

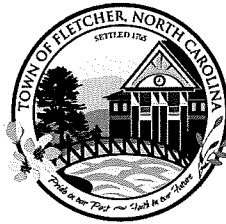
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

“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, 2016**

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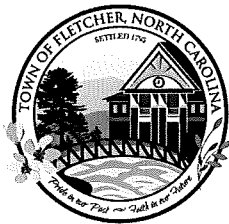
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Financial Section



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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 of the
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, 2016, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Fletcher ABC Board, which represent 5.9 percent, 7.5 percent, and 23.3 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 the 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, 2016, 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 and 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 Liability (Asset) and Contributions on pages iv-xiv, and 36-40 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, budgetary schedules and other schedules, 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 October 17, 2016 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.

Lawrence Smith Church & Co.

Morganton, North Carolina
October 17, 2016

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, 2016. 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

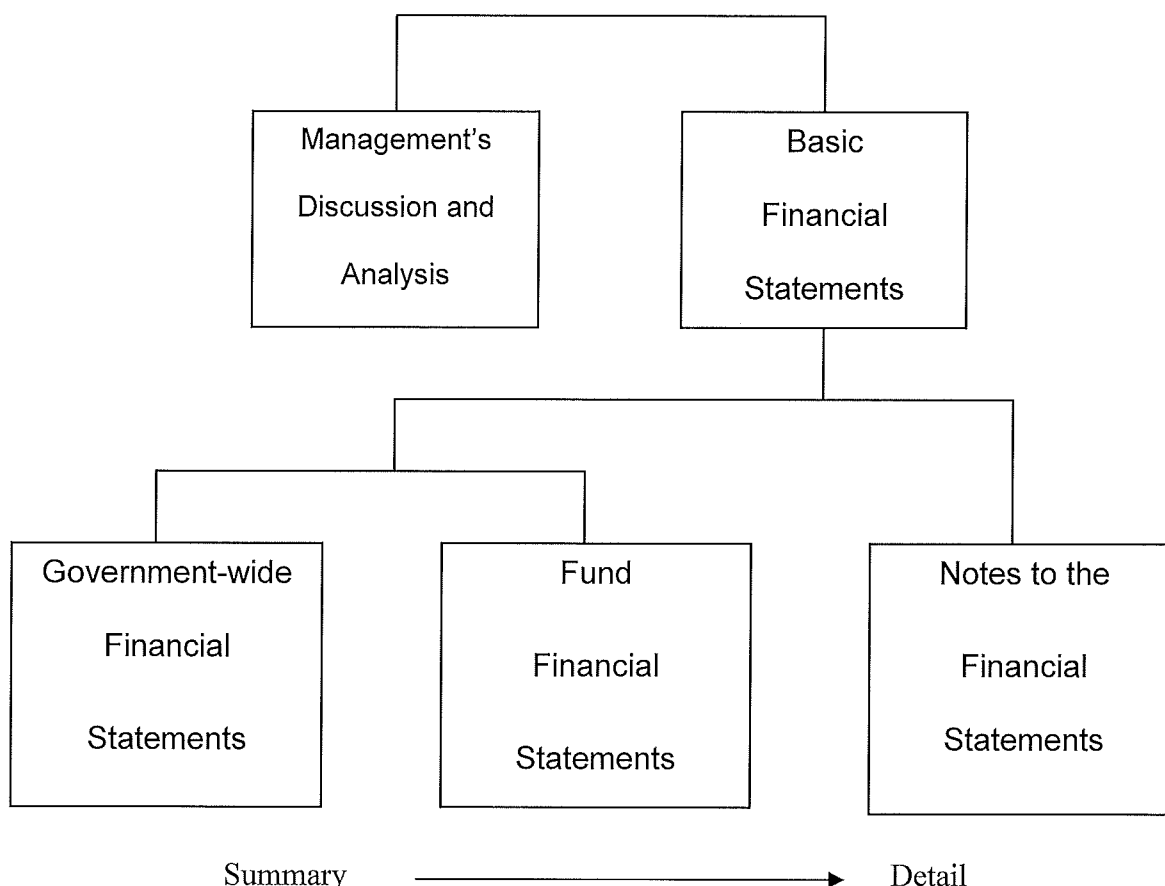
- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,456,073 (*net position*).
- The government's total net position *increased* by \$1,063,850 primarily due to *increases* in the *governmental type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,347,523 with a net change of \$559,166 in fund balance. Approximately 35.0 percent of this total amount, or 1,869,101, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,432,118, or 55.5 percent of total general fund expenditures for the fiscal year.
- The Town of Fletcher's total debt decreased by \$482,091 (5.5%) 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 it has 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. The Town exercises control over the Board by appointing its members and 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 10-35 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 36 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	
	2016	2015
Current and other assets	\$ 5,492,569	\$ 5,118,797
Capital assets	15,741,353	15,728,455
Deferred outflows of resources	106,053	103,675
Total assets and deferred outflows of resources	21,339,975	20,950,927
Long-term liabilities outstanding	8,684,757	9,010,479
Other liabilities	110,464	115,252
Deferred inflows of resources	88,681	432,973
Total liabilities and deferred inflows of resources	8,883,902	9,558,704
Net position:		
Net investment in capital assets	7,904,615	7,416,400
Restricted	1,357,435	1,260,253
Unrestricted	3,194,023	2,715,570
Total net position	\$ 12,456,073	\$ 11,392,223

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 \$12,456,073 as of June 30, 2016. The Town's net position *increased* by \$1,063,850 for the fiscal year ended June 30, 2016.

