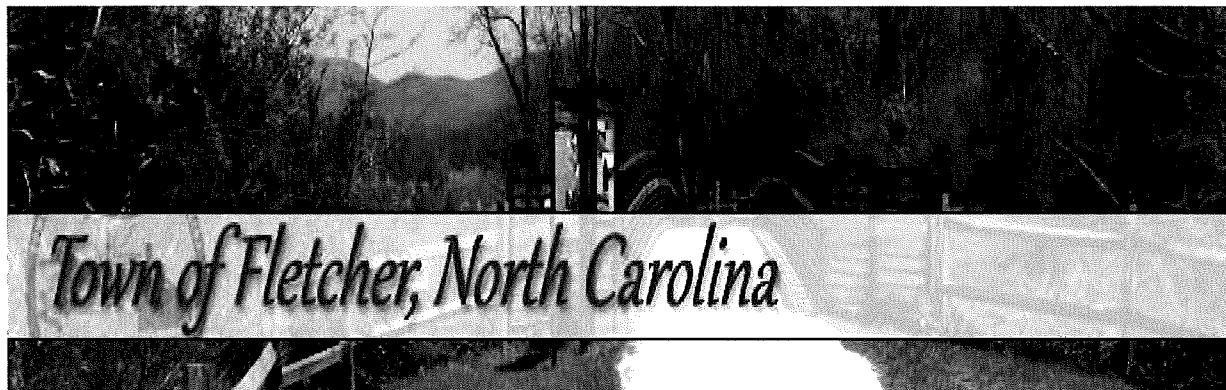




FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

"PRIDE IN OUR PAST, FAITH IN OUR FUTURE"



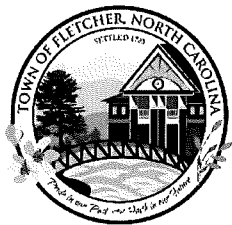
Town Council Members

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, 2019**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	FINANCIAL SECTION:	
	Independent Auditors' Report	i-iii
	Management's Discussion and Analysis	iv-xvi
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	1
2	Statement of Activities	2
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	3
	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
4	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
5	Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	7
	Notes to the Financial Statements	8-36
	Required Supplementary Financial Data:	
<u>Schedule</u>		
A-1	Schedule of the Proportionate Share of the Net Pension Liability (Asset)- Local Government Employees' Retirement System	37
A-2	Schedule of Contributions- Local Government Employees' Retirement System	38
A-3	Schedule of Changes in Total Pension Liability- Law Enforcement Officers' Special Separation Allowance	39

A-4	Schedule of Total Pension Liability as a Percentage of Covered Payroll	40
A-5	Schedule of Changes in Total OPEB Liability and Related Ratios	41

Individual Fund Financial Statements:

B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	42-44
B-2	Combining Balance Sheet- Non-Major Governmental Funds	45
B-3	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances- Non-Major Governmental Funds	46
B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Capital Project Fund – Parks and Recreation Maintenance Building Project	47
B-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Grant Project Fund – Highway 25 Grant Project	48
B-6	Statement of Changes in Assets and Liabilities- Fines and Forfeitures- General Fund	49

Other Schedules:

C-1	Schedule of Ad Valorem Taxes Receivable	50
C-2	Analysis of Current Tax Levy – Town-Wide Levy	51

COMPLIANCE SECTION:

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 <i>Government Auditing Standards</i>	52-53
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	54-55
Schedule of Findings and Questioned Costs	56-57
Schedule of Expenditures of Federal and State Awards and Notes to the Schedule of Expenditures of Federal and State Awards	58

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
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 units, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina as of and for the year ended June 30, 2019, 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 Alcoholic Beverage Control Board, which represent 5.3 percent, 7.3 percent, and 23.5 percent, respectively, of the assets, net position, and revenues of the Town of Fletcher Alcoholic Beverage Control Board. 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 Alcoholic Beverage Control 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 Alcoholic Beverage Control 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 units, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of June 30, 2019, 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, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and the Law Enforcement Officers' Special 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 schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2019 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.

Lawrence H. Church & Co., L.L.P.

Morganton, North Carolina
October 14, 2019

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26

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, 2019. 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

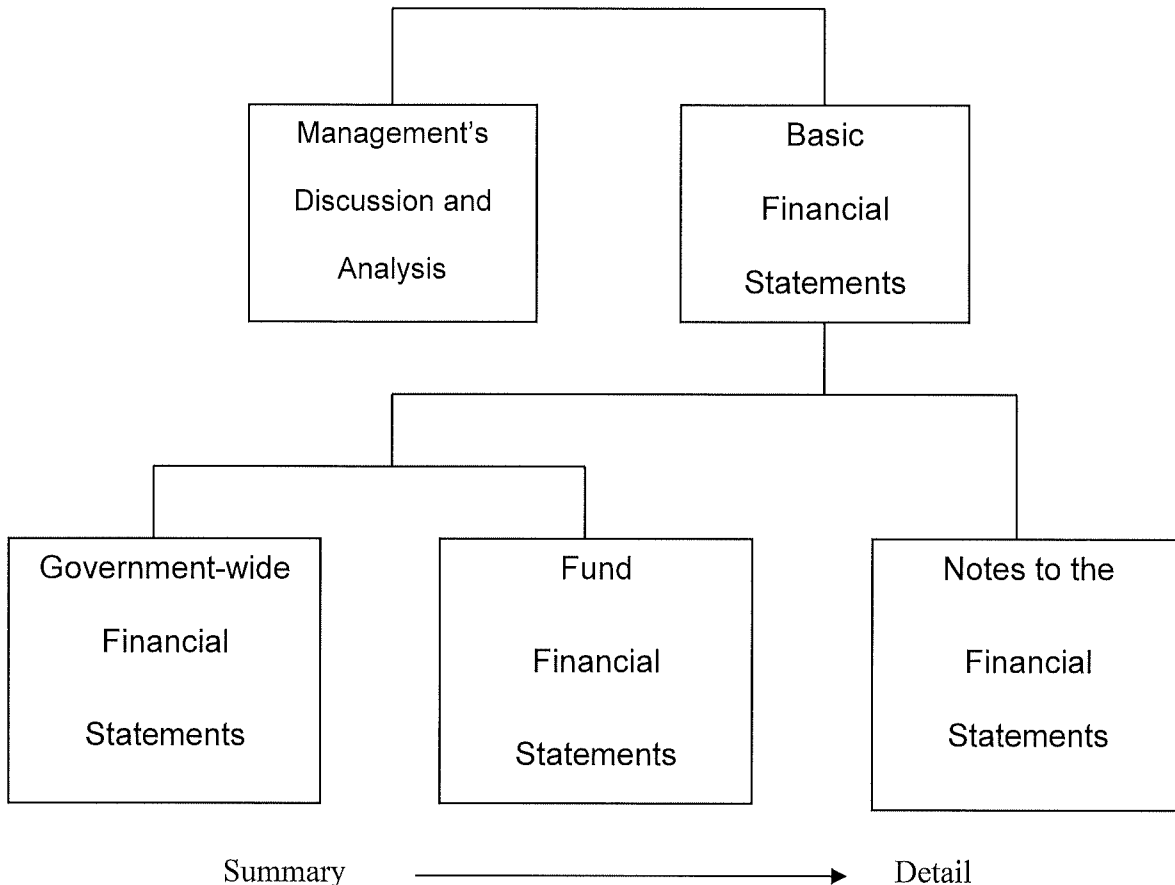
- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,516,562 (*net position*).
- The government's total net position *increased* by \$1,178,236 primarily due to *increases* in the *governmental type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$5,216,533 with a net decrease of \$196,852 in fund balance. Approximately 30.5 percent of this total amount, or \$1,588,569, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,296,632, or 44.9 percent of total general fund expenditures for the fiscal year.
- The Town of Fletcher's total debt decreased by \$333,682 (4.7%) during the current fiscal year. The key factor in this decrease was principal payments.

