



# FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023



# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

*"PRIDE IN OUR PAST, FAITH IN OUR FUTURE"*



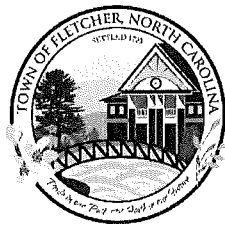
Town Council Members

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, 2023**

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## **Financial Section**

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

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Morganton, North Carolina  
Phone: (828) 433-1226  
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**Independent Auditors' Report**

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

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Fletcher, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Town of Fletcher Alcoholic Control Board, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the Town of Fletcher Alcoholic Control Board as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Town of Fletcher Alcoholic Control Board, is based solely on the report of the other auditors.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Fletcher, North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Town of Fletcher Alcoholic Control Board were not audited in accordance with *Government Auditing Standards*.

## **Responsibilities of Management for the Audit of the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Fletcher, North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fletcher, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Fletcher, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fletcher, North Carolina's basic financial statements. The accompanying individual fund financial statements, budgetary schedules, other schedules, and schedule of expenditures of federal and State awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, budgetary schedules, and other schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of the Town of Fletcher, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Fletcher, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fletcher, North Carolina's internal control over financial reporting and compliance.

*Lowdermilk Church & Co., L.L.P.*

Morganton, North Carolina  
October 23, 2023



## 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, 2023. 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

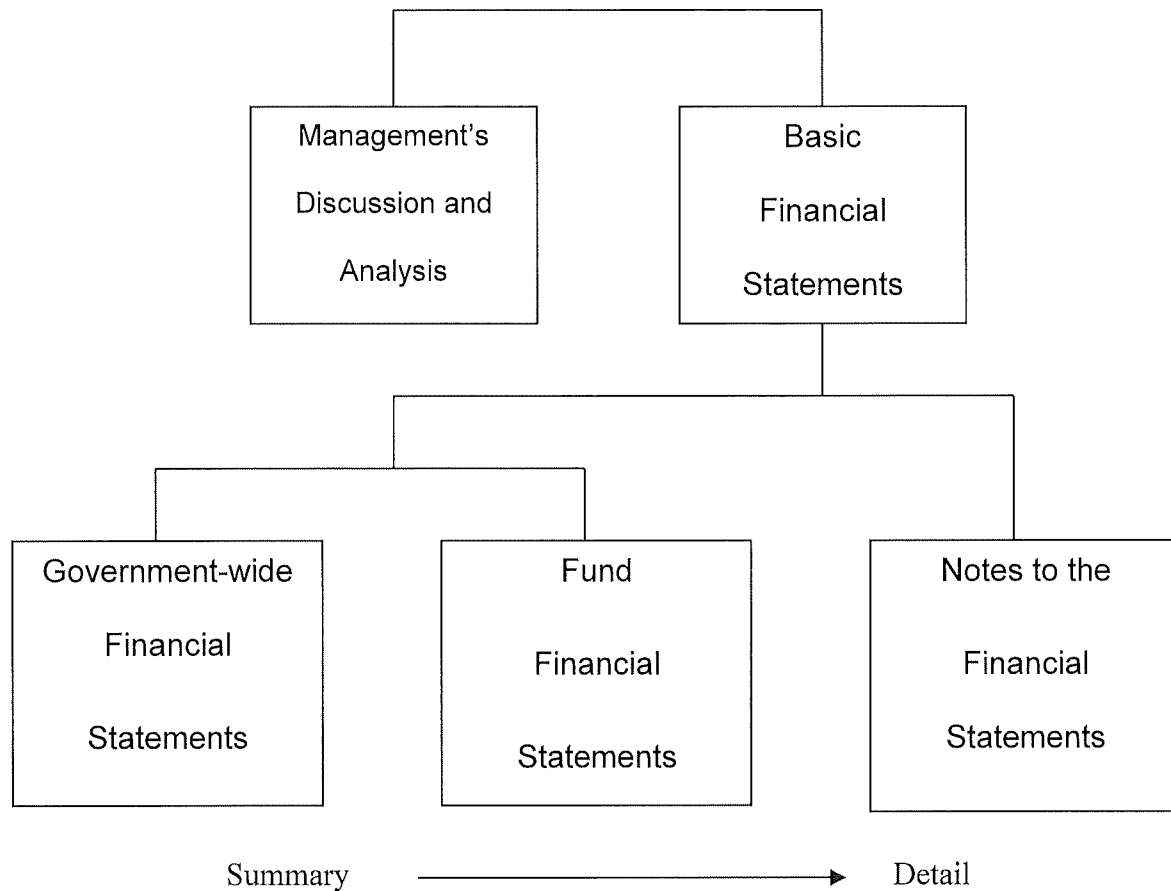
- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,872,787 (*net position*).
- The government's total net position *increased* by \$3,816,041 primarily due to *increases* in the *governmental type* activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$11,119,786 with a net increase of \$3,339,847 in fund balance. Approximately 16.3 percent of this total amount, or \$1,805,623, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,308,923 or 75.5 percent of total general fund expenditures for the fiscal year.
- The Town of Fletcher's total long-term liabilities increased by \$538,633 (6.07%) during the current fiscal year. The key factors in this increase; an increase of \$1,146,731 in the net pension liability for the Local Government Retirement System (LGRS); and an \$46,777 increase in compensated absences. Increases were offset by planned debt service principal payments of \$541,153; and an \$129,091 decrease in the net pension liability for the Law Enforcement Separation Allowance (LEO).

### 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 for major governmental funds.

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 8-38 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 and OPEB benefits to its employees. Required supplementary information can be found beginning on page 39 of this report.

### **Independence with Other Entities**

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



## Government-Wide Financial Analysis

### Town of Fletcher, Net Position

Figure 2

	Governmental Activities	
	June 30	
	2023	2022
Current and other assets	\$ 11,250,211	\$ 9,226,489
Capital assets	20,327,827	20,134,854
Deferred outflows of resources	1,151,979	803,815
<b>Total assets and deferred outflows of resources</b>	<b>32,730,017</b>	<b>30,165,158</b>
Long-term liabilities outstanding	9,413,627	8,874,994
Other liabilities	132,406	1,448,101
Deferred inflows of resources	311,197	785,317
<b>Total liabilities and deferred inflows of resources</b>	<b>9,857,230</b>	<b>11,108,412</b>
Net position:		
Net investment in capital assets	13,067,871	12,352,958
Restricted	1,805,623	1,710,422
Unrestricted	7,999,293	4,993,366
<b>Total net position</b>	<b>\$ 22,872,787</b>	<b>\$ 19,056,746</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 \$22,872,787 as of June 30, 2023. The Town's net position *increased* by \$3,816,041 for the fiscal year ended June 30, 2023.

However, the largest portion (57.2%) 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, \$1,805,623 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,999,293 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 99.79%.
- Increased sales tax revenues of approximately \$197,353 due strong economy.
- Increased interest earnings of approximately \$177,316 due to an increase in interest rates.
- Reductions in spending due to staffing issues within multiple departments.
- Ad valorem tax revenues increased approximately \$66,910 due to minor growth in tax base.
- CSLRF grant for revenue replacement in the amount of \$2,667,179.