However, the largest portion (63.5%) 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, \$1,357,435 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,194,023 is unrestricted.

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 \$91,000 due to increase in economic activity in Henderson County.
- The sale of old Town Hall increased the sale of fixed asset revenues.
- The Town continued its diligence in the collection of property taxes by attaining a tax collection percentage of 99.51%. The statewide average in fiscal year 2015 was 99.52%

Town of Fletcher's Change in Net Position
Figure 3

	Governmental Activities	
	Years Ended June 30	
	2016	2015
Revenues		
Program revenues:		
Charges for service	\$ 121,253	\$ 162,435
Operating grants and contributions	214,881	231,515
Capital grants and contributions	-	-
General revenues:		
Property taxes	3,683,662	3,283,336
Other taxes	1,467,048	1,375,572
Grants and contributions not restricted to specific programs	785,730	826,737
Other	257,009	37,229
	<u>6,529,583</u>	<u>5,916,824</u>
Expenses		
General government	823,417	760,385
Public safety	2,439,565	2,195,098
Transportation	1,075,029	1,009,260
Economic and physical development	282,682	259,462
Cultural and recreation	523,483	492,316
Interest on long term debt	321,557	333,813
	<u>5,465,733</u>	<u>5,050,334</u>
Increase in net position	<u>\$ 1,063,850</u>	<u>\$ 866,490</u>
Net position, July 1	\$ 11,392,223	\$ 10,525,733
Increase in net position	<u>1,063,850</u>	<u>866,490</u>
Net position, June 30	<u>\$ 12,456,073</u>	<u>\$ 11,392,223</u>

Governmental Activities – Governmental activities increased the Town’s net position by \$1,063,850.

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 (6.9 percent).
- Sale of old Town Hall increased sale of fixed asset revenues.

Financial Analysis of the Town’s Funds

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

Governmental Funds – The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town’s financing requirements.

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 \$4,183,671 while total fund balance reached \$4,835,857. The Town currently has an available fund balance of 67.7% of general fund expenditures, while total fund balance represents 78.2% of the same amount.

At June 30, 2016, the governmental funds of the Town of Fletcher reported a combined fund balance of \$5,347,523 with a net increase in fund balance of \$559,166. 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 a new countywide Economic Investment Fund.
- An amendment was made to increase appropriations in debt service retirement to pay additional funds towards the Town’s SunTrust loan.
- An amendment was made to increase appropriations in capital outlay for a park drainage and resealing project at Fletcher Community Park.

Capital Asset and Debt Administration

Capital Assets — The Town's investment in capital assets for its governmental activities as of June 30, 2016 and 2015, totaled \$15,741,353 and \$15,728,454, 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 \$104,441.
- Acquisition of Public Works truck of \$36,954.
- Acquisition of Public Works SUV of \$30,840.
- Acquisition of Parks and Recreation van of \$24,199.
- Park Drainage project for Fletcher Community Park of \$286,669.
- Construction in progress for Town Hall capital assets of \$8,048.

Capital asset disposals for the year ended June 30, 2016 included vehicles, building, and equipment totaling \$604,514.

Town of Fletcher's Capital Assets

Figure 4

	Governmental Activities	
	June 30	
	2016	2015
Land	\$ 2,586,847	\$ 2,586,847
Construction in progress	9,293,649	9,285,601
Land improvements	2,840,178	2,572,497
Buildings and improvements	393,571	630,960
Equipment and furniture	118,761	175,330
Vehicles	508,347	477,219
Total	<u>\$ 15,741,353</u>	<u>\$ 15,728,454</u>

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

Long-term Debt – As of June 30, 2016, the Town’s long-term debt consisted of installment purchase contracts.

Town of Fletcher's Outstanding Debt

Figure 5

	Governmental Activities	
	June 30	
	2016	2015
Installment debt	\$ 8,348,404	\$ 8,830,495
Pension related debt (LEO)	54,038	36,849
OPEB	36,141	33,077
Total	<u>\$ 8,438,583</u>	<u>\$ 8,900,421</u>

Town of Fletcher’s Outstanding Debt

The Town’s total debt decreased by \$461,838 (5.2%) 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 \$86,778,471.

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, 2017.

- Economic growth should improve at a modest rate over the next year. Estimates for growth in the national economy are approximately 2.5%. The economic outlook for the State is positive as well, with new construction activity particularly strong and new job growth of over 100,000 positions anticipated.
- An analysis of the State economy by Wells Fargo indicated that employment and population growth should drive demand for retail sales.

