



# FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025



# ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

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



Town Council Members  
Preston Blakely, Mayor  
Trevor Lance, Mayor Pro-Tem  
Amber McKinney  
Jim Player  
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, 2025**

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## **Financial Section**

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

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121 North Sterling Street  
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 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, 2025, 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, 2025, 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 the Town of Fletcher Alcoholic Beverage 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 Beverage Control Board as of June 30, 2025, 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 the Town of Fletcher Alcoholic Beverage 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 Auditor's 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 the Town of Fletcher Alcoholic Beverage 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 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, and other schedules 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 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 November 3, 2025, 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  
November 3, 2025



## 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, 2025. 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

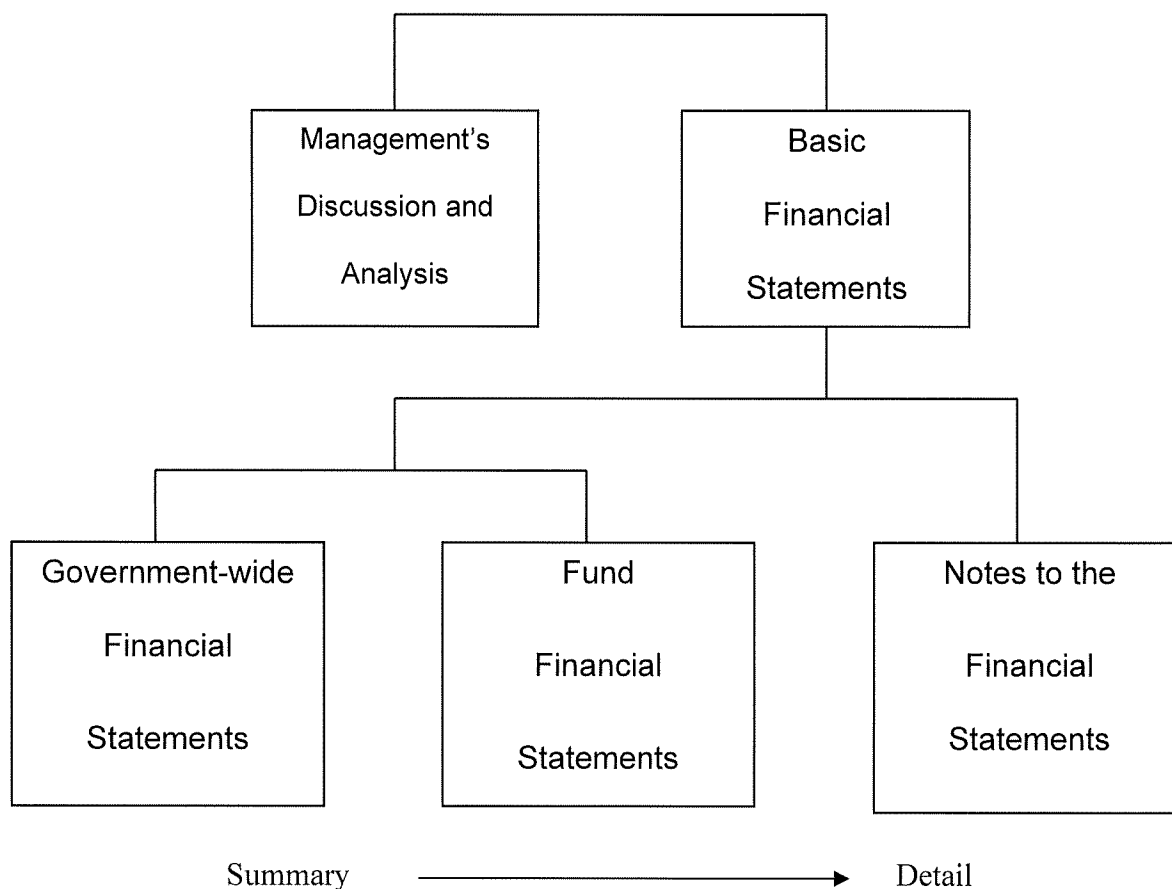
- The assets and deferred outflows of resources of the Town of Fletcher *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,890,392 (*net position*).
- The government's total net position *increased* by \$338,444 (net of restatement of \$396,104) primarily 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 \$12,434,617 with a net increase of \$934,237 in fund balance. Approximately 19.13 percent of this total amount, or \$2,378,952, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,855,709 or 75.37 percent of total general fund expenditures for the fiscal year.
- The Town of Fletcher's total long-term liabilities decreased by \$190,112 (2.2%) during the fiscal year. The primary factors contributing to this decrease were higher net pension liability for the Local Government Employees' Retirement System (LGERS), which rose by \$80,080, and an increase of \$87,054 in the Law Enforcement Separation Allowance (LEO). Additional increases included \$51,653 in compensated absences and \$3,105 in Other Post-Employment Benefits (OPEB). These increases were partially offset by reductions of \$375,014 from scheduled debt service principal payments, \$10,938 in lease liabilities, and \$26,052 in IT subscription liabilities.