# Town of Fletcher's Change in Net Position

Figure 3

	Governmental Activities	
	Years Ended June 30	
	2023	2022
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 113,892	\$ 143,486
Operating grants and contributions	2,911,283	239,747
Capital grants and contributions	-	-
General revenues:		
Property taxes	4,841,282	4,818,115
Other taxes	2,467,487	2,330,022
Grants and contributions not restricted to specific programs	1,080,242	1,017,281
Other	232,865	73,099
Total revenues	11,647,051	8,621,750
<b>Expenses</b>		
General government	1,271,896	1,316,282
Public safety	3,490,903	3,208,536
Transportation	1,627,933	1,590,199
Economic and physical development	352,309	328,638
Cultural and recreation	810,068	708,803
Interest on long term debt	277,901	290,987
Total expenses	7,831,010	7,443,445
Increase in net position	\$ 3,816,041	\$ 1,178,305
Net position, beginning	\$ 19,056,746	\$ 17,878,441
Increase in net position	3,816,041	1,178,305
Net position, June 30	\$ 22,872,787	\$ 19,056,746

**Governmental Activities** – Governmental activities increased the Town’s net position by \$3,816,041. 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 2023 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:

- Interest earnings increased significantly over projected budget.
- Local sales tax receipts increased significantly over projected budget.
- Expenditures came in lower than budgeted.
- CSLRF grant funds for revenue replacement.

### **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 \$10,144,489 while total fund balance also reached \$11,119,786.

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 121.41% of general fund expenditures, while total fund balance represents 133.09% of the same amount.

At June 30, 2023, the governmental funds of the Town of Fletcher reported a combined fund balance of \$11,119,786 with a net increase of \$3,339,847. 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 fund a National Community Survey through Polco.
- An amendment was made to fund fixing a damaged police car from insurance proceeds received in the prior fiscal year.
- An amendment was made to increase capital outlay amounts due to higher vehicle costs for the Police department.
- An amendment was made to appropriate funds to assist with a streambank repair project at Bill Moore Community Park after flooding event.
- An amendment was made to fund expenditures to account for an underpayment to Fletcher Fire and Rescue.
- An amendment was made to appropriate additional funds after approving the lowest responsible bidder for the multi-court project at Bill Moore Community Park.
- An amendment was made to appropriate funds to begin security upgrades/enhancements at Town Hall after a security assessment conducted by the League of Municipalities.
- An amendment was made to increase funds appropriated for an update to the security camera systems at Town Hall and Bill Moore Community Park.
- An amendment was made to account for GASB 87 and GASB 96 standards.

## Capital Asset and Debt Administration

**Capital Assets** – The Town’s investment in capital assets for its governmental activities as of June 30, 2023, totals \$20,327,827 (net of accumulated depreciation/amortization) an increase of \$192,973 (0.95%) over the prior year. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, and vehicles and right to use assets for leases and IT subscriptions.

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

- Acquisition of new police cars of \$236,140.
- Acquisition of a new Polaris Ranger for Parks and Recreation of \$12,064.
- Acquisition of a new heavy-duty trucks for Public Works of \$96,158.
- Acquisition of a tire/wheel balancer for Public Works of \$6,253.
- Upgrades of audio-visual equipment within Town Hall of \$16,747.
- Upgrades of the security cameras within and around Town Hall and Bill Moore Community Park of \$81,437.
- Construction in Progress for two projects of \$385,813.
- Implementation of GASB 96 added \$45,839 of right to use assets for IT subscriptions.

Capital asset disposals for the year ended June 30, 2023 of vehicles and equipment of \$218,139.

**Town of Fletcher's Capital Assets**  
**(Net of depreciation/amortization)**  
**Figure 4**

	<b>Governmental Activities</b>	
	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Land	\$ 6,682,572	\$ 6,682,572
Construction in Progress	385,813	-
Land improvements	5,351,862	5,478,581
Buildings and improvements	6,771,212	6,980,275
Equipment and furniture	287,047	263,270
Vehicles	800,035	700,504
Right to use assets:		
Leases	18,749	29,652
IT Subscriptions	30,537	-
Total	<u>\$ 20,327,827</u>	<u>\$ 20,134,854</u>

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

**Long-term Debt** – As of June 30, 2023, 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 Activities</b>	
	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Direct placement installment debt	\$ 7,211,091	\$ 7,752,244
Lease liabilities	18,722	29,547
IT subscription liabilities	30,143	-
Compensated absences	206,556	159,779
OPEB	46,872	50,821
Pension related debt (LEO)	331,926	461,017
Pension related debt (LGERS)	1,568,317	421,586
Total	<u>\$ 9,413,627</u>	<u>\$ 8,874,994</u>

#### **Town of Fletcher’s Outstanding Debt**

The Town of Fletcher’s total long-term liabilities increased by \$538,633 (6.07%) during the current fiscal year. The key factors in this increase; an increase of \$1,146,731 in the net pension liability for the Local Government Retirement System (LGERS); and an \$46,777 increase in compensated absences. Increases were offset by planned debt service principal payments of \$541,153; and an \$129,091 decrease in the net pension liability for the Law Enforcement Separation Allowance (LEO).

The implementation of GASB 96 resulted in an increase in IT subscription liabilities for governmental activities of \$30,143 was for two IT subscription arrangements the Town executed in the current fiscal year.

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 \$114,331,929.

Additional information regarding the Town’s long-term debt can be found in note 9 of the Basic Financial Statements.

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators were used in the budget preparation for the fiscal year ending June 30, 2024.

- Only expecting a small amount of growth in the economy in the coming year. At the national level, Gross Domestic Product or GDP should grow by 1.6%. However, some feel we could enter a recessionary period if growth does not occur at a more robust rate.
- Inflation remains very high despite a drop in the index to 6% in the month of February (2023). Interest rates are expected to continue to rise but may be dialed back due to concerns of a recession.
- The economic outlook for North Carolina points toward minor growth, mostly because of new housing starts. Manufacturing growth and building permits (mostly housing starts) continue to be main drivers for the growth.
- Commercial/Industrial growth in Fletcher continues to be steady. Low Impact Technologies relocated to Fletcher in 2021. CanvasPrints relocated to the Fletcher Business Park in 2022. Tageos will be moving into the former Continental site.
- Residential growth is still occurring primarily with single family projects underway. Sycamore Cottages was recently built out at 153 units. Two other single-family home developments are in various phases of development along Rutledge Road - The Authors at 90 units and Heritage Park at 62 units.
- Growth in the overall budget is occurring primarily because of an increase in projected sales tax and property tax revenues. Property taxes are expected to increase primarily due to revaluation occurring. This is so despite the tax rate being adjusted back to a near revenue neutral rate of \$.28 per \$100 of assessed valuation. This is a six cent drop from the prior year rate of \$.34.

## **Budget Goals for the Fiscal Year Ending June 30, 2024**

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 include a downward adjustment of our tax rate due to increases in values from revaluation. Continue to dedicate 8.5 cents of the tax levy toward year three of the Five-Year Capital Improvement Plan.
- Continue to work to finalize the traffic mitigation improvements required for the Town Center project and reengage our former developer partner or a new one to move forward with the plan.