- Commercial/Industrial growth in Fletcher continues to be moderately strong. Borg Warner is planning an expansion for 2016. City Bakery out of Asheville is planning a relocation of their production operation to an existing site on Old Airport Road. Med Express recently completed construction on a site across from Cane Creek Industrial Park. Carolina Drywall is building a facility also across from the Cane Creek Industrial Park.
- The new FernLeaf Charter School on Underwood Road will stimulate additional economic activity.
- Single family residential growth is starting to increase with the number of available homes for sale dropping. Cane Creek Vistas was approved as a multi-phased subdivision for up to 151 single family homes.
- A moderate increase in the overall budget for Fletcher is primarily supported by an increase in property tax revenues. This is mostly coming from new construction activity and additions to business personal property inventories.

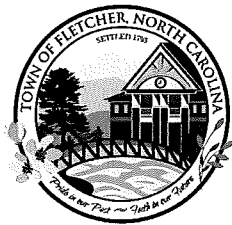
Budget Highlights for the Fiscal Year Ending June 30, 2017

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 implement Year 1 of the new Five Year CIP.
- 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.



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Basic Financial Statements

Town of Fletcher, North Carolina
Statement of Net Position
June 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Town of Fletcher ABC Board</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,635,215	\$ 176,409
Taxes receivable (net)	54,732	-
Accounts receivable	624,689	-
Inventories	-	197,049
Prepaid items	26,285	25,623
Restricted cash and cash equivalents	1,151,648	-
	<u>5,492,569</u>	<u>399,081</u>
Total current assets		
Non-current assets:		
Capital assets (Note 3):		
Land, non-depreciable improvements, and construction in progress	11,880,496	241,372
Other capital assets, net of depreciation	3,860,857	682,105
	<u>15,741,353</u>	<u>923,477</u>
Total capital assets		
Total assets	<u>21,233,922</u>	<u>1,322,558</u>
Deferred Outflows of Resources		
Contributions to pension plan in current fiscal year	106,053	-
	<u>106,053</u>	<u>-</u>
Total deferred inflows of resources		

Exhibit 1

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Town of Fletcher ABC Board</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 89,707	\$ 144,730
Accrued interest payable	19,545	-
Due to other government	1,212	-
Current portion of long-term liabilities	333,354	78,891
Total current liabilities	<u>443,818</u>	<u>223,621</u>
Long-term liabilities:		
Net pension liability	128,983	-
Due in more than one year	8,222,420	95,109
Total liabilities	<u>8,795,221</u>	<u>318,730</u>
Deferred Inflows of Resources		
Prepaid taxes	607	-
Pension deferrals	88,074	-
Total deferred inflows of resources	<u>88,681</u>	<u>-</u>
Net Position		
Net investment in capital assets	7,904,615	749,477
Restricted for:		
Prepaid items	26,285	-
Stabilization by State Statue	625,901	-
Streets	623,682	-
Police	16,300	-
USDA	65,267	-
Working Capital	-	56,816
Unrestricted	<u>3,194,023</u>	<u>197,535</u>
Total net position	<u>\$ 12,456,073</u>	<u>\$ 1,003,828</u>

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 823,417	\$ 14,288	\$ -	\$ -
Public safety	2,439,565	-	14,754	-
Transportation	1,075,029	-	192,519	-
Economic and physical development	282,682	-	-	-
Cultural and recreation	523,483	106,965	7,608	-
Interest on long-term debt	321,557	-	-	-
Total governmental activities	<u>\$ 5,465,733</u>	<u>\$ 121,253</u>	<u>\$ 214,881</u>	<u>\$ -</u>
Component Unit:				
ABC Board	<u>\$ 1,875,883</u>	<u>\$ 1,913,452</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on the sale of capital assets

Miscellaneous

Total general revenues

Change in net position

Net position, beginning

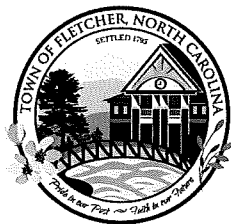
Change in net position

Net position, ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
Governmental Activities	Town of Fletcher ABC Board
\$ (809,129)	\$ -
(2,424,811)	-
(882,510)	-
(282,682)	-
(408,910)	-
(321,557)	-
(5,129,599)	-
-	37,569
3,683,662	-
1,467,048	-
785,730	-
3,058	77
230,142	-
23,809	196
6,193,449	273
\$ 1,063,850	\$ 37,842
\$ 11,392,223	\$ 965,986
1,063,850	37,842
\$ 12,456,073	\$ 1,003,828