### 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**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Current and other assets	\$ 12,714,325	\$ 11,625,878
Capital assets	20,090,775	20,505,389
Deferred outflows of resources	1,082,487	1,129,113
<b>Total assets and deferred outflows of resources</b>	<b>33,887,587</b>	<b>33,260,380</b>
Long-term liabilities outstanding	8,432,411	8,226,419
Other liabilities	275,415	125,391
Deferred inflows of resources	289,369	356,622
<b>Total liabilities and deferred inflows of resources</b>	<b>8,997,195</b>	<b>8,708,432</b>
Net position:		
Net investment in capital assets	14,501,905	14,504,515
Restricted	2,378,952	1,912,686
Unrestricted	8,009,535	8,134,747
<b>Total net position</b>	<b>\$ 24,890,392</b>	<b>\$ 24,551,948</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 \$24,890,392 as of June 30, 2025. The Town's net position *increased* by \$338,444 (net of restatement of \$396,104).

However, the largest portion (58.3%) 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, \$2,378,952, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,009,535 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 99.77%.
- Interest earnings came in higher than projected budget, approximately \$104,866 due to the continued retention of funds in the NCCMT.
- Ad valorem tax revenues increased approximately \$77,821 primarily due to current year tax base growth.

**Town of Fletcher's Change in Net Position**  
**Figure 3**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>Years Ended June 30</b>	
	<b>2025</b>	<b>2024</b>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 129,017	\$ 308,031
Operating grants and contributions	634,006	499,311
Capital grants and contributions	460,882	-
General revenues:		
Property taxes	5,298,191	5,215,860
Other taxes	2,489,790	2,463,353
Grants and contributions not restricted to specific programs	1,182,284	1,117,525
Other	500,926	479,516
	<u>10,695,096</u>	<u>10,083,596</u>
<b>Expenses</b>		
General government	1,550,249	1,299,675
Public safety	4,323,644	3,823,333
Transportation	2,009,484	1,821,191
Economic and physical development	409,053	376,548
Cultural and recreation	1,452,566	830,587
Interest on long term debt	215,552	253,101
	<u>9,960,548</u>	<u>8,404,435</u>
Increase in net position	<u>\$ 734,548</u>	<u>\$ 1,679,161</u>
Net position, beginning	\$ 24,551,948	\$ 22,872,787
Restatement	<u>(396,104)</u>	<u>-</u>
Net position, beginning, restated	24,155,844	22,872,787
Increase in net position	<u>734,548</u>	<u>1,679,161</u>
Net position, June 30	<u>\$ 24,890,392</u>	<u>\$ 24,551,948</u>

**Governmental Activities** – Governmental activities increased the Town’s net position by \$338,444 (net of restatement of \$396,104). The increase in net position was the result of increased revenue generation as well as reduced expenditure 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 2025 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.
- Expenditures came in lower than budgeted.

