 968,227 | - | 968,227 |
| Economic and Physical Development | 261,910 | - | 261,910 |
| Cultural and Recreation | 381,910 | - | 381,910 |
| Debt Service: | | | |
| Principal Retirement | 201,427 | - | 201,427 |
| Interest | 29,284 | - | 29,284 |
| Total Expenditures | <u>4,668,103</u> | <u>-</u> | <u>4,668,103</u> |
| Revenues Over (Under) Expenditures | <u>(63,404)</u> | <u>386</u> | <u>(63,018)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers From Other Funds | - | 76,822 | 76,822 |
| Transfers to Other Funds | (76,822) | - | (76,822) |
| Installment Financing Proceeds | 55,162 | - | 55,162 |
| Sale of Capital Assets | 9,636 | - | 9,636 |
| Total Other Financing Sources (Uses) | <u>(12,024)</u> | <u>76,822</u> | <u>64,798</u> |
| Net Change in Fund Balances | (75,428) | 77,208 | 1,780 |
| Fund Balances, Beginning as previously reported | 1,668,030 | 21,836 | 1,689,866 |
| Prior Period Adjustment (Note 12) | 91,802 | - | 91,802 |
| Fund Balances, Beginning as restated | <u>1,759,832</u> | <u>21,836</u> | <u>1,781,668</u> |
| Fund Balances, Ending | <u>\$ 1,684,404</u> | <u>\$ 99,044</u> | <u>\$ 1,783,448</u> |

**Town of Fletcher, North Carolina
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of the
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009**

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|--|----|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 1,780 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Capital Outlay expenditures that were capitalized | | 144,918 |
| Depreciation expense for governmental activities | | (143,460) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Change in deferred revenue for tax revenues | | 8,242 |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, 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 assets.</p> | | |
| New long-term debt issued | | (55,162) |
| Principal Retirement | | 201,427 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | |
| Change in compensated absences | | 11,888 |
| Net pension asset | | 6,944 |
| | | 6,944 |
| Total Change in Net Assets of Governmental Activities | \$ | 176,577 |

The notes to the financial statements are an integral part of this statement.

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2009

| | General Fund | | | Variance with Final Budget- Positive (Negative) |
|--|---------------------|------------------|---------------------------|--|
| | Budget | | Actual Amounts | |
| | Original | Final | | |
| Revenues: | | | | |
| Ad Valorem Taxes | \$ 2,546,782 | \$ 2,546,782 | \$ 2,573,608 | \$ 26,826 |
| Other Taxes and Licenses | 26,000 | 26,000 | 28,072 | 2,072 |
| Unrestricted Intergovernmental | 1,736,600 | 1,736,600 | 1,616,634 | (119,966) |
| Restricted Intergovernmental | 230,000 | 230,000 | 190,697 | (39,303) |
| Permits and Fees | 22,000 | 22,000 | 15,914 | (6,086) |
| Sales and Services | 98,552 | 98,552 | 132,760 | 34,208 |
| Investment Earnings | 54,000 | 54,000 | 37,870 | (16,130) |
| Miscellaneous | 15,000 | 15,000 | 9,144 | (5,856) |
| Total Revenues | <u>4,728,934</u> | <u>4,728,934</u> | <u>4,604,699</u> | <u>(124,235)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,007,734 | 875,912 | 844,479 | 31,433 |
| Public Safety | 2,009,514 | 2,017,514 | 1,980,866 | 36,648 |
| Economic and Physical Development | 307,876 | 307,876 | 261,910 | 45,966 |
| Transportation | 840,601 | 981,763 | 968,227 | 13,536 |
| Cultural and Recreation | 480,696 | 441,696 | 381,910 | 59,786 |
| Debt Service: | | | | |
| Principal Retirement | 204,965 | 204,862 | 201,427 | 3,435 |
| Interest | 29,182 | 29,285 | 29,284 | 1 |
| Total Expenditures | <u>4,880,568</u> | <u>4,858,908</u> | <u>4,668,103</u> | <u>190,805</u> |
| Revenues Over (Under) Expenditures | <u>(151,634)</u> | <u>(129,974)</u> | <u>(63,404)</u> | <u>66,570</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers to Other Funds | - | (76,822) | (76,822) | - |
| Installment Financing Proceeds | - | 55,162 | 55,162 | - |
| Sale of Capital Assets | 5,000 | 5,000 | 9,636 | 4,636 |
| Total other financing sources (uses) | <u>5,000</u> | <u>(16,660)</u> | <u>(12,024)</u> | <u>4,636</u> |
| Fund Balance Appropriated | <u>146,634</u> | <u>146,634</u> | <u>-</u> | <u>(146,634)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>(75,428)</u> | <u>\$ (75,428)</u> |
| Fund Balance, Beginning as previously reported | | | 1,668,030 | |
| Prior Period Adjustment | | | <u>91,802</u> | |
| Fund Balance, Beginning as restated | | | <u>1,759,832</u> | |
| Fund Balance, Ending | | | <u>\$ 1,684,404</u> | |

The notes to the financial statements are an integral part of this statement.

