



FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

"PRIDE IN OUR PAST, FAITH IN OUR FUTURE"



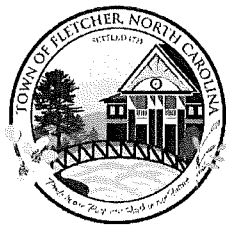
Town Council Members

Rod A. Whiteside, Mayor
Robert Davy, Mayor Pro-Tem
Preston Blakely
Eddie Henderson
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, 2020**

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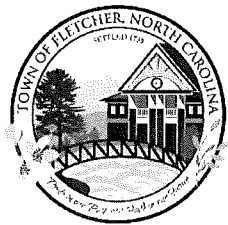
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Financial Section



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

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Morganton, North Carolina 28655
Phone: (828) 433-1226
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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 unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Fletcher, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Fletcher Alcoholic Beverage Control Board, which represents 100 percent, of the assets, net position, and revenues of the discretely presented component unit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Town of Fletcher Alcoholic Beverage Control Board were not audited in accordance with *Government Auditing Standards*.

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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of June 30, 2020, 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 Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions 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 38-42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, 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.



Morganton, North Carolina
October 13, 2020

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, 2020. 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

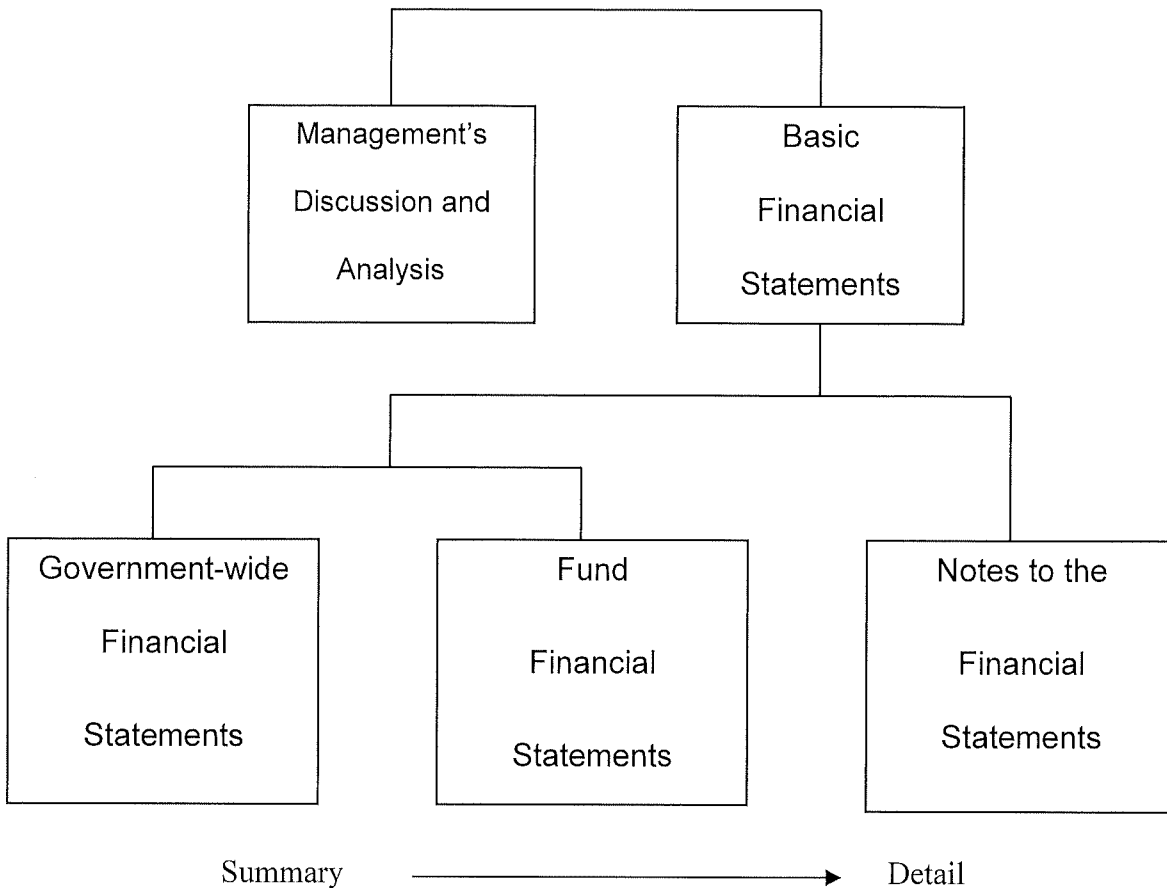
- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,139,612 (*net position*).
- The government's total net position *increased* by \$623,050 primarily due to *increases* in the *governmental type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$4,987,109 with a net decrease of \$229,424 in fund balance. Approximately 31.5 percent of this total amount, or \$1,569,567, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,258,545, or 41.5 percent of total general fund expenditures for the fiscal year.
- The Town of Fletcher's total debt increased by \$1,709,241 (21.5%) during the current fiscal year. The key factors in this increase were the issuance of a direct placement contract of \$1,800,000; an increase of \$109,246 in the net pension liability for the Law Enforcement Separation Allowance (LEO); an increase of \$88,356 in the net pension liability for the Local Government Retirement System (LGRS). Increases were offset by planned debt service principal payments of \$309,189.

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 8-37 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 38 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	
	2020	2019
Current and other assets	\$ 5,469,842	\$ 5,636,759
Capital assets	20,339,034	17,781,356
Deferred outflows of resources	523,321	527,858
Total assets and deferred outflows of resources	26,332,197	23,945,973
Long-term liabilities outstanding	9,675,496	7,966,370
Other liabilities	451,338	395,118
Deferred inflows of resources	65,751	67,923
Total liabilities and deferred inflows of resources	10,192,585	8,429,411
Net position:		
Net investment in capital assets	12,015,062	10,948,080
Restricted	1,569,567	1,588,569
Unrestricted	2,554,983	2,979,913
Total net position	\$ 16,139,612	\$ 15,516,562

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 \$16,139,612 as of June 30, 2020. The Town's net position *increased* by \$623,050 for the fiscal year ended June 30, 2020.