**Financial Analysis of the Town’s Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town’s financing requirements.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, Town of Fletcher’s total fund balance available in the General Fund was \$10,964,982 while total fund balance also reached \$12,434,617.

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 120.55% of general fund expenditures, while total fund balance represents 136.70% of the same amount.

At June 30, 2025, the governmental funds of the Town of Fletcher reported a combined fund balance of \$12,434,617 with a net increase of \$934,237. 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 engineering services needed after Hurricane Helene.
- An amendment was made to fund immediate park repairs needed after Hurricane Helene.
- An amendment was made to appropriate additional funds for the Town’s resurfacing project.
- An amendment was made to fund expenditures to account for an underpayment to Fletcher Fire and Rescue and Mills River Fire and Rescue.
- An amendment was made to budget for sales and use tax expense and revenue.
- An amendment was made to budget the transfer of funds to the Hurricane Helene Grant Project fund.

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

**Capital Assets** – The Town’s investment in capital assets for its governmental activities as of June 30, 2025, totals \$20,090,775 (net of accumulated depreciation/amortization) an decrease of \$414,614 (2.02%) 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 \$152,669.
- Acquisition of a new brush truck for Public Works of \$218,255.
- Acquisition of a new backup server within Town Hall of \$7,920.
- Upgrades to lighting within Town Hall of \$35,222.

Capital asset disposals for the year ended June 30, 2025 of vehicles, land improvements, and equipment of \$384,149 and right to use assets for IT subscriptions of \$45,839.

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

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

**Figure 4**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Land	\$ 6,682,572	\$ 6,682,572
Land improvements	5,591,559	5,738,685
Buildings and improvements	6,482,144	6,658,703
Equipment and furniture	421,610	582,389
Vehicles	855,973	748,526
Right to use assets:		
Leases	37,046	48,265
IT Subscriptions	19,871	46,249
<b>Total</b>	<b>\$ 20,090,775</b>	<b>\$ 20,505,389</b>

**Long-term Debt** – As of June 30, 2025, the Town’s long-term debt consisted of installment purchase contracts. The installment debt is backed by security interest in the property for which it was issued.

**Town of Fletcher's Outstanding Debt**

**Figure 5**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Direct placement installment debt	\$ 5,538,629	\$ 5,913,643
Lease liabilities	37,616	48,554
IT subscription liabilities	12,625	38,677
Compensated absences	661,866	610,213
OPEB	48,286	45,181
Pension related debt (LEO)	420,718	333,664
Pension related debt (LGERS)	1,712,671	1,632,591
<b>Total</b>	<b>\$ 8,432,411</b>	<b>\$ 8,622,523</b>

**Town of Fletcher’s Outstanding Debt**

The Town of Fletcher’s total long-term liabilities decreased by \$190,112 (2.2%) during the fiscal year. The primary factors contributing to this decrease were higher net pension liability for the Local Government Employees’ Retirement System (LGERS), which rose by \$80,080, and an increase of \$87,054 in the Law Enforcement Separation Allowance (LEO). Additional increases included \$51,653 in compensated absences and \$3,105 in Other Post-Employment Benefits (OPEB). These increases were partially offset by reductions of \$375,014 from scheduled debt service principal payments, \$10,938 in lease liabilities, and \$26,052 in IT subscription liabilities.

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 \$152,049,371.

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, 2026.