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

Town of Fletcher, Net Position

Figure 2

	Governmental Activities	
	June 30	
	2019	2018
Current and other assets	\$ 5,636,759	\$ 5,481,494
Capital assets	17,781,356	16,137,120
Deferred outflows of resources	527,858	345,921
Total assets and deferred outflows of resources	23,945,973	21,964,535
Long-term liabilities outstanding	7,966,370	7,696,522
Other liabilities	395,118	410,858
Deferred inflows of resources	67,923	58,829
Total liabilities and deferred inflows of resources	8,429,411	8,166,209
Net position:		
Net investment in capital assets	10,948,080	8,970,162
Restricted	1,588,569	1,459,095
Unrestricted	2,979,913	3,369,069
Total net position	\$ 15,516,562	\$ 13,798,326

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 \$15,516,562 as of June 30, 2019. The Town's net position *increased* by \$1,178,236 for the fiscal year ended June 30, 2019.

However, the largest portion (70.6%) 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, \$1,588,569 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,979,913 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 \$49,000 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 99.37%. The statewide average in fiscal year 2018 was 98.78%
- Actual expenditures in the General Fund were less than the budgeted amount by \$320,951.

Town of Fletcher's Change in Net Position
Figure 3

	Governmental Activities	
	Years Ended June 30	
	2019	2018
Revenues		
Program revenues:		
Charges for service	\$ 129,198	\$ 132,672
Operating grants and contributions	270,426	239,487
Capital grants and contributions	1,154,440	49,039
General revenues:		
Property taxes	4,008,968	3,954,346
Other taxes	1,725,675	1,632,331
Grants and contributions not restricted to specific programs	923,066	813,352
Other	89,221	72,243
Total revenues	<u>8,300,994</u>	<u>6,893,470</u>
Expenses		
General government	1,223,075	1,153,082
Public safety	2,842,295	2,707,715
Transportation	1,326,073	1,190,026
Economic and physical development	288,577	271,226
Cultural and recreation	627,079	611,056
Interest on long term debt	275,659	278,251
Total expenses	<u>6,582,758</u>	<u>6,211,356</u>
Increase in net position	<u>\$ 1,718,236</u>	<u>\$ 682,114</u>
Net position, beginning, restated	\$ 13,798,326	\$ 13,116,212
Increase in net position	<u>1,718,236</u>	<u>682,114</u>
Net position, June 30	<u>\$ 15,516,562</u>	<u>\$ 13,798,326</u>

Governmental Activities – Governmental activities increased the Town’s net position by \$1,718,236. Town management acknowledges that 2019 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 \$4,362,983 while total fund balance also reached \$5,216,533. 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 59.5% of general fund expenditures, while total fund balance represents 71.1% of the same amount.

At June 30, 2019, the governmental funds of the Town of Fletcher reported a combined fund balance of \$5,216,533 with a net decrease of \$196,852. Included in this change in fund balance is an decrease 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 fund expenditures for repairs to be made to greenway and streambank due to flooding.
- An amendment was made to increase appropriations for the new Christmas in the Park event.
- An amendment was made to increase appropriations for the Kate's Park Playground project.
- An amendment was made to fund the Town's match for the Bicycle and Pedestrian planning grant.
- An amendment was made to account for a grant received from the Governor's Crime Commission for the purchase of four VIPER radios.
- An amendment was made to fund expenditures to account for an underpayment to Fletcher Fire and Rescue and Mills River Fire and Rescue.

- An amendment was made to increase appropriations for additional street paving projects along with paving trails in Bill Moore Community Park.
- An amendment was made to transfer the grant match to the Highway 25 Grant Project Fund.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2019 and 2018, totaled \$17,781,356 and \$16,137,120, 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 \$115,930.
- Acquisition of a new Public Works brush truck of \$146,646.
- Acquisition of an infield groomer for Bill Moore Community Park of \$15,368.
- Acquisition of a utility vehicle for Bill Moore Community Park of \$7,200.
- Acquisition of a mower for Parks and Recreation of \$11,999.
- Acquisition of a snow plow for Public Works of \$5,397.
- Acquisition of a mower for Public Works of \$10,399.
- Acquisition of a four-post vehicle lift for Public Works of \$9,676.
- Installation of a new playground for Kate’s Park of \$89,777.
- Drainage and resurfacing of trails project for Bill Moore Community Park of \$136,064.
- Construction in progress for capital/grant projects assets of \$1,661,207.

Capital asset disposals for the year ended June 30, 2019 of vehicles and equipment for a total \$117,080.

Town of Fletcher's Capital Assets
Figure 4

	Governmental Activities	
	June 30	
	2019	2018
Land	\$ 4,086,847	\$ 4,086,847
Construction in progress	2,101,856	440,649
Land improvements	3,129,873	3,032,605
Buildings and improvements	7,575,502	7,783,778
Equipment and furniture	320,288	270,441
Vehicles	566,990	522,800
Total	<u>\$ 17,781,356</u>	<u>\$ 16,137,120</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, 2019, 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	
	2019	2018
Installment debt	\$ 6,833,276	\$ 7,166,958
Compensated absences	140,351	139,671
OPEB	43,784	40,784
Pension related debt (LEO)	279,484	266,543
Pension related debt (LGERS)	669,475	447,623
Total	<u>\$ 7,966,370</u>	<u>\$ 8,061,579</u>

Town of Fletcher’s Outstanding Debt

The Town’s total debt decreased by \$333,682 (4.7%) during the fiscal year, primarily due to principal payments.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town is \$94,427,506.

