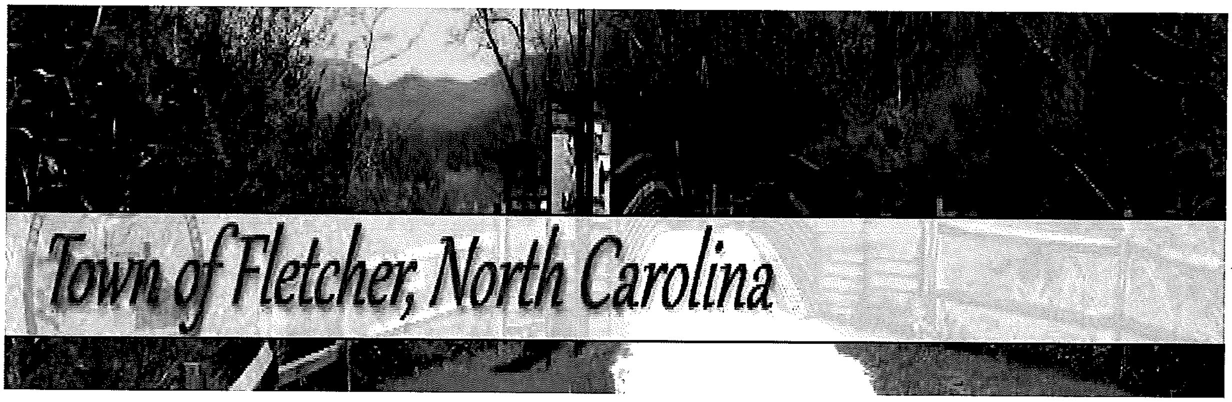

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

"PRIDE IN OUR PAST, FAITH IN OUR FUTURE"

Town Council Members
William B. Moore, Mayor
Eddie Henderson, Mayor Pro-Tem
Hugh Clark
Robert Davy
Sheila Franklin

Administrative and Financial Staff
Mark Biberdorf, Town Manager
Heather Taylor, Finance Officer

Prepared by
Heather N. Taylor, Finance Officer

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Town of Fletcher, North Carolina
Financial Report
For the Year Ended June 30, 2015

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Financial Section

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Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 N. Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Fletcher, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Town of Fletcher ABC Board, which represent 6.2 percent, 7.8 percent, and 23.7 percent, respectively, of the assets, net position, and revenues of the Town of Fletcher, North Carolina. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Town of Fletcher ABC Board, is based solely on the report of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Law Enforcement Officers' Separation Allowance and Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions and Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages iv–xv and 37-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fletcher, North Carolina's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements budgetary schedules and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2015 on our consideration of the Town of Fletcher, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Fletcher, North Carolina's internal control over financial reporting and compliance.

Lowdermilk Church & Co.

Morganton, North Carolina
September 22, 2015

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by $11,392,223 *(net position)*.

- The government's total net position *increased* by $621,288, primarily due to *increases* in the *governmental type* activities net position.

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $4,788,356 with a net change of $162,568 in fund balance. Approximately 37.2 percent of this total amount, or $1,778,828, is non spendable or restricted.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,953,085, or 52.6 percent of total general fund expenditures for the fiscal year.

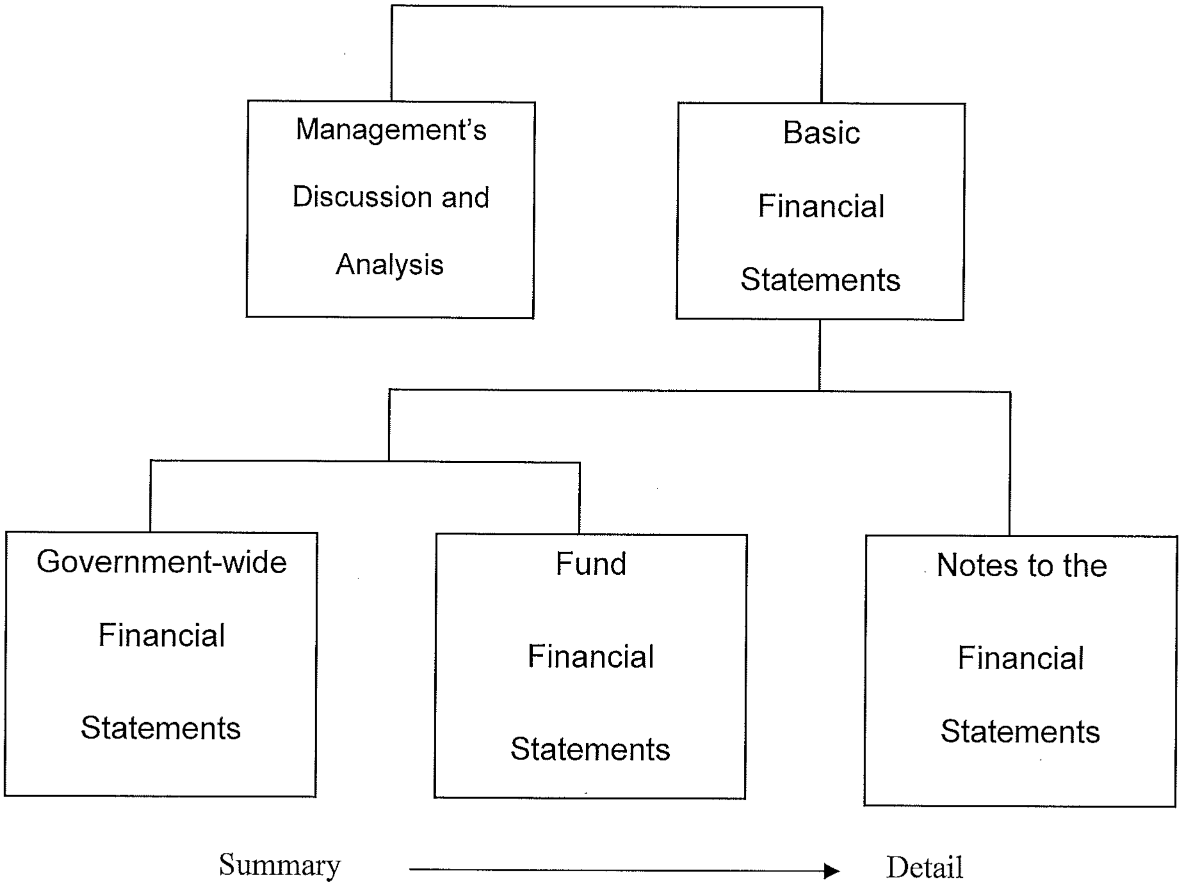
- The Town of Fletcher's total debt decreased by $269,370 (3.0%) during the current fiscal year. The key factor in this decrease was principal payments on debt.