**Town of Fletcher, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2009**

Note 1 – Summary of Significant Accounting Policies

The Town of Fletcher, North Carolina (the Town) was incorporated on June 6, 1989. The accounting policies of the Town and its discretely presented component units 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 is a municipal corporation that is governed by an elected mayor and a four-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Fletcher ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a Proprietary Fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative office located at 37 Rockwood Road, Fletcher, NC 28732.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Governmental activities are generally 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 its major governmental fund. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and highways, environmental protection, and general government services.

The Town reports the following non-major governmental fund:

Capital Reserve Fund – This fund is used to account for the accumulation of resources to be used for the construction of a new municipal center.

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. Nonexchange 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. Revenue 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, including special assessments. 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 receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Henderson County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Fletcher. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Henderson County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 and the Capital Reserve Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

Expenditures may not legally exceed appropriations at the functional level for the General Fund. The governing board must approve any revisions that alter total expenditures of the General Fund. During the year, several amendments to the original budget became necessary, the effects of which were not material. 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 budget ordinance can be adopted.

E. Assets, Liabilities and Net Assets/ Fund Balances

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board 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 and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price.

Cash and Cash Equivalents

The ABC Board considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

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 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. The taxes are based on the assessed values as of January 1, 2008.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories consist of materials and supplies held for resale. The costs of the inventories are recorded as an expense as the inventories are sold.

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 and expensed as the items are used.

Capital Assets

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| <u>Asset Class</u> | <u>Estimated Useful Lives (in Years)</u> |
|----------------------------|--|
| Equipment and Furniture | 5 years |
| Vehicles | 5 years |
| Land Improvements | 30 years |
| Buildings and Improvements | 40 years |

Capital assets of the ABC Board are recorded at original cost at the time of acquisition. Property, plant, and equipment of the ABC board are depreciated over their useful lives on a straight-line basis as follows:

| <u>Asset Class</u> | <u>Estimated Useful Lives (in Years)</u> |
|------------------------|--|
| Office/Store Equipment | 5 years |
| Leasehold Improvements | 10 years |
| Buildings | 20 years |

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In fund financial statements, proceeds from installment contracts are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policy of the Town provides for the accumulation of vacation leave based upon years of service. For the Town's government-wide activities, an expense and a liability for compensated absences and salary-related payments are recorded as the leave is earned. Employees may accumulate and carry over a maximum of 240 hours vacation leave. Employees may convert any excess vacation leave into sick leave.

The Town's sick leave policy provides for 96 hours of sick leave annually and 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.

Net Assets

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

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

Governmental Fund types classify fund balances as follows:

Reserved

Reserved for Prepaid Items – portion of fund balance which is **not** available for appropriation because it represents the year-end balance of prepaid items, which are not expendable available resources.

Reserved by State Statute – portion of fund balance, in addition to reserves for encumbrances, which is **not** available for appropriation under State law [G.S.159-8(a)]. This amount is usually comprised of accounts receivable that have not been offset by deferred revenues.

Reserved for Streets – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved for Police – portion of fund balance that is available for appropriation but legally segregated for police equipment expenditures. This amount represents the balance of the total unexpended Narcotics Forfeitures funds.

Unreserved

Designated for Subsequent Year's Expenditures – portion of the total fund balance available for appropriation that has been designated for expenditure in subsequent years.

Designated for Future Park Development – portion of fund balance that is available for appropriation but has been reserved by the governing body for the future development of a parks and recreation facilities.

Board Designated – portion of fund balance that is available for appropriation that has been designated for individual expenditures in the subsequent year.

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

Note 2 – Deposits and Investments***Deposits:***

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of 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, the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization, 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 and the ABC Board have no policy regarding custodial credit risk for deposits.

At June 30, 2009, the Town's deposits had a carrying amount of \$1,290,523 and a bank balance of \$1,566,550. \$250,000 of the bank balance was covered by federal depository insurance and \$1,316,550 in interest-bearing deposits was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$202,052 and a bank balance \$225,082. Federal depository insurance covers \$250,000 of the bank balance. At June 30, 2009, the Town's petty cash fund totaled \$320.