## **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, 2023**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Town of Fletcher</u> <u>ABC Board</u>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 9,715,716	\$ 475,875
Taxes receivable, net	23,040	-
Accounts receivable, net	949,261	-
Inventories	-	515,934
Prepaid items	25,570	34,379
Restricted cash and cash equivalents	536,624	-
Total current assets	<u>11,250,211</u>	<u>1,026,188</u>
Non-current assets:		
Capital assets (Note 4):		
Land and construction in progress	7,068,385	249,993
Other capital assets, net of depreciation	13,210,156	470,984
Right to use assets, net of amortization	49,286	-
Total capital assets	<u>20,327,827</u>	<u>720,977</u>
Total assets	<u>31,578,038</u>	<u>1,747,165</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension deferrals	1,138,257	81,303
OPEB deferrals	13,722	-
Total deferred outflows of resources	<u>1,151,979</u>	<u>81,303</u>
<b><u>Liabilities</u></b>		
Current liabilities:		-
Accounts payable and accrued liabilities	107,385	321,680
Accrued interest payable	24,555	-
Due to other government	466	-
Current portion of long-term liabilities	657,012	-
Total current liabilities	<u>789,418</u>	<u>321,680</u>
Long-term liabilities:		
Due in more than one year	8,756,615	97,597
Total liabilities	<u>9,546,033</u>	<u>419,277</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pension deferrals	282,703	412
OPEB deferrals	28,494	-
Total deferred inflows of resources	<u>311,197</u>	<u>412</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	13,067,871	720,977
Restricted for:		
Prepaid items	25,570	-
Stabilization by State Statue	949,727	-
Streets	521,127	-
Police	15,497	-
USDA	293,702	-
Working Capital	-	124,707
Unrestricted	7,999,293	563,095
Total net position	<u>\$ 22,872,787</u>	<u>\$ 1,408,779</u>

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

Exhibit 2

Town of Fletcher, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government		Component Unit		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Town of Fletcher ABC Board
<b>Primary government:</b>					
Governmental Activities:					
General government	\$ 1,271,896	\$ 13,314	\$ 2,667,179	\$ 1,408,597	\$ -
Public safety	3,490,903	-	21,076	(3,469,827)	-
Transportation	1,627,933	-	214,848	(1,413,085)	-
Economic and physical development	352,309	-	-	(352,309)	-
Cultural and recreation	810,068	100,578	8,180	(701,310)	-
Interest on long-term debt	277,901	-	-	(277,901)	-
Total governmental activities	\$ 7,831,010	\$ 113,892	\$ 2,911,283	\$ (4,805,835)	\$ -
<b>Component Unit:</b>					
ABC Board	\$ 4,112,408	\$ 4,208,559	\$ -	\$ -	\$ 96,151
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose				4,841,282	-
Other taxes				2,467,487	-
Grants and contributions not restricted to specific programs				1,080,242	-
Unrestricted investment earnings				179,816	-
Sale of capital assets				19,866	-
Miscellaneous				33,183	-
Total general revenues				8,621,876	-
Change in net position				\$ 3,816,041	\$ 96,151
Net position, beginning				\$ 19,056,746	\$ 1,312,628
Change in net position				3,816,041	96,151
Net position, ending				\$ 22,872,787	\$ 1,408,779

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, 2023

	Major Funds		Total
	General Fund	CSLRF Grant Project	Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 9,715,716	\$ -	\$ 9,715,716
Restricted cash	536,624	-	536,624
Receivables, net:			
Taxes	23,040	-	23,040
Accounts	949,261	-	949,261
Prepaid items	25,570	-	25,570
Total assets	<u>\$ 11,250,211</u>	<u>\$ -</u>	<u>\$ 11,250,211</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 107,385	\$ -	\$ 107,385
Due to other governments	466	-	466
Total liabilities	<u>107,851</u>	<u>-</u>	<u>107,851</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	22,574	-	22,574
Total deferred inflows of resources	<u>22,574</u>	<u>-</u>	<u>22,574</u>
<b>Fund Balances:</b>			
Nonspendable			
Prepaid items	25,570	-	25,570
Restricted			
Stabilization by State Statute	949,727	-	949,727
Streets	521,127	-	521,127
Police	15,497	-	15,497
USDA	293,702	-	293,702
Committed			
Sidewalk	19,810	-	19,810
Assigned			
Capital	2,667,179	-	2,667,179
Library	50,000	-	50,000
Future Park Development	25,291	-	25,291
Subsequent year's expenditures	242,960	-	242,960
Unassigned	<u>6,308,923</u>	<u>-</u>	<u>6,308,923</u>
Total fund balances	<u>11,119,786</u>	<u>-</u>	<u>11,119,786</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,250,211</u>	<u>\$ -</u>	<u>\$ 11,250,211</u>

**Exhibit 3**  
**(continued)**

**Town of Fletcher, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2023**

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

Total Fund Balance, Governmental Fund		\$ 11,119,786
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 25,298,398	
Accumulated depreciation	<u>(5,019,857)</u>	20,278,541
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use leased assets at historical cost	\$ 38,515	
Accumulated amortization	<u>(19,766)</u>	18,749
Right to use IT subscription assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use IT subscription assets at historical cost	\$ 45,839	
Accumulated amortization	<u>(15,302)</u>	30,537
Deferred outflows of resources related to pensions are not reported in the funds		1,138,257
Deferred outflows of resources related to OPEB are not reported in the funds		13,722
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		22,574
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt	\$ (7,211,091)	
Lease liabilities	(18,722)	
IT subscription liabilities	(30,143)	
Compensated absences	(206,556)	
OPEB liability	(46,872)	
Total pension liability	(331,926)	
Net pension liability	<u>(1,568,317)</u>	(9,413,627)
Deferred inflows of resources related to pensions are not reported in the funds		(282,703)
Deferred inflows of resources related to OPEB are not reported in the funds		(28,494)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(24,555)</u>
Net position of governmental activities		<u><u>\$ 22,872,787</u></u>

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

**Town of Fletcher, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<b>Major Funds</b>		<b>Total</b>
	<b>General Fund</b>	<b>CSLRF Grant Project</b>	<b>Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 4,853,499	\$ -	\$ 4,853,499
Unrestricted intergovernmental	3,524,342	-	3,524,342
Restricted intergovernmental	242,631	2,667,179	2,909,810
Permits and fees	13,884	-	13,884
Sales and services	115,965	-	115,965
Investment earnings	179,816	-	179,816
Miscellaneous	33,183	-	33,183
Total revenues	<u>8,963,320</u>	<u>2,667,179</u>	<u>11,630,499</u>
<b>EXPENDITURES</b>			
Current:			
General government	995,455	-	995,455
Public safety	3,494,951	-	3,494,951
Transportation	1,454,079	-	1,454,079
Economic and physical development	504,628	-	504,628
Cultural and recreation	1,058,785	-	1,058,785
Debt service:			
Principal	566,614	-	566,614
Interest and other charges	280,785	-	280,785
Total expenditures	<u>8,355,297</u>	<u>-</u>	<u>8,355,297</u>
Excess (deficiency) of revenues over expenditures	<u>608,023</u>	<u>2,667,179</u>	<u>3,275,202</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	19,866	-	19,866
IT subscription agreement	44,779	-	44,779
Transfer to General Fund	-	(2,667,179)	(2,667,179)
Transfer from CSLRF Grant Project	2,667,179	-	2,667,179
Total other financing sources (uses)	<u>2,731,824</u>	<u>(2,667,179)</u>	<u>64,645</u>
Net change in fund balance	3,339,847	-	3,339,847
Fund balances, beginning	<u>7,779,939</u>	<u>-</u>	<u>7,779,939</u>
Fund balances, ending	<u>\$ 11,119,786</u>	<u>\$ -</u>	<u>\$ 11,119,786</u>

