



# FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022



# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

*“PRIDE IN OUR PAST, FAITH IN OUR FUTURE”*



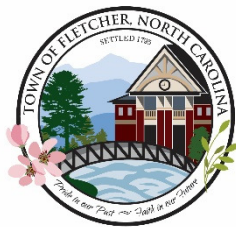
Town Council Members

Preston Blakely, Mayor  
Robert Davy, Mayor Pro-Tem  
Sheila Franklin  
Trevor Lance  
Keith Reed

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, 2022**

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## **Financial Section**

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**Independent Auditors' Report**

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

To the Honorable Mayor  
and Members of the Town Council  
Page 2

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## Management's Discussion and Analysis

As management of the Town of Fletcher (the Town), we offer readers of the Town of Fletcher's financial statements this narrative overview and analysis of the financial activities of the Town of Fletcher for the fiscal year ended June 30, 2022. 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

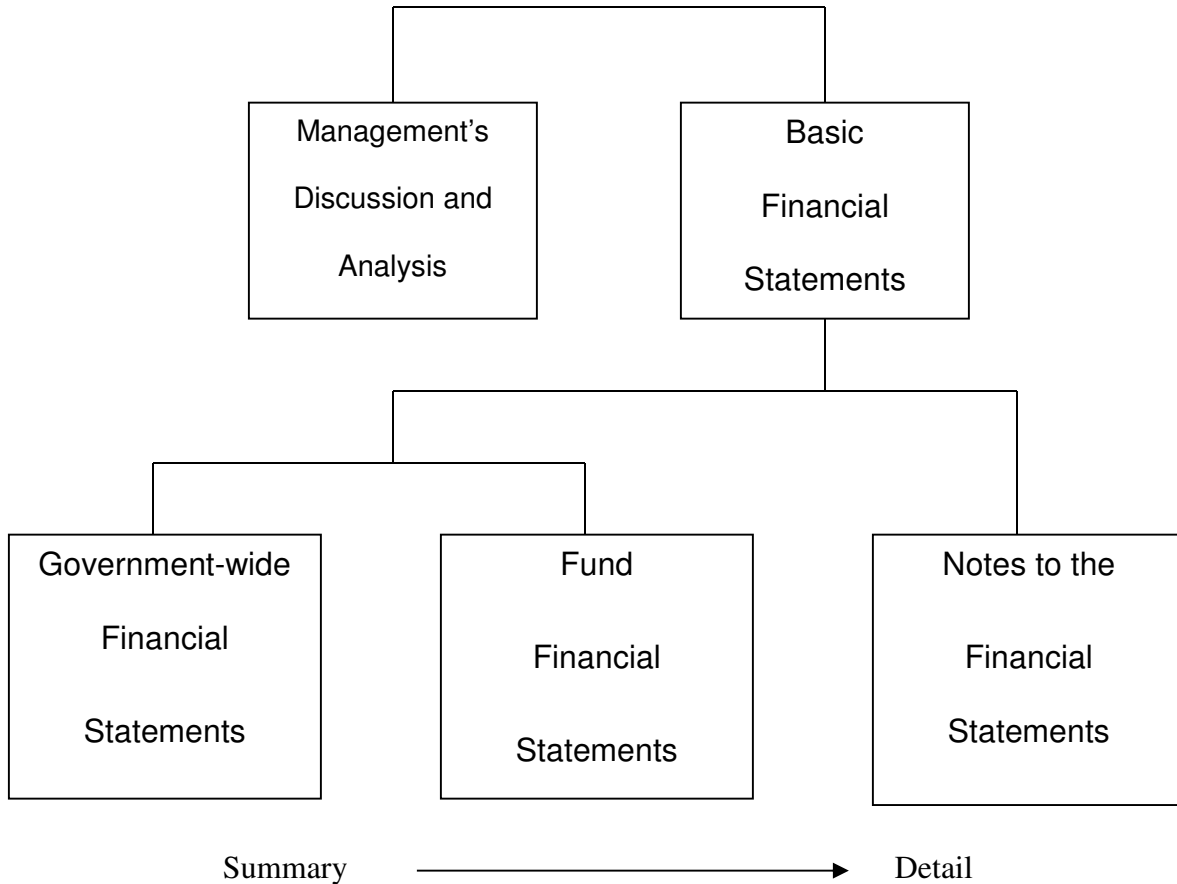
- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,056,746 (*net position*).
- The government's total net position *increased* by \$1,178,305 primarily due to *increases* in the *governmental type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$7,779,939 with a net increase of \$1,207,386 in fund balance. Approximately 21.9 percent of this total amount, or \$1,710,422, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,774,110, or 74.3 percent of total general fund expenditures for the fiscal year.
- The Town of Fletcher's total debt decreased by \$780,414 (8.08%) during the current fiscal year by offsetting decreases and increases. The key factors in the decrease were the offset of debt service principal payments and issuance of new debt for a decrease of \$138,163; a decrease of \$99,934 in the net pension liability for the Law Enforcement Separation Allowance (LEO); a decrease of \$573,613 in the net pension liability for the Local Government Retirement System (LGERS); along with a \$193 decrease in compensated absences. The only increase was in the OPEB liability in the amount of \$1,942.

### 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

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Current and other assets	\$ 9,226,489	\$ 6,684,023
Right to use leased assets	29,652	-
Capital assets	20,105,202	20,249,640
Deferred outflows of resources	803,815	744,298
<b>Total assets and deferred outflows of resources</b>	<b>30,165,158</b>	<b>27,677,961</b>
Long-term liabilities outstanding	8,874,994	9,655,408
Other liabilities	1,448,101	86,063
Deferred inflows of resources	785,317	58,049
<b>Total liabilities and deferred inflows of resources</b>	<b>11,108,412</b>	<b>9,799,520</b>
Net position:		
Net investment in capital assets	12,352,958	12,359,233
Restricted	1,710,422	1,751,244
Unrestricted	4,993,366	3,767,964
<b>Total net position</b>	<b>\$ 19,056,746</b>	<b>\$ 17,878,441</b>

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 \$19,056,746 as of June 30, 2022. The Town's net position *increased* by \$1,178,305 for the fiscal year ended June 30, 2022.

However, the largest portion (64.9%) 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, \$1,710,422 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,993,366 is unrestricted.