Investments:

At June 30, 2009, the Town had \$99,044 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Note 3 – Receivables**Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowance for doubtful accounts:

| | |
|----------------------|------------------------|
| General Fund: | |
| Taxes Receivable | <u><u>\$ 5,000</u></u> |

Note 4 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2009, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 2,546,961 | \$ - | \$ - | \$ 2,546,961 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 2,191,047 | - | - | 2,191,047 |
| Buildings and Improvements | 1,140,094 | - | - | 1,140,094 |
| Equipment and Furniture | 555,311 | 9,890 | - | 565,201 |
| Vehicles | 781,762 | 135,028 | 84,141 | 832,649 |
| Total Capital Assets Being Depreciated | <u>4,668,214</u> | <u>144,918</u> | <u>84,141</u> | <u>4,728,991</u> |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | 111,730 | - | - | 111,730 |
| Buildings and Improvements | 307,754 | 30,224 | - | 337,978 |
| Equipment and Furniture | 409,182 | 26,646 | - | 435,828 |
| Vehicles | 587,693 | 86,590 | 84,141 | 590,142 |
| Total Accumulated Depreciation | <u>1,416,359</u> | <u>143,460</u> | <u>84,141</u> | <u>1,475,678</u> |
| Total Capital Assets Being Depreciated, Net | <u>3,251,855</u> | | | <u>3,253,313</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$ 5,798,816</u></u> | | | <u><u>\$ 5,800,274</u></u> |

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

| | |
|--------------------------------|------------------------------|
| General Government | \$ 32,123 |
| Public Safety | 55,895 |
| Recreation | 12,920 |
| Transportation | <u>42,522</u> |
| Total Depreciation Expense | <u><u>\$ 143,460</u></u> |

Capital Assets of the ABC Board at June 30, 2009, are as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 241,372 | \$ - | \$ - | \$ 241,372 |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 955,021 | | | 955,021 |
| Furniture and Equipment | <u>138,330</u> | <u>2,169</u> | <u>1,592</u> | <u>138,907</u> |
| Total Capital Assets Being Depreciated | <u>1,093,351</u> | <u>2,169</u> | <u>1,592</u> | <u>1,093,928</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 28,651 | 38,201 | | 66,852 |
| Furniture and Equipment | <u>17,800</u> | <u>14,247</u> | <u>1,224</u> | <u>30,823</u> |
| Total Accumulated Depreciation | <u>46,451</u> | <u>52,448</u> | <u>1,224</u> | <u>97,675</u> |
| Total Capital Assets Being Depreciated, Net | <u>1,046,900</u> | | | <u>996,253</u> |
| ABC Board Capital Assets, Net | <u><u>\$ 1,288,272</u></u> | | | <u><u>\$ 1,237,625</u></u> |

Note 5 – Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town and the ABC Board contribute to the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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. The 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.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.39% and 5.45%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 4.80% of annual covered payroll. The contribution requirements of members and of the Town and the ABC Board are established and may be amended by the North Carolina General Assembly.

A summary of the contributions by the Town and the ABC Board for the last three years is as follows:

| <u>Contributions</u> | <u>Town of Fletcher</u> | <u>ABC Board</u> |
|----------------------|-----------------------------|----------------------|
| 2009 | \$ 69,336 | \$ 5,938 |
| 2008 | 62,459 | 5,359 |
| 2007 | <u>63,283</u> | <u>4,570</u> |
| Total | <u>\$ 195,078</u> | <u>\$ 15,867</u> |

The contributions made by the Town and the ABC Board equaled the required contributions for each year.

Law Enforcement Officers Separation Allowance

Plan Description

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .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.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2008, the Separation Allowance's membership consisted of:

| | |
|--|------------------|
| Retirees currently receiving benefits | 1 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>16</u> |
| Total | <u><u>17</u></u> |

The Plan provides separation benefits to law enforcement officers who meet the following:

- 1) Have (i) completed 30 or more years of creditable service or (ii) have attained 55 years of age and completed five or more years of creditable service; and
- 2) Have not attained 62 years of age; and
- 3) Have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement.

"Creditable service" is service for which credit is allowed under the retirement system of which the officer is a member, provided at least 50 percent of the service is a law enforcement officer, as defined.