However, the largest portion (74.4%) 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, \$1,569,567 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,554,983 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 \$567,679 due to revaluation.
- Continued diligence in the collection of property taxes by attaining a tax collection percentage of 99.18%. The statewide average in fiscal year 2019 was 98.78%

Town of Fletcher's Change in Net Position
Figure 3

	Governmental	
	Activities	
	Years Ended June 30	
	2020	2019
Revenues		
Program revenues:		
Charges for service	\$ 98,814	\$ 129,198
Operating grants and contributions	246,618	270,426
Capital grants and contributions	274,071	1,154,440
General revenues:		
Property taxes	4,576,647	4,008,968
Other taxes	1,781,049	1,725,675
Grants and contributions not restricted to specific programs	924,107	923,066
Other	48,252	89,221
Total revenues	7,949,558	8,300,994
Expenses		
General government	1,461,158	1,223,075
Public safety	3,119,057	2,842,295
Transportation	1,479,886	1,326,073
Economic and physical development	348,190	288,577
Cultural and recreation	641,403	627,079
Interest on long term debt	276,814	275,659
Total expenses	7,326,508	6,582,758
Increase in net position	\$ 623,050	\$ 1,718,236
Net position, beginning	\$ 15,516,562	\$ 13,798,326
Increase in net position	623,050	1,718,236
Net position, June 30	\$ 16,139,612	\$ 15,516,562

Governmental Activities – Governmental activities increased the Town’s net position by \$623,050. The increase in net position was the result of increased revenue generation as well as continued effort to control costs and manage expenditures. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2020 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 significantly.
- 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 \$4,182,266 while total fund balance also reached \$4,987,109.

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 53.2% of general fund expenditures, while total fund balance represents 63.5% of the same amount.

At June 30, 2020, the governmental funds of the Town of Fletcher reported a combined fund balance of \$4,987,109 with a net decrease of \$229,424. Included in this change in fund balance is a 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 additional IT support due to issues surrounding COVID-19.
- An amendment was made to increase appropriations for additional street paving projects including replacing two pipes.
- An amendment was made to transfer the grant match to the Highway 25 Grant Project Fund.
- An amendment was made to transfer the contribution from General Fund to the Economic Development Acquisition Capital Project.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental activities as of June 30, 2020 and 2019, totaled \$20,339,034 and \$17,781,356, 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:

- Construction of two additional police department offices at Town Hall of \$31,504.
- Acquisition of new police cars of \$116,581.
- Acquisition of a utility tractor and loader for Parks and Recreation of \$55,261.
- Installation of a new playground for Bill Moore Community Park of \$93,669.
- Construction in progress for capital/grant projects assets of \$3,057,303.

Capital asset disposals for the year ended June 30, 2020 included one piece of equipment of \$7,600. The Town closed the Park Maintenance Building Project Fund and expensed \$252,356 of expenditures due to high bids.

Town of Fletcher's Capital Assets
Figure 4

	Governmental Activities	
	June 30	
	2020	2019
Land	\$ 4,086,847	\$ 4,086,847
Construction in progress	4,906,803	2,101,856
Land improvements	3,088,431	3,129,873
Buildings and improvements	7,398,402	7,575,502
Equipment and furniture	362,382	320,288
Vehicles	496,169	566,990
Total	<u>\$ 20,339,034</u>	<u>\$ 17,781,356</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, 2020, 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 Debt

Figure 5

	Governmental Activities	
	June 30	
	2020	2019
Direct placement installment debt	\$ 8,323,972	\$ 6,833,161
Compensated absences	167,262	140,351
OPEB	37,701	43,784
Pension related debt (LEO)	388,730	279,484
Pension related debt (LERS)	757,831	669,475
Total	<u>\$ 9,675,496</u>	<u>\$ 7,966,255</u>

Town of Fletcher’s Outstanding Debt

The Town of Fletcher’s total debt increased by \$1,709,241 (21.5%) during the current fiscal year. The key factors in this increase were the issuance of a direct placement contract of \$1,800,000; an increase of \$109,246 in the net pension liability for the Law Enforcement Separation Allowance (LEO); an increase of \$88,356 in the net pension liability for the Local Government Retirement System (LERS). Increases were offset by planned debt service principal payments of \$309,189.

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 \$108,376,518.

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, 2021.

- Economic growth is still expected to occur but the effects of the pandemic have greatly altered the trajectory. At the national level, Gross Domestic Product or GDP should grow by 2%. However, the effects of the pandemic make this a large unknown.
- Inflation is occurring in the 1.6% to 2.2% range. Interest rates are therefore expected to rise, with 10-year bonds at 2.2% and mortgages at 3.8%.
- The economic outlook for North Carolina remains good. The Gross State Product or GSP is expected to be positive. Manufacturing is picking up speed and housing has been steady.
- Commercial/Industrial growth in Fletcher continues to be strong. The previously announced Smartrac expansion is on hold but is expected to move forward at some point in the not too distant future. Other projects include the Mainetti manufacturing facility that is opening up in the Cane Creek Industrial Park and a new Hunter Automotive dealership on Airport Road.
- Retail sales are expected to 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 moving forward with Phase 2 of the development for additional single-family homes. The former Rutledge Heirs property received conditional district zoning approval for a 311 unit residential development last year but this project is moving forward at a slower pace due to the pandemic.
- An essentially flat budget for this year due to the unknown effects of the pandemic. Sales tax was adjusted down but growth in the property tax base allowed the Town to hold steady for a very slight increase in the overall budget. The tax rate will remain at \$.34 per \$100 of assessed valuation.