- 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 2.4%.
- Inflation remains relatively high despite multiple increases in interest rates by the Federal Reserve. It is expected that the Federal Reserve will make at least one to two rate decreases in 2026.
- The economic outlook for North Carolina points toward minor growth, with the GDP for the state expected to grow by 2.3%.
- Education, health services, and government are the main drivers for the growth in North Carolina.
- Commercial/Industrial growth in Fletcher has been moderate. Tageos has moved into the former Continental site and is making a strong start to their investment and operations there. The rest of that industrial site is almost full with other tenants.
- Retail sales are expected to be slower for the state and locally. The Town will be lowering its base projections for sales tax revenue for the second year in a row due to lower-than-expected receipts, high inflation, and high interest rates.
- Residential growth is still occurring primarily with single family projects underway. Two single-family home developments are in various phases of development along Rutledge Road - The Authors at 90 units and Heritage Park at 62 units. A development that was approved several years ago has recently started site improvements. It is a 299-unit mixed-use residential project called the Landing at Meadowview. Site improvements have also started for an 84-unit apartment complex on the Swicegood property.
- Growth in the overall budget is occurring primarily because of an increase in projected property tax revenues. Property taxes are expected to increase primarily due to greater investments in machinery and equipment (business personal values).

## **Budget Goals for the Fiscal Year Ending June 30, 2026**

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

- Maintain service levels within our current property tax rate. This will include some adjustments in projected revenues and expenses in order to maintain existing service levels.
- Dedicating 6 cents of the tax levy toward year five of the Five-Year Capital Improvement Plan.
- Establish a strategy and marketing plan for attracting retail development to the Town Center area. This would also include further analysis of the Town Center property to determine full development capabilities.

## **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, 2025**

	<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	\$ 10,638,828	\$ 822,666
Taxes receivable, net	23,364	-
Accounts receivable, net	1,437,006	946
Inventories	-	492,371
Prepaid items	32,145	16,728
Restricted cash and cash equivalents	582,982	-
Total current assets	12,714,325	1,332,711
Non-current assets:		
Capital assets (Note 4):		
Land and construction in progress	6,682,572	249,993
Other capital assets, net of depreciation	13,351,286	401,815
Right to use assets, net of amortization	56,917	-
Total capital assets	20,090,775	651,808
Total assets	32,805,100	1,984,519
<b><u>Deferred Outflows of Resources</u></b>		
Pension deferrals	1,071,190	125,250
OPEB deferrals	11,297	-
Total deferred outflows of resources	1,082,487	125,250
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	256,333	375,660
Accrued interest payable	18,598	-
Due to other government	484	-
Current portion of long-term liabilities	561,343	-
Total current liabilities	836,758	375,660
Long-term liabilities:		
Due in more than one year	7,871,068	149,391
Total liabilities	8,707,826	525,051
<b><u>Deferred Inflows of Resources</u></b>		
Prepaid taxes	11	-
Pension deferrals	260,261	16,258
OPEB deferrals	29,097	-
Total deferred inflows of resources	289,369	16,258
<b><u>Net Position</u></b>		
Net investment in capital assets	14,501,905	651,808
Restricted for:		
Prepaid items	32,145	-
Stabilization by State Statue	1,437,490	-
Streets	561,141	-
Police	21,841	-
USDA	326,335	-
Working capital and capital improvements	-	162,232
Unrestricted	8,009,535	754,420
Total net position	\$ 24,890,392	\$ 1,568,460

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

Town of Fletcher, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2025

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Town of Fletcher ABC Board
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 1,550,249	\$ 12,227	\$ -	\$ -	\$ (1,538,022)	\$ -
Public safety	4,323,644	-	23,439	-	(4,300,205)	-
Transportation	2,009,484	-	262,681	-	(1,746,803)	-
Economic and physical development	409,053	-	-	-	(409,053)	-
Cultural and recreation	1,452,566	116,790	347,886	460,882	(527,008)	-
Interest on long-term debt	215,552	-	-	-	(215,552)	-
Total governmental activities	\$ 9,960,548	\$ 129,017	\$ 634,006	\$ 460,882	\$ (8,736,643)	\$ -
<b>Component Unit:</b>						
ABC Board	\$ 4,459,826	\$ 4,523,978	\$ -	\$ -	\$ -	\$ 64,152
<b>General Revenues:</b>						
Taxes:						
Property taxes, levied for general purpose					5,298,191	-
Other taxes					2,489,790	-
Grants and contributions not restricted to specific programs					1,182,284	-
Unrestricted investment earnings					409,866	-
Sale of capital assets					80,616	-
Miscellaneous					10,444	-
Total general revenues					9,471,191	-
Change in net position					\$ 734,548	\$ 64,152
Net position, beginning					\$ 24,551,948	\$ 1,504,308
Restatement					(396,104)	-
Net position, beginning, restated					24,155,844	1,504,308
Change in net position					734,548	64,152
Net position, ending					\$ 24,890,392	\$ 1,568,460