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, 2020.

- Economic growth is still expected to occur but at a slightly slower pace. At the national level, Gross Domestic Product or GDP should grow by 2.3% to 2.8%.
- Inflation is occurring in the 2.5% to 2.8% range. Interest rates are therefore expected to rise, with 10-year bonds at 3.10% and mortgages at 4.8%.
- The economic outlook for North Carolina remains good. The Gross State Product or GSP is projected to grow by 3.3% in 2019. Jobs growth in North Carolina has better than the national average and unemployment levels have been less than the national average.
- Commercial/Industrial growth in Fletcher continues to be strong. Smartrac recently announced an expansion that will help create 68 new jobs and \$27 million in capital investment. Other projects include a 300,000 square foot manufacturing facility that is planned in the Cane Creek Industrial Park and a new Hunter Automotive dealership on Airport Road.
- Retail sales continue on a positive trend at both the state and local level.
- Residential growth is still occurring with both multi-family and single family projects underway. Sycamore Cottages is currently under construction with Phase 2 of this project set to start in this fiscal year. The Groves at Town Center apartment complex (168 units) should be completed this year. The Rutledge Heirs property received conditional district zoning approval for a 311 unit residential development.
- A significant increase in the overall budget (10%) for Fletcher is primarily coming from additional property tax revenues from revaluation. The Town opted to keep its tax rate at \$.34 per \$100 of assessed valuation thereby creating significantly more property tax revenue since property values grew significantly.

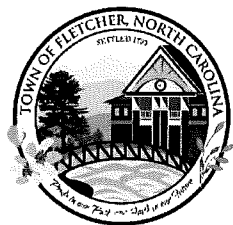
Budget Highlights for the Fiscal Year Ending June 30, 2020

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

- Maintain existing service levels with the addition of one new position in the Police Department. This requires moderate increases in operational expenses and revenues.
- Fully fund the recommendations of the compensation and classification study.
- Determine a clear cut path for identifying a location and re-bidding the Parks & Recreation Maintenance Building project.
- Determine a contribution that the Town could make to help fund construction of a new library facility.
- Continue to dedicate 8.5 cents of the tax levy toward year four of the Five-Year Capital Improvement 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

Town of Fletcher, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government Governmental Activities	Component Unit Town of Fletcher ABC Board
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,897,399	\$ 212,066
Taxes receivable, net	43,423	-
Accounts receivable, net	934,085	-
Due from other funds	161,987	-
Due from other government	880	-
Inventories	-	282,520
Prepaid items	27,134	16,153
Restricted cash and cash equivalents	571,851	-
Total current assets	<u>5,636,759</u>	<u>510,739</u>
Capital assets:		
Land, non-depreciable improvements, and construction in progress	6,188,703	241,372
Other capital assets, net of depreciation	11,592,653	562,271
Total capital assets	<u>17,781,356</u>	<u>803,643</u>
Total assets	<u>23,418,115</u>	<u>1,314,382</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	<u>527,858</u>	<u>29,101</u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	214,816	190,281
Accrued interest payable	16,356	-
Due to other funds	161,987	-
Due to other government	1,959	-
Current portion of long-term liabilities	374,478	-
Total current liabilities	<u>769,596</u>	<u>190,281</u>
Long-term liabilities:		
Net pension liability	669,475	23,961
Total pension liability	279,484	-
Total OPEB liability	43,784	-
Due in more than one year	6,599,149	-
Total liabilities	<u>8,361,488</u>	<u>214,242</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	63,876	464
OPEB deferrals	4,047	-
Total deferred inflows of resources	<u>67,923</u>	<u>464</u>
<u>Net Position</u>		
Net investment in capital assets	10,948,080	803,643
Restricted for:		
Prepaid items	27,134	-
Stabilization by State Statue	826,416	-
Streets	565,226	-
Police	6,625	-
USDA	163,168	-
Working Capital	-	75,906
Unrestricted	2,979,913	249,228
Total net position	<u>\$ 15,516,562</u>	<u>\$ 1,128,777</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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
Primary government:						
Governmental Activities:						
General government	\$ 1,223,075	\$ 20,963	\$ -	\$ -	\$ (1,202,112)	\$ -
Public safety	2,842,295	-	29,346	-	(2,812,949)	-
Transportation	1,326,073	-	219,137	1,154,440	47,504	-
Economic and physical development	288,577	-	-	-	(288,577)	-
Cultural and recreation	627,079	108,235	21,943	-	(496,901)	-
Interest on long-term debt	275,659	-	-	-	(275,659)	-
Total governmental activities	\$ 6,582,758	\$ 129,198	\$ 270,426	\$ 1,154,440	(5,028,694)	-
Component Unit:						
ABC Board	\$ 2,556,330	\$ 2,555,935	\$ -	\$ -	-	(395)
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					4,008,968	-
Other taxes					1,725,675	-
Grants and contributions not restricted to specific programs					923,066	-
Unrestricted investment earnings					57,587	-
Gain on the sale of capital assets					16,870	-
Miscellaneous					14,764	-
Total general revenues					6,746,930	-
Change in net position					\$ 1,718,236	\$ (395)
Net position, beginning					\$ 13,798,326	\$ 1,129,172
Change in net position					1,718,236	(395)
Net position, ending					\$ 15,516,562	\$ 1,128,777

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, 2019

	<u>Major Funds</u> <u>General</u> <u>Fund</u>	<u>Non-Major Funds</u> <u>Capital/Grant</u> <u>Projects</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 3,897,399	\$ -	\$ 3,897,399
Restricted cash	571,851	-	571,851
Receivables, net:			
Taxes	43,423	-	43,423
Accounts	736,537	197,548	934,085
Due from other government	-	880	880
Due from other funds	87,920	74,067	161,987
Prepaid items	27,134	-	27,134
Total assets	<u>\$ 5,364,264</u>	<u>\$ 272,495</u>	<u>\$ 5,636,759</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 30,241	\$ 184,575	\$ 214,816
Due to other funds	74,067	87,920	161,987
Due to other governments	1,959	-	1,959
Total liabilities	<u>106,267</u>	<u>272,495</u>	<u>378,762</u>
Deferred Inflows of Resources:			
Property taxes receivable	41,464	-	41,464
Total deferred inflows of resources	<u>41,464</u>	<u>-</u>	<u>41,464</u>
Fund Balances:			
Nonspendable			
Prepaid items	27,134	-	27,134
Restricted			
Stabilization by State Statute	826,416	-	826,416
Streets	565,226	-	565,226
Police	6,625	-	6,625
USDA	163,168	-	163,168
Committed			
Sidewalk	19,810	-	19,810
Grant	224,373	-	224,373
Assigned			
Library	50,000	-	50,000
Future Park Development	16,886	-	16,886
Subsequent Year's Expenditures	20,263	-	20,263
Unassigned	<u>3,296,632</u>	<u>-</u>	<u>3,296,632</u>
Total fund balances	<u>5,216,533</u>	<u>-</u>	<u>5,216,533</u>
Total liabilities, deferred inflows of resources	<u>\$ 5,364,264</u>	<u>\$ 272,495</u>	<u>\$ 5,636,759</u>