Budget Highlights for the Fiscal Year Ending June 30, 2021

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

- Maintain existing service levels with the addition of potentially one new position. This would require moderate increases in operational expenses and revenues.
- Determine a contribution that the Town could make to help fund the construction of a new library facility.
- Continue to dedicate 8.5 cents of the tax levy toward year five of the Five-Year Capital Improvement Plan.
- Continue to work with developer partners to determine more concrete plans for development of 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, 2020

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Town of Fletcher ABC Board</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,763,576	\$ 259,892
Taxes receivable, net	63,450	-
Accounts receivable, net	898,314	-
Due from other funds	146,066	-
Inventories	-	321,382
Prepaid items	29,513	16,329
Restricted cash and cash equivalents	568,923	-
Total current assets	<u>5,469,842</u>	<u>597,603</u>
Capital assets:		
Land, non-depreciable improvements, and construction in progress	8,993,650	241,372
Other capital assets, net of depreciation	11,345,384	537,445
Total capital assets	<u>20,339,034</u>	<u>778,817</u>
Total assets	<u>25,808,876</u>	<u>1,376,420</u>
<u>Deferred Outflows of Resources</u>		
Pension deferrals	522,804	32,438
OPEB deferrals	517	-
Total deferred outflows of resources	<u>523,321</u>	<u>32,438</u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	273,217	240,982
Accrued interest payable	30,983	-
Due to other funds	146,066	-
Due to other government	1,072	-
Current portion of long-term liabilities	506,130	-
Total current liabilities	<u>957,468</u>	<u>240,982</u>
Long-term liabilities:		
Net pension liability	757,831	30,040
Total pension liability	388,730	-
Total OPEB liability	37,701	-
Due in more than one year	7,985,104	-
Total liabilities	<u>10,126,834</u>	<u>271,022</u>
<u>Deferred Inflows of Resources</u>		
Pension deferrals	51,601	-
OPEB deferrals	14,150	-
Total deferred inflows of resources	<u>65,751</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	12,015,062	778,817
Restricted for:		
Prepaid items	29,513	-
Stabilization by State Statue	775,330	-
Streets	556,399	-
Police	12,524	-
USDA	195,801	-
Working Capital	-	86,249
Unrestricted	2,554,983	272,770
Total net position	<u>\$ 16,139,612</u>	<u>\$ 1,137,836</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, 2020

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	\$ 1,461,158	\$ 21,114	\$ -	\$ -	\$ (1,440,044)	\$ -
Public safety	3,119,057	-	17,508	-	(3,101,549)	-
Transportation	1,479,886	-	225,085	274,071	(980,730)	-
Economic and physical development	348,190	-	-	-	(348,190)	-
Cultural and recreation	641,403	77,700	4,025	-	(559,678)	-
Interest on long-term debt	276,814	-	-	-	(276,814)	-
Total governmental activities	\$ 7,326,508	\$ 98,814	\$ 246,618	\$ 274,071	(6,707,005)	-
Component Unit:						
ABC Board	\$ 2,901,343	\$ 2,910,402	\$ -	\$ -	-	9,059
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					4,576,647	-
Other taxes					1,781,049	-
Grants and contributions not restricted to specific programs					924,107	-
Unrestricted investment earnings					38,505	-
Gain on the sale of capital assets					2,100	-
Miscellaneous					7,647	-
Total general revenues					7,330,055	-
Change in net position					\$ 623,050	\$ 9,059
Net position, beginning					\$ 15,516,562	\$ 1,128,777
Change in net position					623,050	9,059
Net position, ending					\$ 16,139,612	\$ 1,137,836

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, 2020

	<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	\$ 3,763,576	\$ -	\$ 3,763,576
Restricted cash	568,923	-	568,923
Receivables, net:			
Taxes	63,450	-	63,450
Accounts	728,198	170,116	898,314
Due from other funds	46,060	100,006	146,066
Prepaid items	29,513	-	29,513
Total assets	<u>\$ 5,199,720</u>	<u>\$ 270,122</u>	<u>\$ 5,469,842</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 49,155	\$ 224,062	\$ 273,217
Due to other funds	100,006	46,060	146,066
Due to other governments	1,072	-	1,072
Total liabilities	<u>150,233</u>	<u>270,122</u>	<u>420,355</u>
Deferred Inflows of Resources:			
Property taxes receivable	62,378	-	62,378
Total deferred inflows of resources	<u>62,378</u>	<u>-</u>	<u>62,378</u>
Fund Balances:			
Nonspendable			
Prepaid items	29,513	-	29,513
Restricted			
Stabilization by State Statute	775,330	-	775,330
Streets	556,399	-	556,399
Police	12,524	-	12,524
USDA	195,801	-	195,801
Committed			
Sidewalk	19,810	-	19,810
Grant	70,898	-	70,898
Assigned			
Library	50,000	-	50,000
Future Park Development	18,289	-	18,289
Unassigned	<u>3,258,545</u>	<u>-</u>	<u>3,258,545</u>
Total fund balances	<u>4,987,109</u>	<u>-</u>	<u>4,987,109</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,199,720</u>	<u>\$ 270,122</u>	<u>\$ 5,469,842</u>

Exhibit 3
(continued)

Town of Fletcher, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

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

Total Fund Balance, Governmental Fund	\$ 4,987,109
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,339,034
Deferred outflows of resources related to pensions are not reported in the funds	522,804
Deferred outflows of resources related to OPEB are not reported in the funds	517
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	62,378
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Long-term debt	(8,323,972)
Compensated absences	(167,262)
OPEB liability	(37,701)
Total pension liability	(388,730)
Net pension liability	(757,831)
Deferred inflows of resources related to pensions are not reported in the funds	(51,601)
Deferred inflows of resources related to OPEB are not reported in the funds	(14,150)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(30,983)</u>
Net position of governmental activities	<u><u>\$ 16,139,612</u></u>

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	<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	\$ 4,565,559	\$ -	\$ 4,565,559
Unrestricted intergovernmental	2,680,733	-	2,680,733
Restricted intergovernmental	222,244	274,071	496,315
Permits and fees	15,630	-	15,630
Sales and services	95,259	-	95,259
Investment earnings	38,491	14	38,505
Miscellaneous	7,647	26,896	34,543
Total revenues	<u>7,625,563</u>	<u>300,981</u>	<u>7,926,544</u>
EXPENDITURES			
Current:			
General government	950,555	2,467,846	3,418,401
Public safety	3,024,085	-	3,024,085
Transportation	1,328,292	589,457	1,917,749
Economic and physical development	353,637	-	353,637
Cultural and recreation	672,820	-	672,820
Debt service:			
Principal	309,189	-	309,189
Interest and other charges	262,187	-	262,187
Total expenditures	<u>6,900,765</u>	<u>3,057,303</u>	<u>9,958,068</u>
Excess (deficiency) of revenues over expenditures	<u>724,798</u>	<u>(2,756,322)</u>	<u>(2,031,524)</u>
OTHER FINANCING SOURCES (USES)			
Installment purchase obligations issued	-	1,800,000	1,800,000
Transfers from other funds	-	956,322	956,322
Transfers to other funds	(956,322)	-	(956,322)
Sale of capital assets	2,100	-	2,100
Total other financing sources (uses)	<u>(954,222)</u>	<u>2,756,322</u>	<u>1,802,100</u>
Net change in fund balance	(229,424)	-	(229,424)
Fund balances, beginning	<u>5,216,533</u>	<u>-</u>	<u>5,216,533</u>
Fund balances, ending	<u>\$ 4,987,109</u>	<u>\$ -</u>	<u>\$ 4,987,109</u>

