



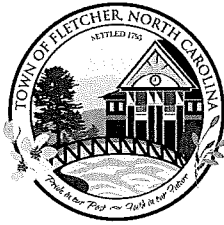
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

"PRIDE IN OUR PAST, FAITH IN OUR FUTURE"



Town Council Members

Rod A. Whiteside, Mayor
Eddie Henderson, Mayor Pro-Tem
Hugh Clark
Robert Davy
Sheila Franklin

Administrative and Financial Staff

Mark Biberdorf, Town Manager
Heather Taylor, Assistant Town Manager/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, 2018**

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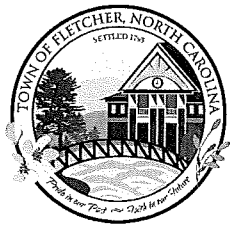
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Financial Section



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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 of
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, 2018, 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 Town of Fletcher ABC Board, which represent 5.9 percent, 8.2 percent, and 33.1 percent, respectively, of the assets, net position, and revenues of the Town of Fletcher, North Carolina. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Town of Fletcher ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of 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, 2018, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages iv-xvi, and 37-41 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 combining and 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 combining and 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 combining and 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, 2018 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 the effectiveness of the Town of Fletcher, North Carolina's 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.

Lowmitch Chump & Co., L.L.P.

Morganton, North Carolina
October 17, 2018

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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, 2018. 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

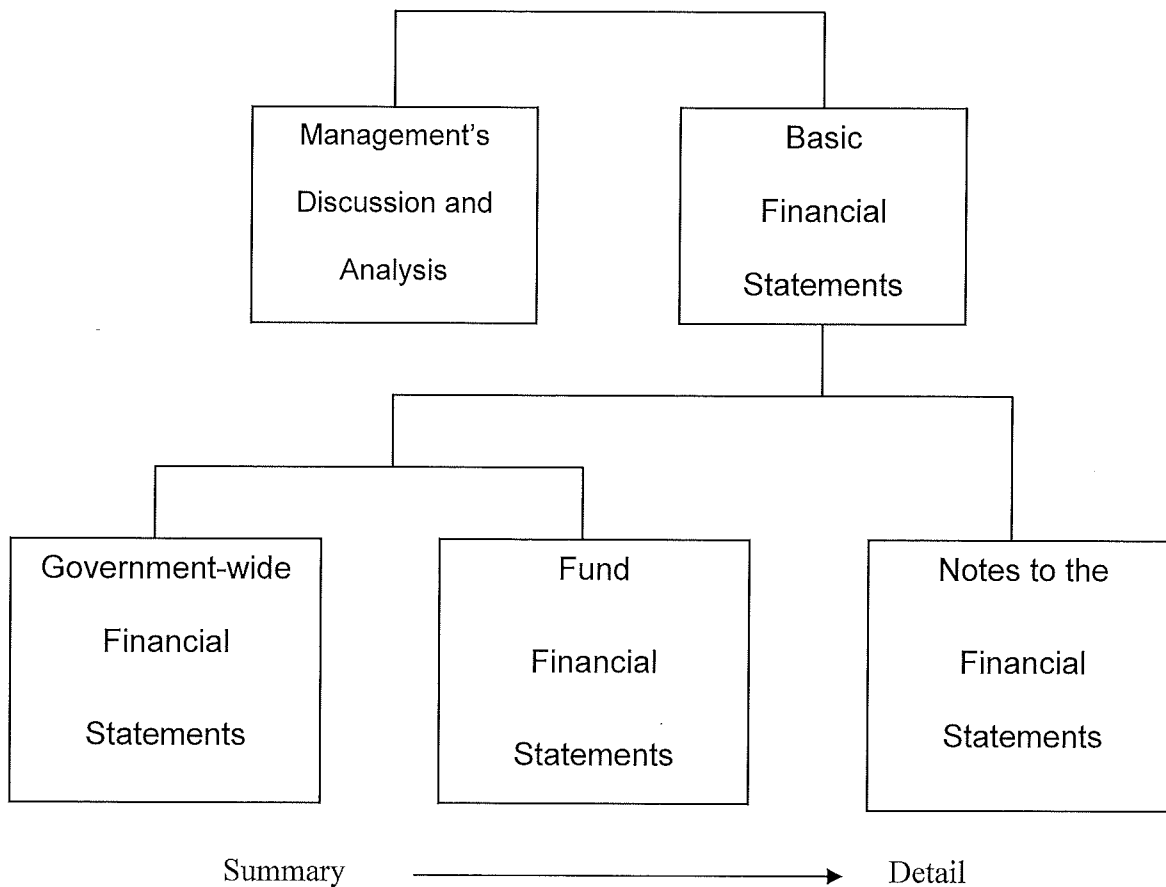
- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,798,326 (*net position*).
- The government's total net position *increased* by \$684,940 primarily due to *increases* in the *governmental type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$5,413,385 with a net increase of \$137,691 in fund balance. Approximately 27.0 percent of this total amount, or \$1,459,095, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,507,561, or 52.3 percent of total general fund expenditures for the fiscal year.
- The Town of Fletcher's total debt decreased by \$440,485 (5.2%) during the current fiscal year. The key factor in this decrease was principal payments on debt and changes in the net pension liability.

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 8-36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 of this report.

Independence with Other Entities

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

Government-Wide Financial Analysis

	Activities	
	June 30	
	2018	2017
Current and other assets	\$ 5,481,494	\$ 5,381,939
Capital assets	16,137,120	15,835,367
Deferred outflows of resources	345,921	530,962
Total assets and deferred outflows of resources	21,964,535	21,748,268
Long-term liabilities outstanding	7,696,522	8,146,535
Other liabilities	410,858	436,327
Deferred inflows of resources	58,829	52,020
Total liabilities and deferred inflows of resources	8,166,209	8,634,882
Net position:		
Net investment in capital assets	8,970,162	8,369,280
Restricted	1,459,095	1,324,664
Unrestricted	3,369,069	3,419,442
Total net position	\$ 13,798,326	\$ 13,113,386

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 \$13,798,326 as of June 30, 2018. The Town's net position *increased* by \$684,940 for the fiscal year ended June 30, 2018.