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

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 as it feels adequate throughout the year. For the current year the Town continues to overfund this obligation and has a net pension asset. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation based on the projected unit credit method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

| | |
|--|---------------------------|
| Employer Annual Required Contribution | \$ 7,786 |
| Interest on Net Pension Obligation | (2,023) |
| Adjustment to Annual Required Contribution | <u>1,706</u> |
| Annual Pension Cost | 7,469 |
| Employer Contributions Made for Fiscal Year Ending June 30, 2008 | <u>14,413</u> |
| Increase in Net Asset | (6,944) |
| Net Pension Asset– Beginning of Year | <u>(27,910)</u> |
| Net Pension Asset – End of Year | <u><u>\$ (34,854)</u></u> |

Trend Information

| Fiscal Year Year Ended | Annual Pension Cost | Percentage of APC Contributed | Net Pension Obligation End of Year |
|---------------------------------------|------------------------------------|--|---|
| 2007 | \$ 9,650 | 185.37% | \$ (20,512) |
| 2008 | \$ 8,842 | 183.67% | \$ (27,910) |
| 2009 | \$ 7,469 | 192.97% | \$ (34,854) |

Funded Status and Funding Progress

As of December 31, 2008, the Town continues to overfund this obligation based on actuarial valuations and has a net pension asset in the amount of \$34,854.

The covered payroll (annual payroll of active employees covered by the plan) was \$452,137, and the ratio of the UAAL to the covered payroll was 13.16 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers***Plan Description***

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

Article 12E of G.S. Chapter 143 requires the Town to contribute an amount each month equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$31,646, which consisted of \$23,354 from the Town and \$8,292 from the law enforcement officers.

The Town has elected to contribute to the plan for general employees of the Town. Each month, the Town contributes 5% of each employee's salary, and all amounts contributed vest immediately. Employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$62,793, which consisted of \$40,704 from the Town and \$22,089 from the general employees.

Note 6 – Other Post-Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

Note 7 – Accounts Payable and Accrued Liabilities

The balance in accounts payable and accrued liabilities at year-end is composed of the following elements:

| | <u>Amount</u> |
|---------------------------|------------------|
| Accounts Payable | \$ 22,438 |
| Employee Benefit Accruals | <u>22,454</u> |
| Total | <u>\$ 44,892</u> |

Note 8 – Deferred/Unearned Revenues

The balance in deferred/unearned revenues at year-end is composed of the following elements:

| | <u>Deferred Revenue</u> | <u>Unearned Revenue</u> |
|------------------------|-----------------------------|-----------------------------|
| Taxes Receivable - Net | \$ 88,974 | \$ - |
| Prepaid Taxes | - | 7,915 |
| Total | <u>\$ 88,974</u> | <u>\$ 7,915</u> |

Note 9 – Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers’ compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers’ compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does carry flood insurance through the National Flood Insurance Plan on two facilities in Fletcher Community Park. The Town's Community Park is located entirely within the 100 year floodplain; therefore, all improvements to the park are within this floodplain. From information gathered from Henderson County GIS, the Fletcher Police Department and IT Department appear to be located within the 100 year floodplain. It is also possible that two buildings used by Fletcher Parks & Recreation may also be partially in the 100 year floodplain. As the GIS information is not exact, it would require a survey to determine the exact boundaries of the 100 year floodplain on property owned by the Town. These structures existed prior to the Town's adoption of floodplain regulations.

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 and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000.

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverages. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

Note 10 – Long-Term Obligations

A. Installment Purchase Contracts

1) BB&T Loan Modification Agreement

On July 11, 2005, the Town entered into a current refunding by paying off the amount owed to BB&T and borrowed an additional \$500,000 to finance park renovations. The total amount of the original note was \$1,368,034.

BB&T altered the terms of its note with the Town of Fletcher at that time. Under the terms of its loan modification agreement, BB&T increased its existing outstanding note balance with the Town of Fletcher with which the Town paid off its original obligation to BB&T and financed park renovations. BB&T also reduced the annual interest rate applicable to this note from 4.91% to 3.53% per annum.

This modified note requires 31 quarterly principal payments of \$44,130 plus interest at 3.53% beginning in September 2005 and continuing until March 2013.

The future minimum payments of this refinanced agreement as of June 30, 2009, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|-------------------|------------------|-------------------|
| 2010 | \$ 176,521 | \$ 21,030 | \$ 197,551 |
| 2011 | 176,521 | 14,799 | 191,320 |
| 2012 | 176,521 | 8,568 | 185,089 |
| 2013 | 132,389 | 2,337 | 134,726 |
| Totals | <u>\$ 661,952</u> | <u>\$ 46,734</u> | <u>\$ 708,686</u> |

2) Refuse Truck Installment Purchase Contract

On November 25, 2003, the Town entered into an installment purchase contract in the amount of \$123,240 to purchase a refuse truck. The financing contract requires 28 quarterly principal and interest payments of \$4,893 beginning in February 2005 with an interest rate of 2.98%.