Exhibit 4
(continued)

Town of Fletcher, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net Change in Fund Balances - Total Governmental Funds	\$ (229,424)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures that were capitalized	297,015
Capital project expenditures that were capitalized	3,057,303
Capital project expenditures that were expensed	(252,356)
Depreciation expense for governmental activities	(544,284)
Gain (loss) on sale of capital assets	(2,100)
Proceeds from sale of capital assets	2,100

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	175,650
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	20,914
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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.

New long-term debt issued	(1,800,000)
Principal payments on long-term debt	309,189
Increase in accrued interest payable	(14,627)
Change in long-term debt issued	115

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	(26,911)
Pension expense	(366,031)
OPEB plan expense	(3,503)

Total Change in Net Position of Governmental Activities	\$ 623,050
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The notes to the financial statements are an integral part of this statement.

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual	
	Original	Final	Amounts	
Revenues:				
Ad valorem taxes	\$ 4,456,606	\$ 4,456,606	\$ 4,565,559	\$ 108,953
Unrestricted intergovernmental	2,686,850	2,686,850	2,680,733	(6,117)
Restricted intergovernmental	211,253	211,253	222,244	10,991
Permits and fees	15,800	15,800	15,630	(170)
Sales and services	128,000	128,000	95,259	(32,741)
Investment earnings	40,000	40,000	38,491	(1,509)
Miscellaneous	11,000	11,000	7,647	(3,353)
Total revenues	7,549,509	7,549,509	7,625,563	76,054
Expenditures:				
Current:				
General government	992,950	992,950	950,555	42,395
Public safety	3,184,734	3,184,734	3,024,085	160,649
Economic and physical development	372,481	386,481	353,637	32,844
Transportation	1,413,753	1,445,753	1,328,292	117,461
Cultural and recreation	783,635	783,635	672,820	110,815
Debt service:				
Principal	584,989	584,989	309,189	275,800
Interest and other charges	262,230	262,230	262,187	43
Total expenditures	7,594,772	7,640,772	6,900,765	740,007
Revenues Over (Under) Expenditures	(45,263)	(91,263)	724,798	816,061
Other Financing Sources (Uses):				
Transfers to other funds	-	(1,034,000)	(956,322)	77,678
Sale of capital assets	25,000	25,000	2,100	(22,900)
Fund balance appropriated	20,263	1,100,263	-	(1,100,263)
Total other financing sources (uses)	45,263	91,263	(954,222)	(1,045,485)
Net change in fund balance	\$ -	\$ -	(229,424)	\$ (229,424)
Fund balance, beginning			5,216,533	
Fund balance, ending			\$ 4,987,109	

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, 2020

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 specific 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, parks and recreation, and general government services.

The Town reports the following non-major governmental funds:

Capital Project Fund~ Economic Development Property Acquisition Project. This fund is used to account for the assemblage of land for an economic development project.

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 Economic Development Property Acquisition project and Highway 25 grant project.

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

During the year, several amendments to the original budget became necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual budget ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 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	\$ 556,399
Police	12,524
Total Restricted Cash	<u>\$ 568,923</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, 2019.

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.

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

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

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

Defined Benefit Cost-Sharing Plans

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

Stewardship, Compliance and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions.

I. Noncompliance with North Carolina General Statutes

During our examination we found no instances of noncompliance.

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, 2020, the Town's deposits had a carrying amount of \$1,407,221 and a bank balance of \$1,833,629. 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 \$257,742 and a bank balance of \$279,527. All of the bank balance was covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$350.

Investments:

At June 30, 2020, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$2,924,928	N/A	AAAm
Total:		\$2,924,928		

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, 2020.

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, 2020 includes penalties levied and outstanding in the amount of \$1,072.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 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, 2020, 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	<u>2,101,856</u>	<u>3,057,303</u>	<u>252,356</u>	<u>4,906,803</u>
	<u>6,188,703</u>	<u>3,057,303</u>	<u>252,356</u>	<u>8,993,650</u>
Capital Assets Being Depreciated:				
Land Improvements	3,434,311	-	-	3,434,311
Buildings and Improvements	8,338,433	31,504	-	8,369,937
Equipment and Furniture	1,098,087	148,930	7,600	1,239,417
Vehicles	<u>1,822,962</u>	<u>116,581</u>	<u>-</u>	<u>1,939,543</u>
Total Capital Assets Being Depreciated	<u>14,693,793</u>	<u>297,015</u>	<u>7,600</u>	<u>14,983,208</u>
Less Accumulated Depreciation For:				
Land Improvements	304,438	41,442	-	345,880
Buildings and Improvements	762,931	208,604	-	971,535
Equipment and Furniture	777,799	106,836	7,600	877,035
Vehicles	<u>1,255,972</u>	<u>187,402</u>	<u>-</u>	<u>1,443,374</u>
Total Accumulated Depreciation	<u>3,101,140</u>	<u>\$ 544,284</u>	<u>\$ 7,600</u>	<u>3,637,824</u>
Total Capital Assets Being Depreciated, Net	<u>11,592,653</u>			<u>11,345,384</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,781,356</u>			<u>\$ 20,339,034</u>