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

- Continued diligence in the collection of property taxes by attaining a tax collection percentage of 99.76%. The statewide average in fiscal year 2022 was 99.12%
- Increased sales tax revenues of approximately \$353,937 due strong economy.
- Reductions in spending due to staffing issues within multiple departments.
- Ad valorem tax revenues increased approximately \$150,084 due to minor growth in tax base.



**Town of Fletcher's Change in Net Position**

**Figure 3**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>Years Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 143,486	\$ 135,030
Operating grants and contributions	239,747	564,068
Capital grants and contributions	-	149,408
General revenues:		
Property taxes	4,818,115	4,780,372
Other taxes	2,330,022	2,052,061
Grants and contributions not restricted to specific programs	1,017,281	1,061,476
Other	73,099	24,901
Total revenues	8,621,750	8,767,316
<b>Expenses</b>		
General government	1,316,282	1,098,995
Public safety	3,208,536	3,337,604
Transportation	1,590,199	1,303,823
Economic and physical development	328,638	341,559
Cultural and recreation	708,803	636,931
Interest on long term debt	290,987	309,575
Total expenses	7,443,445	7,028,487
Increase in net position	\$ 1,178,305	\$ 1,738,829
Net position, beginning	\$ 17,878,441	\$ 16,139,612
Increase in net position	1,178,305	1,738,829
Net position, June 30	\$ 19,056,746	\$ 17,878,441

**Governmental Activities** – Governmental activities increased the Town’s net position by \$1,178,305. The increase in net position was the result of increased revenue generation as well as reduced expenditures due to some departments not being fully staffed throughout the year. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2022 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:

- Local sales tax receipts increased significantly over projected budget.
- 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 \$6,796,034 while total fund balance also reached \$7,779,939.

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 83.71% of general fund expenditures, while total fund balance represents 95.83% of the same amount.

At June 30, 2022, the governmental funds of the Town of Fletcher reported a combined fund balance of \$7,779,939 with a net increase of \$1,207,386. Included in this change in fund balance is an increase in the General Fund.

**General Fund Budgetary Highlights** – During the fiscal year, the Town revised the budget on seven occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

- An amendment was made to purchase a garbage truck with installment purchase financing.
- An amendment was made to fund a COVID pay for employees during the pandemic.
- An amendment was made to fund expenditures to account for an underpayment to Fletcher Fire and Rescue.
- Amendments were made to appropriate additional funds for the Town’s resurfacing project which included more streets and road miles than originally planned using Powell Bill funds.

### **Capital Asset and Debt Administration**

**Capital Assets** – The Town’s investment in capital assets for its governmental activities as of June 30, 2022, totals \$20,105,202 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Acquisition of new police cars of \$123,364.
- Acquisition of a new SCAG mower for Parks and Recreation of \$14,239.
- Acquisition of a new garbage truck for Public Works of \$292,817.
- Upgrades of audio-visual equipment within Town Hall of \$42,345.
- Acquisition of computer software of \$21,211.

Capital asset disposals for the year ended June 30, 2022 of vehicles and equipment of \$94,581.

**Town of Fletcher's Capital Assets**  
**Figure 4**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Land	\$ 6,682,572	\$ 6,170,772
Land improvements	5,478,581	5,605,300
Buildings and improvements	6,980,275	7,701,139
Equipment and furniture	263,270	299,605
Vehicles	700,504	472,824
<b>Total</b>	<b>\$ 20,105,202</b>	<b>\$ 20,249,640</b>

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, 2022, 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**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
Direct placement installment debt	\$ 7,752,244	\$ 7,890,407
Lease liabilities	29,547	-
Compensated absences	159,779	159,972
OPEB	50,821	48,879
Pension related debt (LEO)	461,017	560,951
Pension related debt (LGERS)	421,586	995,199
<b>Total</b>	<b>\$ 8,874,994</b>	<b>\$ 9,655,408</b>

**Town of Fletcher’s Outstanding Debt**

The Town of Fletcher’s total debt decreased by \$780,414 (8.08%) during the current fiscal year by offsetting decreases and increases. The key factors in the decrease was by planned debt service principal payments of \$447,131; a decrease of \$99,934 in the net pension liability for the Law Enforcement Separation Allowance (LEO); a decrease of \$573,613 in the net pension liability for the Local Government Retirement System (LGERS), along with a \$193 decrease in compensated absences. The only increase was in the OPEB liability in the amount of \$1,942.

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 \$11,502,254.

Additional information regarding the Town’s long-term debt can be found in note 10 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, 2023.

- Much more tempered outlook for economic growth in the coming year. At the national level, Gross Domestic Product or GDP should grow by 3.5%. However, negative growth occurred in the first quarter of this year so this could shift expectations downward slightly.
- Inflation is occurring in the 7% range but would expect this to decrease to a rate of about 3.5%. Interest rates are expected to rise at multiple points in the coming year with the Federal Reserve working to slow the rate of inflation.
- The economic outlook for North Carolina is good with moderate growth expected. The Gross State Product or GSP is projected to grow by 2.6% in 2022. Manufacturing growth and building permits (mostly housing starts) will be the main drivers for economic activity in North Carolina.
- Commercial/Industrial growth in Fletcher continues to be strong. Low Impact Technologies' relocation to Fletcher occurred last year. CanvasPrints is consolidating its operation in the Fletcher Business Park this year. Site improvements are also occurring on the vacant property adjacent to Blue Ridge Metals in anticipation of a new industry moving to that site.
- Retail sales are expected to be moderate at the state and local level.
- Residential growth is still occurring primarily with single family projects underway. Sycamore Cottages has moved into another phase of development for additional single-family homes. Two other single-family home developments are in various phases of development along Rutledge Road.
- Growth in the overall budget is occurring primarily because of a significant increase in projected sales tax revenues. Property taxes are only expected to increase slightly due to a net decrease in business personal property values. The tax rate will remain at \$.34 per \$100 of assessed valuation.

## **Budget Goals for the Fiscal Year Ending June 30, 2023**

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

- Maintain existing service levels within our current tax structure. This will require moderate increases in operational expenses and revenues.

- Determine specific allocations toward eligible projects that the Town would want to pursue with American Rescue Plan funding.
- Continue to dedicate 8.5 cents of the tax levy toward year two of the Five-Year Capital Improvement Plan.
- Continue to work with Martin Real Estate and the Waddells in developing the first phase of the Town Center project on Highway 25.

### **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](http://www.fletchernc.org) or send an email to [h.taylor@fletchernc.org](mailto:h.taylor@fletchernc.org) for more information.