However, the largest portion (65.0%) 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, \$1,459,095 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,369,069 is unrestricted.

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

- Ad Valorem tax revenue increased approximately \$95,000 due to minor growth in the tax base.

- The Town continued its diligence in the collection of property taxes by attaining a tax collection percentage of 99.52%. The statewide average in fiscal year 2017 was 98.78%
- Actual expenditures in the General Fund were less than the budgeted amount by \$365,687.

Town of Fletcher's Change in Net Position
Figure 3

	Governmental Activities	
	Years Ended June 30	
	2018	2017
Revenues		
Program revenues:		
Charges for service	\$ 132,672	\$ 128,024
Operating grants and contributions	239,487	205,503
Capital grants and contributions	49,039	101,595
General revenues:		
Property taxes	3,954,346	3,856,932
Other taxes	1,632,331	1,591,333
Grants and contributions not restricted to specific programs	813,352	793,867
Other	72,243	30,909
Total revenues	<u>6,893,470</u>	<u>6,708,163</u>
Expenses		
General government	1,153,082	946,294
Public safety	2,707,715	2,609,546
Transportation	1,190,026	1,199,496
Economic and physical development	271,226	259,917
Cultural and recreation	611,056	575,210
Interest on long term debt	278,251	304,470
Total expenses	<u>6,211,356</u>	<u>5,894,933</u>
Increase in net position	<u>\$ 682,114</u>	<u>\$ 813,230</u>
Net position, beginning, perviously reported	\$ 13,113,386	\$ 12,456,073
Restatement	2,826	(155,917)
Net position, beginning, restated	13,116,212	12,300,156
Increase in net position	<u>682,114</u>	<u>813,230</u>
Net position, June 30	<u>\$ 13,798,326</u>	<u>\$ 13,113,386</u>

Governmental Activities – Governmental activities increased the Town’s net position by \$682,114. Town management acknowledges that 2018 was a successful year and plans to continue to monitor the Town’s revenues and expenditures to realize continued fiscal health.

Key elements of this increase are as follows:

- Tax revenues increased slightly.
- Recreational programs continued to generate revenues to offset programs and services.
- Expenditures came in lower than budgeted.

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 total fund balance available in the General Fund was \$4,676,402 while total fund balance also reached \$5,413,385. The governing board of the Town of Fletcher has determined that the Town should maintain a minimum unassigned general fund balance of 45% of the total actual general fund expenditures in case of unforeseen needs or appropriations, in addition to meeting the cash flow needs to the Town. The Town currently has an available fund balance of 69.7% of general fund expenditures, while total fund balance represents 80.7% of the same amount.

At June 30, 2018, the governmental funds of the Town of Fletcher reported a combined fund balance of \$5,413,385 with a net increase of \$137,691. Included in this change in fund balance is an increase in the General Fund and no change in the non-major governmental funds.

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 increase telephone costs under new contract.
- An amendment was made to increase appropriations to fund additional engineering fees for project.
- An amendment was made to increase appropriations to fund a greenway concept design.
- An amendment was made to increase appropriations to purchase a new bus for the Summer Day Camp program.

- An amendment was made to fund expenditures to account for an underpayment to Fletcher Fire and Rescue.
- An amendment was made to increase appropriations to include a drainage project along with the paving project at Bill Moore Community Park.
- An amendment was made to transfer the grant match to the Highway 25 Grant Project Fund.
- An amendment was made to transfer funds from the General Fund to the Parks and Recreation Maintenance Building Project Fund.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2018 and 2017, totaled \$16,137,120 and \$15,835,369, 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 \$116,550.
- Acquisition of a new police motorcycle of \$30,726.
- Acquisition of a new Public Works truck of \$34,314.
- Acquisition of a bus for Summer Day Camp of \$85,750.
- Installation of a new entrance sign for Bill Moore Community Park of \$5,320.
- Acquisition of two snow plows for Public Works of \$11,782.
- Restroom project for Fletcher Community Park of \$12,950.
- Drainage and Paving project for Bill Moore Community Park of \$250,907.
- Construction in progress for capital/grant projects assets of \$272,297.

Capital asset disposals for the year ended June 30, 2018 of vehicles only total \$145,255.

Town of Fletcher's Capital Assets
Figure 4

	Governmental Activities	
	June 30	
	2018	2017
Land	\$ 4,086,847	\$ 4,086,847
Construction in progress	440,649	168,352
Land improvements	3,032,605	2,811,635
Buildings and improvements	7,783,778	7,978,969
Equipment and furniture	270,441	345,973
Vehicles	522,800	443,593
	<u>522,800</u>	<u>443,593</u>
Total	<u>\$ 16,137,120</u>	<u>\$ 15,835,369</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, 2018, the Town’s long-term debt consisted of installment purchase contracts. The installment debt is backed by security interest in the property for which it was issued.

Town of Fletcher's Outstanding Liabilities

Figure 5

	Governmental Activities	
	June 30	
	2018	2017
Installment debt	\$ 7,166,958	\$ 7,466,087
Compensated absences	139,671	133,138
OPEB	40,784	38,937
Pension related debt (LEO)	266,543	230,597
Pension related debt (LGERS)	447,623	633,305
Total	<u>\$ 8,061,579</u>	<u>\$ 8,502,064</u>

Town of Fletcher’s Outstanding Debt

The Town’s total debt decreased by \$440,485 (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 \$93,124,259.

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, 2019.