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

General Government	\$ 233,594
Public Safety	108,772
Recreation	99,821
Transportation	<u>102,097</u>
Total Depreciation Expense	<u>\$ 544,284</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
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	24,149	-	1,004,316
Furniture and Equipment	<u>170,217</u>	<u>7,204</u>	<u>8,819</u>	<u>168,602</u>
Total Capital Assets Being Depreciated	<u>1,150,384</u>	<u>31,353</u>	<u>8,819</u>	<u>1,172,918</u>
Less Accumulated Depreciation for:				
Buildings	456,372	47,887	-	504,259
Furniture and Equipment	<u>131,741</u>	<u>8,292</u>	<u>8,819</u>	<u>131,214</u>
Total Accumulated Depreciation	<u>588,113</u>	<u>\$ 56,179</u>	<u>\$ 8,819</u>	<u>635,473</u>
Total Capital Assets Being Depreciated, Net	<u>562,271</u>			<u>537,445</u>
ABC Board Capital Assets, Net	<u>\$ 803,643</u>			<u>\$ 778,817</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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$175,650 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$757,831 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, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town's proportion was 0.0278% which was a decrease of .0004% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$323,397. At June 30, 2020, 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	\$ 129,760	\$ -
Changes of assumptions	123,514	-
Net Difference between projected and actual earnings on pension plan investments	18,484	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	28,230
Town contributions subsequent to the measurement date	175,650	-
Total	<u>\$ 447,408</u>	<u>\$ 28,230</u>

\$175,650 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, 2021.

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

Year ended June 30:

2021	\$	124,624
2022		32,883
2023		67,409
2024		18,611
2025		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital market data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rate of return for each major asset class as of June 30, 2019 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 2018 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)	\$ 1,733,298	\$ 757,831	\$ (52,980)

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, 2018, 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>17</u>
Total	<u><u>17</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, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 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, 2020, the Town reported a total pension liability of \$388,730. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$42,634.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,481	\$ 10,356
Changes of assumptions	22,915	13,015
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 75,396</u>	<u>\$ 23,371</u>

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

Year ended June 30:

2021	\$ 8,262
2022	8,262
2023	8,262
2024	8,810
2025	8,193
Thereafter	10,236

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 3.26 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 (2.26 percent) or 1-percentage-higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Town's proportionate share of the net pension liability (asset)	\$ 427,454	\$ 388,730	\$ 354,289

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

	2020
Beginning Balance	\$ 279,484
Service Cost	24,199
Interest on the total pension liability	10,173
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	61,301
Changes of assumptions or other inputs	13,573
Benefit payments	-
Other changes	-
Ending Balance of the total pension liability	<u>\$ 388,730</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, 2018 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	\$ 323,397	\$ 42,634	\$ 366,031
Pension Liability	757,831	388,730	1,146,561
Proportionate share of the net pension liability	0.02775%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	129,760	52,481	182,241
Changes of assumptions	123,514	22,915	146,429
Net Difference between projected and actual earnings on pension plan investments	18,484	-	18,484
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	175,650	-	175,650
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	10,356	10,356
Changes of assumptions	-	13,015	13,015
Net Difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,230	-	28,230

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, 2020 were \$60,118 which consisted of \$41,188 from the Town and \$18,930 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, 2020 were \$75,871 which consisted of \$53,489 from the Town and \$22,382 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, 2019, 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	17
Total	<u>19</u>	<u>17</u>

Total OPEB Liability

The Town's total OPEB liability of \$37,701 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 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	3.50 percent
Health Care Cost Trends	Pre-Medicare: 7.00 percent for 2019 decreasing to 4.50 percent by 2026 Medicare: 5.00 percent for 2019 decreasing to 4.50 percent by 2021

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 7/1/2019	\$ 43,784
Changes for the year	
Service Cost	3,259
Interest	1,703
Changes of benefit terms	-
Differences between expected and actual experience	(11,614)
Changes of assumptions or other inputs	569
Benefit payments	-
Net changes	<u>(6,083)</u>
Balance as of 6/30/2020	<u><u>\$ 37,701</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50% as well as a change in the health care cost trends.

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, 2019 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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB Liability	\$ 42,837	\$ 37,701	\$ 33,222

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	\$ 32,133	\$ 37,701	\$ 44,529

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$3,503. At June 30, 2020, 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	\$ -	\$ 10,550
Changes of assumptions	517	3,600
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 517</u>	<u>\$ 14,150</u>

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

Year ended June 30:

2021	\$	(1,459)
2022	\$	(1,459)
2023	\$	(1,459)
2024	\$	(1,459)
2025	\$	(1,459)
Thereafter		(6,338)

Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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	\$ 175,650
Benefit payments made and administrative expenses for LEOSA	-
Differences between expected and actual experience	182,241
Changes of assumptions	146,946
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,484
	<u>\$ 523,321</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	\$ -	\$ 62,378
Changes in assumptions	16,615	-
Differences between expected and actual experience	20,906	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,230	-
Total	<u>\$ 65,751</u>	<u>\$ 62,378</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) Economic Development Acquisition Project Direct Placement Installment Purchase-TRUIST

On February 27, 2020, the Town entered into a direct placement installment purchase contract with TRUIST in the amount of \$1,800,000 to finance the purchase of land for the Economic Development Acquisition Project.

The financing contract requires principal payments annually of \$120,000 plus interest semi-annually at 3.26% beginning in October 2020 and continuing until October 2034. The property is pledged as collateral for the debt while the debt is outstanding.

The future minimum payments of this installment purchase as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	120,000	62,266	\$ 182,266
2022	120,000	52,812	172,812
2023	120,000	48,900	168,900
2024	120,000	44,988	164,988
2025	120,000	41,076	161,076
2026-2030	600,000	146,700	746,700
2031-2035	600,000	48,900	648,900
Totals	<u>\$ 1,800,000</u>	<u>\$ 445,642</u>	<u>\$ 2,245,642</u>

2) 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, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 200,000	\$ 37,701	\$ 237,701
2022	200,000	30,287	230,287
2023	200,000	22,874	222,874
2024	200,000	15,460	215,460
2025	200,000	8,046	208,046
2026	67,052	1,242	68,294
Totals	<u>\$ 1,067,052</u>	<u>\$ 115,610</u>	<u>\$ 1,182,662</u>

3) 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 February 2046.

Town Hall is pledged as collateral for the debt.