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



**Exhibit 4**  
**(continued)**

**Town of Fletcher, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of the Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

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

Net Change in Fund Balances - Total Governmental Funds		\$ 3,339,847
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures that were capitalized	\$ 448,799	
Capital projects unfinished that were capitalized	385,813	
Depreciation expense for governmental activities	(661,273)	173,339
Right to use leased asset capital outlay expenditures which were capitalized	-	
Amortization expense for intangible leased assets	<u>(10,903)</u>	(10,903)
Right to use IT subscription asset capital outlay expenditures which were capitalized	45,839	
Amortization expense for intangible IT subscription assets	<u>(15,302)</u>	30,537
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		270,916
Benefit payments paid and administrative expense for LEOSSA are not included on the Statement of Activities		8,949
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(3,314)
The issuance of long-term debt provides current financial resources to governmental		
New long-term debt issued	\$ (44,779)	
Principal payments on long-term debt	566,614	
Decrease in accrued interest payable	<u>2,884</u>	524,719
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	\$ (46,777)	
Pension expense	(467,750)	
OPEB plan expense	<u>(3,522)</u>	(518,049)
Total Change in Net Position of Governmental Activities		<u>\$ 3,816,041</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, 2023**

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual	
	Original	Final	Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,792,294	\$ 4,792,294	\$ 4,853,499	\$ 61,205
Unrestricted intergovernmental	3,266,677	3,266,677	3,524,342	257,665
Restricted intergovernmental	234,955	234,955	242,631	7,676
Permits and fees	14,700	14,700	13,884	(816)
Sales and services	110,500	110,500	115,965	5,465
Investment earnings	2,500	2,500	179,816	177,316
Miscellaneous	6,500	6,500	33,183	26,683
Total revenues	<u>8,428,126</u>	<u>8,428,126</u>	<u>8,963,320</u>	<u>535,194</u>
<b>Expenditures:</b>				
Current:				
General government	1,013,459	1,063,259	995,455	67,804
Public safety	3,748,702	3,841,042	3,494,951	346,091
Economic and physical development	480,053	544,830	504,628	40,202
Transportation	1,583,498	1,648,498	1,454,079	194,419
Cultural and recreation	1,004,962	1,219,962	1,058,785	161,177
Debt service:				
Principal	541,153	566,616	566,614	2
Interest and other charges	279,610	280,870	280,785	85
Total expenditures	<u>8,651,437</u>	<u>9,165,077</u>	<u>8,355,297</u>	<u>809,780</u>
Revenues Over (Under) Expenditures	<u>(223,311)</u>	<u>(736,951)</u>	<u>608,023</u>	<u>1,344,974</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	20,000	20,000	19,866	(134)
IT subscription agreement	-	46,000	44,779	(1,221)
Transfer from CSLRF Grant Fund	-	-	2,667,179	2,667,179
Fund balance appropriated	203,311	670,951	-	(670,951)
Total other financing sources (uses)	<u>223,311</u>	<u>736,951</u>	<u>2,731,824</u>	<u>1,994,873</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,339,847</u>	<u>\$ 3,339,847</u>
Fund balance, beginning			<u>7,779,939</u>	
Fund balance, ending			<u>\$ 11,119,786</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, 2023**

**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 State and 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 leases and IT subscriptions 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	\$ 521,127
Police	15,497
Total Restricted Cash	<u>\$ 536,624</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, 2022.

## **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.

The Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists.

The net amount of the prepayments and incentives should be recorded as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.



Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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

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

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, pension deferrals and OPEB deferrals for the 2023 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 unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), 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 Capital Projects** – portion of fund balance that is available for appropriation but has been reserved by the governing body for future capital projects within the Town.

**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 65% 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, 2023, the Town's deposits had a carrying amount of \$2,145,080 and a bank balance of \$2,341,050. 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 \$473,725 and a bank balance of \$450,252. \$200,252 of the bank balance was not covered by federal depository insurance. At June 30, 2023, the Town's petty cash fund totaled \$350.

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

At June 30, 2023, the Town of Fletcher had \$8,106,910 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 \$466. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 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, 2023, 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	\$ 6,682,572	\$ -	\$ -	\$ 6,682,572
Construction in Progress	-	385,813	-	385,813
Total Capital Assets Not Being Depreciated	<u>6,682,572</u>	<u>385,813</u>	<u>-</u>	<u>7,068,385</u>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	5,992,622	-	-	5,992,622
Buildings and Improvements	8,369,937	-	-	8,369,937
Equipment and Furniture	1,285,659	116,501	28,588	1,373,572
Vehicles	2,351,135	332,298	189,551	2,493,882
Total Capital Assets Being Depreciated	<u>17,999,353</u>	<u>448,799</u>	<u>218,139</u>	<u>18,230,013</u>
<b>Less Accumulated Depreciation For:</b>				
Land Improvements	514,041	126,719	-	640,760
Buildings and Improvements	1,389,662	209,063	-	1,598,725
Equipment and Furniture	1,022,389	92,724	28,588	1,086,525
Vehicles	1,650,631	232,767	189,551	1,693,847
Total Accumulated Depreciation	<u>4,576,723</u>	<u>661,273</u>	<u>218,139</u>	<u>5,019,857</u>
Total Capital Assets Being Depreciated, Net	<u>13,422,630</u>	<u>(212,474)</u>	<u>-</u>	<u>13,210,156</u>
<b>Capital Assets Being Amortized:</b>				
Right to use assets:				
Leased Equipment	38,515	-	-	38,515
IT Subscriptions	-	45,839	-	45,839
Total Capital Assets Being Amortized	<u>38,515</u>	<u>45,839</u>	<u>-</u>	<u>84,354</u>
<b>Less Accumulated Amortization For:</b>				
Right to use assets:				
Leased Equipment	8,863	10,903	-	19,766
IT Subscriptions	-	15,302	-	15,302
Total Accumulated Amortization	<u>8,863</u>	<u>26,205</u>	<u>-</u>	<u>35,068</u>
Total Capital Assets Being Amortized, Net	<u>29,652</u>	<u>19,634</u>	<u>-</u>	<u>49,286</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 20,134,854</u>			<u>\$ 20,327,827</u>

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

General Government	\$ 222,176
Public Safety	103,404
Recreation	105,743
Transportation	<u>229,950</u>
Total Depreciation Expense	<u>\$ 661,273</u>

## Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2023, 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	\$ 249,993	\$ -	\$ -	\$ 249,993
<b>Capital Assets Being Depreciated:</b>				
Buildings	1,009,111	71,321	-	1,080,432
Furniture and Equipment	174,215	9,604	7,204	176,615
Total Capital Assets Being Depreciated	1,183,326	80,925	7,204	1,257,047
<b>Less Accumulated Depreciation for:</b>				
Buildings	599,927	44,213	-	644,140
Furniture and Equipment	140,778	3,666	2,521	141,923
Total Accumulated Depreciation	740,705	\$ 47,879	\$ 2,521	786,063
Total Capital Assets Being Depreciated, Net	442,621			470,984
<b>ABC Board Capital Assets, Net</b>	<u>\$ 692,614</u>			<u>\$ 720,977</u>

## Construction Commitments

The government has active construction projects as of June 30, 2023. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Multi-Court Project	\$ 365,542	\$ 150,840
Security Upgrades Town Hall	20,271	20,271
Total	<u>\$ 385,813</u>	<u>\$ 171,111</u>

## Note 5 – Pension Plan and Postemployment Obligations

### Local Governmental Employees' Retirement System

*Plan Description.* The Town of Fletcher is a participating employer in the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members- nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members.