- Improved growth is expected in the national economy. Gross domestic product is expected increase by nearly 3%. With a new presidential administration coming in there is typically a strong uptick in the economy but forecasts have been fairly conservative.
- Inflation is occurring in the 2.2% to 2.5% range, so we will expect some type of increase in interest rates to slow the pace of inflation.
- Consumer confidence remains at its highest level since 2000.
- The economic outlook for North Carolina is good. The Gross state product is projected to grow by 2.8%. Job growth is also very strong with 9,900 jobs being added in each of the last three months of 2017. The positive job growth should continue into 2018.
- Commercial/Industrial growth in Fletcher continues to be moderate. Expansions with existing manufacturers has slowed but other commercial projects are underway. Other projects include an O'Reilly's Auto Parts store, Hunter Automotive car dealership on Hwy. 280, and a spec building at the Town limits on Hwy. 25.
- The pace of residential growth has been robust with both multi-family and single family projects underway. Sycamore Cottages is currently under construction with 151 homes planned to be built. St. Johns Woods is a subdivision that was previously started over ten years ago and is now being built out in terms of available lots for construction. The Groves at Town Center is a 168 unit apartment complex that was approved in 2017 and is currently under construction.
- A moderate increase in the overall budget (3%) for Fletcher is primarily coming from additional property tax revenues and ABC store revenues. The Fletcher ABC store recently paid off their building loan which provided a significant boost in revenues to the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2019

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. The goal was to achieve this without an increase in the tax rate.
- Continue to dedicate 8.5 cents of the tax levy toward the Five Year CIP and implement Year 3 of the plan.
- Continue to work with developer partners to determine more concrete plans for development of Town owned property and adjoining properties for the 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

Exhibit 1

Town of Fletcher, North Carolina
Statement of Net Position
June 30, 2018

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Town of Fletcher</u> <u>ABC Board</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 4,112,158	\$ 194,625
Taxes receivable, net	40,775	-
Accounts receivable, net	711,792	-
Inventories	-	214,453
Prepaid items	25,191	16,920
Restricted cash and cash equivalents	591,578	-
Total current assets	<u>5,481,494</u>	<u>425,998</u>
Capital assets:		
Land, non-depreciable improvements, and construction in progress	4,527,496	241,372
Other capital assets, net of depreciation	11,609,624	616,562
Total capital assets	<u>16,137,120</u>	<u>857,934</u>
Total assets	<u>21,618,614</u>	<u>1,283,932</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	<u>345,921</u>	<u>19,273</u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	27,334	157,067
Accrued interest payable	17,544	-
Due to other government	923	-
Current portion of long-term liabilities	365,057	-
Total current liabilities	<u>410,858</u>	<u>157,067</u>
Long-term liabilities:		
Net pension liability	447,623	16,499
Total pension liability	266,543	-
Total OPEB liability	40,784	-
Due in more than one year	6,941,572	-
Total liabilities	<u>8,107,380</u>	<u>173,566</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	56,152	467
OPEB deferrals	2,677	-
Total deferred inflows of resources	<u>58,829</u>	<u>467</u>
<u>Net Position</u>		
Net investment in capital assets	8,970,162	857,934
Restricted for:		
Prepaid items	25,191	-
Stabilization by State Statue	711,792	-
Streets	584,489	-
Police	7,089	-
USDA	130,534	-
Working Capital	-	67,802
Unrestricted	<u>3,369,069</u>	<u>203,436</u>
Total net position	<u>\$ 13,798,326</u>	<u>\$ 1,129,172</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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Town of Fletcher ABC Board
Primary government:						
Governmental Activities:						
General government	\$ 1,153,082	\$ 15,898	\$ -	\$ -	\$ (1,137,184)	\$ -
Public safety	2,707,715	-	8,905	-	(2,698,810)	-
Transportation	1,190,026	-	223,133	49,039	(917,854)	-
Economic and physical development	271,226	-	-	-	(271,226)	-
Cultural and recreation	611,056	116,774	7,449	-	(486,833)	-
Interest on long-term debt	278,251	-	-	-	(278,251)	-
Total governmental activities	\$ 6,211,356	\$ 132,672	\$ 239,487	\$ 49,039	\$ (5,790,158)	\$ -
Component Unit:						
ABC Board	\$ 2,213,641	\$ 2,283,034	\$ -	\$ -	-	69,393
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					3,954,346	-
Other taxes					1,632,331	-
Grants and contributions not restricted to specific programs					813,352	-
Unrestricted investment earnings					26,739	-
Gain on the sale of capital assets					32,542	-
Miscellaneous					12,962	187
Total general revenues					6,472,272	187
Change in net position					\$ 682,114	\$ 69,580
Net position, beginning, previously reported					\$ 13,113,386	\$ 1,059,592
Restatement					2,826	-
Net position, beginning, restated					13,116,212	1,059,592
Change in net position					682,114	69,580
Net position, ending					\$ 13,798,326	\$ 1,129,172

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

Fund Financial Statements

Town of Fletcher, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

	<u>Major Funds</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Capital/Grant</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 4,112,158	\$ -	\$ 4,112,158
Restricted cash	591,578	-	591,578
Receivables, net:			
Taxes	40,775	-	40,775
Accounts	711,792	-	711,792
Due from other funds		-	-
Prepaid items	25,191	-	25,191
Total assets	<u>\$ 5,481,494</u>	<u>\$ -</u>	<u>\$ 5,481,494</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 27,334	\$ -	\$ 27,334
Due to other governments	923	-	923
Total liabilities	<u>28,257</u>	<u>-</u>	<u>28,257</u>
Deferred Inflows of Resources:			
Property taxes receivable	39,852	-	39,852
Total deferred inflows of resources	<u>39,852</u>	<u>-</u>	<u>39,852</u>
Fund Balances:			
Nonspendable			
Prepaid items	25,191	-	25,191
Restricted			
Stabilization by State Statute	711,792	-	711,792
Streets	584,489	-	584,489
Police	7,089	-	7,089
USDA	130,534		130,534
Committed			
Sidewalk	15,490	-	15,490
Grant	394,479		394,479
Assigned			
Future Park Development	36,760		36,760
Unassigned	<u>3,507,561</u>	<u>-</u>	<u>3,507,561</u>
Total fund balances	<u>5,413,385</u>	<u>-</u>	<u>5,413,385</u>
Total liabilities, deferred inflows of resources	<u>\$ 5,481,494</u>	<u>\$ -</u>	<u>\$ 5,481,494</u>

Exhibit 3
(continued)

Town of Fletcher, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

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

Total Fund Balance, Governmental Fund	\$ 5,413,385
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,137,120
Deferred outflows of resources related to pensions are not reported in the funds	345,921
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	39,852
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Long-term debt	(7,166,958)
Compensated absences	(139,671)
OPEB liability	(40,784)
Total pension liability	(266,543)
Net pension liability	(447,623)
Deferred inflows of resources related to pensions are not reported in the funds	(56,152)
Deferred inflows of resources related to OPEB are not reported in the funds	(2,677)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(17,544)</u>
Net position of governmental activities	<u>\$ 13,798,326</u>