**Exhibit 3
(continued)**

**Town of Fletcher, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019**

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

Total Fund Balance, Governmental Fund	\$ 5,216,533
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,781,356
Deferred outflows of resources related to pensions are not reported in the funds	527,858
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	41,464
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Long-term debt	(6,833,276)
Compensated absences	(140,351)
OPEB liability	(43,784)
Total pension liability	(279,484)
Net pension liability	(669,475)
Deferred inflows of resources related to pensions are not reported in the funds	(63,876)
Deferred inflows of resources related to OPEB are not reported in the funds	(4,047)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,356)</u>
Net position of governmental activities	<u>\$ 15,516,562</u>

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<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	\$ 4,018,784	\$ -	\$ 4,018,784
Unrestricted intergovernmental	2,623,296	-	2,623,296
Restricted intergovernmental	276,470	1,154,440	1,430,910
Permits and fees	21,337	-	21,337
Sales and services	115,833	-	115,833
Investment earnings	57,587	-	57,587
Miscellaneous	14,764	-	14,764
Total revenues	<u>7,128,071</u>	<u>1,154,440</u>	<u>8,282,511</u>
EXPENDITURES			
Current:			
General government	982,278	-	982,278
Public safety	2,802,637	-	2,802,637
Transportation	1,341,911	1,661,207	3,003,118
Economic and physical development	293,911	-	293,911
Cultural and recreation	803,761	-	803,761
Debt service:			
Principal	333,681	-	333,681
Interest and other charges	276,847	-	276,847
Total expenditures	<u>6,835,026</u>	<u>1,661,207</u>	<u>8,496,233</u>
Excess (deficiency) of revenues over expenditures	<u>293,045</u>	<u>(506,767)</u>	<u>(213,722)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	506,767	506,767
Transfers to other funds	(506,767)	-	(506,767)
Sale of capital assets	16,870	-	16,870
Total other financing sources (uses)	<u>(489,897)</u>	<u>506,767</u>	<u>16,870</u>
Net change in fund balance	(196,852)	-	(196,852)
Fund balances, beginning	<u>5,413,385</u>	<u>-</u>	<u>5,413,385</u>
Fund balances, ending	<u>\$ 5,216,533</u>	<u>\$ -</u>	<u>\$ 5,216,533</u>

Town of Fletcher, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net Change in Fund Balances - Total Governmental Funds	\$ (196,852)
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	548,456
Capital project expenditures that were capitalized	1,661,207
Depreciation expense for governmental activities	(565,427)
Gain (loss) on sale of capital assets	(16,870)
Proceeds from sale of capital assets	16,870
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	140,867
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	1,612
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	333,682
Increase in accrued interest payable	1,188
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	(680)
Pension expense	(201,447)
OPEB plan expense	(4,370)
Total Change in Net Position of Governmental Activities	<u>\$ 1,718,236</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, 2019

	General Fund			Variance with Final Budget- Positive Negative
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,968,961	\$ 3,968,961	\$ 4,018,784	\$ 49,823
Unrestricted intergovernmental	2,508,322	2,508,322	2,623,296	114,974
Restricted intergovernmental	230,337	252,337	276,470	24,133
Permits and fees	14,400	14,400	21,337	6,937
Sales and services	124,000	124,000	115,833	(8,167)
Investment earnings	25,000	25,000	57,587	32,587
Miscellaneous	10,000	10,000	14,764	4,764
Total revenues	6,881,020	6,903,020	7,128,071	225,051
Expenditures:				
Current:				
General government	983,356	1,004,356	982,278	22,078
Public safety	2,869,794	2,906,751	2,802,637	104,114
Economic and physical development	308,317	313,317	293,911	19,406
Transportation	1,399,780	1,449,780	1,341,911	107,869
Cultural and recreation	729,233	871,233	803,761	67,472
Debt service:				
Principal	333,682	333,682	333,681	1
Interest and other charges	276,858	276,858	276,847	11
Total expenditures	6,901,020	7,155,977	6,835,026	320,951
Revenues Over (Under) Expenditures	(20,000)	(252,957)	293,045	546,002
Other Financing Sources (Uses):				
Transfers to other funds	-	(655,000)	(506,767)	148,233
Sale of capital assets	20,000	20,000	16,870	(3,130)
Fund balance appropriated	-	887,957	-	(887,957)
Total other financing sources (uses)	20,000	252,957	(489,897)	(742,854)
Net change in fund balance	\$ -	\$ -	(196,852)	\$ (196,852)
Fund balance, beginning			5,413,385	
Fund balance, ending			\$ 5,216,533	

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, 2019

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 is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

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	\$ 565,226
Police	6,625
Total Restricted Cash	<u>\$ 571,851</u>

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. The taxes are based on the assessed values as of January 1, 2018.

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 (last-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 – North Carolina G.S.159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislation in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

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.

Assigned for Future Fletcher Library– portion of fund balance that is available for appropriation but has been reserved by the governing body for the future development of a library.

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

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

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

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 (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. 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 LERS. 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, 2019, the Town's deposits had a carrying amount of \$1,581,827 and a bank balance of \$2,009,420. 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 \$209,916 and a bank balance of \$250,027. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$350.

Investments:

At June 30, 2019, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Amortized Cost	\$2,887,073	N/A	AAAm
Total:		\$2,887,073		

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, 2019.