The future minimum payments of this installment purchase as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	107,176	150,176	257,352
2026-2030	607,373	679,387	1,286,760
2031-2035	746,234	540,526	1,286,760
2036-2040	916,843	369,917	1,286,760
2041-2045	1,126,456	160,304	1,286,760
2046	185,305	3,079	188,384
Totals	<u>\$ 4,076,563</u>	<u>\$ 2,545,621</u>	<u>\$ 6,622,184</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, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	25,936	42,968	68,904
2026-2030	143,643	200,877	344,520
2031-2035	170,008	175,512	345,520
2036-2040	201,212	143,308	344,520
2041-2045	238,143	106,377	344,520
2046-2050	281,852	62,668	344,520
2051-2054	224,134	7,007	231,141
Totals	<u>\$ 1,380,358</u>	<u>\$ 918,903</u>	<u>\$ 2,299,261</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	\$ 6,833,161	\$ 1,800,000	\$ 309,189	\$ 8,323,972	\$ 433,565
Compensated Absences	140,351	110,164	83,253	167,262	72,565
Other Postemployment Benefits	43,784	-	6,083	37,701	-
Net Pension Liability (LGERS)	669,475	88,356	-	757,831	-
Net Pension Obligation (LEO)	279,484	109,246	-	388,730	-
Governmental activity long-term liabilities	<u>\$ 7,966,255</u>	<u>\$ 2,107,766</u>	<u>\$ 398,525</u>	<u>\$ 9,675,496</u>	<u>\$ 506,130</u>

Note 10 – Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to General Fund for Highway 25 Grant expenditures Capital Project Fund	\$ 46,060
Due to Capital Project Fund for Highway 25 Grant expenditures General Fund	\$ 100,006

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

Transfers to/from other funds at June 30, 2020, 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	\$ 288,490
From the General Fund to the Economic Development Acquisition Project Fund to fund the contribution from General Fund to the project	\$ 667,832
Total	\$ 956,322

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 2020 fiscal year, the Town made a transfer from the General Fund of \$288,490 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. The Town also made a transfer from the General Fund of \$667,832 to the Economic Development Property Acquisition Project Fund for the contribution from General Fund towards this project completion.

Note 11 – Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 20,339,034
less: long-term debt	8,323,972
add: unexpended debt proceeds	-
Net investment in capital asset	\$ 12,015,062

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>\$ 4,987,109</i>
Less:	
Prepaid Items	29,513
Stabilization by State Statute	775,330
Streets	556,399
Police	12,524
USDA	195,801
Sidewalk	19,810
Grant	70,898
Library	50,000
Future Park Development	18,289
Remaining Fund Balance	3,258,545

Note 13 – Commitments

The Town is obligated under the following commitments as of June 30, 2020:

Buchanan & Sons Construction Contract	\$ 17,706
Office Equipment	40,890
Total	<u>\$ 58,596</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, 2020.

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.

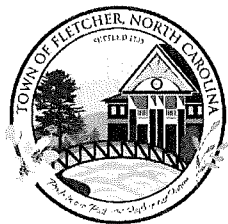
Note 16 – Significant Disclosure of Subsequent Events

Management has evaluated subsequent events through October 13, 2020 the date on which the financial statements were issued. During the period from the end of the year and through this date, the following subsequent event requires recognition or disclosure in these financial statements.

COVID-19 Pandemic

The spread of the Coronavirus Disease (COVID-19 has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Fletcher, North Carolina is not reflected in the financial statements for the year ended June 30, 2020, since the full impact of COVID-19 is unknown and cannot be reasonable estimated as of October 13, 2020.

The Town of Fletcher has been approved from North Carolina and Henderson County for funding from the CARES (Coronavirus Aid, Relief, and Economic Security) Act in the amount of \$352,655 for payroll expenses related to COVID-19. These funds will be used towards substantially dedicated payroll for the year ended June 30, 2021.



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Required Supplementary Financial Data

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Fletcher's proportion of the net pension liability (asset) (%)	0.02775%	0.02822%	0.02930%	0.02984%	0.02874%	0.00000%	0.28700%
Fletcher's proportion of the net pension liability (asset) (\$)	\$ 757,831	\$ 669,475	\$ 447,623	\$ 633,305	\$ 128,983	\$ (177,042)	\$ 345,945
Fletcher's covered-employee payroll	\$ 1,742,204	\$ 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	43.50%	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%	99.07%	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 Seven Fiscal Years

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 175,650	\$ 140,867	\$ 130,509	\$ 125,549	\$ 106,053	\$ 103,675	\$ 100,743
Contributions in relation to the contractually required contribution	175,650	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>	<u>\$ -</u>
Fletcher's covered-employee payroll	\$1,893,559	\$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	9.28%	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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 279,484	\$ 266,543	\$ 230,597	\$ 209,955
Service Cost	24,199	22,764	19,654	20,254
Interest on the total pension liability	10,173	8,423	8,901	7,495
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in measurement of the total pension liability	61,301	(4,568)	(12,484)	-
Changes of assumptions or other inputs	13,573	(13,678)	19,875	(7,107)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending Balance of the total pension liability	<u>\$ 388,730</u>	<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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 388,730	\$ 279,484	\$ 266,543	\$ 230,597
Covered payroll	824,753	731,073	732,702	735,314
Total pension liability as a percentage of covered payroll	47.13%	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, 2020

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 3,259	\$ 3,365	\$ 3,629
Interest	1,703	1,452	1,172
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(11,614)	-	-
Changes of assumptions	569	(1,817)	(2,954)
Benefit payments	-	-	-
Net Change in total OPEB Liability	(6,083)	3,000	1,847
Total OPEB liability-beginning	43,784	40,784	38,937
Total OPEB liability-ending	\$ 37,701	\$ 43,784	\$ 40,784
 Covered payroll	 \$ 1,697,551	 \$ 1,564,398	 \$ 1,564,398
Total OPEB liability as a percentage of covered payroll	2.22%	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
2020	3.50%
2019	3.89%
2018	3.56%