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major Funds</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Capital/Grant</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,970,066	\$ -	\$ 3,970,066
Unrestricted intergovernmental	2,422,246	-	2,422,246
Restricted intergovernmental	240,154	49,039	289,193
Permits and fees	16,290	-	16,290
Sales and services	129,052	-	129,052
Investment earnings	26,739	-	26,739
Miscellaneous	12,962	-	12,962
Total revenues	<u>6,817,509</u>	<u>49,039</u>	<u>6,866,548</u>
EXPENDITURES			
Current:			
General government	915,503	-	915,503
Public safety	2,701,763	-	2,701,763
Transportation	1,108,633	61,300	1,169,933
Economic and physical development	275,848	-	275,848
Cultural and recreation	910,208	210,997	1,121,205
Debt service:			
Principal	299,129	-	299,129
Interest and other charges	278,018	-	278,018
Total expenditures	<u>6,489,102</u>	<u>272,297</u>	<u>6,761,399</u>
Excess (deficiency) of revenues over expenditures	<u>328,407</u>	<u>(223,258)</u>	<u>105,149</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	223,258	223,258
Transfers to other funds	(223,258)	-	(223,258)
Sale of capital assets	32,542	-	32,542
Total other financing sources (uses)	<u>(190,716)</u>	<u>223,258</u>	<u>32,542</u>
Net change in fund balance	137,691	-	137,691
Fund balances, beginning	<u>5,275,694</u>	<u>-</u>	<u>5,275,694</u>
Fund balances, ending	<u>\$ 5,413,385</u>	<u>\$ -</u>	<u>\$ 5,413,385</u>

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

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, 2018

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

Net Change in Fund Balances - Total Governmental Funds	\$ 137,691
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	548,299
Capital project expenditures that were capitalized	272,297
Depreciation expense for governmental activities	(518,845)
Gain (loss) on sale of capital assets	(32,542)
Proceeds from sale of capital assets	32,542
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	130,509
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	(5,620)
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	299,129
Increase in accrued interest payable	(233)
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.	
Compensated absences	(6,533)
Pension expense	(170,056)
OPEB plan expense	(4,524)
Total Change in Net Position of Governmental Activities	<u>\$ 682,114</u>

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, 2018

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual	
	Original	Final	Amounts	
Revenues:				
Ad valorem taxes	\$ 3,864,718	\$ 3,874,718	\$ 3,970,066	\$ 95,348
Unrestricted intergovernmental	2,405,700	2,405,700	2,422,246	16,546
Restricted intergovernmental	234,050	234,050	240,154	6,104
Permits and fees	13,400	13,400	16,290	2,890
Sales and services	118,500	118,500	129,052	10,552
Investment earnings	12,000	12,000	26,739	14,739
Miscellaneous	10,000	10,000	12,962	2,962
Total revenues	6,658,368	6,668,368	6,817,509	149,141
Expenditures:				
Current:				
General government	1,010,716	1,020,416	915,503	104,913
Public safety	2,822,328	2,842,717	2,701,763	140,954
Economic and physical development	285,522	295,522	275,848	19,674
Transportation	1,168,932	1,168,932	1,108,633	60,299
Cultural and recreation	689,052	950,052	910,208	39,844
Debt service:				
Principal	424,247	299,130	299,129	1
Interest and other charges	300,732	278,020	278,018	2
Total expenditures	6,701,529	6,854,789	6,489,102	365,687
Revenues Over (Under) Expenditures	(43,161)	(186,421)	328,407	514,828
Other Financing Sources (Uses):				
Transfers to other funds	-	(223,262)	(223,258)	4
Sale of capital assets	15,000	15,000	32,542	17,542
Fund balance appropriated	28,161	394,683	-	(394,683)
Total other financing sources (uses)	43,161	186,421	(190,716)	(377,137)
Net change in fund balance	\$ -	\$ -	137,691	\$ 137,691
Fund balance, beginning			5,275,694	
Fund balance, ending			\$ 5,413,385	

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

Notes to the Financial Statements

**Town of Fletcher, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2018**

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.

The Town reports the following non-major governmental funds:

Capital Project Fund~ Parks and Recreation Maintenance Building. This fund is used to account for the construction of a new Parks and Recreation Maintenance Building.

Grant Project Fund~ Highway 25 Grant Project. This fund is used to account for the Highway 25 corridor improvements project that is funded 80% by NCDOT-FHWA.

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. Issuance 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 and Grant Project Funds including the Parks and Recreation Maintenance Building, and Highway 25 projects.

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 Government 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

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	\$ 584,489
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Police	7,089
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Total Restricted Cash	<u>\$ 591,578</u>
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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, 2017.

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 meets this criterion, pension deferrals. 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 pension deferrals.

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 30% of the total amount of the Town's yearly loan payments.

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.

Committed for Grant- portion of fund balance that is restricted by the grant project ordinance for the match for the Highway 25 Corridors Improvement project.

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.

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.

The Town of Fletcher has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that unassigned fund balance is at least equal to 45% of total actual expenditures. Any portion of the unassigned fund balance in excess of 45% of total actual expenditures may be used for one-time expenditures, start-up expenditures for new programs, appropriated to lower the amount of outstanding principal on existing debt, or lowering the tax rate.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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, 2018, the Town's deposits had a carrying amount of \$2,172,849 and a bank balance of \$2,321,035. 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 \$192,475 and a bank balance of \$174,338. All of the bank balance was covered by federal depository insurance. At June 30, 2018, the Town's petty cash fund totaled \$350, and the ABC Board's petty cash was \$2150.

Investments:

At June 30, 2018, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating
NC Capital Management Trust- Government Portfolio	Amortized Cost	\$2,530,537	N/A	AAAm
Total:		\$2,530,537		

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 Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2018.