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



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Fund Financial Statements

Town of Fletcher, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds		Total
	General Fund	Capital Project	Governmental Funds
Assets:			
Cash and cash equivalents	\$ 3,635,215	\$ -	\$ 3,635,215
Restricted cash	639,982	511,666	1,151,648
Receivables, net:			
Taxes	54,732	-	54,732
Accounts	624,689	-	624,689
Prepaid items	26,285	-	26,285
Total assets	<u>\$ 4,980,903</u>	<u>\$ 511,666</u>	<u>\$ 5,492,569</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 89,707	\$ -	\$ 89,707
Due to other governments	1,212	-	1,212
Total liabilities	<u>90,919</u>	<u>-</u>	<u>90,919</u>
Deferred Inflows of Resources:			
Property taxes receivable	53,520	-	53,520
Prepaid taxes	607	-	607
Total deferred inflows of resources	<u>54,127</u>	<u>-</u>	<u>54,127</u>
Fund Balances:			
Nonspendable			
Prepaid items	26,285	-	26,285
Restricted			
Stabilization by State Statute	625,901	-	625,901
Financing	-	511,666	511,666
Streets	623,682	-	623,682
Police	16,300	-	16,300
USDA	65,267	-	65,267
Committed			
Sidewalk	15,490	-	15,490
Assigned			
Future Park Development	23,365	-	23,365
Subsequent year's expenditures	7,449	-	7,449
Unassigned	<u>3,432,118</u>	<u>-</u>	<u>3,432,118</u>
Total fund balances	<u>4,835,857</u>	<u>511,666</u>	<u>5,347,523</u>
Total liabilities, deferred inflows of resources	<u>\$ 4,980,903</u>	<u>\$ 511,666</u>	<u>\$ 5,492,569</u>

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

Exhibit 3
(continued)

Town of Fletcher, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

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

Total Fund Balance, Governmental Fund	\$ 5,347,523
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,741,353
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	106,053
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	53,520
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Long-term debt	(8,348,404)
Compensated absences	(117,191)
Other postemployment benefits	(36,141)
Net pension obligation	(54,038)
Net pension liability	(128,983)
Pension related deferrals	(88,074)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(19,545)</u>
Net position of governmental activities	<u><u>\$ 12,456,073</u></u>

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

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds		Total
	General Fund	Capital Project	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,701,432	\$ -	\$ 3,701,432
Unrestricted intergovernmental	2,227,598	-	2,227,598
Restricted intergovernmental	213,080	-	213,080
Permits and fees	14,944	-	14,944
Sales and services	121,273	-	121,273
Investment earnings	1,920	1,138	3,058
Miscellaneous	23,809	-	23,809
Total revenues	6,304,056	1,138	6,305,194
EXPENDITURES			
Current:			
General government	804,108	8,048	812,156
Public safety	2,437,346	-	2,437,346
Transportation	1,046,304	-	1,046,304
Economic and physical development	286,407	-	286,407
Cultural and recreation	805,061	-	805,061
Debt service:			
Principal	482,091	-	482,091
Interest and other charges	323,138	-	323,138
Total expenditures	6,184,455	8,048	6,192,503
Excess (deficiency) of revenues over expenditures	119,601	(6,910)	112,691
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	446,475	-	446,475
Total other financing sources (uses)	446,475	-	446,475
Net change in fund balance	566,076	(6,910)	559,166
Fund balances, beginning	4,269,781	518,576	4,788,357
Fund balances, ending	\$ 4,835,857	\$ 511,666	\$ 5,347,523

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, 2016

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

Net Change in Fund Balances - Total Governmental Funds	\$	559,166
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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	483,103
Capital project expenditures that were capitalized	8,048
Depreciation expense for governmental activities	(261,919)
Gain (loss) on sale of capital assets	(216,333)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		106,053
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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		(5,753)
--	--	---------

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		482,091
Change in long-term debt outstanding		135
Decrease in accrued interest payable		1,581

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		(7,268)
Pension expense		(64,801)
Other postemployment benefits		(3,064)
Net pension obligation		(17,189)

Total Change in Net Position of Governmental Activities	\$	1,063,850
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The notes to the financial statements are an integral part of this statement.

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,593,408	\$ 3,593,408	\$ 3,701,432	\$ 108,024
Unrestricted intergovernmental	2,125,100	2,125,100	2,227,598	102,498
Restricted intergovernmental	242,925	242,925	213,080	(29,845)
Permits and fees	47,500	47,500	14,944	(32,556)
Sales and services	122,500	122,500	121,273	(1,227)
Investment earnings	2,400	2,400	1,920	(480)
Miscellaneous	13,000	13,000	23,809	10,809
Total revenues	6,146,833	6,146,833	6,304,056	157,223
Expenditures:				
Current:				
General government	854,523	879,523	804,108	75,415
Public safety	2,628,601	2,628,601	2,437,346	191,255
Economic and physical development	301,483	301,483	286,407	15,076
Transportation	1,142,805	1,142,805	1,046,304	96,501
Cultural and recreation	658,136	842,136	805,061	37,075
Debt service:				
Principal	271,478	481,475	482,091	(616)
Interest and other charges	326,442	326,442	323,138	3,304
Total expenditures	6,183,468	6,602,465	6,184,455	418,010
Revenues Over (Under) Expenditures	(36,635)	(455,632)	119,601	575,233
Other Financing Sources (Uses):				
Sale of capital assets	15,000	224,997	446,475	221,478
Fund balance appropriated	21,635	230,635	-	(230,635)
Total other financing sources (uses)	36,635	455,632	446,475	(9,157)
Net change in fund balance	\$ -	\$ -	566,076	\$ 566,076
Fund balance, beginning			4,269,781	
Fund balance, ending			\$ 4,835,857	

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, 2016**

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 beer and wine 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be 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 outlined in 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	\$ 623,682
Police	16,300
Capital Project Fund	
Unexpended debt proceeds	511,666
Total Restricted Cash	<u>\$ 1,151,648</u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2015.