Overview of the Financial Statements

This discussion and analysis is 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 North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position 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 through 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* which 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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 10-36 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 its employees. Required supplementary information can be found beginning on page 37 of this report.

Independence with Other Entities

The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Fletcher, Net Position
Figure 2

	Governmental Activities	
	June 30	
	2015	2014
Current and other assets	$ 5,118,797	$ 5,015,743
Capital assets	15,728,455	15,342,525
Deferred outflows of resources	103,675	-
Total assets and defered outflows of resources	20,950,927	20,358,268
Long-term liabilities outstanding	9,010,479	9,248,406
Other liabilities	115,252	338,898
Deferred inflows of resources	432,973	29
Total liabilities and deferred inflows of resources	9,558,704	9,587,333
Net position:		
Net investment in capital assets	7,416,400	7,159,332
Restricted	1,260,253	1,029,854
Unrestricted	2,715,570	2,581,749
Total net position	$ 11,392,223	$ 10,770,935

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by $11,392,223 as of June 30, 2015. The Town's net position *increased* by $621,288 for the fiscal year ended June 30, 2015.

However, the largest portion (65.1%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net 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.

An additional portion of the Town's net position, $1,260,253 represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2,715,570 is unrestricted.

Also, the Town of Fletcher implemented GASB Statement 68 this year. With the new reporting change, the Town has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by $245,202. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Fletcher's management.

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

- Increased local option sales tax revenues of approximately $129,000 due to increase in economic activity in Henderson County.
- Increase in sales tax collected on utilities of approximately $155,000 which was a result of the tax reform legislation passed by the General Assembly.
- The Town continued its diligence in the collection of property taxes by attaining a tax collection percentage of 99.29% which is comparable to the statewide average of 97.42%

Town of Fletcher's Change in Net Position
Figure 3

	Governmental Activities	
	Years Ended June 30	
	2015	2014
Revenues		
Program revenues:		
Charges for service	$ 162,435	$ 151,910
Operating grants and contributions	231,515	246,320
Capital grants and contributions	-	-
General revenues:		
Property taxes	3,283,336	3,327,444
Other taxes	1,375,572	1,288,470
Grants and contributions not restricted to specific programs	826,737	647,370
Other	37,229	34,413
Total revenues	5,916,824	5,695,927
Expenses		
General government	760,385	782,382
Public safety	2,195,098	2,233,022
Transportation	1,009,260	1,292,381
Economic and physical development	259,462	229,354
Cultural and recreation	492,316	474,524
Interest on long term debt	333,813	210,500
Total expenses	5,050,334	5,222,163
Increase in net position	$ 866,490	$ 473,764
Net position, July 1	$ 10,770,935	$ 10,297,171
Restatement	(245,202)	-
Net position, beginning, restated	10,525,733	10,297,171
Increase in net position	866,490	473,764
Net position, June 30	$ 11,392,223	$ 10,770,935

Governmental Activities – Governmental activities increased the Town's net position by $621,288.

Key elements of this increase are as follows:

- Tax revenues remained steady.
- Recreational programs continued to generate revenues to offset programs and services.
- State sales tax revenue was higher than projected (8.2 percent).
- Utilities sales tax revenue was higher than projected (20.93 percent).

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.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, Town of Fletcher's fund balance available in the General Fund was $3,637,192 while total fund balance reached $4,269,781. The Town currently has an available fund balance of 64.7% of general fund expenditures, while total fund balance represents 76.0% of the same amount.

At June 30, 2015, the governmental funds of the Town of Fletcher reported a combined fund balance of $4,788,356 with a net increase in fund balance of $162,568. Included in this change in fund balance is an increase in the General Fund and a decrease in the Town Hall Capital Project Fund.

General Fund Budgetary Highlights – During the fiscal year, the Town revised the budget on seven 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 increase appropriations to fund the purchase of a new automated garbage truck.

- An amendment was made to increase appropriations in Parks and Recreation Capital Outlay to install an electronic sign at Fletcher Community Park.

- An amendment was made to account for a grant award from the North Carolina Governors Highway program.

- An amendment was made to fund expenditures to account for an underpayment to Fletcher Fire and Rescue.
- An amendment was made to increase appropriations to reinstate merit pay for full-time employees.
- An amendment was made to increase appropriations in utility costs for the new Town Hall building.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental activities as of June 30, 2015 and 2014, totaled $15,728,455 and $15,342,525, 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 new police cars of $102,260.
- Acquisition of automated garbage truck of $267,686.
- Acquisition of a chipper of $49,631.
- Acquisition of tippers for old un-automated garbage truck of $8,990.
- Acquisition of mower of $11,569.
- Installation of a new electronic sign at Fletcher Community Park of $28,248.
- Park Drainage study for Fletcher Community Park of $19,580.
- Construction in progress for Town Hall capital assets of $148,352.

Capital asset disposals for the year ended June 30, 2015 included vehicles and equipment totaling $113,378.

Town of Fletcher's Capital Assets
Figure 4

	Governmental Activities June 30	
	2015	2014
Land	$ 2,586,847	$ 2,586,847
Construction in progress	9,285,602	9,137,250
Land improvements	2,572,497	2,571,252
Buildings and improvements	630,960	661,464
Equipment and furniture	175,330	140,009
Vehicles	477,219	245,703
Total	$ 15,728,455	$ 15,342,525

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, 2015, the Town's long-term debt consisted of installment purchase contracts.