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, 2018 includes penalties levied and outstanding in the amount of \$923.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 are net of the following allowance for doubtful accounts:

General Fund:

Taxes Receivable	<u>\$ 2,000</u>
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Note 4 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, 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	\$ 4,086,847	\$ -	\$ -	\$ 4,086,847
Construction in Progress	168,352	272,297	-	440,649
	<u>4,255,199</u>	<u>272,297</u>	<u>-</u>	<u>4,527,496</u>
Capital Assets Being Depreciated:				
Land Improvements	3,047,340	250,907	-	3,298,247
Buildings and Improvements	8,325,483	12,950	-	8,338,433
Equipment and Furniture	965,378	17,102	-	982,480
Vehicles	<u>1,521,172</u>	<u>267,340</u>	<u>145,255</u>	<u>1,643,257</u>
Total Capital Assets Being Depreciated	<u>13,859,373</u>	<u>548,299</u>	<u>145,255</u>	<u>14,262,417</u>
Less Accumulated Depreciation For:				
Land Improvements	235,705	29,937	-	265,642
Buildings and Improvements	346,514	208,141	-	554,655
Equipment and Furniture	619,404	92,635	-	712,039
Vehicles	<u>1,077,580</u>	<u>188,132</u>	<u>145,255</u>	<u>1,120,457</u>
Total Accumulated Depreciation	<u>2,279,203</u>	<u>\$ 518,845</u>	<u>\$ 145,255</u>	<u>2,652,793</u>
Total Capital Assets Being Depreciated, Net	<u>11,580,170</u>			<u>11,609,624</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,835,369</u>			<u>\$ 16,137,120</u>

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

General Government	\$ 237,987
Public Safety	112,868
Recreation	53,884
Transportation	<u>114,106</u>
Total Depreciation Expense	<u>\$ 518,845</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	\$ 241,372	\$ -	\$ -	\$ 241,372
Capital Assets Being Depreciated:				
Buildings	980,167	-	-	980,167
Furniture and Equipment	165,275	4,163	-	169,438
Total Capital Assets Being Depreciated	1,145,442	4,163	-	1,149,605
Less Accumulated Depreciation for:				
Buildings	376,671	39,357	-	416,028
Furniture and Equipment	101,410	15,605	-	117,015
Total Accumulated Depreciation	478,081	\$ 54,962	\$ -	533,043
Total Capital Assets Being Depreciated, Net	667,361			616,562
ABC Board Capital Assets, Net	\$ 908,733			\$ 857,934

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$130,509 for the year ended June 30, 2018.

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, 2018 the Town reported a liability of \$447,623 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.029% which was a decrease of .0005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$141,401. At June 30, 2018, 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	\$ 25,787	\$ 12,671
Changes of assumptions	63,927	-
Net Difference between projected and actual earnings on pension plan investments	108,683	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	27,614
Town contributions subsequent to the measurement date	130,509	-
Total	<u>\$ 328,906</u>	<u>\$ 40,285</u>

\$130,509 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, 2019.

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

Year ended June 30:

2019	\$	13,193
2020		120,537
2021		60,674
2022		(36,291)
2023		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. 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 liability calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 1,343,774	\$ 447,623	\$ (300,380)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and who have completed five or more years of creditable service. 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, 2016, 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>

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 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 Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Index as of December 31, 2017.

Mortality rates are based upon the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions

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

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

At June 30, 2018, the Town reported a total pension liability of \$266,543. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$28,655.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,688
Changes of assumptions	17,015	5,179
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 17,015</u>	<u>\$ 15,867</u>

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

Year ended June 30:

2018	\$ 100
2019	100
2020	100
2021	100
2022	100
Thereafter	648

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Town's proportionate share of the net pension liability (asset)	\$ 294,734	\$ 266,543	\$ 241,357

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

	2018
Beginning Balance	\$ 230,597
Service Cost	19,654
Interest on the total pension liability	8,901
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	(12,484)
Changes of assumptions or other inputs	19,875
Benefit payments	-
Other changes	-
Ending Balance of the total pension liability	<u><u>\$ 266,543</u></u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 141,401	\$ 28,655	\$ 170,056
Pension Liability	447,623	266,543	714,166
Proportionate share of the net pension liability	0.02930%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	25,787	-	25,787
Changes of assumptions	63,927	17,015	80,942
Net difference between projected and actual earnings on pension plan investments	108,683	-	108,683
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	130,509	-	130,509
Deferred of Inflows of Resources			
Differences between expected and actual experience	12,671	10,688	23,359
Changes of assumptions	-	5,179	5,179
Net difference between projected and actual earnings on pension plan investments	27,614	-	27,614
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-

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, 2018 were \$50,444 which consisted of \$35,770 from the Town and \$14,674 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, 2018 were \$71,127, which consisted of \$47,660 from the Town and \$23,467 from the general employees.

Note 6 – Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description

The Town administers a single-employer defined Healthcare Benefits Plan (the HCB Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

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. Employees may remain on the Town's health insurance at the same rates which apply to other employees as long as they remit payment timely to the Town for payment of the monthly premium. The health insurance becomes supplemental once they become eligible for Medicare. Employees who retire through disability also need to meet the unreduced benefit requirement.

Membership of the HCB Plan consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	19	16
Total	19	16

Total OPEB Liability

The Town's total OPEB liability of \$40,784 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent for General Employees including inflation 3.50 to 7.35 percent for Law Enforcement Officers including inflation
Discount rate	3.56 percent
Health Care Cost Trends	Pre-Medicare: 7.50 percent for 2017 decreasing to 5.00 percent by 2023 Medicare: 5.50 percent for 2017 decreasing to 5.00 percent by 2020

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 7/1/2017	<u>\$ 38,937</u>
Changes for the year	
Service Cost	3,629
Interest	1,172
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(2,954)
Benefit payments	-
Net changes	<u>1,847</u>
Balance as of 6/30/2018	<u><u>\$ 40,784</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010- December 31, 2014, adopted by the LGERS. The remaining actuarial assumptions (e.g., initial per capital costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<u>1% Decrease (2.56%)</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Total OPEB Liability	\$ 46,321	\$ 40,784	\$ 35,945

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 34,676	\$ 40,784	\$ 48,244

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$4,524. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	2,677
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 2,677</u>

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

Year ended June 30:

2018	\$ (277)
2019	(277)
2020	(277)
2021	(277)
2022	(277)
Thereafter	(1,292)

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 several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 130,509
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	25,787
Changes of assumptions	80,942
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	108,683
Total	<u>\$ 345,921</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund), less penalties	\$ -	\$ 39,852
Changes in assumptions	7,856	-
Differences between expected and actual experience	23,359	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,614	-
Total	<u>\$ 58,829</u>	<u>\$ 39,852</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 original financing contract required 30 semi-annual principal payments of \$100,000 plus interest at 3.05% beginning in November 2012 and continuing until November 2025. In September 2017, the Town modified the original financing contract which decreased the interest rate to 2.37%. However in January 2018, SunTrust informed the Town that the interest rate would be increasing to 3.707% due to the corporate tax rate change under the Tax Cuts and Jobs Act.