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# **Basic Financial Statements**

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**Town of Fletcher, North Carolina**  
**Statement of Net Position**  
**June 30, 2022**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental</b>	<b>Town of Fletcher</b>
	<b>Activities</b>	<b>ABC Board</b>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 6,417,658	\$ 445,588
Taxes receivable, net	26,942	-
Accounts receivable, net	958,371	-
Inventories	-	443,533
Prepaid items	24,480	52,829
Restricted cash and cash equivalents	1,799,038	-
Total current assets	9,226,489	941,950
Non-current assets:		
Right to use leased assets, net of amortization	29,652	-
Capital assets:		
Land, non-depreciable improvements, and construction in progress	6,682,572	249,993
Other capital assets, net of depreciation	13,422,630	442,621
Total non-current assets	20,134,854	692,614
Total assets	29,361,343	1,634,564
<b><u>Deferred Outflows of Resources</u></b>		
Pension deferrals	788,399	67,040
OPEB deferrals	15,416	-
Total deferred outflows of resources	803,815	67,040
<b><u>Liabilities</u></b>		
Accounts payable and accrued liabilities	86,019	325,657
Accrued interest payable	27,439	-
Due to other government	1,054	-
Liabilities to be paid from restricted assets	1,333,589	-
Current portion of long-term liabilities	622,624	-
Total current liabilities	2,070,725	325,657
Long-term liabilities:		
Due in more than one year	8,252,370	26,071
Total liabilities	10,323,095	351,728
<b><u>Deferred Inflows of Resources</u></b>		
Pension deferrals	762,600	37,248
OPEB deferrals	22,717	-
Total deferred inflows of resources	785,317	37,248
<b><u>Net Position</u></b>		
Net investment in capital assets	12,352,958	692,614
Restricted for:		
Prepaid items	24,480	-
Stabilization by State Statue	959,425	-
Streets	451,780	-
Police	13,669	-
USDA	261,068	-
Working Capital	-	125,049
Unrestricted	4,993,366	494,965
Total net position	\$ 19,056,746	\$ 1,312,628

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, 2022

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
					Governmental Activities	Town of Fletcher ABC Board
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 1,316,282	\$ 31,132	\$ -	\$ -	\$ (1,285,150)	\$ -
Public safety	3,208,536	-	19,215	-	(3,189,321)	-
Transportation	1,590,199	-	216,200	-	(1,373,999)	-
Economic and physical development	328,638	-	-	-	(328,638)	-
Cultural and recreation	708,803	112,354	4,332	-	(592,117)	-
Interest on long-term debt	290,987	-	-	-	(290,987)	-
Total governmental activities	<u>\$ 7,443,445</u>	<u>\$ 143,486</u>	<u>\$ 239,747</u>	<u>\$ -</u>	<u>(7,060,212)</u>	<u>-</u>
<b>Component Unit:</b>						
ABC Board	<u>\$ 4,063,575</u>	<u>\$ 4,217,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>153,539</u>
<b>General Revenues:</b>						
Taxes:						
Property taxes, levied for general purpose					4,818,115	-
Other taxes					2,330,022	-
Grants and contributions not restricted to specific programs					1,017,281	-
Unrestricted investment earnings					5,775	-
Sale of capital assets					42,832	-
Miscellaneous					24,492	-
Total general revenues					<u>8,238,517</u>	<u>-</u>
Change in net position					<u>\$ 1,178,305</u>	<u>\$ 153,539</u>
Net position, beginning					\$ 17,878,441	\$ 1,159,089
Change in net position					<u>1,178,305</u>	<u>153,539</u>
Net position, ending					<u>\$ 19,056,746</u>	<u>\$ 1,312,628</u>

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



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# **Fund Financial Statements**

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**Town of Fletcher, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	<b>Major Funds</b>		<b>Total</b>
	<b>General Fund</b>	<b>CSLRF Grant Project</b>	<b>Governmental Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,417,658	\$ -	\$ 6,417,658
Restricted cash	465,449	1,333,589	1,799,038
Receivables, net:			
Taxes	26,942	-	26,942
Accounts	958,371	-	958,371
Prepaid items	24,480	-	24,480
Total assets	<u>\$ 7,892,900</u>	<u>\$ 1,333,589</u>	<u>\$ 9,226,489</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 86,019	\$ -	\$ 86,019
Unearned revenue	-	1,333,589	1,333,589
Due to other governments	1,054	-	1,054
Total liabilities	<u>87,073</u>	<u>1,333,589</u>	<u>1,420,662</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	25,888	-	25,888
Total deferred inflows of resources	<u>25,888</u>	<u>-</u>	<u>25,888</u>
<b>Fund Balances:</b>			
Nonspendable			
Prepaid items	24,480	-	24,480
Restricted			
Stabilization by State Statute	959,425	-	959,425
Streets	451,780	-	451,780
Police	13,669	-	13,669
USDA	261,068	-	261,068
Committed			
Sidewalk	19,810	-	19,810
Assigned			
Library	50,000	-	50,000
Future Park Development	22,286	-	22,286
Subsequent year's expenditures	203,311	-	203,311
Unassigned	5,774,110	-	5,774,110
Total fund balances	<u>7,779,939</u>	<u>-</u>	<u>7,779,939</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,892,900</u>	<u>\$ 1,333,589</u>	<u>\$ 9,226,489</u>

**Town of Fletcher, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2022**

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

Total Fund Balance, Governmental Fund		\$ 7,779,939
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 24,681,925	
Accumulated depreciation	<u>(4,576,723)</u>	20,105,202
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	\$ 38,515	
Accumulated amortization	<u>(8,863)</u>	29,652
Deferred outflows of resources related to pensions are not reported in the funds		788,399
Deferred outflows of resources related to OPEB are not reported in the funds		15,416
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		25,888
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt	\$ (7,752,244)	
Lease liabilities	(29,547)	
Compensated absences	(159,779)	
OPEB liability	(50,821)	
Total pension liability	(461,017)	
Net pension liability	<u>(421,586)</u>	(8,874,994)
Deferred inflows of resources related to pensions are not reported in the funds		(762,600)
Deferred inflows of resources related to OPEB are not reported in the funds		(22,717)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(27,439)</u>
The net position of governmental activities		<u>\$ 19,056,746</u>