Town of Fletcher's Outstanding Debt

Figure 5

	Governmental Activities			
	June 30			
	2015		2014	
Installment debt	$	8,830,630	$	9,100,000
Pension related debt (LEO)		36,849		20,367
OPEB		33,077		23,336
Total	$	8,900,556	$	9,143,703

Town of Fletcher's Outstanding Debt

The Town's total debt decreased by $243,147 (2.7%) during the fiscal year, primarily due to principal payments.

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 $81,116,332.

Additional information regarding the Town's long-term debt can be found in note 9 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, 2016.

- Economic growth should improve at probably its greatest rate since the 2009 recession. Estimates for growth in the national economy are approximately 3%. The economic outlook for the State is very positive, with consumer confidence high and unemployment low.

- Business spending and consumer spending continue to trend upward. Outside of the construction industry, taxable sales have risen above pre-recession levels and continue to rise.

- Commercial/Industrial growth in Fletcher continues to be strong. Cane Creek Cycling recently completed its planned expansion. Apple Tree Honda is in the process of completing a major expansion that will include a 43,000 square foot show room. A Wingate by Wyndham Hotel is under construction on Underwood Road. The Village Commerce Park on Old Airport Road has nearly leased out all of its available building spaces (12-15 buildings).

- The Mission-Pardee medical campus now has the YMCA facility fully operational.

- Single family residential growth is still sporadic at best but multi-family projects have been strong. The Seasons at Cane Creek apartment complex is currently under construction and will include 192 units when complete.

- A significant increase in the overall budget for Fletcher is primarily supported by an increase in the property tax base from revaluation (4.4% growth), new construction activity, and an increase in the tax rate. Revenue generated from the tax rate increase was dedicated toward fire protection services.

Budget Highlights for the Fiscal Year Ending June 30, 2016

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

- Maintain existing service levels with some increases in operational expenses and revenues.

- Continue to dedicate 8.5 cents of the tax levy toward the CIP and update the plan for the following year.

- Aggressively pursue development partners and any key pieces of property that will support the Fletcher Town Center project.

Requests for Information

This report is designed to provide an overview of the Town's 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, 300 Old Cane Creek Road, Fletcher, North Carolina 28732. You can also call (828) 687-3985, visit our website www.fletchernc.org or send an email to h.taylor@fletchernc.org for more information.

Basic Financial Statements

Town of Fletcher, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government	Component Unit
	Governmental Activities	**Town of Fletcher ABC Board**
Assets		
Current assets:		
Cash and cash equivalents	$ 3,136,288	$ 205,441
Taxes receivable (net)	60,212	-
Accounts receivable	609,125	-
Inventories	-	188,854
Prepaid items	22,525	12,932
Restricted cash and cash equivalents	1,113,605	-
Total current assets	4,941,755	407,227
Non-current assets:		
Net pension asset	177,042	-
Capital assets (Note 3):		
Land, non-depreciable improvements, and construction in progress	11,872,449	241,372
Other capital assets, net of depreciation	3,856,006	728,487
Total capital assets	15,728,455	969,859
Total assets	20,847,252	1,377,086
Deferred Outflows of Resources		
Contributions to pension plan in current fiscal year	103,675	-
Total deferred inflows of resources	103,675	-

Exhibit 1

	Primary Government	Component Unit
	Governmental Activities	Town of Fletcher ABC Board
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 93,187	$ 161,177
Accrued interest payable	21,126	-
Due to other government	939	-
Current portion of long-term liabilities	325,070	76,034
Total current liabilities	440,322	237,211
Long-term liabilities:		
Due in more than one year	8,685,409	173,889
Total liabilities	9,125,731	411,100
Deferred Inflows of Resources		
Pension deferrals	432,973	-
Total deferred inflows of resources	432,973	-
Net Position		
Net investment in capital assets	7,416,400	719,936
Restricted for:		
Prepaid items	22,525	-
Stabilization by State Statue	610,064	-
Streets	585,185	-
Police	9,845	-
USDA	32,634	
Working Capital	-	54,538
Unrestricted	2,715,570	191,512
Total net position	$ 11,392,223	$ 965,986

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

Town of Fletcher, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues		
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 760,385	$ 16,633	$ -	$ -
Public safety	2,195,098	36,015	5,198	-
Transportation	1,009,260	-	221,577	-
Economic and physical development	259,462	-	-	-
Cultural and recreation	492,316	109,787	4,740	-
Interest on long-term debt	333,813	-	-	-
Total governmental activities	$ 5,050,334	$ 162,435	$ 231,515	$ -
Component Unit:				
ABC Board	$ 1,810,238	$ 1,839,108	$ -	$ -

General Revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on the sale of capital assets

Miscellaneous

Total general revenues

Change in net position

Net position, beginning, previously reported

Restatement

Net position, beginning, restated

Change in net position

Net position, ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position	
Primary Government	**Component Unit**
Governmental Activities	**Town of Fletcher ABC Board**
$ (743,752)	$ -
(2,153,885)	-
(787,683)	-
(259,462)	-
(377,789)	-
(333,813)	-
(4,656,384)	-
-	28,870
3,283,336	-
1,375,572	-
826,737	-
1,586	74
22,250	-
13,393	134
5,522,874	208
$ 866,490	$ 29,078
$ 10,770,935	$ 936,908
(245,202)	-
10,525,733	936,908
866,490	29,078
$ 11,392,223	$ 965,986

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

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Fund Financial Statements

Exhibit 3

Town of Fletcher, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds		Total
	General Fund	Capital Project	Governmental Funds
Assets:			
Cash and cash equivalents	$ 3,136,288	$ -	$ 3,136,288
Restricted cash	595,030	518,575	1,113,605
Receivables, net:			
Taxes	60,212	-	60,212
Accounts	609,125	-	609,125
Prepaid items	22,525	-	22,525
Total assets	$ 4,423,180	$ 518,575	$ 4,941,755
Liabilities:			
Accounts payable and accrued liabilities	$ 93,187	$ -	$ 93,187
Due to other governments	939	-	939
Total liabilities	94,126	-	94,126
Deferred Inflows of Resources:			
Property taxes receivable	59,273	-	59,273
Total deferred inflows of resources	59,273	-	59,273
Fund Balances:			
Nonspendable			
Prepaid items	22,525	-	22,525
Restricted			
Stabilization by State Statute	610,064	-	610,064
Financing	-	518,575	518,575
Streets	585,185	-	585,185
Police	9,845	-	9,845
USDA	32,634		32,634
Committed			
Sidewalk	15,490	-	15,490
Assigned			
Future Park Development	19,318		19,318
Subsequent year's expenditures	21,635	-	21,635
Unassigned	2,953,085	-	2,953,085
Total fund balances	4,269,781	518,575	4,788,356
Total liabilities, deferred inflows of resources	$ 4,423,180	$ 518,575	$ 4,941,755