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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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:

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</u>
Office/Store Equipment	5 years
Leasehold Improvements	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 2016 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 several items that meet the criterion for this category-prepaid taxes, 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, 2016, the Town's deposits had a carrying amount of \$4,274,897 and a bank balance of \$4,674,238. 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 \$174,259 and a bank balance of \$175,796. All of the bank balance was covered by federal depository insurance. At June 30, 2016, the Town's petty cash fund totaled \$300.

Investments:

At June 30, 2016, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2016	Maturity	Rating
NC Capital Management Trust-Cash Portfolio	Amortized Cost	\$511,666	N/A	AAAm
Total:		\$511,666		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2016.

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, 2016 includes penalties levied and outstanding in the amount of \$1212.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowance for doubtful accounts:

General Fund:

Taxes Receivable	<u>\$ 5,000</u>
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Note 4 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,586,847	\$ -	\$ -	\$ 2,586,847
Construction in Progress	9,285,601	8,048	-	9,293,649
	<u>11,872,448</u>	<u>8,048</u>	<u>-</u>	<u>11,880,496</u>
Capital Assets Being Depreciated:				
Land Improvements	2,760,671	286,669	-	3,047,340
Buildings and Improvements	1,151,288	-	475,796	675,492
Equipment and Furniture	774,830	-	18,679	756,151
Vehicles	1,325,127	196,434	110,039	1,411,522
	<u>6,011,916</u>	<u>483,103</u>	<u>604,514</u>	<u>5,890,505</u>
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation For:				
Land Improvements	188,174	18,988	-	207,162
Buildings and Improvements	520,328	21,056	259,463	281,921
Equipment and Furniture	599,500	56,569	18,679	637,390
Vehicles	847,908	165,306	110,039	903,175
	<u>2,155,910</u>	<u>\$ 261,919</u>	<u>\$ 388,181</u>	<u>2,029,648</u>
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net	<u>3,856,006</u>			<u>3,860,857</u>
Governmental Activities Capital Assets, Net				
	<u>\$ 15,728,454</u>			<u>\$ 15,741,353</u>

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

General Government	\$ 27,518
Public Safety	103,091
Recreation	32,892
Transportation	<u>98,418</u>
Total Depreciation Expense	
	<u>\$ 261,919</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2016, 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	146,043	1,965	-	148,008
Total Capital Assets Being Depreciated	1,116,556	1,965	-	1,118,521
Less Accumulated Depreciation for:				
Buildings	298,639	38,820	-	337,459
Furniture and Equipment	89,430	9,527	-	98,957
Total Accumulated Depreciation	388,069	\$ 48,347	\$ -	436,416
Total Capital Assets Being Depreciated, Net	728,487			682,105
ABC Board Capital Assets, Net	<u>\$ 969,859</u>			<u>\$ 923,477</u>

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, 2016, was 7.15% of compensation for law enforcement officers and 6.67% 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 \$106,053 for the year ended June 30, 2016.

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, 2016 the Town reported a liability of \$128,983 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.029% which was a decrease of .001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$64,801. At June 30, 2016, 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	\$ -	\$ 30,319
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	36,721
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	21,034
Town contributions subsequent to the measurement date	106,053	-
Total	<u>\$ 106,053</u>	<u>\$ 88,074</u>

\$106,053 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30:

2017	\$	(48,373)
2018		(48,373)
2019		(48,324)
2020		56,996
2021		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension 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:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase 8.25%</u>
Town's proportionate share of the net pension liability (asset)	\$ 899,416	\$ 128,983	\$ (520,090)

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, 2015, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 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, 2015 actuarial valuation based on the projected unit credit actuarial cost 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	\$ 18,585
Interest on net pension obligation	1,842
Adjustment to annual required contribution	<u>(3,238)</u>
Annual pension cost	17,189
Employer contributions made for fiscal year ended June 30, 2016	<u>-</u>
Increase in net pension obligation	17,189
Net pension obligation-- beginning of year	<u>36,849</u>
Net pension obligation – end of year	<u><u>\$ 54,038</u></u>

3 Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2014	\$ 16,397	0.00%	\$ 20,367
2015	\$ 16,482	0.00%	\$ 36,849
2016	\$ 17,189	0.00%	\$ 54,038

Funded Status and Funding Progress

As of December 31, 2015, 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 \$209,955. The covered payroll (annual payroll of active employees covered by the plan) was \$735,314 and the ratio of the UAAL to the covered payroll was 28.55 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, 2016 were \$44,425 which consisted of \$32,851 from the Town and \$11,574 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, 2016 were \$60,713, which consisted of \$44,286 from the Town and \$16,427 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:

Annual required contribution	\$ 3,064
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	3,064
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	3,064
Net OPEB obligation – beginning of year	<u>33,077</u>
Net OPEB obligation – end of year	<u><u>\$ 36,141</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2016 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
2016	\$ 3,064	0.00%	\$ 36,141
2015	9,741	0.00%	33,077
2014	9,221	0.00%	23,336

Funded Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits was \$14,105 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,667,930 and the ratio of the unfunded actuarial accrued liability to the covered payroll was .85 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- 2015 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, 2016, 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.