The Local Governmental Employees' Retirement System is included in the 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 Statue 128-30 and may be amended only by the North Carolina General Assembly. Town of Fletcher employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees.

The Town of Fletcher's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.10% 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 \$270,916 for the year ended June 30, 2023.

*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, 2023, the Town reported a liability of \$1,568,317 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the Town's proportion was 0.02780% which was a decrease of .00031% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$435,236. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 67,577	\$ 6,626
Changes of assumptions	156,483	-
Net Difference between projected and actual earnings on pension plan investments	518,345	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	640	14,078
Town contributions subsequent to the measurement date	270,916	-
Total	<u>\$ 1,013,961</u>	<u>\$ 20,704</u>

The \$270,916 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2024	\$ 225,382
2025	193,723
2026	56,287
2027	246,949
2028	-
Thereafter	-



*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 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, 2022 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 2,830,610	\$ 1,568,317	\$ 528,114

*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, 2021, 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>16</u>
Total	<u><u>17</u></u>

### *Summary of Significant Accounting Policies*

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

### *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2023, the Town reported a total pension liability of \$331,926. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$32,514.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,021	\$ 160,308
Changes of assumptions	93,987	101,691
Town benefit payments and plan administrative expense made subsequent to the measurement date	4,288	-
Total	<u>\$ 124,296</u>	<u>\$ 261,999</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:**

2024	\$ (15,240)
2025	(15,857)
2026	(13,814)
2027	(24,050)
2028	(40,196)
Thereafter	(32,834)

*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 4.31 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 (3.31 percent) or 1-percentage-higher (5.31 percent) than the current rate:

	<b>1% Decrease (3.31%)</b>	<b>Discount Rate (4.31%)</b>	<b>1% Increase (5.31%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 375,837	\$ 331,926	\$ 293,253

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

	<b>2023</b>
Beginning Balance	\$ 461,017
Service Cost	37,653
Interest on the total pension liability	10,276
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	(71,702)
Changes of assumptions or other inputs	(96,742)
Benefit payments	(8,576)
Other changes	-
Ending Balance of the total pension liability	<u>\$ 331,926</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, 2021 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	\$ 435,236	\$ 32,514	\$ 467,750
Pension Liability	1,568,317	331,926	1,900,243
Proportionate share of the net pension liability	0.02780%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	67,577	26,021	93,598
Changes of assumptions	156,483	93,987	250,470
Net Difference between projected and actual earnings on pension plan investments	518,345	-	518,345
Changes in proportion and differences between Town contributions and proportionate share of contributions	640	-	640
Benefit payments and administrative costs paid subsequent to the measurement date	270,916	4,288	275,204
Deferred of Inflows of Resources			
Differences between expected and actual experience	6,626	160,308	166,934
Changes of assumptions	-	101,691	101,691
Net Difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,078	-	14,078

## **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, 2023 were \$68,368 which consisted of \$46,408 from the Town and \$21,960 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, 2023 were \$91,730 which consisted of \$61,935 from the Town and \$29,795 from the general employees.

## **Note 6 – Other Postemployment Benefits (OPEB)**

### **Healthcare Benefits**

#### ***Plan Description***

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

#### ***Benefits Provided***

The plan provides postemployment healthcare benefits to retirees of the Town, provided that they have retired with unreduced benefits from the North Carolina Local Government Employees' Retirement System. Employees may remain on the Town's health insurance at the same rates which apply to other employees as long as they remit payment timely to the Town for payment of the monthly premium. The health insurance becomes supplemental once they become eligible for Medicare. Employees who retire through disability also need to meet the unreduced benefit requirement.

Membership of the HCB Plan consisted of the following at June 30, 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	18	17

## Total OPEB Liability

The Town's total OPEB liability of \$46,872 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

*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	3.54 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 7/1/2022</b>	\$ 50,821
<b>Changes for the year</b>	
Service Cost	4,317
Interest	1,191
Changes of benefit terms	-
Differences between expected and actual experience	(32)
Changes of assumptions or other inputs	(9,425)
Benefit payments	-
<b>Net changes</b>	<u>(3,949)</u>
<b>Balance as of 6/30/2023</b>	<u>\$ 46,872</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54% as well as a change in the health care cost trends.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

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 through 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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB Liability	\$ 53,516	\$ 46,872	\$ 41,108

*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	\$ 39,293	\$ 46,872	\$ 56,220

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$3,522. At June 30, 2023, 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	\$ -	\$ 17,727
Changes of assumptions	13,722	10,767
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 13,722</u>	<u>\$ 28,494</u>

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

#### **Year ended June 30:**

2024	\$ (1,986)
2025	(1,986)
2026	(1,986)
2027	(1,986)
2028	(1,893)
Thereafter	(4,935)

## Other Employment Benefits

The Town has also elected to provide death benefits to sworn law enforcement 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. The Town considers these contributions to be immaterial.

## Note 7 – Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 270,916
Benefit payments made and administrative expenses for LEOSA	4,288
Differences between expected and actual experience	93,598
Changes of assumptions	264,192
Net difference between projected and actual	518,345
Changes in proportion and differences between employer contributions and proportionate share of contributions	640
	<u>\$1,151,979</u>

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

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Taxes receivable (General Fund), less penalties	\$ -	\$ 22,574
Changes in assumptions	112,458	-
Differences between expected and actual experience	184,661	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,078	-
Total	<u>\$ 311,197</u>	<u>\$ 22,574</u>

## **Note 8 – Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries flood insurance through the National Flood Insurance Plan on two facilities in Fletcher Community Park. The Town's Community Park is located entirely within the 100 year flood plain; therefore, all improvements to the park are within this flood plain. From information gathered from Henderson County GIS, the Fletcher Police Department and IT Department appear to be located within the 100 year flood plain. It is also possible that two buildings used by Fletcher Parks & Recreation may also be partially in the 100 year flood plain. As the GIS information is not exact, it would require a survey to determine the exact boundaries of the 100 year flood plain on property owned by the Town. These structures existed prior to the Town's adoption of flood plain regulations.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000. The Town updated coverage to comply with G.S. 159-29 on July 1, 2023 when the bonds were renewed through the League of Municipalities.