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, 2019 includes penalties levied and outstanding in the amount of \$1,959.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 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, 2019, 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	440,649	1,661,207	-	2,101,856
	<u>4,527,496</u>	<u>1,661,207</u>	<u>-</u>	<u>6,188,703</u>
Capital Assets Being Depreciated:				
Land Improvements	3,298,247	136,064	-	3,434,311
Buildings and Improvements	8,338,433	-	-	8,338,433
Equipment and Furniture	982,480	149,816	34,209	1,098,087
Vehicles	<u>1,643,257</u>	<u>262,576</u>	<u>82,871</u>	<u>1,822,962</u>
Total Capital Assets Being Depreciated	<u>14,262,417</u>	<u>548,456</u>	<u>117,080</u>	<u>14,693,793</u>
Less Accumulated Depreciation For:				
Land Improvements	265,642	38,796	-	304,438
Buildings and Improvements	554,655	208,276	-	762,931
Equipment and Furniture	712,039	99,969	34,209	777,799
Vehicles	<u>1,120,457</u>	<u>218,386</u>	<u>82,871</u>	<u>1,255,972</u>
Total Accumulated Depreciation	<u>2,652,793</u>	<u>\$ 565,427</u>	<u>\$ 117,080</u>	<u>3,101,140</u>
Total Capital Assets Being Depreciated, Net	<u>11,609,624</u>			<u>11,592,653</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,137,120</u>			<u>\$ 17,781,356</u>

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

General Government	\$ 240,329
Public Safety	109,380
Recreation	78,790
Transportation	<u>136,928</u>
Total Depreciation Expense	<u>\$ 565,427</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	<u>\$ 241,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,372</u>
Capital Assets Being Depreciated:				
Buildings	980,167	-	-	980,167
Furniture and Equipment	<u>169,438</u>	<u>779</u>	<u>-</u>	<u>170,217</u>
Total Capital Assets Being Depreciated	<u>1,149,605</u>	<u>779</u>	<u>-</u>	<u>1,150,384</u>
Less Accumulated Depreciation for:				
Buildings	416,028	40,344	-	456,372
Furniture and Equipment	<u>117,015</u>	<u>14,726</u>	<u>-</u>	<u>131,741</u>
Total Accumulated Depreciation	<u>533,043</u>	<u>\$ 55,070</u>	<u>\$ -</u>	<u>588,113</u>
Total Capital Assets Being Depreciated, Net	<u>616,562</u>			<u>562,271</u>
ABC Board Capital Assets, Net	<u>\$ 857,934</u>			<u>\$ 803,643</u>

Note 5 – Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Fletcher is a participating employer in the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members- nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

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

The Town of Fletcher's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$140,867 for the year ended June 30, 2019.

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, 2019 the Town reported a liability of \$669,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.028% which was a decrease of .001% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$172,771. At June 30, 2019, 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	\$ 103,284	\$ 3,466
Changes of assumptions	177,653	-
Net Difference between projected and actual earnings on pension plan investments	91,899	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	31,668
Town contributions subsequent to the measurement date	140,867	-
Total	<u>\$ 513,703</u>	<u>\$ 35,134</u>

\$140,867 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, 2020.

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

Year ended June 30:

2019	\$	165,437
2020		107,952
2021		14,626
2022		49,687
2023		-

Actuarial Assumptions. The total pension liability in the December 31, 2017 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	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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, 2018 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 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,608,137	\$ 669,475	\$ (114,886)

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, 2017, 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, 2017 valuation. The total pension liability in the December 31, 2017 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	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Index as of December 31, 2018.

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, 2019, the Town reported a total pension liability of \$279,484. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$28,676.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,806
Changes of assumptions	14,155	15,936
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 14,155</u>	<u>\$ 28,742</u>

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

Year ended June 30:

2020	\$ (2,511)
2021	(2,511)
2022	(2,511)
2023	(2,511)
2024	(1,963)
Thereafter	(2,580)

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 3.64 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 (2.64 percent) or 1-percentage-higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the net pension liability (asset)	\$ 308,855	\$ 279,484	\$ 253,330

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

	2019
Beginning Balance	\$ 266,543
Service Cost	22,764
Interest on the total pension liability	8,423
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	(4,568)
Changes of assumptions or other inputs	(13,678)
Benefit payments	-
Other changes	-
Ending Balance of the total pension liability	<u><u>\$ 279,484</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, 2017 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	\$ 172,771	\$ 28,676	\$ 201,447
Pension Liability	669,475	279,484	948,959
Proportionate share of the net pension liability	0.02822%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	103,284	-	103,284
Changes of assumptions	177,653	14,155	191,808
Net Difference between projected and actual earnings on pension plan investments	91,899	-	91,899
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	140,867	-	140,867
Deferred of Inflows of Resources			
Differences between expected and actual experience	3,466	12,806	16,272
Changes of assumptions	-	15,936	15,936
Net Difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	31,668	-	31,668

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, 2019 were \$55,996 which consisted of \$38,976 from the Town and \$17,020 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, 2019 were \$72,541 which consisted of \$48,134 from the Town and \$24,407 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 June 30, 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	<u>19</u>	<u>16</u>

Total OPEB Liability

The Town's total OPEB liability of \$43,784 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

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	3.89 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 7/1/2018	<u>\$ 40,784</u>
Changes for the year	
Service Cost	3,365
Interest	1,452
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(1,817)
Benefit payments	-
Net changes	<u>3,000</u>
Balance as of 6/30/2019	<u><u>\$ 43,784</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.89% to 4.89%.

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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<u>1% Decrease (2.89%)</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
Total OPEB Liability	\$ 49,543	\$ 43,784	\$ 38,752

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	\$ 37,139	\$ 43,784	\$ 51,935

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$4,370. At June 30, 2019, 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	-	4,047
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 4,047</u>

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

Year ended June 30:

2019	\$ (447)
2020	(447)
2021	(447)
2022	(447)
2023	(477)
Thereafter	(1,812)

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	\$ 140,867
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	103,284
Changes of assumptions	191,808
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,899
	<u>\$ 527,858</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	\$ -	\$ 41,464
Changes in assumptions	19,983	-
Differences between expected and actual experience	16,272	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,668	-
Total	<u>\$ 67,923</u>	<u>\$ 41,464</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

1) Town Hall Direct Placement Installment Purchase-SunTrust

On May 18, 2012, the Town entered into a direct placement 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.

Town Hall including land are pledged as collateral for the debt.

The future minimum payments of this installment purchase as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 200,000	\$ 45,120	\$ 245,120
2021	200,000	37,706	237,706
2022	200,000	30,292	230,292
2023	200,000	22,878	222,878
2024	200,000	15,464	215,464
2025-2026	<u>267,209</u>	<u>9,295</u>	<u>276,504</u>
Totals	<u>\$ 1,267,209</u>	<u>\$ 160,755</u>	<u>\$ 1,427,964</u>

2) Town Hall Direct Placement Installment Purchase Contracts-USDA

On June 12, 2014, the Town entered into two direct placement 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.

Town Hall is pledged as collateral for the debt.