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	\$ 106,053
Total	\$ 106,053

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

Taxes receivable (General Fund), less penalties	\$ 53,520
Prepaid taxes (General Fund)	607
Differences between expected and actual experience	30,319
Net difference between projected and actual earnings on pension plan investments	36,721
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,034
Total	<u>\$ 142,201</u>

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 Town made an additional principal payment in December 2015 in the amount of \$209,997.

The future minimum payments of this installment purchase as of June 30, 2016, are as follows:

Fiscal Year			
Ending			
June 30	Principal	Interest	Total
2017	\$ 200,000	\$ 59,166	\$ 259,166
2018	200,000	53,066	253,066
2019	200,000	46,966	246,966
2020	200,000	40,866	240,866
2021	200,000	34,766	234,766
2022-2026	989,869	82,330	1,072,199
Totals	<u>\$ 1,989,869</u>	<u>\$ 317,160</u>	<u>\$ 2,307,029</u>

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, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	65,125	192,225	257,350
2022-2026	368,210	918,540	1,286,750
2027-2031	450,682	836,068	1,286,750
2032-2036	551,627	735,123	1,286,750
2037-2041	675,182	611,568	1,286,750
2042-2046	826,410	460,340	1,286,750
2047-2051	1,011,511	275,239	1,286,750
2052-2054	711,241	59,412	770,653
Totals	<u>\$ 4,895,692</u>	<u>\$ 4,882,211</u>	<u>\$ 9,777,903</u>

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, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	22,296	46,599	68,895
2022-2026	123,290	221,185	344,475
2027-2031	145,547	198,928	344,475
2032-2036	171,823	172,652	344,475
2037-2041	202,843	141,632	344,475
2042-2046	239,462	105,013	344,475
2047-2051	282,693	61,782	344,475
2052-2054	192,750	13,128	205,878
Totals	<u>\$ 1,462,843</u>	<u>\$ 1,154,360</u>	<u>\$ 2,617,203</u>

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	\$ 8,830,495	\$ -	\$ 482,091	\$ 8,348,404	\$ 274,927
Compensated Absences	109,923	83,496	76,228	117,191	58,427
Other Postemployment Benefits	33,077	3,064	-	36,141	-
Net Pension Liability (LGERS)	-	128,983	-	128,983	-
Net Pension Obligation (LEO)	36,849	17,189	-	54,038	-
Governmental activity long-term liabilities	<u>\$ 9,010,344</u>	<u>\$ 232,732</u>	<u>\$ 558,319</u>	<u>\$ 8,684,757</u>	<u>\$ 333,354</u>

Note 10 – Net Investment in Capital Assets

Capital Assets	\$ 15,741,353
less: long-term debt	8,348,404
add: unexpended debt proceeds	511,666
Net investment in capital asset	<u>\$ 7,904,615</u>

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:

<i>Total fund balance-General Fund</i>	<i>\$ 4,835,857</i>
Less:	
Prepaid Items	26,285
Stabilization by State Statute	625,901
Streets	623,682
Police	16,300
USDA	65,267
Sidewalk	15,490
Future Park Development	23,365
Subsequent Year's Expenditures	7,449
Remaining Fund Balance	<u>3,432,118</u>

Note 12 – Commitments

The Town is obligated under the following commitments as of June 30, 2016:

Economic Development Incentives	\$ 1,113,191
Office Equipment	<u>26,077</u>
Total	<u>\$ 1,139,268</u>

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, 2016.

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 October 17, 2016 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, no circumstances occurred that require recognition or disclosure in these financial statements.

Note 16 – Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement no. 72, *Fair Value Measurement and Application*, in the fiscal year ending June 30, 2016. The implementation of the statement requires the Town to value donated capital assets acquired after June 15, 2015 at acquisition value and investments to be measured at fair value. There was no effect on beginning net position.

Required Supplementary Financial Data

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, 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%
December 31, 2015	-	209,955	209,955	0.00%	735,314	28.55%

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, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar closed
Remaining Amortization Method	15 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return (*)	3.57%
Projected Salary Increases	3.50-7.35%
(*) Includes Inflation at	3%
Cost of Living Adjustments	N/A

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, 2015	-	\$ 14,105	\$ 14,105	0.00%	\$ 1,667,930	0.85%
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, 2015
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%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2016	\$ 3,064	0.00%
2015	9,741	0.00%
2014	9,221	0.00%
2013	436	0.00%
2012	2,950	0.00%
2011	4,589	0.00%

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fletcher's proportion of the net pension liability (asset) (%)	0.02874%	0.03002%	0.02870%
Fletcher's proportion of the net pension liability (asset) (\$)	\$ 128,983	\$ (177,042)	\$ 345,945
Fletcher's covered-employee payroll	\$ 1,478,513	\$ 1,439,465	\$ 1,402,296
Fletcher's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.72%	(12.30%)	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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.