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 Position
June 30, 2015

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

Total Fund Balance, Governmental Fund	$ 4,788,356
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,728,455
Net pension asset	177,042
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	103,675
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	59,273
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Long-term debt	(8,830,630)
Compensated absences	(109,923)
Other postemployment benefits	(33,077)
Net pension obligation	(36,849)
Pension related deferrals	(432,973)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(21,126)
Net position of governmental activities	$ 11,392,223

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

Exhibit 4

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Total
	General Fund	Capital Project	Governmental Funds
REVENUES			
Ad valorem taxes	$ 3,306,083	$ -	$ 3,306,083
Unrestricted intergovernmental	2,176,864	-	2,176,864
Restricted intergovernmental	231,591	-	231,591
Permits and fees	56,650	-	56,650
Sales and services	122,125	-	122,125
Investment earnings	1,466	120	1,586
Miscellaneous	13,393	-	13,393
Total revenues	5,908,172	120	5,908,292
EXPENDITURES			
Current:			
General government	739,821	148,352	888,173
Public safety	2,212,829	-	2,212,829
Transportation	1,269,940	-	1,269,940
Economic and physical development	262,926	-	262,926
Cultural and recreation	530,086	-	530,086
Debt service:			
Principal	269,370	-	269,370
Interest and other charges	334,650	-	334,650
Total expenditures	5,619,622	148,352	5,767,974
Excess (deficiency) of revenues over expenditures	288,550	(148,232)	140,318
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	22,250	-	22,250
Total other financing sources (uses)	22,250	-	22,250
Net change in fund balance	310,800	(148,232)	162,568
Fund balances, beginning	3,958,981	666,807	4,625,788
Fund balances, ending	$ 4,269,781	$ 518,575	$ 4,788,356

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

Exhibit 4
(continued)

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, 2015

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

Net Change in Fund Balances - Total Governmental Funds	$ 162,568
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.	
Capital outlay expenditures that were capitalized	487,964
Capital project expenditures that were capitalized	148,352
Depreciation expense for governmental activities	(250,386)
Gain (loss) on sale of capital assets	22,250
Proceeds from sale of capital assets	(22,250)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	103,675
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(13,718)
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	269,370
Decrease in accrued interest payable	837
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.	
Change in compensated absences	(5,220)
Pension expense	(10,729)
Other postemployment benefits	(9,741)
Net pension obligation	(16,482)
Total Change in Net Position of Governmental Activities	$ 866,490

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

Exhibit 5

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, 2015

	General Fund			
	Budget			Variance with Final Budget-Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Ad valorem taxes	$ 3,248,647	$ 3,248,647	$ 3,306,083	$ 57,436
Unrestricted intergovernmental	1,942,000	1,942,000	2,176,864	234,864
Restricted intergovernmental	204,645	234,623	231,591	(3,032)
Permits and fees	51,500	51,500	56,650	5,150
Sales and services	124,600	124,600	122,125	(2,475)
Investment earnings	2,400	2,400	1,466	(934)
Miscellaneous	13,000	13,000	13,393	393
Total revenues	5,586,792	5,616,770	5,908,172	291,402
Expenditures:				
Current:				
General government	538,508	827,878	739,821	88,057
Public safety	2,271,912	2,311,882	2,212,829	99,053
Economic and physical development	286,301	286,674	262,926	23,748
Transportation	1,339,722	1,340,481	1,269,940	70,541
Cultural and recreation	625,599	656,176	530,086	126,090
Debt service:				
Principal	267,870	267,870	269,370	(1,500)
Interest and other charges	340,900	340,900	334,650	6,250
Total expenditures	5,670,812	6,031,861	5,619,622	412,239
Revenues Over (Under) Expenditures	(84,020)	(415,091)	288,550	703,641
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	22,250	12,250
Fund balance appropriated	74,020	405,091	-	(405,091)
Total other financing sources (uses)	84,020	415,091	22,250	(392,841)
Net change in fund balance	$ -	$ -	310,800	$ 310,800
Fund balance, beginning			3,958,981	
Fund balance, ending			$ 4,269,781	

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, 2015

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 unit 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 generally accepted accounting principles, 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 position 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 funds:

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

Capital Project Fund~ Town Hall Project. This fund is used to account for the construction of a new Town Hall.

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 is 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Fletcher because the tax is levied by Henderson County and then remitted to and distributed to the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. 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. Project ordinances are adopted for Capital Project Funds including the Town Hall project.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. All budget amendments for all funds must be approved by the Town Council. The financial statement budget columns reflect all budget amendments adopted by the Town Council through June 30.

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, Deferred Outflows/Inflows of Resources, and Fund Equity

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's and the ABC Board's 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. The NCCMT-Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

The unexpended financing proceeds of the installment purchase financing issued by the Town are classified as restricted assets for the capital project fund because their use is completely restricted to the purpose for which the financing proceeds were originally issued. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Police Narcotic funds are also classified as restricted cash because they can be expended for police equipment expenditures only.

Town of Fletcher Restricted Cash

Governmental Activities	
General Fund	
Streets	$ 585,185
Police	9,845
Capital Project Fund	
Unexpended debt proceeds	518,575
Total Restricted Cash	$ 1,113,605

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, 2014.

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 lower of cost (first-in, first-out) or market. The inventories consist of materials and supplies held for subsequent use. The cost of the inventories is expensed when consumed rather than when purchased. 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 costs 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:

Asset Class	Estimated Useful Lives (in Years)
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:

Asset Class	Estimated Useful Lives (in Years)
Office/Store Equipment	5 years
Leasehold Improvements	15 years
Buildings	25 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category- property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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 statement of net position.

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 of up to thirty days earned vacation leave with such leave being fully vested when earned. 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. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. 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 Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance- This classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

> **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.