The future minimum payments of this installment purchase as of June 30, 2009, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|------------------|-----------------|------------------|
| 2010 | \$ 18,929 | \$ 642 | \$ 19,571 |
| 2011 | <u>9,677</u> | <u>108</u> | <u>9,785</u> |
| Totals | <u>\$ 28,606</u> | <u>\$ 750</u> | <u>\$ 29,356</u> |

3) Brush Truck Installment Purchase Contract

On December 8, 2008, the Town entered into an installment purchase contract in the amount of \$55,162 to purchase a brush truck. The financing contract requires 16 quarterly principal and interest payments of \$3,672 beginning in March 29, 2009 with an interest rate of 3.1%.

The future minimum payments of this installment purchase as of June 30, 2009, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|------------------|-----------------|------------------|
| 2010 | \$ 13,363 | \$ 1,353 | \$ 14,716 |
| 2011 | 13,782 | 934 | 14,716 |
| 2012 | 14,215 | 501 | 14,716 |
| 2013 | <u>7,271</u> | <u>85</u> | <u>7,356</u> |
| Totals | <u>\$ 48,631</u> | <u>\$ 2,873</u> | <u>\$ 51,504</u> |

B. Changes in Long-term Liabilities

A summary of changes in long-term liabilities follows:

| By Type of Debt | Beginning Balances | Additions | Retirements | Ending Balances |
|--|-------------------------------|-------------------|--------------------|----------------------------|
| Installment Purchase Contracts | \$ 885,454 | \$ 55,162 | \$ 201,427 | \$ 739,189 |
| Compensated Absences | 75,700 | 61,068 | 72,956 | 63,812 |
| Totals | <u>\$ 961,154</u> | <u>\$ 116,230</u> | <u>\$ 274,383</u> | 803,001 |
| Less: Current Portion of Long-term Liabilities | | | | <u>208,813</u> |
| Long-term Liabilities - Net of Current Portion | | | | <u>\$ 594,188</u> |

At June 30, 2009, the Town had a legal debt margin of \$77,114,074.

Note 11 – Interfund Activity

During the year, the Town transferred \$76,822 from the general fund to the capital reserve fund for the construction of a municipal center.

Note 12 – Prior Period Adjustment

During the fiscal year ended June 30, 2009, the Town determined that certain unrestricted intergovernmental revenues that were subject to accrual in the General Fund as of June 30, 2008 had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals. The net effect of the restatement increased beginning fund balance by \$91,802. These revenues were also not properly accrued in the government-wide statements; therefore beginning net assets also increased by \$91,802. The net effect of the 2008 change in fund balance and change in net assets would have increased \$17,872.

Note 13 – Summary Disclosure of Significant Contingencies

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 agreement. Such audits could result in the refund of grant moneys 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.

The Town is involved in various claims and lawsuits against the Town, arising from the termination and retirement of employees during the current year and prior years. However, management, after consultation with counsel, intends to vigorously defend their position and is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the Town's financial position.

Note 14 – Commitments

The Town is obligated under the following commitments as of June 30, 2009:

| | |
|-------------------------------------|-------------------|
| Economic Development Incentives | \$ 206,195 |
| Office Equipment | 72,000 |
| Heart of Fletcher Development | 50,000 |
| Monitoring Brownfields | 7,200 |
| Henderson County Emergency Services | <u>30,000</u> |
| Total | <u>\$ 365,395</u> |

Note 15 – Jointly Governed Organization

The Town, in conjunction with other area counties and municipalities, established the Land of Sky Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,955 to the Council during the fiscal year ended June 30, 2009.

Required Supplementary Financial Data



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**Town of Fletcher, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Actuarial Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| December 31, 1999 | \$ - | \$ 25,958 | \$ 25,958 | 0.00% | \$ 324,665 | 8.00% |
| December 31, 2000 | - | 31,537 | 31,537 | 0.00% | 313,365 | 10.06% |
| December 31, 2001 | - | 38,979 | 38,979 | 0.00% | 367,768 | 10.60% |
| December 31, 2002 | - | 54,977 | 54,977 | 0.00% | 375,324 | 14.65% |
| December 31, 2003 | - | 114,792 | 114,792 | 0.00% | 365,911 | 31.37% |
| December 31, 2004 | - | 125,087 | 125,087 | 0.00% | 430,338 | 29.07% |
| December 31, 2005 | - | 86,976 | 86,976 | 0.00% | 487,024 | 17.86% |
| December 31, 2006 | - | 71,091 | 71,091 | 0.00% | 508,662 | 13.98% |
| December 31, 2007 | - | 55,566 | 55,566 | 0.00% | 489,169 | 11.36% |
| December 31, 2008 | - | 59,480 | 59,480 | 0.00% | 452,137 | 13.16% |

Notes to Required Schedule

The Town of Fletcher is funding the Law Enforcement Officers' Special Separation Allowance based on the actuarial valuation.