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 106,053	\$ 103,675	\$ 100,743
Contributions in relation to the contractually required contribution	106,053	103,675	100,743
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fletcher's covered-employee payroll	\$1,593,816	\$1,478,513	\$1,439,465
Contributions as a percentage of covered employee payroll	6.65%	7.01%	7.00%

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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 3,561,908	\$ 3,672,036	\$ 110,128
Prior year	22,000	17,379	(4,621)
Interest	9,500	12,017	2,517
Total	<u>3,593,408</u>	<u>3,701,432</u>	<u>108,024</u>
 Unrestricted intergovernmental:			
Local option sales taxes	1,300,000	1,389,317	89,317
Utilities sales tax	670,000	684,158	14,158
ABC profit distribution	60,000	60,000	-
Video franchise fee	62,000	60,805	(1,195)
Beer and wine tax	33,100	33,318	218
Total	<u>2,125,100</u>	<u>2,227,598</u>	<u>102,498</u>
 Restricted intergovernmental:			
Powell Bill allocation	190,000	192,165	2,165
Powell Bill investment earnings	1,000	354	(646)
Park development	2,000	898	(1,102)
ABC Funds for law enforcement	2,500	2,655	155
Grant	38,625	-	(38,625)
Drug forfeitures	4,000	12,099	8,099
Solid waste disposal tax	4,800	4,909	109
Total	<u>242,925</u>	<u>213,080</u>	<u>(29,845)</u>
 Permits and fees:			
Land use permits	5,500	6,690	1,190
Inspection fees	34,000	-	(34,000)
Business registration fees	8,000	8,254	254
Total	<u>47,500</u>	<u>14,944</u>	<u>(32,556)</u>
 Sales and services:			
Recreation department fees	109,000	106,965	(2,035)
Golf tournament fees	6,000	6,710	710
Rents	7,500	7,598	98
Total	<u>122,500</u>	<u>121,273</u>	<u>(1,227)</u>
 Investment earnings	<u>2,400</u>	<u>1,920</u>	<u>(480)</u>

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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous Revenues	\$ 13,000	\$ 23,809	\$ 10,809
Total revenues	<u>6,146,833</u>	<u>6,304,056</u>	<u>157,223</u>
Expenditures:			
General government:			
Governing body:			
Elected officials	<u>47,327</u>	<u>44,407</u>	<u>2,920</u>
Administration:			
Salaries and employee benefits	399,444	392,346	7,098
Other operating expenditures	<u>289,852</u>	<u>248,664</u>	<u>41,188</u>
Total	<u>689,296</u>	<u>641,010</u>	<u>48,286</u>
Town facilities:			
Other operating expenditures	<u>142,900</u>	<u>118,691</u>	<u>24,209</u>
Total	<u>142,900</u>	<u>118,691</u>	<u>24,209</u>
Total general government	<u>879,523</u>	<u>804,108</u>	<u>75,415</u>
Public safety:			
Police:			
Salaries and employee benefits	888,600	836,797	51,803
Other operating expenditures	403,648	267,098	136,550
Capital outlay	<u>105,000</u>	<u>104,441</u>	<u>559</u>
Total	<u>1,397,248</u>	<u>1,208,336</u>	<u>188,912</u>
Fire:			
Contracted services	<u>1,231,353</u>	<u>1,229,010</u>	<u>2,343</u>
Total public safety	<u>2,628,601</u>	<u>2,437,346</u>	<u>191,255</u>
Economic and physical development:			
Salaries and employee benefits	149,631	143,285	6,346
Other operating expenditures	<u>151,852</u>	<u>143,122</u>	<u>8,730</u>
Total economic and physical development	<u>301,483</u>	<u>286,407</u>	<u>15,076</u>

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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 383,854	\$ 349,774	\$ 34,080
Powell Bill expenditures	190,000	154,023	35,977
Other operating expenditures	488,951	474,713	14,238
Capital outlay	80,000	67,794	12,206
Total transportation	<u>1,142,805</u>	<u>1,046,304</u>	<u>96,501</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	290,511	273,416	17,095
Other operating expenditures	224,625	220,777	3,848
Capital outlay	327,000	310,868	16,132
Total cultural and recreation	<u>842,136</u>	<u>805,061</u>	<u>37,075</u>
Debt service:			
Principal retirement	481,475	482,091	(616)
Interest and other charges	326,442	323,138	3,304
Total debt service	<u>807,917</u>	<u>805,229</u>	<u>2,688</u>
Total expenditures	<u>6,602,465</u>	<u>6,184,455</u>	<u>418,010</u>
Revenues Over (Under) Expenditures	<u>(455,632)</u>	<u>119,601</u>	<u>575,233</u>
Other financing sources (uses):			
Sale of capital assets	224,997	446,475	221,478
Fund balance appropriated	230,635	-	(230,635)
Total other financing sources (uses)	<u>455,632</u>	<u>446,475</u>	<u>(9,157)</u>
Net change in fund balance	<u>\$ -</u>	566,076	<u>\$ 566,076</u>
Fund balance, beginning		<u>4,269,781</u>	
Fund balance, ending		<u>\$ 4,835,857</u>	