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, and workers' compensation. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

## Note 9– Long-Term Obligations

### A. Leases

The Town has entered into agreement to lease certain equipment during the past fiscal year. 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%. The liability balance as of June 30, 2023 is \$7,147.

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%. The liability balance as of June 30, 2023 is \$11,575.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
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>\$ 18,722</u>	<u>\$ 440</u>	<u>\$ 19,162</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.

Annual debt service principal and interest payments for this installment purchase as of June 30, 2023, are as follows:

<b>Year Ending June 30</b>	<b>Direct Placement</b>		
	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 100,169	\$ 2,564	\$ 102,733
2025	101,627	1,107	102,734
Totals	<u>\$ 201,796</u>	<u>\$ 3,671</u>	<u>\$ 205,467</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.

Annual debt service principal and interest payments for this installment purchase as of June 30, 2023, are as follows:

<b>Year Ending June 30</b>	<b>Direct Placement</b>		
	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	120,000	29,340	149,340
2029-2033	600,000	88,020	688,020
2034-2035	240,000	7,824	247,824
Totals	<u>\$ 1,440,000</u>	<u>\$ 281,664</u>	<u>\$ 1,721,664</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.

Annual debt service principal and interest payments for this installment purchase as of June 30, 2023, are as follows:

Year Ending June 30	Direct Placement		
	Governmental Activities		
	Principal	Interest	Total
2024	\$ 200,000	\$ 15,460	\$ 215,460
2025	200,000	8,046	208,046
2026	67,051	1,242	68,293
Totals	<u>\$ 467,051</u>	<u>\$ 24,748</u>	<u>\$ 491,799</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.

Annual debt service principal and interest payments for this installment purchase as of June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<b>Direct Placement</b>		
	<b>Governmental Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	121,269	136,083	257,352
2029-2033	687,238	599,522	1,286,760
2034-2038	844,359	442,401	1,286,760
2039-2043	1,037,401	249,359	1,286,760
2044-2046	663,886	39,202	703,088
Totals	<u>\$ 3,792,240</u>	<u>\$ 2,057,888</u>	<u>\$ 5,850,128</u>

The second installment purchase contract is in the amount of \$1,500,000 with the financing contract requiring 40 annual total payments of \$68,895 which includes interest at 3.375% beginning in June 2015 and continuing until June 2054. The 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.

Annual debt service principal and interest payments for this installment purchase as of June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<b>Direct Placement</b>		
	<b>Governmental Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	28,696	40,208	68,904
2029-2033	158,926	185,594	344,520
2034-2038	188,096	156,424	344,520
2039-2043	222,620	121,900	344,520
2044-2048	263,480	81,040	344,520
2049-2053	311,840	32,680	344,520
2054	30,763	273	31,036
Totals	<u>\$ 1,310,004</u>	<u>\$ 788,152</u>	<u>\$ 2,098,156</u>

## 5) Subscriptions

For the year ended June 30, 2023 the Town implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions.

The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

On July 1, 2022, the Town entered into a 36-month subscription for the use of an NSF Service Plan. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 2.3543% was used to discount the subscription payments. The initial liability for the subscription was \$22,616. The liability balance remaining at June 30, 2023 is \$15,224.

On July 1, 2022, the Town entered into a 36-month subscription for the use of a BDR Service Plan. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 2.3543% was used to discount the subscription payments. The initial liability for the subscription was \$22,163. The liability balance remaining at June 30, 2023 is \$14,919.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2023, were as follows:

<b>Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2024	\$ 14,894	\$ 550	\$ 15,444
2025	15,249	195	15,444
Totals	<u>\$ 30,143</u>	<u>\$ 745</u>	<u>\$ 30,888</u>



## 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	\$ 7,752,244	\$ -	\$ 541,153	\$ 7,211,091	\$ 548,098
Lease Liabilities	29,547	-	10,825	18,722	10,298
IT Subscription Liabilities	-	44,779	14,636	30,143	14,894
Compensated Absences	159,779	46,777	-	206,556	83,722
Total OPEB Liability	50,821	-	3,949	46,872	-
Net Pension Liability (LGERS)	421,586	1,146,731	-	1,568,317	-
Net Pension Obligation (LEO)	461,017	-	129,091	331,926	-
Governmental activity long-term liabilities	<u>\$ 8,874,994</u>	<u>\$ 1,238,287</u>	<u>\$ 699,654</u>	<u>\$ 9,413,627</u>	<u>\$ 657,012</u>

## Note 10 – Interfund Balances and Activity

From the CSLRF Grant Project Fund to General Fund for reimbursement for eligible grant expenses

\$ 2,667,179

Total

\$ 2,667,179

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided for matching funds for various grant programs. During the 2023 fiscal year, the Town made a one-time transfer from the CSLRF (Coronavirus State and Local Fiscal Recovery Funds) grant project fund to the general fund for eligible expenses using the standard allowance/revenue replacement.

## Note 11 – Net Investment in Capital Assets

	<b>Governmental</b>
Capital Assets	\$ 20,327,827
less: long-term debt	7,259,956
add: unexpended debt proceeds	-
Net investment in capital asset	<u>\$ 13,067,871</u>

## Note 12 – Fund Balance

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

<i>Total fund balance-General Fund</i>	<i>\$ 11,119,786</i>
Less:	
Prepaid Items	25,570
Stabilization by State Statute	949,727
Streets	521,127
Police	15,497
USDA	293,702
Sidewalk	19,810
Capital	2,667,179
Library	50,000
Future Park Development	25,291
Subsequent Year's Expenditures	242,960
Remaining Fund Balance	6,308,923

## Note 13 – Jointly Governed Organization

The Town, in conjunction with other area counties and municipalities established the Land of Sky Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$3,595 to the Council during the fiscal year ended June 30, 2023.

## Note 14 – Summary Disclosure of Significant Contingencies

### Federal and State Assisted Programs

The Town has received proceeds from federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

## Note 15 – Significant Disclosure of Subsequent Events

Management has evaluated subsequent events through October 23, 2023 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.

## Note 16 – Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 96, which gives guidance for accounting and reporting for all Subscription-Based Information Technology Arrangements (Subscriptions) and is effective for fiscal year beginning July 1, 2022.

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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 Ten Fiscal Years\*

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fletcher's proportion of the net pension liability (asset) (%)	0.02780%	0.02749%	0.02780%	0.02775%	0.02822%	0.02930%	0.02984%	0.02874%	0.00000%	0.28700%
Fletcher's proportion of the net pension liability (asset) (\$)	\$1,568,317	\$ 421,586	\$ 995,199	\$ 757,831	\$ 669,475	\$ 447,623	\$ 633,305	\$ 128,983	\$ (177,042)	\$ 345,945
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	\$1,402,296
Fletcher's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.57%	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**	84.14%	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 Ten Fiscal Years

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 270,916	\$ 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	270,916	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	\$ 2,166,873	\$ 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	12.50%	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 Seven Fiscal Years\*