The information presented in the required and supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|-----------------------------|
| Valuation Date | December 31, 2008 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level percent of pay closed |
| Remaining Amortization Method | 22 years |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Investment Rate of Return (*) | 7.25% |
| Projected Salary Increases | 4.5 - 12.3% |
| (*) Includes Inflation at | 3.75% |
| Cost of Living Adjustments | N/A |



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Individual Fund Financial Statements



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Town of Fletcher, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|------------------|------------------|---|
| Revenues: | | | |
| Ad Valorem Taxes: | | | |
| Current Year | \$ 2,528,782 | \$ 2,556,591 | \$ 27,809 |
| Prior Year | 18,000 | 17,017 | (983) |
| Total | <u>2,546,782</u> | <u>2,573,608</u> | <u>26,826</u> |
| Other Taxes and Licenses: | | | |
| Privilege Licenses | 15,500 | 15,053 | (447) |
| Penalties and Interest | 10,500 | 13,019 | 2,519 |
| Total | <u>26,000</u> | <u>28,072</u> | <u>2,072</u> |
| Unrestricted Intergovernmental: | | | |
| Local Option Sales Tax | 1,004,500 | 881,616 | (122,884) |
| Utility Franchise Tax | 595,000 | 533,503 | (61,497) |
| ABC Profit Distribution | 60,000 | 112,395 | 52,395 |
| Video Franchise Fee | 51,000 | 61,420 | 10,420 |
| Beer and Wine Tax | 26,100 | 27,700 | 1,600 |
| Total | <u>1,736,600</u> | <u>1,616,634</u> | <u>(119,966)</u> |
| Restricted Intergovernmental: | | | |
| Powell Bill Allocation | 160,000 | 172,933 | 12,933 |
| Park Development | 5,000 | - | (5,000) |
| ABC Funds for Law Enforcement | 7,800 | 5,058 | (2,742) |
| Drug Forfeitures | 5,200 | 7,375 | 2,175 |
| Public Safety Grants | 52,000 | 2,460 | (49,540) |
| Disposal Fee Allocation | - | 2,871 | 2,871 |
| Total | <u>230,000</u> | <u>190,697</u> | <u>(39,303)</u> |
| Permits and Fees: | | | |
| Land Use Permits | 12,000 | 2,879 | (9,121) |
| Inspection Fees | 10,000 | 13,035 | 3,035 |
| Total | <u>22,000</u> | <u>15,914</u> | <u>(6,086)</u> |
| Sales and Services: | | | |
| Recreation Department Fees | 77,000 | 113,484 | 36,484 |
| Golf Tournament Fees | 11,000 | 8,723 | (2,277) |
| Rents | 10,552 | 10,553 | 1 |
| Total | <u>98,552</u> | <u>132,760</u> | <u>34,208</u> |
| Investment Earnings | <u>54,000</u> | <u>37,870</u> | <u>(16,130)</u> |

**Town of Fletcher, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009**

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Miscellaneous: | | | |
| Miscellaneous Revenues | \$ 15,000 | \$ 9,144 | \$ (5,856) |
| Total Revenues | 4,728,934 | 4,604,699 | (124,235) |
| Expenditures: | | | |
| General Government: | | | |
| Governing Body: | | | |
| Elected Officials | 40,936 | 38,416 | 2,520 |
| Administration: | | | |
| Salaries and Employee Benefits | 333,543 | 332,648 | 895 |
| Other Operating Expenditures | 254,116 | 238,643 | 15,473 |
| Henderson County Sales Tax Reimbursement | 33,817 | 38,778 | (4,961) |
| Total | 621,476 | 610,069 | 11,407 |
| Town Facilities: | | | |
| Other Operating Expenditures | 176,613 | 159,107 | 17,506 |
| Franchise Fee Reimbursement | 36,887 | 36,887 | - |
| Total | 213,500 | 195,994 | 17,506 |
| Total General Government | 875,912 | 844,479 | 31,433 |
| Public Safety: | | | |
| Police: | | | |
| Salaries and Employee Benefits | 700,144 | 657,584 | 42,560 |
| Other Operating Expenditures | 247,671 | 263,630 | (15,959) |
| Capital Outlay | 60,000 | 50,206 | 9,794 |
| Total | 1,007,815 | 971,420 | 36,395 |
| Fire: | | | |
| Contracted Services | 1,009,699 | 1,009,446 | 253 |
| Total Public Safety | 2,017,514 | 1,980,866 | 36,648 |
| Economic and Physical Development: | | | |
| Salaries and Employee Benefits | 150,675 | 151,328 | (653) |
| Other Operating Expenditures | 157,201 | 110,582 | 46,619 |
| Total Economic and Physical Development | 307,876 | 261,910 | 45,966 |