Town of Fletcher, North Carolina
Balance Sheet
Major Governmental Fund
For the Year Ended June 30, 2016

	Town Hall Capital Project Fund
Assets:	
Cash and cash equivalents	\$ 511,666
Total assets	<u>\$ 511,666</u>
Liabilities and Fund Balances:	
Liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
Fund Balances:	
Restricted- Financing	<u>511,666</u>
Total fund balances	<u>511,666</u>
Total liabilities and fund balances	<u>\$ 511,666</u>

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, 2016

		<u>Actual</u>			Variance
	<u>Project Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	Positive (Negative)
Revenues:					
Interest income	\$ 10,000	\$ 4,312	\$ 1,138	\$ 5,450	\$ (4,550)
Total revenues	10,000	4,312	1,138	5,450	(4,550)
Expenditures:					
Construction	7,013,210	6,878,390	4,103	6,882,493	130,717
Land acquisition	1,500,000	1,500,000	-	1,500,000	-
Engineering-architect services	700,000	692,655	1,100	693,755	6,245
Administrative and legal	56,000	55,022	-	55,022	978
Equipment and furnishings	185,000	159,534	2,845	162,379	22,621
Contingency	355,688	-	-	-	355,688
Total expenditures	9,809,898	9,285,601	8,048	9,293,649	516,249
Revenues over (under) expenditures	(9,799,898)	(9,281,289)	(6,910)	(9,288,199)	511,699
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	\$ -	518,576	(6,910)	511,666	\$ 511,666
Fund balance, beginning		-	518,576	-	
Fund balance, ending		\$ 518,576	\$ 511,666	\$ 511,666	

Town of Fletcher, North Carolina
Fines and Forfeitures- General Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 4,328</u>	<u>\$ 4,328</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 4,328</u>	<u>\$ 4,328</u>	<u>\$ -</u>



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Other Schedules

Schedule C-1

Town of Fletcher, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

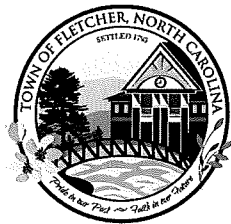
Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 3,692,711	\$ 3,674,752	\$ 17,959
2014-2015	23,440	-	14,045	9,395
2013-2014	11,182	-	3,124	8,058
2012-2013	9,109	-	2,135	6,974
2011-2012	4,233	-	488	3,745
2010-2011	3,594	-	268	3,326
2009-2010	3,806	-	673	3,133
2008-2009	2,597	-	300	2,297
2007-2008	3,248	-	530	2,718
2006-2007	2,225	-	98	2,127
2005-2006	1,778	-	1,778	-
	<u>\$ 65,212</u>	<u>\$ 3,692,711</u>	<u>\$ 3,698,191</u>	59,732
Less: allowance for uncollectible ad valorem taxes				<u>5,000</u>
Ad valorem taxes receivable - net				<u>\$ 54,732</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 3,701,432
Penalties collected on ad valorem taxes- General Fund	4,328
Reconciling items:	
Interest collected	(12,017)
Prior year releases	1,486
Refunds	1,259
Taxes written off	<u>1,703</u>
Total collections and credits	<u>\$ 3,698,191</u>

Town of Fletcher, North Carolina
Analysis of Current Tax Levy - Town-Wide Levy
For the Year Ended June 30, 2016

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 1,074,729,706	0.00340	\$3,654,081	\$ 3,414,813	\$ 239,268
Penalties	-		4,363	4,363	-
Total	<u>1,074,729,706</u>		<u>3,658,444</u>	<u>3,419,176</u>	<u>239,268</u>
Discoveries:					
Current year taxes	10,699,118	0.00340	36,377	36,377	-
Penalties	-		309	309	-
Abatements:					
Current year taxes	(697,941)	0.00340	(2,373)	(1,699)	(674)
Penalties	-		(46)	(46)	-
Total property valuation	<u>\$ 1,084,730,882</u>				
Net levy			3,692,711	3,454,117	238,594
Uncollected taxes at June 30, 2016			<u>(17,959)</u>	<u>(17,190)</u>	<u>(769)</u>
Current year's taxes collected			<u>\$3,674,752</u>	<u>\$ 3,436,927</u>	<u>\$ 237,825</u>
Current levy collection percentage			<u>99.51%</u>	<u>99.50%</u>	<u>99.68%</u>



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Compliance Section



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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 of the
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 units, 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, 2016, 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 October 17, 2016. Our report includes a reference to other auditors who audited the financial statements of the 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.

Loudonville Church & Co.

Morganton, North Carolina
October 17, 2016