The future minimum payments of this installment purchase as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	87,232	170,120	\$ 257,352
2021	90,900	166,452	257,352
2022	94,721	162,631	257,352
2023	98,703	158,649	257,352
2024	102,852	154,500	257,352
2025-2029	582,870	703,890	1,286,760
2030-2034	716,129	570,631	1,286,760
2035-2039	879,854	406,906	1,286,760
2040-2044	1,081,012	205,748	1,286,760
2045-2047	429,522	16,214	445,736
Totals	<u>\$ 4,163,795</u>	<u>\$ 2,715,741</u>	<u>\$ 6,879,536</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, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	21,914	46,990	\$ 68,904
2021	22,665	46,239	68,904
2022	23,442	45,462	68,904
2023	24,246	44,658	68,904
2024	25,077	43,827	68,904
2025-2029	138,882	205,638	344,520
2030-2034	164,374	180,146	344,520
2035-2039	194,543	149,977	344,520
2040-2044	230,250	114,270	344,520
2045-2049	272,513	72,007	344,520
2050-2053	284,366	22,285	306,651
Totals	<u>\$ 1,402,272</u>	<u>\$ 971,499</u>	<u>\$ 2,373,771</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
Direct Placement Installment Purchase	\$ 7,166,958	\$ -	\$ 333,682	\$ 6,833,276	\$ 309,146
Compensated Absences	139,671	92,892	92,212	140,351	65,332
Other Postemployment Benefits	40,784	3,000	-	43,784	-
Net Pension Liability (LGERS)	447,623	221,852	-	669,475	-
Net Pension Obligation (LEO)	266,543	12,941	-	279,484	-
Governmental activity long-term liabilities	<u>\$ 8,061,579</u>	<u>\$ 330,685</u>	<u>\$ 425,894</u>	<u>\$ 7,966,370</u>	<u>\$ 374,478</u>

Note 10 – Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to General Fund for Highway 25 Grant expenditures Capital Project Fund	<u>\$ 87,920</u>
Due to Capital Project Fund for Highway 25 Grant expenditures General Fund	<u>\$ 74,067</u>

The interfund balances resulted from the time lag between expenditures and reimbursements from grant proceeds.

Transfers to/from other funds at June 30, 2019, 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 and for monuments	\$ 506,767
Total	<u>\$ 506,767</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 2019 fiscal year, the Town made a transfer from the General Fund of \$506,767 to the Highway 25 Grant Project Fund as per the terms of the matching grant and for monument and clock tower expenses that are not reimbursable.

Note 11 – Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 17,781,356
less: long-term debt	6,833,276
add: unexpended debt proceeds	-
Net investment in capital asset	<u>\$ 10,948,080</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>\$ 5,216,533</i>
Less:	
Prepaid Items	27,134
Stabilization by State Statute	826,416
Streets	565,226
Police	6,625
USDA	163,168
Sidewalk	19,810
Grant	224,373
Library	50,000
Future Park Development	16,886
Subsequent Year's Expenditures	20,263
Remaining Fund Balance	<u>3,296,632</u>

Note 13 – Commitments

The Town is obligated under the following commitments as of June 30, 2019:

Buchanan & Sons Construction Contract	\$ 391,602
Economic Development Incentives	314,926
Office Equipment	51,330
Total	<u><u>\$ 757,858</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, 2019.

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 14, 2019 the date on which the financial were available to be issued. During the period from the end of the year and through this date, the following subsequent events require recognition or disclosure in these financial statements. The Town switched from yearly to monthly debt service payments on its two USDA loans to save on interest expense. The Town also decided not to pursue finishing the Park Maintenance Building project, and closed out that capital project fund. The Town also created a project fund for an Economic Development Acquisition Project which will require financing and a General Fund contribution.

On September 25, 2019 Continental Teves one of the largest employers and industries within the Town announced they would be closing the Fletcher manufacturing facility in 2022.

Note 17 – Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ending June 30, 2019. The implementation of the statement required the Town to make changes to note disclosures related to debt.

Required Supplementary Financial Data

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

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Fletcher's proportion of the net pension liability (asset) (%)	0.02822%	0.02930%	0.02984%	0.02874%	0.00000%	0.28700%
Fletcher's proportion of the net pension liability (asset) (\$)	\$ 669,475	\$ 447,623	\$ 633,305	\$ 128,983	\$ (177,042)	\$ 345,945
Fletcher's covered-employee payroll	\$ 1,668,586	\$ 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)	40.12%	27.83%	39.74%	8.72%	(12.30%)	24.67%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 140,867	\$ 130,509	\$ 125,549	\$ 106,053	\$ 103,675	\$ 100,743
Contributions in relation to the contractually required contribution	140,867	130,509	125,549	106,053	103,675	100,743
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fletcher's covered-employee payroll	\$ 1,742,204	\$ 1,668,586	\$ 1,608,687	\$ 1,593,816	\$ 1,478,513	\$ 1,439,465
Contributions as a percentage of covered employee payroll	8.09%	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
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 266,543	\$ 230,597	\$ 209,955
Service Cost	22,764	19,654	20,254
Interest on the total pension liability	8,423	8,901	7,495
Changes of benefit terms	-	-	-
Differences between expected and actual experience in measurement of the total pension liability	(4,568)	(12,484)	-
Changes of assumptions or other inputs	(13,678)	19,875	(7,107)
Benefit payments	-	-	-
Other changes	-	-	-
Ending Balance of the total pension liability	<u>\$ 279,484</u>	<u>\$ 266,543</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
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 279,484	\$ 266,543	\$ 230,597
Covered payroll	731,073	732,702	735,314
Total pension liability as a percentage of covered payroll	38.23%	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, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 3,365	\$ 3,629
Interest	1,452	1,172
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(1,817)	(2,954)
Benefit payments	-	-
Net Change in total OPEB Liability	3,000	1,847
Total OPEB liability-beginning	40,784	38,937
Total OPEB liability-ending	\$ 43,784	\$ 40,784
 Covered payroll	 \$ 1,564,398	 \$ 1,564,398
Total OPEB liability as a percentage of covered payroll	2.80%	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
2019	3.89%
2018	3.56%