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 461,017	\$ 560,951	\$ 388,730	\$ 279,484	\$ 266,543	\$ 230,597	\$ 209,955
Service cost	37,653	39,824	26,776	24,199	22,764	19,654	20,254
Interest on the total pension liability	10,276	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	(71,702)	(122,232)	(11,536)	61,301	(4,568)	(12,484)	-
Changes of assumptions or other inputs	(96,742)	(19,694)	147,326	13,573	(13,678)	19,875	(7,107)
Benefit payments	(8,576)	(8,576)	(2,969)	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	\$ 331,926	\$ 461,017	\$ 560,951	\$ 388,730	\$ 279,484	\$ 266,543	\$ 230,597

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 Seven Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 331,926	\$ 461,017	\$ 560,951	\$ 388,730	\$ 279,484	\$ 266,543	\$ 230,597
Covered payroll	887,870	799,317	817,842	824,753	731,073	732,702	735,314
Total pension liability as a percentage of covered payroll	37.38%	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 Six Fiscal Years

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service cost	\$ 4,317	\$ 3,540	\$ 2,545	\$ 3,259	\$ 3,365	\$ 3,629
Interest	1,191	1,158	1,409	1,703	1,452	1,172
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(32)	(12,783)	(61)	(11,614)	-	-
Changes of assumptions	(9,425)	10,027	7,285	569	(1,817)	(2,954)
Benefit payments	-	-	-	-	-	-
<b>Net Change in total OPEB Liability</b>	<b>(3,949)</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>50,821</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>\$ 46,872</b>	<b>\$ 50,821</b>	<b>\$ 48,879</b>	<b>\$ 37,701</b>	<b>\$ 43,784</b>	<b>\$ 40,784</b>

**Covered payroll**

<b>Total OPEB liability as a percentage of covered payroll</b>	\$ 1,872,045	\$ 1,872,045	\$ 1,697,551	\$ 1,697,551	\$ 1,564,398	\$ 1,564,398
	2.50%	2.71%	2.88%	2.22%	2.80%	2.61%

**Notes to Schedule**

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

Fiscal Year	Rate
2023	3.54%
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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## Schedule B-1

**Town of Fletcher, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 4,768,294	\$ 4,835,204	\$ 66,910
Prior year	15,000	9,392	(5,608)
Interest	9,000	8,903	(97)
Total	<u>4,792,294</u>	<u>4,853,499</u>	<u>61,205</u>
Unrestricted intergovernmental:			
Local option sales taxes	2,205,777	2,403,130	197,353
Utilities sales tax	704,000	735,911	31,911
ABC profit distribution	270,000	300,000	30,000
Video franchise fee	51,300	48,997	(2,303)
Beer and wine tax	35,600	36,304	704
Total	<u>3,266,677</u>	<u>3,524,342</u>	<u>257,665</u>
Restricted intergovernmental:			
Powell Bill allocation	213,000	213,644	644
Powell Bill investment earnings	300	1,204	904
Park development	1,000	250	(750)
ABC Funds for law enforcement	8,800	16,980	8,180
Grants	2,500	1,250	(1,250)
Drug forfeitures	3,000	2,846	(154)
Solid waste disposal tax	6,355	6,457	102
Total	<u>234,955</u>	<u>242,631</u>	<u>7,676</u>
Permits and fees:			
Land use permits	7,000	5,857	(1,143)
Business registration fees	7,700	8,027	327
Total	<u>14,700</u>	<u>13,884</u>	<u>(816)</u>
Sales and services:			
Recreation department fees	97,000	100,578	3,578
Golf tournament fees	3,500	7,930	4,430
Rents	10,000	7,457	(2,543)
Total	<u>110,500</u>	<u>115,965</u>	<u>5,465</u>
Investment earnings	<u>2,500</u>	<u>179,816</u>	<u>177,316</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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous revenues	\$ 6,500	\$ 33,183	\$ 26,683
Total revenues	<u>8,428,126</u>	<u>8,963,320</u>	<u>535,194</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Elected officials	<u>54,788</u>	<u>48,935</u>	<u>5,853</u>
Administration:			
Salaries and employee benefits	574,110	568,413	5,697
Other operating expenditures	<u>282,321</u>	<u>251,249</u>	<u>31,072</u>
Total	<u>856,431</u>	<u>819,662</u>	<u>36,769</u>
Town facilities:			
Other operating expenditures	<u>152,040</u>	<u>126,858</u>	<u>25,182</u>
Total	<u>152,040</u>	<u>126,858</u>	<u>25,182</u>
Total general government	<u>1,063,259</u>	<u>995,455</u>	<u>67,804</u>
Public safety:			
Police:			
Salaries and employee benefits	1,451,970	1,232,620	219,350
Other operating expenditures	445,558	335,917	109,641
Capital outlay	<u>253,240</u>	<u>236,140</u>	<u>17,100</u>
Total	<u>2,150,768</u>	<u>1,804,677</u>	<u>346,091</u>
Fire:			
Contracted services	<u>1,690,274</u>	<u>1,690,274</u>	<u>-</u>
Total public safety	<u>3,841,042</u>	<u>3,494,951</u>	<u>346,091</u>
Economic and physical development:			
Salaries and employee benefits	191,954	190,395	1,559
Other operating expenditures	239,376	216,049	23,327
Capital outlay	<u>113,500</u>	<u>98,184</u>	<u>15,316</u>
Total economic and physical development	<u>544,830</u>	<u>504,628</u>	<u>40,202</u>

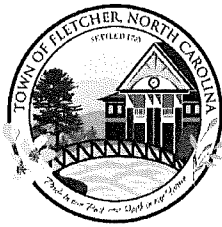
**Schedule B-1**  
**(continued)**

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 541,263	\$ 529,433	\$ 11,830
Powell Bill expenditures	213,000	145,500	67,500
Other operating expenditures	768,235	656,463	111,772
Capital outlay	126,000	122,683	3,317
Total transportation	<u>1,648,498</u>	<u>1,454,079</u>	<u>194,419</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	410,137	384,443	25,694
Other operating expenditures	330,825	296,737	34,088
Capital outlay	479,000	377,605	101,395
Total cultural and recreation	<u>1,219,962</u>	<u>1,058,785</u>	<u>161,177</u>
Debt service:			
Principal retirement	566,616	566,614	2
Interest and other charges	280,870	280,785	85
Total debt service	<u>847,486</u>	<u>847,399</u>	<u>87</u>
Total expenditures	<u>9,165,077</u>	<u>8,355,297</u>	<u>809,780</u>
Revenues over (under) expenditures	<u>(736,951)</u>	<u>608,023</u>	<u>1,344,974</u>
<b>Other Financing Sources (Uses):</b>			
Sale of capital assets	20,000	19,866	(134)
IT subscription agreement	46,000	44,779	(1,221)
Transfer from Grant Fund	-	2,667,179	2,667,179
Fund balance appropriated	670,951	-	(670,951)
Total other financing sources (uses)	<u>736,951</u>	<u>2,731,824</u>	<u>1,994,873</u>
Net change in fund balance	<u>\$ -</u>	<u>3,339,847</u>	<u>\$ 3,339,847</u>
Fund balance, beginning		<u>7,779,939</u>	
Fund balance, ending		<u>\$ 11,119,786</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, 2023**