Individual Fund Financial Statements

Town of Fletcher, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 4,431,606	\$ 4,541,516	\$ 109,910
Prior year	15,500	14,217	(1,283)
Interest	9,500	9,826	326
Total	<u>4,456,606</u>	<u>4,565,559</u>	<u>108,953</u>
 Unrestricted intergovernmental:			
Local option sales taxes	1,680,000	1,708,066	28,066
Utilities sales tax	718,000	680,273	(37,727)
ABC profit distribution	192,000	200,000	8,000
Video franchise fee	60,900	56,915	(3,985)
Beer and wine tax	35,950	35,479	(471)
Total	<u>2,686,850</u>	<u>2,680,733</u>	<u>(6,117)</u>
 Restricted intergovernmental:			
Powell Bill allocation	195,000	197,397	2,397
Powell Bill investment earnings	1,200	792	(408)
Park development	1,000	305	(695)
ABC Funds for law enforcement	4,470	7,322	2,852
Drug forfeitures	4,000	10,186	6,186
Solid waste disposal tax	5,583	6,242	659
Total	<u>211,253</u>	<u>222,244</u>	<u>10,991</u>
 Permits and fees:			
Land use permits	8,000	7,275	(725)
Business registration fees	7,800	8,355	555
Total	<u>15,800</u>	<u>15,630</u>	<u>(170)</u>
 Sales and services:			
Recreation department fees	115,000	77,700	(37,300)
Golf tournament fees	5,000	3,720	(1,280)
Rents	8,000	13,839	5,839
Total	<u>128,000</u>	<u>95,259</u>	<u>(32,741)</u>
 Investment earnings	<u>40,000</u>	<u>38,491</u>	<u>(1,509)</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous Revenues	\$ 11,000	\$ 7,647	\$ (3,353)
Total revenues	<u>7,549,509</u>	<u>7,625,563</u>	<u>76,054</u>
Expenditures:			
General government:			
Governing body:			
Elected officials	<u>52,183</u>	<u>46,918</u>	<u>5,265</u>
Administration:			
Salaries and employee benefits	467,594	466,849	745
Other operating expenditures	<u>341,935</u>	<u>321,044</u>	<u>20,891</u>
Total	<u>809,529</u>	<u>787,893</u>	<u>21,636</u>
Town facilities:			
Other operating expenditures	<u>131,238</u>	<u>115,744</u>	<u>15,494</u>
Total	<u>131,238</u>	<u>115,744</u>	<u>15,494</u>
Total general government	<u>992,950</u>	<u>950,555</u>	<u>42,395</u>
Public safety:			
Police:			
Salaries and employee benefits	1,146,087	1,062,332	83,755
Other operating expenditures	353,689	291,217	62,472
Capital outlay	<u>160,682</u>	<u>148,084</u>	<u>12,598</u>
Total	<u>1,660,458</u>	<u>1,501,633</u>	<u>158,825</u>
Fire:			
Contracted services	<u>1,524,276</u>	<u>1,522,452</u>	<u>1,824</u>
Total public safety	<u>3,184,734</u>	<u>3,024,085</u>	<u>160,649</u>
Economic and physical development:			
Salaries and employee benefits	197,151	191,127	6,024
Other operating expenditures	<u>189,330</u>	<u>162,510</u>	<u>26,820</u>
Total economic and physical development	<u>386,481</u>	<u>353,637</u>	<u>32,844</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 464,609	\$ 459,038	\$ 5,571
Powell Bill expenditures	227,000	209,115	17,885
Other operating expenditures	754,144	660,139	94,005
Total transportation	<u>1,445,753</u>	<u>1,328,292</u>	<u>117,461</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	350,567	315,652	34,915
Other operating expenditures	273,068	208,238	64,830
Capital outlay	160,000	148,930	11,070
Total cultural and recreation	<u>783,635</u>	<u>672,820</u>	<u>110,815</u>
Debt service:			
Principal retirement	584,989	309,188	275,801
Interest and other charges	262,230	262,188	42
Total debt service	<u>847,219</u>	<u>571,376</u>	<u>275,843</u>
Total expenditures	<u>7,640,772</u>	<u>6,900,765</u>	<u>740,007</u>
Revenues Over (Under) Expenditures	<u>(91,263)</u>	<u>724,798</u>	<u>816,061</u>
Other Financing Sources (Uses):			
Sale of capital assets	25,000	2,100	(22,900)
Transfers to capital project funds	(1,034,000)	(956,322)	77,678
Fund balance appropriated	1,100,263	-	(1,100,263)
Total other financing sources (uses)	<u>91,263</u>	<u>(954,222)</u>	<u>(1,045,485)</u>
Net change in fund balance	<u>\$ -</u>	<u>(229,424)</u>	<u>\$ (229,424)</u>
Fund balance, beginning		<u>5,216,533</u>	
Fund balance, ending		<u>\$ 4,987,109</u>	

Town of Fletcher, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	Econ Development Property Acquisition Project Fund	Hwy 25 Grant Project Fund	Total Non-Major Government
Assets:			
Accounts receivable, net	\$ -	\$ 170,116	\$ 170,116
Due from general fund	-	100,006	100,006
	<u>-</u>	<u>100,006</u>	<u>100,006</u>
Total assets	<u>\$ -</u>	<u>\$ 270,122</u>	<u>\$ 270,122</u>
Liabilities and Fund Balances:			
Accounts payable	\$ -	\$ 124,056	\$ 124,056
Due to general fund	-	46,060	46,060
Retainage payable	-	100,006	100,006
	<u>-</u>	<u>100,006</u>	<u>100,006</u>
Total liabilities	<u>-</u>	<u>270,122</u>	<u>270,122</u>
Fund Balances:			
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 270,122</u>	<u>\$ 270,122</u>