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

**Town of Fletcher, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CSLRF Grant Project</u>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 4,855,086	\$ -	\$ 4,855,086
Unrestricted intergovernmental	3,323,680	-	3,323,680
Restricted intergovernmental	242,610	-	242,610
Permits and fees	14,613	-	14,613
Sales and services	140,081	-	140,081
Investment earnings	5,775	-	5,775
Miscellaneous	24,492	-	24,492
Total revenues	<u>8,606,337</u>	<u>-</u>	<u>8,606,337</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,093,576	-	1,093,576
Public safety	3,181,195	-	3,181,195
Transportation	1,785,316	-	1,785,316
Economic and physical development	440,055	-	440,055
Cultural and recreation	541,577	-	541,577
Debt service:			
Principal	447,131	-	447,131
Interest and other charges	291,448	-	291,448
Total expenditures	<u>7,780,298</u>	<u>-</u>	<u>7,780,298</u>
Excess (deficiency) of revenues over expenditures	<u>826,039</u>	<u>-</u>	<u>826,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment purchase obligations issued	300,000	-	300,000
Lease liabilities issued	38,515	-	38,515
Sale of capital assets	42,832	-	42,832
Total other financing sources (uses)	<u>381,347</u>	<u>-</u>	<u>381,347</u>
Net change in fund balance	1,207,386	-	1,207,386
Fund balances, beginning	<u>6,572,553</u>	<u>-</u>	<u>6,572,553</u>
Fund balances, ending	<u>\$ 7,779,939</u>	<u>\$ -</u>	<u>\$ 7,779,939</u>

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



**Town of Fletcher, North Carolina  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of the Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2022**

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

Net Change in Fund Balances - Total Governmental Funds		\$ 1,207,386
<p>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.</p>		
Capital outlay expenditures that were capitalized	\$ 493,976	
Depreciation expense for governmental activities	(638,414)	(144,438)
Right to use leased asset capital outlay expenditures which were capitalized	38,515	
Amortization expense for intangible assets	<u>(8,863)</u>	29,652
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		229,600
Benefit payments paid and administrative expense for LEOSSA are not included on the Statement of Activities		8,949
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(27,419)
<p>The issuance of long-term debt provides current financial resources to governmental</p>		
New long-term debt issued includes leases	\$ (338,515)	
Principal payments on long-term debt	447,131	
Decrease in accrued interest payable	<u>461</u>	109,077
<p>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.</p>		
Compensated absences	\$ 193	
Pension expense	(231,063)	
OPEB plan expense	<u>(3,632)</u>	(234,502)
Total Change in Net Position of Governmental Activities		<u>\$ 1,178,305</u>

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

**Town of Fletcher, North Carolina**  
**Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2022**

	<b>General Fund</b>			<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Budget</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,680,282	\$ 4,680,282	\$ 4,855,086	\$ 174,804
Unrestricted intergovernmental	2,942,955	2,942,955	3,323,680	380,725
Restricted intergovernmental	202,093	234,093	242,610	8,517
Permits and fees	14,300	14,300	14,613	313
Sales and services	108,700	108,700	140,081	31,381
Investment earnings	2,000	2,000	5,775	3,775
Miscellaneous	6,000	6,000	24,492	18,492
Total revenues	<u>7,956,330</u>	<u>7,988,330</u>	<u>8,606,337</u>	<u>618,007</u>
<b>Expenditures:</b>				
Current:				
General government	1,137,060	1,138,921	1,093,576	45,345
Public safety	3,424,569	3,443,194	3,181,195	261,999
Economic and physical development	502,131	502,665	440,055	62,610
Transportation	1,407,641	1,906,152	1,785,316	120,836
Cultural and recreation	659,386	661,036	541,577	119,459
Debt service:				
Principal	594,361	594,361	447,131	147,230
Interest and other charges	296,193	296,193	291,448	4,745
Total expenditures	<u>8,021,341</u>	<u>8,542,522</u>	<u>7,780,298</u>	<u>762,224</u>
Revenues Over (Under) Expenditures	<u>(65,011)</u>	<u>(554,192)</u>	<u>826,039</u>	<u>1,380,231</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	15,000	15,000	42,832	27,832
Installment purchase financing	-	300,000	300,000	-
Leased liabilities financed	-	-	38,515	38,515
Fund balance appropriated	50,011	239,192	-	(239,192)
Total other financing sources (uses)	<u>65,011</u>	<u>554,192</u>	<u>381,347</u>	<u>(172,845)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,207,386	<u>\$ 1,207,386</u>
Fund balance, beginning			<u>6,572,553</u>	
Fund balance, ending			<u>\$ 7,779,939</u>	

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

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## **Notes to the Financial Statements**

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**Town of Fletcher, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2022**

**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. The Town has no fiduciary funds to report. All remaining governmental funds are aggregated and reported as non-major 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.

**Grant Project Fund~ CSLRF.** This fund is used to account for the use of the Coronavirus Local Fiscal Recovery Funds as outlined in the American Rescue Plan.

### **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 and Special Revenue Funds including the CSLRF 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. Because the NCCMT Government has 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. The following table illustrates the breakdown of the Town's restricted cash.

#### **Town of Fletcher Restricted Cash**

Governmental Activities	
General Fund	
Streets	\$ 451,780
Police	13,669
CSLRF Grant Fund-unexpended proceeds	<u>1,333,589</u>
Total Restricted Cash	<u>\$ 1,799,038</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. The taxes are based on the assessed values as of January 1, 2021.

## **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:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives (in Years)</u></b>
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:

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



## **Right to Use Assets**

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

## **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 two items that meets this criterion, pension deferrals and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category-prepaid taxes, property taxes receivable, and pension and OPEB 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.

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

**Assigned for Future Park Development** – portion of fund balance that is available for appropriation but has been reserved by the governing body for the future development of a parks and recreation facility.

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

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

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

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

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

### **Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees’ Retirement System (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, 2022, the Town's deposits had a carrying amount of \$5,286,165 and a bank balance of \$5,511,789. 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 \$443,438 and a bank balance of \$458,498. \$208,498 of the bank balance was not covered by federal depository insurance. At June 30, 2022, the Town's petty cash fund totaled \$350.

#### ***Investments:***

At June 30, 2022, the Town of Fletcher had \$2,930,182 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAm by Standard and Poor's. The Town has no policy against credit risk.

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.