**Town of Fletcher, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009**

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------|---------------|---|
| Transportation: | | | |
| Streets: | | | |
| Salaries and Employee Benefits | \$ 331,244 | \$ 328,870 | \$ 2,374 |
| Powell Bill Expenditures | 225,000 | 210,660 | 14,340 |
| Other Operating Expenditures | 370,357 | 360,035 | 10,322 |
| Capital Outlay | 55,162 | 68,662 | (13,500) |
| Total Transportation | 981,763 | 968,227 | 13,536 |
| Cultural and Recreation: | | | |
| Parks and Recreation: | | | |
| Salaries and Employee Benefits | 192,290 | 172,787 | 19,503 |
| Other Operating Expenditures | 221,406 | 184,973 | 36,433 |
| Capital Outlay | 28,000 | 24,150 | 3,850 |
| Total Cultural and Recreation | 441,696 | 381,910 | 59,786 |
| Debt Service: | | | |
| Principal Retirement | 204,862 | 201,427 | 3,435 |
| Interest | 29,285 | 29,284 | 1 |
| Total Debt Service | 234,147 | 230,711 | 3,436 |
| Total Expenditures | 4,858,908 | 4,668,103 | 190,805 |
| Revenues (Under) Expenditures | (129,974) | (63,404) | 66,570 |
| Other Financing Sources (Uses): | | | |
| Installment Financing Proceeds | 55,162 | 55,162 | - |
| Transfers to Other Funds | | | |
| Transfer to Capital Reserve Fund | (76,822) | (76,822) | - |
| Sale of capital assets | 5,000 | 9,636 | 4,636 |
| Total Other Financing Sources (Uses) | (16,660) | (12,024) | 4,636 |
| Fund Balance Appropriated | 146,634 | - | (146,634) |
| Change in Fund Balance | \$ - | (75,428) | \$ (75,428) |
| Fund Balance, Beginning as previously reported | | 1,668,030 | |
| Prior Period Adjustment | | 91,802 | |
| Fund Balance, Beginning as restated | | 1,759,832 | |
| Fund Balance, Ending | | \$ 1,684,404 | |

Town of Fletcher, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Capital Reserve Fund
For the Year Ended June 30, 2009

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------|---------------|------------------|------------------|
| Revenues | | | |
| Investment Income | \$ 375 | \$ 386 | \$ 11 |
| Total Revenues | <u>375</u> | <u>386</u> | <u>11</u> |
| Expenditures | | | |
| Reserves-Municipal Center | <u>77,197</u> | <u>-</u> | <u>77,197</u> |
| Total Expenditures | <u>77,197</u> | <u>-</u> | <u>77,197</u> |
| Other Financing Sources | | | |
| Transfers from other funds: | | | |
| General Fund | <u>76,822</u> | <u>76,822</u> | <u>-</u> |
| Total other financing sources | <u>76,822</u> | <u>76,822</u> | <u>-</u> |
| Change in Fund Balance | <u>\$ -</u> | 77,208 | <u>\$ 77,208</u> |
| Fund Balance, Beginning | | <u>21,836</u> | |
| Fund Balance, Ending | | <u>\$ 99,044</u> | |

Other Schedules



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Schedule C-1

**Town of Fletcher, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2009**

| <u>Fiscal Year</u> | <u>Uncollected Balance July 1, 2008</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2009</u> |
|--------------------|---|---------------------|------------------------------------|--|
| 2008-2009 | \$ - | \$ 2,602,102 | \$ 2,550,944 | \$ 51,158 |
| 2007-2008 | 42,626 | | 32,308 | 10,318 |
| 2006-2007 | 10,919 | - | 2,539 | 8,380 |
| 2005-2006 | 7,719 | - | 2,157 | 5,562 |
| 2004-2005 | 5,549 | - | 2,078 | 3,471 |
| 2003-2004 | 5,180 | - | 738 | 4,442 |
| 2002-2003 | 4,982 | - | 562 | 4,420 |
| 2001-2002 | 3,047 | - | 406 | 2,641 |
| 2000-2001 | 2,185 | - | 99 | 2,086 |
| 1999-2000 | 1,590 | - | 94 | 1,496 |
| 1998-1999 | 1,935 | - | 1,935 | - |
| | <u>\$ 85,732</u> | <u>\$ 2,602,102</u> | <u>\$ 2,593,860</u> | 93,974 |
| | | | | 5,000 |
| | | | | <u>\$ 88,974</u> |