Individual Fund Financial Statements

Schedule B-1

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 3,944,161	\$ 3,989,292	\$ 45,131
Prior year	15,000	18,064	3,064
Interest	9,800	11,428	1,628
Total	<u>3,968,961</u>	<u>4,018,784</u>	<u>49,823</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,566,000	1,649,733	83,733
Utilities sales tax	679,000	709,943	30,943
ABC profit distribution	170,000	170,000	-
Video franchise fee	60,222	58,470	(1,752)
Beer and wine tax	33,100	35,150	2,050
Total	<u>2,508,322</u>	<u>2,623,296</u>	<u>114,974</u>
Restricted intergovernmental:			
Powell Bill allocation	195,000	196,130	1,130
Powell Bill investment earnings	400	1,119	719
Park development	1,000	21,943	20,943
ABC Funds for law enforcement	4,470	5,350	880
Grant	41,967	41,855	(112)
Drug forfeitures	4,000	4,029	29
Solid waste disposal tax	5,500	6,044	544
Total	<u>252,337</u>	<u>276,470</u>	<u>24,133</u>
Permits and fees:			
Land use permits	6,000	13,365	7,365
Business registration fees	8,400	7,972	(428)
Total	<u>14,400</u>	<u>21,337</u>	<u>6,937</u>
Sales and services:			
Recreation department fees	111,000	108,235	(2,765)
Golf tournament fees	5,000	-	(5,000)
Rents	8,000	7,598	(402)
Total	<u>124,000</u>	<u>115,833</u>	<u>(8,167)</u>
Investment earnings	<u>25,000</u>	<u>57,587</u>	<u>32,587</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous Revenues	\$ 10,000	\$ 14,764	\$ 4,764
Total revenues	<u>6,903,020</u>	<u>7,128,071</u>	<u>225,051</u>
Expenditures:			
General government:			
Governing body:			
Elected officials	<u>50,111</u>	<u>46,824</u>	<u>3,287</u>
Administration:			
Salaries and employee benefits	443,609	442,294	1,315
Other operating expenditures	<u>384,417</u>	<u>371,880</u>	<u>12,537</u>
Total	<u>828,026</u>	<u>814,174</u>	<u>13,852</u>
Town facilities:			
Other operating expenditures	<u>126,219</u>	<u>121,280</u>	<u>4,939</u>
Total	<u>126,219</u>	<u>121,280</u>	<u>4,939</u>
Total general government	<u>1,004,356</u>	<u>982,278</u>	<u>22,078</u>
Public safety:			
Police:			
Salaries and employee benefits	1,028,048	987,087	40,961
Other operating expenditures	384,591	325,008	59,583
Capital outlay	<u>119,500</u>	<u>115,930</u>	<u>3,570</u>
Total	<u>1,532,139</u>	<u>1,428,025</u>	<u>104,114</u>
Fire:			
Contracted services	<u>1,374,612</u>	<u>1,374,612</u>	<u>-</u>
Total public safety	<u>2,906,751</u>	<u>2,802,637</u>	<u>104,114</u>
Economic and physical development:			
Salaries and employee benefits	157,002	151,736	5,266
Other operating expenditures	<u>156,315</u>	<u>142,175</u>	<u>14,140</u>
Total economic and physical development	<u>313,317</u>	<u>293,911</u>	<u>19,406</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 410,258	\$ 380,995	\$ 29,263
Powell Bill expenditures	245,000	216,513	28,487
Other operating expenditures	637,522	577,681	59,841
Capital outlay	157,000	166,722	(9,722)
Total transportation	<u>1,449,780</u>	<u>1,341,911</u>	<u>107,869</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	320,517	281,461	39,056
Other operating expenditures	265,396	261,892	3,504
Capital outlay	285,320	260,408	24,912
Total cultural and recreation	<u>871,233</u>	<u>803,761</u>	<u>67,472</u>
Debt service:			
Principal retirement	333,682	333,681	1
Interest and other charges	276,858	276,847	11
Total debt service	<u>610,540</u>	<u>610,528</u>	<u>12</u>
Total expenditures	<u>7,155,977</u>	<u>6,835,026</u>	<u>320,951</u>
Revenues Over (Under) Expenditures	<u>(252,957)</u>	<u>293,045</u>	<u>546,002</u>
Other Financing Sources (Uses):			
Sale of capital assets	20,000	16,870	(3,130)
Transfers to capital project funds	(655,000)	(506,767)	148,233
Fund balance appropriated	887,957	-	(887,957)
Total other financing sources (uses)	<u>252,957</u>	<u>(489,897)</u>	<u>(742,854)</u>
Net change in fund balance	<u>\$ -</u>	<u>(196,852)</u>	<u>\$ (196,852)</u>
Fund balance, beginning		<u>5,413,385</u>	
Fund balance, ending		<u>\$ 5,216,533</u>	

Town of Fletcher, North Carolina
Balance Sheet
Major Governmental Fund
For the Year Ended June 30, 2019

	Park Maint. Building Project Fund	Hwy 25 Grant Project Fund	Total Non-Major Government
Assets:			
Accounts receivable, net	\$ -	\$ 197,548	\$ 197,548
Due from other government	-	880	880
Due from general fund	-	74,067	74,067
Total assets	\$ -	\$ 272,495	\$ 272,495
Liabilities and Fund Balances:			
Accounts payable	\$ -	\$ 110,508	\$ 110,508
Due to general fund	-	87,920	87,920
Retainage payable	-	74,067	74,067
Total liabilities	-	272,495	272,495
Fund Balances:			
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	\$ 272,495	\$ 272,495

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, 2019

	<u>Park Maint. Building Project Fund</u>	<u>Hwy 25 Grant Project Fund</u>	<u>Total Non-Major Government</u>
Revenues:			
Restricted intergovernmental	\$ -	\$ 1,154,440	\$ 1,154,440
Investment income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>1,154,440</u>	<u>1,154,440</u>
Expenditures:			
Construction	-	1,514,624	1,514,624
Professional services	<u>-</u>	<u>146,583</u>	<u>146,583</u>
Total expenditures	<u>-</u>	<u>1,661,207</u>	<u>1,661,207</u>
Revenues over expenditures	-	(506,767)	(506,767)
Other Financing Sources (Uses):			
Transfers from other funds:			
General Fund	<u>-</u>	<u>506,767</u>	<u>506,767</u>
Total other financing sources (uses)	<u>-</u>	<u>506,767</u>	<u>506,767</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, 2019

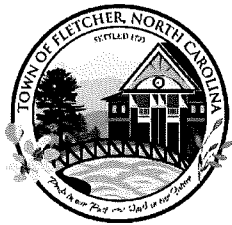
		<u>Actual</u>			Variance
	Project Budget	Prior Years	Current Year	Total to Date	Positive
					(Negative)
Expenditures:					
Construction	\$ 575,000	\$ -	\$ -	\$ -	\$ 575,000
Engineering-architect services	252,356	252,356	-	252,356	-
Contingency	20,000	-	-	-	20,000
Total expenditures	<u>847,356</u>	<u>252,356</u>	<u>-</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>252,356</u>	<u>-</u>	<u>252,356</u>	<u>-</u>
Total other financing sources (uses)	<u>847,356</u>	<u>252,356</u>	<u>-</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 Project
From Inception and For the Year Ended June 30, 2019