The future minimum payments of this installment purchase as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 200,000	\$ 53,668	\$ 253,668
2020	200,000	46,254	246,254
2021	200,000	38,841	238,841
2022	200,000	31,427	231,427
2023	200,000	24,013	224,013
2024-2026	<u>497,823</u>	<u>27,597</u>	<u>525,420</u>
Totals	<u>\$ 1,497,823</u>	<u>\$ 221,800</u>	<u>\$ 1,719,623</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 2047.

The future minimum payments of this installment purchase as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 82,203	\$ 175,147	\$ 257,350
2020	85,593	171,757	257,350
2021	89,124	168,226	257,350
2022	92,801	164,549	257,350
2023	96,629	160,721	257,350
2024-2028	546,324	740,426	1,286,750
2029-2033	668,690	618,060	1,286,750
2034-2038	818,465	468,285	1,286,750
2039-2043	1,001,786	284,964	1,286,750
2044-2047	764,383	68,680	833,063
Totals	<u>\$ 4,245,998</u>	<u>\$ 3,020,815</u>	<u>\$ 7,266,813</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, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 20,864	\$ 48,031	\$ 68,895
2020	21,568	47,327	68,895
2021	22,296	46,599	68,895
2022	23,049	45,846	68,895
2023	23,827	45,068	68,895
2024-2028	131,752	212,723	344,475
2029-2033	155,538	188,937	344,475
2034-2038	183,617	160,858	344,475
2039-2043	216,766	127,709	344,475
2044-2048	255,899	88,576	344,475
2049-2053	302,096	42,379	344,475
2054	65,865	2,223	68,088
Totals	<u>\$ 1,423,137</u>	<u>\$ 1,056,276</u>	<u>\$ 2,479,413</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	\$ 7,466,087	\$ -	\$ 299,129	\$ 7,166,958	\$ 303,067
Compensated Absences	133,138	88,484	81,951	139,671	61,990
Total OPEB Liability	38,937	1,847	-	40,784	-
Net Pension Liability (LGRS)	633,305	-	185,682	447,623	-
Net Pension Obligation (LEO)	<u>230,597</u>	<u>35,946</u>	<u>-</u>	<u>266,543</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 8,502,064</u>	<u>\$ 126,277</u>	<u>\$ 566,762</u>	<u>\$ 8,061,579</u>	<u>\$ 365,057</u>

Note 10 – Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018, consist of the following:

From the General Fund to the Highway 25 Grant Project Fund to fund the local match required by the grant agreement	\$ 12,261
From the General Fund to the Parks and Recreation Maintenance Building Project Fund to keep fund in balance until financing secured	210,997
Total	<u>\$ 223,258</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During the 2018 fiscal year, the Town made a transfer from the General Fund of \$12,261 to the Highway 25 Grant Project Fund as per the terms of the matching grant and of \$210,997 to the Parks and Recreation Maintenance Building Project Fund to keep that fund in balance until financing proceeds are secured.

Note 11 – Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 16,137,120
less: long-term debt	7,166,958
Net investment in capital asset	<u>\$ 8,970,162</u>

Note 12 – 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>\$ 5,413,385</i>
Less:	
Prepaid Items	25,191
Stabilization by State Statute	711,792
Streets	584,489
Police	7,089
USDA	130,534
Sidewalk	15,490
Grant	394,479
Future Park Development	36,760
Remaining Fund Balance	<u>3,507,561</u>

Note 13 – Commitments

The Town is obligated under the following commitments as of June 30, 2018:

Economic Development Incentives	\$ 444,034
Office Equipment	8,692
Total	<u><u>\$ 452,726</u></u>

Note 14 – 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, 2018.

Note 15 – 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 16 –Significant Disclosure of Subsequent Events

Management has evaluated subsequent events through October 17, 2018 the date on which the financial 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 17 – Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities increased by \$2,826.

Required Supplementary Financial Data

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

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fletcher's proportion of the net pension liability (asset) (%)	0.02930%	0.02984%	0.02874%	0.03002%	0.02870%
Fletcher's proportion of the net pension liability (asset) (\$)	\$ 447,623	\$ 633,305	\$ 128,983	\$ (177,042)	\$ 345,945
Fletcher's covered-employee payroll	\$ 1,608,687	\$ 1,593,816	\$ 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	27.83%	39.74%	8.72%	(12.30%)	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	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 Five Fiscal Years

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 130,509	\$ 125,549	\$ 106,053	\$ 103,675	\$ 100,743
Contributions in relation to the contractually required contribution	130,509	125,549	106,053	103,675	100,743
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fletcher's covered-employee payroll	\$ 1,668,586	\$ 1,608,687	\$ 1,593,816	\$ 1,478,513	\$ 1,439,465
Contributions as a percentage of covered employee payroll	7.82%	7.80%	6.65%	7.01%	7.00%

Town of Fletcher, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Two Fiscal Years

	2018		2017
Beginning Balance	\$ 230,597	\$	209,955
Service Cost	19,654		20,254
Interest on the total pension liability	8,901		7,495
Changes of benefit terms	-		-
Differences between expected and actual experience in measurement of the total pension liability	(12,484)		-
Changes of assumptions or other inputs	19,875		(7,107)
Benefit payments	-		-
Other changes	-		-
Ending Balance of the total pension liability	<u>\$ 266,543</u>	<u>\$</u>	<u>230,597</u>