### Note 3 – Receivables- Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$1,054.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 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, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 6,170,772	\$ 511,800	\$ -	\$ 6,682,572
Construction in Progress	-	-	-	-
	<u>6,170,772</u>	<u>511,800</u>	<u>-</u>	<u>6,682,572</u>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	5,992,622	-	-	5,992,622
Buildings and Improvements	8,881,737	-	511,800	8,369,937
Equipment and Furniture	1,232,864	77,795	25,000	1,285,659
Vehicles	2,004,535	416,181	69,581	2,351,135
	<u>18,111,758</u>	<u>493,976</u>	<u>606,381</u>	<u>17,999,353</u>
<b>Less Accumulated Depreciation For:</b>				
Land Improvements	387,322	126,719	-	514,041
Buildings and Improvements	1,180,598	209,064	-	1,389,662
Equipment and Furniture	933,259	114,130	25,000	1,022,389
Vehicles	1,531,711	188,501	69,581	1,650,631
	<u>4,032,890</u>	<u>\$ 638,414</u>	<u>\$ 94,581</u>	<u>4,576,723</u>
Total Capital Assets Being Depreciated, Net	<u>14,078,868</u>			<u>13,422,630</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 20,249,640</u>			<u>\$ 20,105,202</u>

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

General Government	\$ 233,502
Public Safety	119,374
Recreation	111,387
Transportation	<u>174,151</u>
 Total Depreciation Expense	 <u><u>\$ 638,414</u></u>

**Discretely Presented Component Unit**

Activity for the ABC Board for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	<u>\$ 249,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,993</u>
 <b>Capital Assets Being Depreciated:</b>				
Buildings	1,009,111	-	-	1,009,111
Furniture and Equipment	<u>173,735</u>	<u>480</u>	<u>-</u>	<u>174,215</u>
 Total Capital Assets Being Depreciated	<u>1,182,846</u>	<u>480</u>	<u>-</u>	<u>1,183,326</u>
 <b>Less Accumulated Depreciation for:</b>				
Buildings	550,886	49,041	-	599,927
Furniture and Equipment	<u>135,982</u>	<u>4,796</u>	<u>-</u>	<u>140,778</u>
 Total Accumulated Depreciation	<u>686,868</u>	<u>\$ 53,837</u>	<u>\$ -</u>	<u>740,705</u>
 Total Capital Assets Being Depreciated, Net	<u>495,978</u>			<u>442,621</u>
 <b>ABC Board Capital Assets, Net</b>	<u><u>\$ 745,971</u></u>			<u><u>\$ 692,614</u></u>

**Note 5 – Right to Use Leased Assets**

The Town has recorded two right to use leased assets. The assets are right to use assets for leased equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Town for the year ended June 30, 2022, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Right To Use Assets:</b>				
Leased equipment	-	38,515	-	38,515
Total Right To Use Assets	-	38,515	-	38,515
<b>Less Accumulated Amortization for:</b>				
Leased equipment	-	8,863	-	8,863
Total Accumulated Amortization	-	\$ 8,863	\$ -	8,863
<b>Right To Use Assets, Net</b>	<b>\$ -</b>			<b>\$ 29,652</b>

## **Note 6 – 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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](http://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 Statute 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, 2022, was 12.04% of compensation for law enforcement officers and 11.35% 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 \$229,600 for the year ended June 30, 2022.

*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, 2022, the Town reported a liability of \$421,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2020 (measurement date), the Town's proportion was 0.02749% which was a decrease of .00036% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$172,152. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 134,122	\$ -
Changes of assumptions	264,863	-
Net Difference between projected and actual earnings on pension plan investments	-	602,319
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,280	16,700
Town contributions subsequent to the measurement date	<u>229,600</u>	<u>-</u>
Total	<u>\$ 629,865</u>	<u>\$ 619,019</u>

\$229,600 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, 2022.

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

**Year ended June 30:**

2022	\$ 31,153
2023	(17,154)
2024	(48,440)
2025	(184,313)
2026	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Fixed Income	29.0%	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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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 2.50%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,636,560	\$ 421,586	\$ (578,268)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2020, the valuation date, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
 Total	 <u>16</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, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

The discount rate used to measure the TPL is the S & P Municipal Bond 20 year High Grade Rate Index.

Mortality assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

### *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. The Town paid \$8,949 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$461,017. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$58,911.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 34,841	\$ 119,390
Changes of assumptions	119,405	24,191
Town benefit payments and plan administrative expense made subsequent to the measurement date	4,288	-
Total	<u>\$ 158,534</u>	<u>\$ 143,581</u>

\$4,288 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other 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:**

2023	\$	7,970
2024		8,518
2025		7,901
2026		9,944
2027		(292)
Thereafter		(23,376)

*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 2.25 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 (1.25 percent) or 1-percentage-higher (3.25 percent) than the current rate:

	<u>1% Decrease</u> <u>(1.25%)</u>	<u>Discount Rate</u> <u>(2.25%)</u>	<u>1% Increase</u> <u>(3.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 525,164	\$ 461,017	\$ 404,270

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

	<u>2022</u>
Beginning Balance	\$ 560,951
Service Cost	39,824
Interest on the total pension liability	10,744
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	(122,232)
Changes of assumptions or other inputs	(19,694)
Benefit payments	(8,576)
Other changes	-
Ending Balance of the total pension liability	<u>\$ 461,017</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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 172,152	\$ 58,911	\$ 231,063
Pension Liability	421,586	461,017	882,603
Proportionate share of the net pension liability	0.02749%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	134,122	34,841	168,963
Changes of assumptions	264,863	119,405	384,268
Net Difference between projected and actual earnings on pension plan investments		-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,280	-	1,280
Benefit payments and administrative costs paid subsequent to the measurement date	229,600	4,288	233,888
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	119,390	119,390
Changes of assumptions	-	24,191	24,191
Net Difference between projected and actual earnings on pension plan investments	602,319	-	602,319
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,700	-	16,700

**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 Annual Comprehensive Financial Report for the State of North Carolina. The State’s Annual Comprehensive Financial Report 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, 2022 were \$64,106 which consisted of \$42,601 from the Town and \$21,505 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, 2022 were \$79,927 which consisted of \$55,955 from the Town and \$23,972 from the general employees.