		<u>Actual</u>			Variance
	Project Budget	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 1,728,553	\$ 150,634	\$ 1,154,440	\$ 1,305,074	\$ (423,479)
Donation	26,896	-	-	-	(26,896)
Total revenues	<u>1,755,449</u>	<u>150,634</u>	<u>1,154,440</u>	<u>1,305,074</u>	<u>(450,375)</u>
Expenditures:					
Construction	1,886,239	-	1,514,624	1,514,624	371,615
Professional services	396,040	188,293	146,583	334,876	61,164
NCDOT administrative	216,069	-	-	-	216,069
Contingency	25,900	-	-	-	25,900
Total expenditures	<u>2,524,248</u>	<u>188,293</u>	<u>1,661,207</u>	<u>1,849,500</u>	<u>674,748</u>
Revenues over (under) expenditures	<u>(768,799)</u>	<u>37,659</u>	<u>(506,767)</u>	<u>(544,426)</u>	<u>(224,373)</u>
Other Financing Sources (Uses):					
Transfers (to) from other funds:					
General Fund	768,799	37,659	506,767	544,426	224,373
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
Fines and Forfeitures- General Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 11,944</u>	<u>\$ 11,944</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 11,944</u>	<u>\$ 11,944</u>	<u>\$ -</u>



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Other Schedules

Town of Fletcher, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

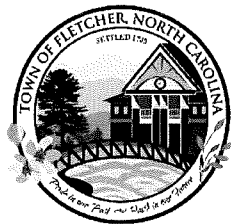
Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 4,026,313	\$ 4,000,965	\$ 25,348
2017-2018	19,007	-	15,115	3,892
2016-2017	3,799	-	2,189	1,610
2015-2016	3,522	-	2,075	1,447
2014-2015	2,536	-	494	2,042
2013-2014	2,894	-	467	2,427
2012-2013	3,769	-	458	3,311
2011-2012	1,503	-	147	1,356
2010-2011	2,013	-	79	1,934
2009-2010	2,149	-	93	2,056
2008-2009	1,583	-	1,583	-
	<u>\$ 42,775</u>	<u>\$ 4,026,313</u>	<u>\$ 4,023,665</u>	45,423
Less: allowance for uncollectible ad valorem taxes				<u>2,000</u>
Ad valorem taxes receivable - net				<u><u>\$ 43,423</u></u>

Reconciliation With Revenues:

Ad valorem taxes - General Fund	\$ 4,018,784
Penalties collected on ad valorem taxes- General Fund	11,944
Reconciling items:	
Interest collected	(11,428)
Prior year releases	2,798
Refunds	38
Taxes written off	<u>1,529</u>
Total collections and credits	<u><u>\$ 4,023,665</u></u>

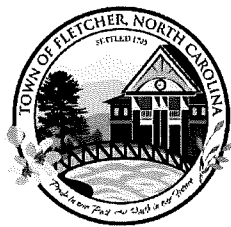
Town of Fletcher, North Carolina
Analysis of Current Tax Levy - Town-Wide Levy
For the Year Ended June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 1,163,965,000	0.00340	\$ 3,957,481	\$ 3,685,478	\$ 272,003
Penalties	-		9,903	9,903	-
Total	<u>1,163,965,000</u>		<u>3,967,384</u>	<u>3,695,381</u>	<u>272,003</u>
Discoveries:					
Current year taxes	25,320,000	0.00340	86,088	86,088	-
Penalties	<u>-</u>		<u>8,596</u>	<u>8,596</u>	<u>-</u>
Abatements:					
Current year taxes	(8,941,176)	0.00340	(30,400)	(29,368)	(1,032)
Penalties	<u>-</u>		<u>(5,355)</u>	<u>(5,355)</u>	<u>-</u>
Total property valuation	<u>\$ 1,180,343,824</u>				
Net levy			4,026,313	3,755,342	270,971
Uncollected taxes at June 30, 2019			<u>(25,348)</u>	<u>(25,018)</u>	<u>(330)</u>
Current year's taxes collected			<u>\$ 4,000,965</u>	<u>\$ 3,730,324</u>	<u>\$ 270,641</u>
Current levy collection percentage			<u>99.37%</u>	<u>99.33%</u>	<u>99.88%</u>



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Compliance Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of and for the year ended June 30, 2019, 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 14, 2019. Our report includes a reference to other auditors who audited the financial statements of the Town of Fletcher Alcoholic Beverage Control 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 compliance and other matters that are reported on separately by those auditors. The financial statements of the Town of Fletcher Alcoholic Beverage Control 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness 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.

Low Smith Church & Co., L.L.P.

Morganton, North Carolina
October 14, 2019

**Independent Auditors' Report On Compliance For Each Major Federal Program
And On Internal Control Over Compliance Required By The Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Fletcher, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Fletcher, North Carolina's major federal programs for the year ended June 30, 2019. Town of Fletcher, North Carolina's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Fletcher, North Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town of Fletcher, North Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Fletcher, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Fletcher, North Carolina's internal control over compliance.

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

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

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

Lowmire & Co., L.L.P.

Morganton, North Carolina
October 14, 2019

Town of Fletcher, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) yes X none reported

Noncompliance material to financial
Statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) yes X none reported

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

Any audit findings disclosed that are required
to be reported in accordance
with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Names of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish
between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? yes X no

**Town of Fletcher, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019**

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

Town of Fletcher, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program or Cluster Title:</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Entity Identifying Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL GRANTS				
Cash Programs:				
US DEPARTMENT OF JUSTICE				
Passed-through NC Department of Public Safety Governor's Crime Commission-Byrne Justice Assistance	16.738		\$ 21,888	\$ -
US DEPARTMENT OF TRANSPORTATION				
Pass-through NC Department of Transportation Highway Planning and Construction Program- Transportation and Improvement Program	20.205	STPDA-0025(037)	1,154,440	-
TOTAL ASSISTANCE- FEDERAL PROGRAMS			1,176,328	-
STATE GRANTS				
Cash Assistance:				
NC DEPARTMENT OF TRANSPORTATION				
Powell Bill Program Non-State System Street-Aid Allocation		DOT-4	-	216,513
NC DEPARTMENT OF ENVIRONMENTAL QUALITY				
Community Waste Reduction and Recycling Grant			-	19,967
TOTAL ASSISTANCE-STATE PROGRAMS			-	236,480
TOTAL ASSISTANCE			\$ 1,176,328	\$ 236,480

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal and state Awards (SEFSA) includes the federal and State grant activity of the Town of Fletcher under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Fletcher, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Fletcher.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

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