Less: Allowance for Uncollectible Ad Valorem Taxes

Ad Valorem Taxes Receivable - Net

Reconciliation with Revenues:

| | |
|---------------------------------|---------------------|
| Ad Valorem Taxes - General Fund | \$ 2,573,608 |
| Reconciling Items: | |
| Taxes Written Off | 1,935 |
| Current Year Releases | 6,479 |
| Prior Year Releases | 9,597 |
| Other Adjustments | 2,241 |
| | <u>2,241</u> |
| Total Collections and Credits | <u>\$ 2,593,860</u> |

Town of Fletcher, North Carolina
Analysis of Current Tax Levy - Town-Wide Levy
For the Year Ended June 30, 2009

| | <u>Town-Wide</u> | | | <u>Total Levy</u> | |
|--|---|---------------------|------------------------|---|--|
| | <u>Total Property Valuation</u> | <u>Tax Rate</u> | <u>Levy Amount</u> | <u>Property Excluding Registered Vehicles</u> | <u>Registered Motor Vehicles</u> |
| Original Levy | \$ 949,404,444 | \$ 0.0027 | 2,563,392 | \$2,404,424 | \$ 158,968 |
| Discoveries | 16,736,667 | | 45,189 | 45,189 | - |
| Releases | <u>(2,215,185)</u> | | <u>(6,479)</u> | <u>(1,515)</u> | <u>(4,964)</u> |
| Adjusted Levy | <u>\$ 963,925,926</u> | | | | |
| Net Levy | | | 2,602,102 | 2,448,098 | 154,004 |
| Less: Uncollected Taxes at June 30, 2009 | | | <u>(51,158)</u> | <u>(35,591)</u> | <u>(15,567)</u> |
| Current Year's Taxes Collected | | | <u>\$2,550,944</u> | <u>\$2,412,507</u> | <u>\$ 138,437</u> |
| Percent Collected | | | <u>98.03%</u> | <u>98.55%</u> | <u>89.89%</u> |

COMPLIANCE SECTION



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

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of the Town of Fletcher, North Carolina (the Town), as of and for the year ended June 30, 2009, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated September 30, 2009. We did not audit the financial statements of the Town of Fletcher ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Fletcher ABC Board, is based solely on the report of other auditors. 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. The financial statements of the Town of Fletcher ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

To the Honorable Mayor and
Members of the Town Council
Fletcher, North Carolina
Report on Internal Control and Compliance
Page Two

accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described as Finding 2009-1 in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

We noted certain matters that we reported to management of the Town, in a separate letter dated September 30, 2009.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the organization, members of Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 30, 2009

Dixon Hughes PLLC

**Town of Fletcher, North Carolina
Schedule of Findings
For the Year Ended June 30, 2009**

I. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of the Town.
- B. Our report of the financial statements disclosed one significant deficiency in internal controls listed below described as Finding 2009-1. The significant deficiency is considered to be a material weakness.
- C. Our audit of the financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts, grant agreements, and other matters that were material to the financial statements.

II. Findings Related to the Audit of the Financial Statements of the Town

**Finding: 2009-1 Segregation of Duties
Material Weakness**

- **Condition:** A good system of internal control requires the segregation of certain incompatible duties to create a system of checks and balances to provide reasonable assurance that transactions are properly recorded. Specifically, duties related to authorization, record keeping and physical custody should be performed by more than one individual. The Town, like many small governmental entities, has historically struggled to fully segregate duties as they have been forced to do more with fewer resources available to them.

In April 2009, the Town implemented new control policies to address many of the incompatible duties; however, the Town's small staff size limits the extent to which this can be achieved. Specific areas and tasks have been provided to management for review.

- **Recommendation:** Management should continue its efforts in improving its internal controls by performing annual risk assessments and modifying procedures to address identified risks.
- **Management's Response:** The Town agrees with the finding and is aware of the inherent limitations as a result of limited staffing.

**Town of Fletcher, North Carolina
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009**

Finding: 2008-1 Bank Reconciliations

Status: Corrected

Finding: 2008-2 Internal Control over Financial Reporting

Status: Corrected

Finding: 2008-3 Segregation of Duties

Status: Partially corrected and repeated as 2009-1