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

Town of Fletcher, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Two Fiscal Years

	2018	2017
Total pension liability	\$ 266,543	\$ 230,597
Covered payroll	732,702	735,314
Total pension liability as a percentage of covered payroll	36.38%	31.36%

Notes to the schedules:

The Town of Fletcher has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Fletcher, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2018

Total OPEB Liability	2018
Service Cost	\$ 3,629
Interest	1,172
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(2,954)
Benefit payments	-
Net Change in total OPEB Liability	1,847
Total OPEB liability-beginning	38,937
Total OPEB liability-ending	\$ 40,784
 Covered payroll	 \$ 1,564,398
Total OPEB liability as a percentage of covered payroll	2.61%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2018	3.56%

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 3,847,918	\$ 3,939,502	\$ 91,584
Prior year	17,000	20,464	3,464
Interest	9,800	10,100	300
Total	<u>3,874,718</u>	<u>3,970,066</u>	<u>95,348</u>
 Unrestricted intergovernmental:			
Local option sales taxes	1,550,000	1,554,835	4,835
Utilities sales tax	689,000	695,499	6,499
ABC profit distribution	70,000	75,000	5,000
Video franchise fee	61,700	62,049	349
Beer and wine tax	35,000	34,863	(137)
Total	<u>2,405,700</u>	<u>2,422,246</u>	<u>16,546</u>
 Restricted intergovernmental:			
Powell Bill allocation	191,000	197,307	6,307
Powell Bill investment earnings	400	346	(54)
Park development	1,000	2,769	1,769
ABC Funds for law enforcement	3,000	4,354	1,354
Grant	29,250	25,480	(3,770)
Drug forfeitures	4,000	4,551	551
Solid waste disposal tax	5,400	5,347	(53)
Total	<u>234,050</u>	<u>240,154</u>	<u>6,104</u>
 Permits and fees:			
Land use permits	5,000	8,300	3,300
Business registration fees	8,400	7,990	(410)
Total	<u>13,400</u>	<u>16,290</u>	<u>2,890</u>
 Sales and services:			
Recreation department fees	106,000	116,774	10,774
Golf tournament fees	5,000	4,680	(320)
Rents	7,500	7,598	98
Total	<u>118,500</u>	<u>129,052</u>	<u>10,552</u>
 Investment earnings	<u>12,000</u>	<u>26,739</u>	<u>14,739</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous Revenues	\$ 10,000	\$ 12,962	\$ 2,962
Total revenues	<u>6,668,368</u>	<u>6,817,509</u>	<u>149,141</u>
Expenditures:			
General government:			
Governing body:			
Elected officials	<u>48,235</u>	<u>46,938</u>	<u>1,297</u>
Administration:			
Salaries and employee benefits	419,608	418,738	870
Other operating expenditures	<u>414,073</u>	<u>334,619</u>	<u>79,454</u>
Total	<u>833,681</u>	<u>753,357</u>	<u>80,324</u>
Town facilities:			
Other operating expenditures	<u>138,500</u>	<u>115,208</u>	<u>23,292</u>
Total	<u>138,500</u>	<u>115,208</u>	<u>23,292</u>
Total general government	<u>1,020,416</u>	<u>915,503</u>	<u>104,913</u>
Public safety:			
Police:			
Salaries and employee benefits	996,464	911,364	85,100
Other operating expenditures	385,160	329,756	55,404
Capital outlay	<u>117,000</u>	<u>116,550</u>	<u>450</u>
Total	<u>1,498,624</u>	<u>1,357,670</u>	<u>140,954</u>
Fire:			
Contracted services	<u>1,344,093</u>	<u>1,344,093</u>	<u>-</u>
Total public safety	<u>2,842,717</u>	<u>2,701,763</u>	<u>140,954</u>
Economic and physical development:			
Salaries and employee benefits	152,986	149,679	3,307
Other operating expenditures	<u>142,536</u>	<u>126,169</u>	<u>16,367</u>
Total economic and physical development	<u>295,522</u>	<u>275,848</u>	<u>19,674</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 405,273	\$ 383,113	\$ 22,160
Powell Bill expenditures	191,000	181,626	9,374
Other operating expenditures	537,659	509,580	28,079
Capital outlay	35,000	34,314	686
Total transportation	<u>1,168,932</u>	<u>1,108,633</u>	<u>60,299</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	308,023	292,271	15,752
Other operating expenditures	283,529	263,011	20,518
Capital outlay	358,500	354,926	3,574
Total cultural and recreation	<u>950,052</u>	<u>910,208</u>	<u>39,844</u>
Debt service:			
Principal retirement	299,130	299,129	1
Interest and other charges	278,020	278,018	2
Total debt service	<u>577,150</u>	<u>577,147</u>	<u>3</u>
Total expenditures	<u>6,854,789</u>	<u>6,489,102</u>	<u>365,687</u>
Revenues Over (Under) Expenditures	<u>(186,421)</u>	<u>328,407</u>	<u>514,828</u>
Other Financing Sources (Uses):			
Sale of capital assets	15,000	32,542	17,542
Transfers to capital project funds	(223,262)	(223,258)	4
Fund balance appropriated	394,683	-	(394,683)
Total other financing sources (uses)	<u>186,421</u>	<u>(190,716)</u>	<u>(377,137)</u>
Net change in fund balance	<u>\$ -</u>	137,691	<u>\$ 137,691</u>
Fund balance, beginning		<u>5,275,694</u>	
Fund balance, ending		<u>\$ 5,413,385</u>	