	<b>Project</b>	<b>Actual</b>			<b>Variance</b>
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Positive</b>
					<b>(Negative)</b>
<b>Revenues:</b>					
CSLRF Funds	\$2,667,179	\$ -	\$2,667,179	\$2,667,179	\$ -
Total revenues	2,667,179	-	2,667,179	2,667,179	-
<b>Other Financing Sources (Uses):</b>					
Transfers (to) from General Fund	(2,667,179)	-	(2,667,179)	(2,667,179)	-
Total other financing sources (uses)	(2,667,179)	-	(2,667,179)	(2,667,179)	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	-	-	
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	



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## **Other Schedules**

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## Schedule C-1

**Town of Fletcher, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2023**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2022</b>	<b>Additions</b>	<b>Collections And Credits</b>	<b>Uncollected Balance June 30, 2023</b>
2022-2023	\$ -	\$ 4,859,107	\$ 4,848,932	\$ 10,175
2021-2022	11,585	-	7,769	3,816
2020-2021	4,275	-	1,727	2,548
2019-2020	4,101	-	632	3,469
2018-2019	1,847	-	1,240	607
2017-2018	896	-	71	825
2016-2017	379	-	-	379
2015-2016	769	-	-	769
2014-2015	897	-	36	861
2013-2014	1,647	-	56	1,591
2012-2013	2,546	-	2,546	-
	<u>\$ 28,942</u>	<u>\$ 4,859,107</u>	<u>\$ 4,863,009</u>	25,040
Less: allowance for uncollectible ad valorem taxes				<u>2,000</u>
Ad valorem taxes receivable - net				<u>\$ 23,040</u>

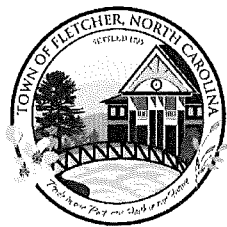
**Reconciliation With Revenues:**

Ad valorem taxes - General Fund	\$ 4,853,499
Penalties collected on ad valorem taxes- General Fund	13,869
Reconciling items:	
Interest collected	(8,903)
Prior year releases	2,083
Refunds	-
Taxes written off	<u>2,461</u>
Total collections and credits	<u>4,863,009</u>



**Town of Fletcher, North Carolina**  
**Analysis of Current Tax Levy - Town-Wide Levy**  
**For the Year Ended June 30, 2023**

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Tax Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current	\$ 1,405,770,294	0.00340	\$4,779,619	\$4,426,858	\$ 352,761
Discoveries- current and prior years	29,297,059		99,610	99,610	-
Releases	<u>(5,918,235)</u>		<u>(20,122)</u>	<u>(17,915)</u>	<u>(2,207)</u>
Total property valuation	<u>\$ 1,429,149,118</u>				
Net levy			4,859,107	4,508,553	350,554
Uncollected taxes at June 30, 2023			<u>(10,175)</u>	<u>(9,309)</u>	<u>(866)</u>
Current year's taxes collected			<u>\$4,848,932</u>	<u>\$4,499,244</u>	<u>\$ 349,688</u>
Current levy collection percentage			<u>99.79%</u>	<u>99.79%</u>	<u>99.75%</u>

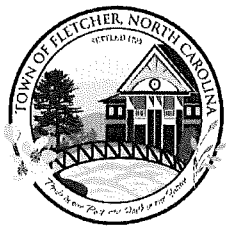


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## **Compliance Section**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Fletcher, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Fletcher, North Carolina's basic financial statements, and have issued our report thereon dated October 23, 2023. Our report includes a reference to other auditors who audited the financial statements of Town of Fletcher Alcoholic Control Board, as described in our report on the Town of Fletcher, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Town of Fletcher Alcoholic Control Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Town of Fletcher Alcoholic Control Board or that are reported on separately by those auditors who audited the financial statements of Town of Fletcher Alcoholic Control Board.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Fletcher, North Carolina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Fletcher, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Fletcher, North Carolina's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Lowdermilk Church & Co., L.L.P.*

Morganton, North Carolina  
October 23, 2023

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

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121 North Sterling Street  
Morganton, North Carolina  
Phone: (828) 433-1226  
Fax: (828) 433-1230

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

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Town of Fletcher, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the Audit Manual for Governmental Auditors in North Carolina issued by the Local Government Commission that could have a direct and material effect on each of Town of Fletcher, North Carolina's major federal programs for the year ended June 30, 2023. Town of Fletcher, North Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and responses.

In our opinion, Town of Fletcher, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Fletcher, North Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Fletcher, North Carolina's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Fletcher, North Carolina's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Fletcher, North Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Fletcher, North Carolina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Fletcher, North Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Fletcher, North Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Fletcher, North Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Lowdermilk Church & Co., L.L.P.*

Morganton, North Carolina  
October 23, 2023



**Town of Fletcher, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2023**

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**Section I. Summary of Auditor's Results**

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Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_\_yes                      X   no
- Significant Deficiency(s)                                \_\_\_\_yes                      X   none reported

Noncompliance material to financial  
Statements noted?    \_\_\_\_yes                      X   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?                    \_\_\_\_yes                      X   no
- Significant Deficiency(s)                                \_\_\_\_yes                      X   none reported

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

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

Identification of major federal programs:

<u>Federal Assistance Listing Number</u>	<u>Names of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?    \_\_\_\_yes                      X   no

**Town of Fletcher, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2023**

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**Section II. Financial Statement Findings**

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None reported.

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**Section III. Federal Award Findings and Responses**

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None reported.

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**Section IV. State Award Findings and Responses**

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None reported.

# TOWN OF FLETCHER

PRESTON BLAKELY  
MAYOR

MARK E. BIBERDORF  
TOWN MANAGER



COUNCIL MEMBERS:  
SHEILA FRANKLIN  
TREVOR LANCE  
ROBERT DAVY  
KEITH REED

## **Corrective Action Plan For the Fiscal Year Ended June 30, 2023**

None reported.

**Town of Fletcher, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2023**

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None reported.

**Town of Fletcher, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2023**

<u>Grantor/Pass-through Grantor/Program or Cluster Title:</u>	<u>Federal Assistance Listing Number</u>	<u>State/Pass-Through Entity Identifying Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>FEDERAL GRANTS</b>				
<b>Cash Programs:</b>				
<b>US DEPARTMENT OF TREASURY</b>				
Pass-through NC Pandemic Recovery Office				
Coronavirus State and Local Fiscal Recovery Funds-	21.027		\$ 2,667,179	\$ -
American Rescue Plan				
<b>TOTAL ASSISTANCE- FEDERAL PROGRAMS</b>			<u>2,667,179</u>	<u>-</u>
<b>STATE GRANTS</b>				
<b>Cash Assistance:</b>				
<b>NC DEPARTMENT OF TRANSPORTATION</b>				
Powell Bill Program				
Non-State System Street-Aid Allocation		DOT-4	-	145,500
<b>TOTAL ASSISTANCE-STATE PROGRAMS</b>			<u>-</u>	<u>145,500</u>
<b>TOTAL ASSISTANCE</b>			<u>\$ 2,667,179</u>	<u>\$ 145,500</u>

**Notes to the Schedule of Expenditures of Federal and State Awards**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal and state Awards (SEFSA) includes the federal and State grant activity of the Town of Fletcher under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Fletcher, North Carolina it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Fletcher, North Carolina.

**Note 2 – Summary of Significant Accounting Policies**

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

**Note 3 – Indirect Cost Rate**

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