Restricted Fund Balance- This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

> **Restricted by Stabilization by State Statute** – portion of fund balance that is restricted by State Statute [G.S.159-8(a)].
>
> **Restricted for Streets** – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.
>
> **Restricted 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.
>
> **Restricted for USDA-** portion of fund balance that is restricted by USDA as a reserve requirement for loans. This amount represents 10% of the total amount of the Town's yearly loan payments.
>
> **Restricted for Financing** – portion of fund balance that is imposed by creditors for Town Hall project. This amount represents the balance of the total unexpended financing proceeds.

Committed Fund Balance- portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Fletcher's governing body (highest level of decision-making authority). The governing board can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

> **Committed for Sidewalks-** portion of fund balance that is restricted for use by the Land Development Code and the governing board for sidewalk or greenway projects.

Assigned Fund Balance- portion of fund balance that Town of Fletcher intends to use for specific purposes.

Assigned 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 facility.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in next year's budget by the governing board that is not already classified in restricted or committed.

Unassigned Fund Balance – portion of total fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Fletcher has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund-balance, assigned fund-balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Fletcher's employer contributions are recognized when due and the Town of Fletcher has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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. 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifies that deposits are properly secured.

At June 30, 2015, the Town's deposits had a carrying amount of $3,731,018 and a bank balance of $3,845,024. Of the bank balance, $250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was $203,291 and a bank balance $196,684 Federal depository insurance covers $250,000 of the bank balance. At June 30, 2015, the Town's petty cash fund totaled $300.

Investments:

At June 30, 2015, the Town had $518,575 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 amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2015 includes penalties levied and outstanding in the amount of $936.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2015 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes Receivable	$ 5,000

Note 4 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,586,847	$ -	$ -	$ 2,586,847
Construction in Progress	9,137,250	148,352	-	9,285,602
	11,724,097	148,352	-	11,872,449
Capital Assets Being Depreciated:				
Land Improvements	2,741,091	19,580	-	2,760,671
Buildings and Improvements	1,151,288	-	-	1,151,288
Equipment and Furniture	732,745	98,438	56,353	774,830
Vehicles	1,012,206	369,946	57,025	1,325,127
Total Capital Assets Being Depreciated	5,637,330	487,964	113,378	6,011,916
Less Accumulated Depreciation For:				
Land Improvements	169,839	18,335	-	188,174
Buildings and Improvements	489,824	30,504	-	520,328
Equipment and Furniture	592,736	63,117	56,353	599,500
Vehicles	766,503	138,430	57,025	847,908
Total Accumulated Depreciation	2,018,902	$ 250,386	$ 113,378	2,155,910
Total Capital Assets Being Depreciated, Net	3,618,428			3,856,006
Governmental Activities Capital Assets, Net	$ 15,342,525			$ 15,728,455

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

General Government	$ 37,184
Public Safety	103,004
Recreation	30,414
Transportation	79,784
Total Depreciation Expense	$ 250,386

Construction Commitments

The Town has active construction projects as of June 30, 2015. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Town Hall	$ 6,878,390	$ 4,103
Total	$ 6,878,390	$ 4,103

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	$ 241,372	$ -	$ -	$ 241,372
Capital Assets Being Depreciated:				
Buildings	970,513	-	-	970,513
Furniture and Equipment	138,515	9,467	1,939	146,043
Total Capital Assets Being Depreciated	1,109,028	9,467	1,939	1,116,556
Less Accumulated Depreciation for:				
Buildings	259,818	38,821	-	298,639
Furniture and Equipment	82,830	8,539	1,939	89,430
Total Accumulated Depreciation	342,648	$ 47,360	$ 1,939	388,069
Total Capital Assets Being Depreciated, Net	766,380			728,487
ABC Board Capital Assets, Net	$ 1,007,752			$ 969,859

Note 5 – Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Fletcher is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members- nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. 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, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statue 128-30 and may be amended only by the North Carolina General Assembly. Town of Fletcher employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees.

The Town of Fletcher's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Fletcher were $103,675 for the year ended June 30, 2015.

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with a least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2015 the Town reported an asset of $177,042 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.030% which was a decrease of .001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of $10,729. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 19,345
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	412,149
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,479
City contributions subsequent to the measurement date	103,675	-
Total	$ 103,675	$ 432,973

$103,675 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	(108,256)
2017		(108,256)
2018		(108,256)
2019		(108,204)
2020		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital market data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rate of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase 8.25%
City's proportionate share of the net pension liability (asset)	$ 600,957	$ (177,042)	$ (832,091)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' 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, 2014, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	15
Total	15

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation based on the projected unit credit method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

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	$ 17,185
Interest on net pension obligation	1,018
Adjustment to annual required contribution	(1,721)
Annual pension cost	16,482
Employer contributions made for fiscal year ended June 30, 2014	-
Increase in net pension obligation	16,482
Net pension obligation– beginning of year	20,367
Net pension obligation – end of year	$ 36,849

3 Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2013	$ 14,198	0.00%	$ 3,970
2014	$ 16,397	0.00%	$ 20,367
2015	$ 16,482	0.00%	$ 36,849

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $88,624. The covered payroll (annual payroll of active employees covered by the plan) was $596,721 and the ratio of the UAAL to the covered payroll was 14.85 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 is 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2015 were $39,169 which consisted of $29,947 from the Town and $9,222 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, 2015 were $55,241, which consisted of $41,934 from the Town and $13,307 from the general employees.

Note 6 – Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description

The Town administers a single-employer defined healthcare plan ("plan"). The plan provides postemployment healthcare benefits to retirees of the Town, provided that they have retired with unreduced benefits from the North Carolina Local Government Employees' Retirement System. The retiree pays the full cost of coverage for themselves and dependents at the Town's group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy

The retiree pays the full cost of coverage for the healthcare benefits. The Town has chosen to fund the healthcare benefits on a pay as you go basis. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the postemployment healthcare benefits:

Employer annual required contribution	$ 9,741
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	9,741
Contributions made	-
Increase (decrease) in net OPEB obligation	9,741
Net OPEB obligation – beginning of year	23,336
Net OPEB obligation – end of year	$ 33,077

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 were as follows:

3 Year Trend Information

Fiscal Year Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
2015	$ 9,741	0.00%	$ 33,077
2014	9,221	0.00%	23,336
2013	436	0.00%	14,115

Funded Status and Funding Progress

As of June 30, 2015, the actuarial accrued liability for benefits was $47,714 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,509,057 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.16 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include the techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees- Based on the historical average retirement age for the covered group, active plan members were assigned to retire at age 57, or at the first subsequent year in which the member would qualify for benefits.