### **Note 7 – 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, 2021, 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	18	17
Total	<u>18</u>	<u>17</u>

## Total OPEB Liability

The Town's total OPEB liability of \$50,821 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2021 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	3.25 to 8.41 percent for General Employees including inflation 3.25 to 7.90 percent for Law Enforcement Officers including inflation
Discount rate	2.16 percent
Health Care Cost Trends	Pre-Medicare: 7.00 percent for 2021 decreasing to 4.50 percent by 2031

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>
<b>Balance at 7/1/2021</b>	\$ 48,879
<b>Changes for the year</b>	
Service Cost	3,540
Interest	1,158
Changes of benefit terms	-
Differences between expected and actual experience	(12,783)
Changes of assumptions or other inputs	10,027
Benefit payments	-
<b>Net changes</b>	<u>1,942</u>
<b>Balance as of 6/30/2022</b>	<u>\$ 50,821</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16% 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015- December 31, 2019, 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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB Liability	\$ 58,301	\$ 50,821	\$ 44,321

*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	\$ 42,459	\$ 50,821	\$ 61,156

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$3,632. At June 30, 2022, 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	\$ -	\$ 20,011
Changes of assumptions	15,416	2,706
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 15,416</u>	<u>\$ 22,717</u>

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

**Year ended June 30:**

2023	\$	(1,066)
2024	\$	(1,066)
2025	\$	(1,066)
2026	\$	(1,066)
2027	\$	(1,066)
Thereafter		(1,971)

**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 8 – 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	\$ 229,600
Benefit payments made and administrative expenses for LEOSSA	4,288
Differences between expected and actual experience	168,963
Changes of assumptions	399,684
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,280
	<u>\$ 803,815</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable (General Fund), less penalties	\$ -	\$ 25,888
Changes in assumptions	26,897	-
Differences between expected and actual experience	139,401	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	619,019	-
Total	<u>\$ 785,317</u>	<u>\$ 25,888</u>

### Note 9 – 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 10 – Long-Term Obligations

### A. Leases

The Town has entered into agreement to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 1, 2021, to lease three copy machines and requires 35 monthly payments of \$652.50. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 0.8450%. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$22,553 at June 30, 2022. The right to use asset is discussed in more detail in note 5.

The second agreement was executed on February 21, 2022, to lease one copy machine and requires 60 monthly payments of \$278.72. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.9120%. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$15,962 at June 30, 2022. The right to use asset is discussed in more detail in note 5.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<b>Fiscal Year</b>			
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2023	10,825	349	11,175
2024	10,298	224	10,522
2025	3,212	133	3,345
2026	3,274	71	3,345
2027	1,939	12	1,951
Totals	<u>\$ 29,547</u>	<u>\$ 790</u>	<u>\$ 30,337</u>

### B. Installment Purchase

#### 1) Garbage Truck Acquisition Direct Placement Installment Purchase-TRUIST

On February 17, 2022, the Town entered into a direct placement installment purchase contract with TRUIST in the amount of \$300,000 to finance the acquisition of a garbage truck.

The financing contract requires fixed semi-annual payments of \$51,367 with an interest rate of 1.45% beginning October 2022 and continuing until June 2025. The truck is pledged as collateral for the debt while the debt is outstanding.

The future minimum payments of this installment purchase as of June 30, 2022, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	98,204	4,529	\$ 102,733
2024	100,169	2,564	102,733
2025	<u>101,627</u>	<u>1,107</u>	<u>102,734</u>
Totals	<u>\$ 300,000</u>	<u>\$ 8,200</u>	<u>\$ 308,200</u>

## 2) 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, 2022, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	120,000	48,900	\$ 168,900
2024	120,000	44,988	164,988
2025	120,000	41,076	161,076
2026	120,000	37,164	157,164
2027	120,000	33,252	153,252
2028-2032	600,000	107,580	707,580
2033-2035	<u>360,000</u>	<u>17,604</u>	<u>377,604</u>
Totals	<u>\$ 1,560,000</u>	<u>\$ 330,564</u>	<u>\$ 1,890,564</u>

### 3) Town Hall Direct Placement Installment Purchase-TRUIST

On May 18, 2012, the Town entered into a direct placement installment purchase contract with SunTrust now known as TRUIST 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, TRUIST formerly known as 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, 2022, are as follows:

<b>Fiscal Year</b>			
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2023	200,000	22,874	222,874
2024	200,000	15,460	215,460
2025	200,000	8,046	208,046
2026	<u>67,051</u>	<u>1,242</u>	<u>68,293</u>
Totals	<u>\$ 667,051</u>	<u>\$ 47,622</u>	<u>\$ 714,673</u>

### 4) 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. The Town in July 2019 switched from annual to monthly payments, and each monthly payment is \$21,446 for a total annual payment of \$257,352.

Town Hall is pledged as collateral for the debt.

The future minimum payments of this installment purchase as of June 30, 2022, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	98,703	158,649	\$ 257,352
2024	102,852	154,500	257,352
2025	107,176	150,176	257,352
2026	111,682	145,670	257,352
2027	116,377	140,975	257,352
2028-2032	659,513	627,247	1,286,760
2033-2037	810,295	476,465	1,286,760
2038-2042	995,549	291,211	1,286,760
2043-2046	888,796	71,644	960,440
<b>Totals</b>	<b>\$3,890,943</b>	<b>\$2,216,537</b>	<b>\$ 6,107,480</b>

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 Town in July 2019 switched from annual to monthly payments, and each monthly payment is \$5,742 for a total annual payment of \$68,904.

The future minimum payments of this installment purchase as of June 30, 2022, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	24,246	44,658	\$ 68,904
2024	25,077	43,827	68,904
2025	25,936	42,968	68,904
2026	26,825	42,079	68,904
2027	27,745	41,159	68,904
2028-2032	153,659	190,861	344,520
2033-2037	181,862	162,658	344,520
2038-2042	215,242	129,278	344,520
2043-2047	254,748	89,772	344,520
2048-2052	301,506	43,014	344,520
2053-2054	97,404	2,536	99,940
<b>Totals</b>	<b>\$1,334,250</b>	<b>\$ 832,810</b>	<b>\$ 2,167,060</b>

## B. Changes in Long-term Liabilities

A summary of changes in long-term liabilities follows:

<b>Governmental Activities:</b>	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
Direct Placement Installment Purchase	\$ 7,890,407	\$ 300,000	\$ 438,163	\$ 7,752,244	\$ 541,153
Lease Liabilities	-	38,515	8,968	29,547	10,825
Compensated Absences	159,972	-	193	159,779	70,646
Total OPEB Liability	48,879	1,942	-	50,821	-
Net Pension Liability (LGERS)	995,199	-	573,613	421,586	-
Net Pension Obligation (LEO)	560,951	-	99,934	461,017	-
Governmental activity long-term liabilities	<u>\$ 9,655,408</u>	<u>\$ 340,457</u>	<u>\$ 1,120,871</u>	<u>\$ 8,874,994</u>	<u>\$ 622,624</u>

### Note 10 – Net Investment in Capital Assets

	<b>Governmental</b>
Capital Assets	\$ 20,105,202
less: long-term debt	7,752,244
add: unexpended debt proceeds	-
Net investment in capital asset	<u>\$ 12,352,958</u>

### Note 11 – Fund Balance

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

<b>Total fund balance-General Fund</b>	<b>\$ 7,779,939</b>
Less:	
Prepaid Items	24,480
Stabilization by State Statute	959,425
Streets	451,780
Police	13,669
USDA	261,068
Sidewalk	19,810
Library	50,000
Future Park Development	22,286
Subsequent Year's Expenditures	203,311
Remaining Fund Balance	<u>5,774,110</u>



## **Note 12 – 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, 2022.

## **Note 13 – 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 14 – Significant Disclosure of Subsequent Events**

Management has evaluated subsequent events through October 18, 2022 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.

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 Town luckily has been able to maintain strong fiscal footing throughout the pandemic.

The Town of Fletcher has been approved from the Coronavirus Local Fiscal Recovery Funds for funding from the ARP (American Rescue Plan) Act in the amount of \$2,667,179. The Town received the second distribution in the amount of \$1,333,589 in July 2022. These funds provide a singular opportunity to address community recovery needs and to make significant investments for the future.



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## **Required Supplementary Financial Data**

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

**Local Government Employees' Retirement System**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fletcher's proportion of the net pension liability (asset) (%)	0.02749%	0.02785%	0.02775%	0.02822%	0.02930%	0.02984%	0.02874%	0.00000%	0.28700%
Fletcher's proportion of the net pension liability (asset) (\$)	\$ 421,586	\$ 995,199	\$ 757,831	\$ 669,475	\$ 447,623	\$ 633,305	\$ 128,983	\$ (177,042)	\$ 345,945
Fletcher's covered-employee payroll	\$1,940,470	\$1,893,559	\$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	21.73%	52.56%	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**	95.51%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	96.45%

\* 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 Nine Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 229,600	\$ 202,737	\$ 175,650	\$ 140,867	\$ 130,509	\$ 125,549	\$ 106,053	\$ 103,675	\$ 100,743
Contributions in relation to the contractually required contribution	229,600	202,737	175,650	140,867	130,509	125,549	106,053	103,675	100,743
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fletcher's covered-employee payroll	\$ 1,971,111	\$ 1,940,470	\$ 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	11.65%	10.45%	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**  
**Last Six Fiscal Years\***

	2022	2021	2020	2019	2018	2017
Beginning Balance	\$ 560,951	\$ 388,730	\$ 279,484	\$ 266,543	\$ 230,597	\$ 209,955
Service Cost	39,824	26,776	24,199	22,764	19,654	20,254
Interest on the total pension liability	10,744	12,624	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	(122,232)	(11,536)	61,301	(4,568)	(12,484)	-
Changes of assumptions or other inputs	(19,694)	147,326	13,573	(13,678)	19,875	(7,107)
Benefit payments	(8,576)	(2,969)	-	-	-	-
Other changes	-	-	-	-	-	-
Ending Balance of the total pension liability	<u>\$ 461,017</u>	<u>\$ 560,951</u>	<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**  
**Last Six Fiscal Years**

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	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 461,017	\$	560,951	\$	388,730	\$	279,484	\$	266,543	\$	230,597
Covered payroll	799,317		817,842		824,753		731,073		732,702		735,314
Total pension liability as a percentage of covered payroll	57.68%		68.59%		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**  
**Last Five Fiscal Years**

<b>Total OPEB Liability</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 3,540	\$ 2,545	\$ 3,259	\$ 3,365	\$ 3,629
Interest	1,158	1,409	1,703	1,452	1,172
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(12,783)	(61)	(11,614)	-	-
Changes of assumptions	10,027	7,285	569	(1,817)	(2,954)
Benefit payments	-	-	-	-	-
<b>Net Change in total OPEB Liability</b>	<b>1,942</b>	<b>11,178</b>	<b>(6,083)</b>	<b>3,000</b>	<b>1,847</b>
<b>Total OPEB liability-beginning</b>	<b>48,879</b>	<b>37,701</b>	<b>43,784</b>	<b>40,784</b>	<b>38,937</b>
<b>Total OPEB liability-ending</b>	<b>\$ 50,821</b>	<b>\$ 48,879</b>	<b>\$ 37,701</b>	<b>\$ 43,784</b>	<b>\$ 40,784</b>
<b>Covered payroll</b>	<b>\$ 1,872,045</b>	<b>\$ 1,697,551</b>	<b>\$ 1,697,551</b>	<b>\$ 1,564,398</b>	<b>\$ 1,564,398</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>2.71%</b>	<b>2.88%</b>	<b>2.22%</b>	<b>2.80%</b>	<b>2.61%</b>

**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:

<b>Fiscal Year</b>	<b>Rate</b>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%



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# **Individual Fund Financial Statements**