Town of Fletcher, North Carolina
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	Econ Development Property Acquisition Project Fund	Hwy 25 Grant Project Fund	Total Non-Major Government
Revenues:			
Restricted intergovernmental	\$ -	\$ 274,071	\$ 274,071
Donation	-	26,896	26,896
Investment earnings	14	-	14
	<u>14</u>	<u>-</u>	<u>14</u>
Total revenues	<u>14</u>	<u>300,967</u>	<u>300,981</u>
Expenditures:			
Construction	-	517,731	517,731
Professional services	63,199	71,726	134,925
Administrative and legal	72,647	-	72,647
Land acquisition	2,332,000	-	2,332,000
	<u>2,467,846</u>	<u>589,457</u>	<u>3,057,303</u>
Total expenditures	<u>2,467,846</u>	<u>589,457</u>	<u>3,057,303</u>
Revenues over (under) expenditures	<u>(2,467,832)</u>	<u>(288,490)</u>	<u>(2,756,322)</u>
Other Financing Sources (Uses):			
Installment purchase obligations issued	1,800,000	-	1,800,000
Transfers from other funds:			
General Fund	667,832	288,490	956,322
	<u>2,467,832</u>	<u>288,490</u>	<u>2,756,322</u>
Total other financing sources (uses)	<u>2,467,832</u>	<u>288,490</u>	<u>2,756,322</u>
Net change in fund balance	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Fletcher, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Economic Development Property Acquisition Project
From Inception and For the Year Ended June 30, 2020

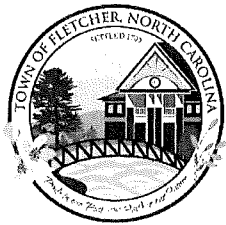
		Actual			Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 13	\$ -	\$ 14	\$ 14	\$ 1
Total revenues	13	-	14	14	1
Expenditures:					
Administration and legal	187,000	-	72,647	72,647	114,353
Land acquisition	2,357,000	-	2,332,000	2,332,000	25,000
Engineering and lot considerations	64,000	-	63,199	63,199	801
Total expenditures	2,608,000	-	2,467,846	2,467,846	140,154
Revenues over (under) expenditures	(2,607,987)	-	(2,467,832)	(2,467,832)	140,155
Other Financing Sources (Uses):					
Installment purchase obligations issued	1,800,000	-	1,800,000	1,800,000	-
Transfers (to) from other funds:					
General Fund	807,987	-	667,832	667,832	(140,155)
Total other financing sources (uses)	2,607,987	-	2,467,832	2,467,832	-
Net change in fund balance	<u>\$ -</u>	-	-	-	<u>\$ -</u>
Fund balance, beginning		-	-	-	
Fund balance, ending		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Town of Fletcher, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Grant Project Fund - Highway 25 Grant Project Fund
From Inception and For the Year Ended June 30, 2020

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 1,728,553	\$ 1,305,074	\$ 274,071	\$ 1,579,145	\$ (149,408)
Donation	26,896	-	26,896	26,896	-
Total revenues	1,755,449	1,305,074	300,967	1,606,041	(149,408)
Expenditures:					
Construction	1,999,000	1,514,624	517,731	2,032,355	(33,355)
Professional services	418,294	334,876	71,726	406,602	11,692
NCDOT administrative	216,069	-	-	-	216,069
Contingency	25,900	-	-	-	25,900
Total expenditures	2,659,263	1,849,500	589,457	2,438,957	220,306
Revenues over (under) expenditures	(903,814)	(544,426)	(288,490)	(832,916)	70,898
Other Financing Sources (Uses):					
Transfers (to) from other funds:					
General Fund	903,814	544,426	288,490	832,916	(70,898)
Net change in fund balance	\$ -	-	-	-	\$ -
Fund balance, beginning		-	-	-	
Fund balance, ending		\$ -	\$ -	\$ -	

Town of Fletcher, North Carolina
Fines and Forfeitures- General Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 26,752</u>	<u>\$ 26,752</u>	<u>\$ -</u>
Liabilities:				
Intergovernmental payable	<u>\$ -</u>	<u>\$ 26,752</u>	<u>\$ 26,752</u>	<u>\$ -</u>



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Other Schedules

Town of Fletcher, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

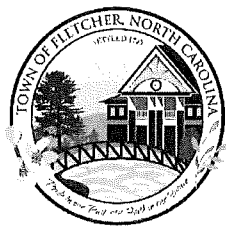
Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 4,606,002	\$ 4,568,350	\$ 37,652
2018-2019	25,348		9,753	15,595
2017-2018	3,892	-	1,906	1,986
2016-2017	1,610	-	852	758
2015-2016	1,447	-	428	1,019
2014-2015	2,042	-	890	1,152
2013-2014	2,427	-	378	2,049
2012-2013	3,311	-	645	2,666
2011-2012	1,357	-	389	968
2010-2011	1,934	-	329	1,605
2009-2010	2,055	-	2,055	-
	<u>\$ 45,423</u>	<u>\$ 4,606,002</u>	<u>\$ 4,585,975</u>	65,450
Less: allowance for uncollectible ad valorem taxes				<u>2,000</u>
Ad valorem taxes receivable - net				<u><u>\$ 63,450</u></u>

Reconciliation With Revenues:

Ad valorem taxes - General Fund	\$ 4,565,559
Penalties collected on ad valorem taxes- General Fund	26,752
Reconciling items:	
Interest collected	(9,826)
Prior year releases	1,385
Refunds	311
Taxes written off	<u>1,794</u>
Total collections and credits	<u><u>\$ 4,585,975</u></u>

Town of Fletcher, North Carolina
Analysis of Current Tax Levy - Town-Wide Levy
For the Year Ended June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 1,333,849,706	0.00340	\$ 4,535,089	\$ 4,263,172	\$ 271,917
Penalties	-		-	-	-
Total	<u>1,333,849,706</u>		<u>4,535,089</u>	<u>4,263,172</u>	<u>271,917</u>
Discoveries:					
Current year taxes	25,159,706	0.00340	85,543	85,543	-
Penalties	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Current year taxes	(4,302,941)	0.00340	(14,630)	(13,682)	(948)
Penalties	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u>\$ 1,354,706,471</u>				
Net levy			4,606,002	4,335,033	270,969
Uncollected taxes at June 30, 2020			<u>(37,652)</u>	<u>(36,351)</u>	<u>(1,301)</u>
Current year's taxes collected			<u>\$ 4,568,350</u>	<u>\$ 4,298,682</u>	<u>\$ 269,668</u>
Current levy collection percentage			<u>99.18%</u>	<u>99.16%</u>	<u>99.52%</u>



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Compliance Section



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

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Fax: (828) 433-1230

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina as of and for the year ended June 30, 2020, 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 13, 2020. Our report includes a reference to other auditors who audited the financial statements of 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 financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Morganton, North Carolina
October 13, 2020