Marital status- Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality- Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2003 United States Life Tables for Males and for Females were used.

Turnover- Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate- The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 12 percent initially, reduced to an ultimate rate of 6.00 percent after six years, was used.

Health insurance premiums- 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate- The expected long-term inflation assumption of 3.80% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2013 Annual Report of the Board of Trustees of Federal Old-Age and Survivors and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate- The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was thirty years.

Other Postemployment Benefits

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

For the fiscal year ended June 30, 2015, the Town made contributions to the State for death benefits of $0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Years Relief	FY Contributions Resume
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of Fletcher will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in fiscal year beginning in July 1, 2015.

Note 7 – Deferred Outflows and Inflows of Resources

The Town has one deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	$ 103,675
Total	$ 103,675

Deferred inflows of resources at year end is comprised of the following:

Taxes receivable (General Fund), less penalties	$ 59,273
Pension deferrals	432,973
Total	$ 492,246

Note 8 – 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 two 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 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 carries 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 flood plain; therefore, all improvements to the park are within this flood plain.

From information gathered from Henderson County GIS, the Fletcher Police Department and IT Department appear to be located within the 100 year flood plain. It is also possible that two buildings used by Fletcher Parks & Recreation may also be partially in the 100 year flood plain.

As the GIS information is not exact, it would require a survey to determine the exact boundaries of the 100 year flood plain on property owned by the Town. These structures existed prior to the Town's adoption of flood plain 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, and workers' compensation. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

Note 9 – Long-Term Obligations

A. Installment Purchase Contracts

1) Town Hall Installment Purchase Contract-SunTrust

On May 18, 2012, the Town entered into an installment purchase contract with SunTrust in the amount of $3,000,000 to finance the construction of a new Town Hall building.

The financing contract requires 30 semi-annual principal payments of $100,000 plus interest at 3.05% beginning in November 2012 and continuing until May 2027.

The future minimum payments of this installment purchase as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 200,000	$ 71,675	$ 271,675
2017	200,000	65,575	265,575
2018	200,000	59,475	259,475
2019	200,000	53,375	253,375
2020	200,000	47,275	247,275
2021-2025	1,000,000	144,875	1,144,875
2026-2027	400,000	15,250	415,250
Totals	$ 2,400,000	$ 457,500	$ 2,857,500

2) Town Hall Installment Purchase Contracts-USDA

On June 12, 2014, the Town entered into two installment purchase contracts with the United States Department of Agriculture in the total amount of $6,500,000 for the new Town Hall building.

The first installment purchase contract is in the amount of $5,000,000 with the financing contract requiring 40 annual total payments of $257,350 which includes interest at 4.125% beginning in June 2015 and continuing until June 2054.

The future minimum payments of this installment purchase as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 53,208	$ 204,142	$ 257,350
2017	55,403	201,947	257,350
2018	57,688	199,662	257,350
2019	60,068	197,282	257,350
2020	62,545	194,805	257,350
2021-2025	353,623	933,127	1,286,750
2026-2030	432,828	853,922	1,286,750
2031-2035	529,774	756,976	1,286,750
2036-2040	648,434	638,316	1,286,750
2041-2045	793,671	493,079	1,286,750
2046-2050	971,439	315,311	1,286,750
2051-2054	930,219	97,783	1,028,002
Totals	$ 4,948,900	$ 5,086,352	$ 10,035,252

The second installment purchase contract is in the amount of $1,500,000 with the financing contract requiring 40 annual total payments of $68,895 which includes interest at 3.375% beginning in June 2015 and continuing until June 2054.

The future minimum payments of this installment purchase as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 18,887	$ 50,008	$ 68,895
2017	19,524	49,371	68,895
2018	20,183	48,712	68,895
2019	20,864	48,031	68,895
2020	21,568	47,327	68,895
2021-2025	119,265	225,210	344,475
2026-2030	140,796	203,679	344,475
2031-2035	166,214	178,261	344,475
2036-2040	196,220	148,255	344,475
2041-2045	231,644	112,831	344,475
2046-2050	273,463	71,012	344,475
2051-2054	253,102	21,670	274,772
Totals	$ 1,481,730	$ 1,204,367	$ 2,686,097

B. Changes in Long-term Liabilities

A summary of changes in long-term liabilities follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment Purchase Contracts	$ 9,100,000	$ -	$ 269,370	$ 8,830,630	$ 272,095
Compensated Absences	104,703	74,794	69,574	109,923	52,975
Other Postemployment Benefits	23,336	9,741	-	33,077	-
Net Pension Liability (LGERS)	245,202	-	245,202	-	-
Net Pension Obligation (LEO)	20,367	16,482	-	36,849	-
Governmental activity long-term liabilities	$ 9,493,608	$ 101,017	$ 584,146	$ 9,010,479	$ 325,070

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at beginning of the fiscal year.

Note 10 – Net Investment in Capital Assets

		Governmental
Capital Assets	$	15,728,455
less: long-term debt		8,830,630
add: unexpended debt proceeds		518,575
Net investment in capital asset	$	7,416,400

Note 11 – Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance-General Fund	*$ 4,269,781*
Less:	
Prepaid Items	22,525
Stabilization by State Statute	610,064
Streets	585,185
Police	9,845
USDA	32,634
Sidewalk	15,490
Future Park Development	19,318
Subsequent Year's Expenditures	21,635
Remaining Fund Balance	2,953,085

Note 12 – Commitments

The Town is obligated under the following commitments as of June 30, 2015:

Economic Development Incentives	$ 984,421
Cooper Construction Contract	4,103
Office Equipment	34,770
Total	$ 1,023,294

Note 13 – 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 $3,595 to the Council during the fiscal year ended June 30, 2015.