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**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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 4,658,282	\$ 4,808,366	\$ 150,084
Prior year	13,000	37,168	24,168
Interest	9,000	9,552	552
Total	<u>4,680,282</u>	<u>4,855,086</u>	<u>174,804</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,907,055	2,260,992	353,937
Utilities sales tax	682,500	707,485	24,985
ABC profit distribution	260,000	270,000	10,000
Video franchise fee	56,700	53,445	(3,255)
Beer and wine tax	36,700	31,758	(4,942)
Total	<u>2,942,955</u>	<u>3,323,680</u>	<u>380,725</u>
Restricted intergovernmental:			
Powell Bill allocation	215,000	215,981	981
Powell Bill investment earnings	500	219	(281)
Park development	1,000	1,162	162
ABC Funds for law enforcement	7,300	17,325	10,025
Drug forfeitures	4,000	1,890	(2,110)
Solid waste disposal tax	6,293	6,033	(260)
Total	<u>234,093</u>	<u>242,610</u>	<u>8,517</u>
Permits and fees:			
Land use permits	6,500	6,575	75
Business registration fees	7,800	8,038	238
Total	<u>14,300</u>	<u>14,613</u>	<u>313</u>
Sales and services:			
Recreation department fees	95,000	112,354	17,354
Golf tournament fees	3,700	3,170	(530)
Rents	10,000	24,557	14,557
Total	<u>108,700</u>	<u>140,081</u>	<u>31,381</u>
Investment earnings	<u>2,000</u>	<u>5,775</u>	<u>3,775</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous Revenues	\$ 6,000	\$ 24,492	\$ 18,492
Total revenues	<u>7,988,330</u>	<u>8,606,337</u>	<u>618,007</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Elected officials	<u>52,191</u>	<u>45,061</u>	<u>7,130</u>
Administration:			
Salaries and employee benefits	521,302	519,705	1,597
Other operating expenditures	<u>424,848</u>	<u>408,865</u>	<u>15,983</u>
Total	<u>946,150</u>	<u>928,570</u>	<u>17,580</u>
Town facilities:			
Other operating expenditures	<u>140,580</u>	<u>119,945</u>	<u>20,635</u>
Total	<u>140,580</u>	<u>119,945</u>	<u>20,635</u>
Total general government	<u>1,138,921</u>	<u>1,093,576</u>	<u>45,345</u>
Public safety:			
Police:			
Salaries and employee benefits	1,250,322	1,123,332	126,990
Other operating expenditures	420,242	321,126	99,116
Capital outlay	<u>159,257</u>	<u>123,364</u>	<u>35,893</u>
Total	<u>1,829,821</u>	<u>1,567,822</u>	<u>261,999</u>
Fire:			
Contracted services	<u>1,613,373</u>	<u>1,613,373</u>	<u>-</u>
Total public safety	<u>3,443,194</u>	<u>3,181,195</u>	<u>261,999</u>
Economic and physical development:			
Salaries and employee benefits	183,095	179,611	3,484
Other operating expenditures	199,810	158,373	41,437
Capital outlay	<u>119,760</u>	<u>102,071</u>	<u>17,689</u>
Total economic and physical development	<u>502,665</u>	<u>440,055</u>	<u>62,610</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, 2022**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 499,407	\$ 462,421	\$ 36,986
Powell Bill expenditures	378,000	377,854	146
Other operating expenditures	712,245	637,985	74,260
Capital Outlay	316,500	307,056	9,444
Total transportation	1,906,152	1,785,316	120,836
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	372,471	333,321	39,150
Other operating expenditures	281,565	208,256	73,309
Capital outlay	7,000	-	7,000
Total cultural and recreation	661,036	541,577	119,459
Debt service:			
Principal retirement	594,361	447,131	147,230
Interest and other charges	296,193	291,448	4,745
Total debt service	890,554	738,579	151,975
Total expenditures	8,542,522	7,780,298	762,224
Revenues Over (Under) Expenditures	(554,192)	826,039	1,380,231
<b>Other Financing Sources (Uses):</b>			
Sale of capital assets	15,000	42,832	27,832
Installment purchase financing	300,000	300,000	-
Lease liabilities financed	-	38,515	38,515
Fund balance appropriated	239,192	-	(239,192)
Total other financing sources (uses)	554,192	381,347	(172,845)
Net change in fund balance	\$ -	1,207,386	\$ 1,207,386
Fund balance, beginning		6,572,553	
Fund balance, ending		\$ 7,779,939	

**Town of Fletcher, North Carolina**  
**Balance Sheet**  
**CSLRF Grant Project**  
**For the Year Ended June 30, 2022**

	<u>CSLRF Grant Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,333,589
Total assets	<u>\$ 1,333,589</u>
<b>Liabilities and Fund Balances:</b>	
Unearned revenue	\$ 1,333,589
Total liabilities	<u>1,333,589</u>
<b>Fund Balances:</b>	
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,333,589</u>

**Town of Fletcher, North Carolina**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**CSLRF Grant Project**  
**From Inception and For the Year Ended June 30, 2022**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
CSLRF Funds	\$ 2,667,179	\$ -	\$ -	\$ -	\$(2,667,179)
Total revenues	<u>2,667,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,667,179)</u>
<b>Expenditures:</b>					
CSLRF Project	<u>2,667,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,667,179</u>
Total expenditures	<u>2,667,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,667,179</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance, ending		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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## **Other Schedules**

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**Town of Fletcher, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2022**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 4,888,458	\$ 4,876,873	\$ 11,585
2020-2021	38,167	-	33,891	4,276
2019-2020	6,918	-	2,817	4,101
2018-2019	2,107	-	260	1,847
2017-2018	1,042	-	146	896
2016-2017	497	-	118	379
2015-2016	866	-	97	769
2014-2015	958	-	62	896
2013-2014	1,941	-	294	1,647
2012-2013	2,615	-	69	2,546
2011-2012	943	-	943	-
	<u>\$ 56,054</u>	<u>\$ 4,888,458</u>	<u>\$ 4,915,570</u>	28,942
				<u>2,000</u>
				<u>\$ 26,942</u>

**Reconciliation With Revenues:**

Ad valorem taxes - General Fund	\$ 4,855,086
Penalties collected on ad valorem taxes- General Fund	68,580
Reconciling items:	
Interest collected	(9,552)
Prior year releases	513
Refunds	-
Taxes written off	943
Total collections and credits	<u>\$ 4,915,570</u>



**Town of Fletcher, North Carolina**  
**Analysis of Current Tax Levy - Town-Wide Levy**  
**For the Year Ended June 30, 2022**

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 1,411,605,000	0.00340	\$4,799,457	\$4,462,319	\$ 337,138
Discoveries- current and prior years	28,989,706		98,565	98,565	-
Releases	<u>(2,812,941)</u>		<u>(9,564)</u>	<u>(8,864)</u>	<u>(700)</u>
Total property valuation	<u>\$ 1,437,781,765</u>				
Net levy			4,888,458	4,552,020	336,438
Uncollected taxes at June 30, 2022			<u>(11,585)</u>	<u>(10,755)</u>	<u>(830)</u>
Current year's taxes collected			<u>\$4,876,873</u>	<u>\$4,541,265</u>	<u>\$ 335,608</u>
Current levy collection percentage			<u>99.76%</u>	<u>99.76%</u>	<u>99.75%</u>



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## **Compliance Section**

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