Town of Fletcher, North Carolina
Combining Balance Sheets
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Park Maint. Building Project Fund	Hwy 25 Grant Project Fund	Total Non-Major Government
Assets:			
Assets	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances:			
Liabilities	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Fletcher, North Carolina
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Park Maint. Building Project Fund	Hwy 25 Grant Project Fund	Total Non-Major Government
Revenues:			
Restricted intergovernmental	\$ -	\$ 49,039	\$ 49,039
Investment income	-	-	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>49,039</u>	<u>49,039</u>
Expenditures:			
Professional services	-	61,300	61,300
Engineering and architect services	210,997	-	210,997
	<u>210,997</u>	<u>-</u>	<u>210,997</u>
Total expenditures	<u>210,997</u>	<u>61,300</u>	<u>272,297</u>
Revenues over expenditures	(210,997)	(12,261)	(223,258)
Other Financing Sources (Uses):			
Transfers from other funds:			
General Fund	210,997	12,261	223,258
	<u>210,997</u>	<u>12,261</u>	<u>223,258</u>
Total other financing sources (uses)	<u>210,997</u>	<u>12,261</u>	<u>223,258</u>
Net change in fund balance	-	-	-
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Town of Fletcher, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Capital Project- Parks and Recreation Maintenance Building Project
From Inception and For the Year Ended June 30, 2018

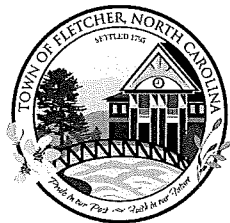
		<u>Actual</u>			Variance
	Project Budget	Prior Years	Current Year	Total to Date	Positive (Negative)
Expenditures:					
Construction	\$ 575,000	\$ -	\$ -	\$ -	\$ 575,000
Engineering-architect services	252,356	41,359	210,997	252,356	-
Contingency	20,000	-	-	-	20,000
Total expenditures	<u>847,356</u>	<u>41,359</u>	<u>210,997</u>	<u>252,356</u>	<u>595,000</u>
Other Financing Sources (Uses):					
Installment financing	595,000	-	-	-	(595,000)
Transfers (to) from other funds:					
General Fund	<u>252,356</u>	<u>41,359</u>	<u>210,997</u>	<u>252,356</u>	<u>-</u>
Total other financing sources (uses)	<u>847,356</u>	<u>41,359</u>	<u>210,997</u>	<u>252,356</u>	<u>(595,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance, ending		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Town of Fletcher, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Grant Project Fund - Highway 25 Grant Project
From Inception and For the Year Ended June 30, 2018

		Actual			Variance Positive (Negative)
	Project Budget	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 1,728,553	\$ 101,595	\$ 49,039	\$ 150,634	\$ (1,577,919)
Total revenues	1,728,553	101,595	49,039	150,634	(1,577,919)
Expenditures:					
Construction	1,516,000	-	-	-	1,516,000
Professional services	320,588	126,993	61,300	188,293	132,295
NCDOT Administrative	216,069	-	-	-	216,069
Contingency	108,034	-	-	-	108,034
Total expenditures	2,160,691	126,993	61,300	188,293	1,972,398
Revenues over (under) expenditures	(432,138)	25,398	(12,261)	(37,659)	(394,479)
Other Financing Sources (Uses):					
Transfers (to) from other funds:					
General Fund	432,138	25,398	12,261	37,659	394,479
Net change in fund balance	\$ -	-	-	-	\$ -
Fund balance, beginning		-	-	-	
Fund balance, ending	\$ -	\$ -	\$ -	\$ -	

Town of Fletcher, North Carolina
Fines and Forfeitures- General Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 19,737</u>	<u>\$ 19,737</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 19,737</u>	<u>\$ 19,737</u>	<u>\$ -</u>



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Other Schedules

Town of Fletcher, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections And Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 3,977,606	\$ 3,958,599	\$ 19,007
2016-2017	15,201	-	11,402	3,799
2015-2016	7,478	-	3,956	3,522
2014-2015	5,282	-	2,746	2,536
2013-2014	4,864	-	1,970	2,894
2012-2013	4,876	-	1,107	3,769
2011-2012	2,335	-	832	1,503
2010-2011	2,450	-	437	2,013
2009-2010	2,291	-	142	2,149
2008-2009	1,712	-	129	1,583
2007-2008	1,918	-	1,918	-
	<u>\$ 48,407</u>	<u>\$ 3,977,606</u>	<u>\$ 3,983,238</u>	42,775
Less: allowance for uncollectible ad valorem taxes				<u>2,000</u>
Ad valorem taxes receivable - net				<u><u>\$ 40,775</u></u>

Reconciliation With Revenues:

Ad valorem taxes - General Fund	\$ 3,970,066
Penalties collected on ad valorem taxes- General Fund	19,737
Reconciling items:	
Interest collected	(10,100)
Prior year releases	1,368
Refunds	382
Taxes written off	<u>1,785</u>
Total collections and credits	<u><u>\$ 3,983,238</u></u>

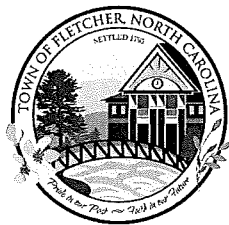
Town of Fletcher, North Carolina
Analysis of Current Tax Levy - Town-Wide Levy
For the Year Ended June 30, 2018

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 1,154,450,000	0.00340	\$ 3,925,130	\$ 3,661,352	\$ 263,778
Penalties	-		22,000	22,000	-
Total	<u>1,154,450,000</u>		<u>3,947,130</u>	<u>3,683,352</u>	<u>263,778</u>
Discoveries:					
Current year taxes	11,360,588	0.00340	38,626	38,626	-
Penalties	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Current year taxes	(1,757,353)	0.00340	(5,975)	(4,290)	(1,685)
Penalties	<u>-</u>		<u>(2,175)</u>	<u>(2,175)</u>	<u>-</u>
Total property valuation	<u>\$ 1,164,053,235</u>				
Net levy			3,977,606	3,715,513	262,093
Uncollected taxes at June 30, 2018			<u>(19,007)</u>	<u>(18,357)</u>	<u>(650)</u>
Current year's taxes collected			<u>\$ 3,958,599</u>	<u>\$ 3,697,156</u>	<u>\$ 261,443</u>
Current levy collection percentage			<u>99.52%</u>	<u>99.51%</u>	<u>99.75%</u>



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Compliance 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 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
Town of Fletcher, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina as of and for the year ended June 30, 2018, 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, 2018. Our report includes a reference to other auditors who audited the financial statements of Town of Fletcher ABC Board, as described in our report on the Town of Fletcher, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of 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.

Lowmire Church & Co., L.L.P.

Morganton, North Carolina
October 17, 2018