Note 14 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant 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 moneys.

Note 15 – Significant Effects of Subsequent Events

Management has evaluated subsequent events through September 30, 2105, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, the following subsequent event requires recognition or disclosure in these financial statements. The Town sold the old Town Hall building for $458,000.

Note 16 – Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by $245,202.

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Required Supplementary Financial Data

Schedule A-1

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, 2008	-	$ 59,480	$ 59,480	0.00%	$ 452,137	13.16%
December 31, 2009	-	83,144	83,144	0.00%	563,617	14.75%
December 31, 2010	-	65,660	65,660	0.00%	580,516	11.31%
December 31, 2011	-	71,360	71,360	0.00%	545,849	13.07%
December 31, 2012	-	88,411	88,411	0.00%	594,216	14.88%
December 31, 2013	-	80,340	80,340	0.00%	590,311	13.61%
December 31, 2014	-	88,624	88,624	0.00%	596,721	14.85%

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, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar closed
Remaining Amortization Method	16 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return (*)	5.00%
Projected Salary Increases	4.25 - 7.85%
(*) Includes Inflation at	3%
Cost of Living Adjustments	N/A

Schedule A-2

Town of Fletcher, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	$ 9,069	179.1%
2010	7,786	185.1%
2011	15,802	6.6%
2012	13,593	0.0%
2013	14,072	0.0%
2014	16,522	0.0%
2015	17,185	0.0%

Town of Fletcher, North Carolina
Other Postemployment Benefits
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, 2014	-	$ 47,714	$ 47,714	0.00%	$ 1,509,057	3.16%
December 31, 2013	-	45,653	45,653	0.00%	1,465,695	3.11%
December 31, 2012	-	2,564	2,564	0.00%	1,434,780	0.18%
December 31, 2011	-	13,636	13,636	0.00%	1,370,071	1.00%
December 31, 2010	-	18,165	18,165	0.00%	1,223,647	1.48%

Notes to Required Schedule

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

Valuation Date	December 31, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar amount
Remaining Amortization Method	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return (*)	4.00%
Projected Salary Increases	3.80%
(*) Includes Inflation at	3.80%
Medical Cost Trend	12 to 6%

Schedule A-4

Town of Fletcher, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	$ 9,741	0.00%
2014	9,221	0.00%
2013	436	0.00%
2012	2,950	0.00%
2011	4,589	0.00%

Schedule A-5

Town of Fletcher, North Carolina
Town of Fletcher's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years*

Local Government Employees' Retirement System

	2015	2014
Fletcher's proportion of the net pension liability (asset) (%)	0.03002%	0.02870%
Fletcher's proportion of the net pension liability (asset) ($)	$ (177,042)	$ 345,945
Fletcher's covered-employee payroll	$ 1,439,465	$ 1,402,296
Fletcher's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(12.30%)	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

* The amount presented for each fiscal year was determined as of the prior fiscal year ending June 30.

**This will be the same percentage for all participant employers in the LGERS plan.

Schedule A-6

Town of Fletcher, North Carolina
Town of Fletcher's Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	2015	2014
Contractually required contribution	$ 103,675	$ 100,743
Contributions in relation to the contractually required contribution	103,675	100,743
Contribution deficiency (excess)	$ -	$ -
Fletcher's covered-employee payroll	$ 1,478,513	$ 1,439,465
Contributions as a percentage of covered employee payroll	7.01%	7.00%

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Individual Fund Financial Statements

Town of Fletcher, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	$ 3,217,647	$ 3,274,650	$ 57,003
Prior year	22,000	22,404	404
Interest	9,000	9,029	29
Total	3,248,647	3,306,083	57,436
Unrestricted intergovernmental:			
Local option sales taxes	1,200,000	1,298,364	98,364
Utilities sales tax	595,000	719,543	124,543
ABC profit distribution	55,000	60,000	5,000
Video franchise fee	60,500	63,363	2,863
Beer and wine tax	31,500	35,594	4,094
Total	1,942,000	2,176,864	234,864
Restricted intergovernmental:			
Powell Bill allocation	190,145	191,272	1,127
Powell Bill investment earnings	1,800	332	(1,468)
Park development	2,000	-	(2,000)
ABC Funds for law enforcement	900	1,835	935
Grant	29,978	29,973	(5)
Drug forfeitures	5,000	3,363	(1,637)
Solid waste disposal tax	4,800	4,816	16
Total	234,623	231,590	(3,033)
Permits and fees:			
Land use permits	3,500	9,035	5,535
Inspection fees	34,000	36,015	2,015
Business registration fees	14,000	11,600	(2,400)
Total	51,500	56,650	5,150
Sales and services:			
Recreation department fees	109,000	109,787	787
Golf tournament fees	7,000	4,740	(2,260)
Rents	8,600	7,598	(1,002)
Total	124,600	122,125	(2,475)
Investment earnings	2,400	1,466	(934)

Town of Fletcher, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Miscellaneous Revenues	$ 13,000	$ 13,393	$ 393
Total revenues	5,616,770	5,908,172	291,402
Expenditures:			
General government:			
Governing body:			
Elected officials	44,857	42,728	2,129
Administration:			
Salaries and employee benefits	369,806	366,405	3,401
Other operating expenditures	269,735	198,617	71,118
Total	639,541	565,022	74,519
Town facilities:			
Other operating expenditures	143,480	132,071	11,409
Total	143,480	132,071	11,409
Total general government	827,878	739,821	88,057
Public safety:			
Police:			
Salaries and employee benefits	805,305	761,985	43,320
Other operating expenditures	385,279	332,421	52,858
Capital outlay	105,000	102,260	2,740
Total	1,295,584	1,196,666	98,918
Fire:			
Contracted services	1,016,298	1,016,163	135
Total public safety	2,311,882	2,212,829	99,053
Economic and physical development:			
Salaries and employee benefits	144,263	130,667	13,596
Other operating expenditures	142,411	132,259	10,152
Total economic and physical development	286,674	262,926	23,748

Schedule B-1
(continued)

Town of Fletcher, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets:			
Salaries and employee benefits	$ 363,187	$ 344,727	$ 18,460
Powell Bill expenditures	190,145	151,377	38,768
Other operating expenditures	459,462	447,529	11,933
Capital outlay	327,687	326,307	1,380
Total transportation	1,340,481	1,269,940	70,541
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	280,172	254,593	25,579
Other operating expenditures	232,704	216,096	16,608
Capital outlay	143,300	59,397	83,903
Total cultural and recreation	656,176	530,086	126,090
Debt service:			
Principal retirement	267,870	269,370	(1,500)
Interest and other charges	340,900	334,650	6,250
Total debt service	608,770	604,020	4,750
Total expenditures	6,031,861	5,619,622	412,239
Revenues Over (Under) Expenditures	(415,091)	288,550	703,641
Other financing sources (uses):			
Sale of capital assets	10,000	22,250	12,250
Fund balance appropriated	405,091	-	(405,091)
Total other financing sources (uses)	415,091	22,250	(392,841)
Net change in fund balance	$ -	310,800	$ 310,800
Fund balance, beginning		3,958,981	
Fund balance, ending		$ 4,269,781	

Town of Fletcher, North Carolina
Balance Sheet
Major Governmental Fund
For the Year Ended June 30, 2015

	Town Hall Capital Project Fund
Assets:	
Cash and cash equivalents	$ 518,575
Total assets	$ 518,575
Liabilities and Fund Balances:	
Liabilities	$ -
Total liabilities	-
Fund Balances:	
Restricted- Financing	518,575
Total fund balances	518,575
Total liabilities and fund balances	$ 518,575

Town of Fletcher, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Capital Project- Town Hall Project
From Inception and For the Year Ended June 30, 2015

		Actual			Variance
	Project Budget	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Interest income	$ 10,000	$ 4,192	$ 120	$ 4,312	$ (5,688)
Total revenues	10,000	4,192	120	4,312	(5,688)
Expenditures:					
Construction	7,013,210	6,772,133	106,257	6,878,390	134,820
Land acquistion	1,500,000	1,500,000	-	1,500,000	-
Engineering-architect services	700,000	677,393	15,262	692,655	7,345
Administrative and legal	56,000	55,022	-	55,022	978
Equipment and furnishings	185,000	132,702	26,832	159,534	25,466
Contingency	355,688	-	-	-	355,688
Total expenditures	9,809,898	9,137,250	148,352	9,285,602	524,296
Revenues over (under) expenditures	(9,799,898)	(9,133,058)	(148,232)	(9,281,290)	518,608
Other Financing Sources (Uses):					
Installment financing	9,500,000	9,500,000	-	9,500,000	-
Transfers (to) from other funds:					
General Fund	(70,422)	(70,422)	-	(70,422)	-
Capital Reserve	99,350	99,318	-	99,318	(32)
General Fund	270,970	270,969	-	270,969	(1)
Total other financing sources (uses)	9,799,898	9,799,865	-	9,799,865	(33)
Net change in fund balance	$ -	666,807	(148,232)	518,575	$ 518,575
Fund balance, beginning		-	666,807	-	
Fund balance, ending		$ 666,807	$ 518,575	$ 518,575	

Town of Fletcher, North Carolina
Fines and Forfeitures- General Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash and cash equvalents	$ -	$ 2,761	$ 2,761	$ -
Liabilities:				
Intergovernmental payable	$ -	$ 2,761	$ 2,761	$ -

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Other Schedules

Schedule C-1

Town of Fletcher, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	$ -	$ 3,298,430	$ 3,274,990	$ 23,440
2013-2014	37,562	-	26,380	11,182
2012-2013	12,187	-	3,078	9,109
2011-2012	6,378	-	2,145	4,233
2010-2011	5,236	-	1,642	3,594
2009-2010	5,512	-	1,706	3,806
2008-2009	2,669	-	72	2,597
2007-2008	3,484	-	236	3,248
2006-2007	2,334	-	109	2,225
2005-2006	1,889	-	111	1,778
2004-2005	1,383	-	1,383	-
	$ 78,634	$ 3,298,430	$ 3,311,852	65,212
Less: allowance for uncollectible ad valorem taxes				5,000
Ad valorem taxes receivable - net				$ 60,212

Reconciliation with revenues:

Ad valorem taxes - General Fund	$ 3,306,083
Penalties collected on ad valorem taxes- General Fund	2,761
Reconciling items:	
Interest collected	(9,029)
Prior year releases	5,242
Refunds	5,428
Taxes written off	1,367
Total collections and credits	$ 3,311,852

Schedule C-2

Town of Fletcher, North Carolina
Analysis of Current Tax Levy - Town-Wide Levy
For the Year Ended June 30, 2015

	Town-Wide			Total Levy	
	Property Valuation	**Tax Rate**	**Total Levy**	**Property Excluding Registered Vehicles**	**Registered Motor Vehicles**
Original Levy:					
Property taxed at current	$ 1,005,722,154	0.00325	$3,268,597	$3,053,777	$ 214,820
Penalties	-		3,175	3,175	-
Total	1,005,722,154		3,271,772	3,056,952	214,820
Discoveries:					
Current year taxes	8,961,538	0.00325	29,125	29,125	-
Penalties	-		-	-	-
Abatements:					
Current year taxes	(729,538)	0.00325	(2,371)	(1,584)	(787)
Penalties	-		(96)	(96)	-
Total property valuation	$ 1,013,954,154				
Net levy			3,298,430	3,084,397	214,033
Uncollected taxes at June 30, 2015			(23,440)	(22,580)	(860)
Current year's taxes collected			$3,274,990	$3,061,817	$ 213,173
Current levy collection percentage			99.29%	99.27%	99.60%

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Compliance Section

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Certified Public Accountants

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Independent Auditors' 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 and the Citizens
Town of Fletcher, North Carolina

We have audited, in accordance with the 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 governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Fletcher, North Carolina's basic financial statements, and have issued our report thereon dated September 22, 2015. Our report includes a reference to other auditors who audited the financial statements of Town of Fletcher ABC Board, as described in our report on the Town of Fletcher, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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 of the financial statements, we considered the Town of Fletcher, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fletcher, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fletcher, North Carolina's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fletcher, North Carolina's financial statements are free from 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lowdermilk Church & Co.

Morganton, North Carolina
September 22, 2015