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, 2025**

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Hurricane Helene Grant Fund</u>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 10,638,828	\$ -	\$ 10,638,828
Restricted cash	582,982	-	582,982
Receivables, net:			
Taxes	23,364	-	23,364
Accounts	976,124	460,882	1,437,006
Due from other fund	323,570	-	323,570
Prepaid items	32,145	-	32,145
Total assets	<u>\$ 12,577,013</u>	<u>\$ 460,882</u>	<u>\$ 13,037,895</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 119,021	\$ 137,312	\$ 256,333
Due to other fund	-	323,570	323,570
Due to other governments	484	-	484
Total liabilities	<u>119,505</u>	<u>460,882</u>	<u>580,387</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	22,880	-	22,880
Prepaid taxes	11	-	11
Total deferred inflows of resources	<u>22,891</u>	<u>-</u>	<u>22,891</u>
<b>Fund Balances:</b>			
Nonspendable			
Prepaid items	32,145	-	32,145
Restricted			
Stabilization by State Statute	1,437,490	-	1,437,490
Streets	561,141	-	561,141
Police	21,841	-	21,841
USDA	326,335	-	326,335
Committed			
Sidewalk	185,305	-	185,305
Assigned			
Capital	2,667,179	-	2,667,179
Library	50,000	-	50,000
Future Park Development	30,868	-	30,868
Subsequent year's expenditures	266,604	-	266,604
Unassigned	6,855,709	-	6,855,709
Total fund balances	<u>12,434,617</u>	<u>-</u>	<u>12,434,617</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,577,013</u>	<u>\$ 460,882</u>	<u>\$ 13,037,895</u>

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

**Town of Fletcher, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2025**

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

Total Fund Balance, Governmental Fund		\$ 12,434,617
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 26,045,424	
Accumulated depreciation	<u>(6,011,566)</u>	20,033,858
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	\$ 56,092	
Accumulated amortization	<u>(19,046)</u>	37,046
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	\$ 33,428	
Accumulated amortization	<u>(13,557)</u>	19,871
Deferred outflows of resources related to pensions are not reported in the funds		1,071,190
Deferred outflows of resources related to OPEB are not reported in the funds		11,297
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		22,880
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt	\$ (5,538,629)	
Lease liabilities	(37,616)	
IT subscription liabilities	(12,625)	
Compensated absences	(661,866)	
OPEB liability	(48,286)	
Total pension liability	(420,718)	
Net pension liability	<u>(1,712,671)</u>	(8,432,411)
Deferred inflows of resources related to pensions are not reported in the funds		(260,261)
Deferred inflows of resources related to OPEB are not reported in the funds		(29,097)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(18,598)</u>
Net position of governmental activities		<u>\$ 24,890,392</u>

**Town of Fletcher, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

	Major Fund		Total Governmental Funds
	General Fund	Hurricane Helene Grant Fund	
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,308,388	\$ -	\$ 5,308,388
Unrestricted intergovernmental	3,644,675	-	3,644,675
Restricted intergovernmental	532,014	460,882	992,896
Permits and fees	14,305	-	14,305
Sales and services	129,886	-	129,886
Investment earnings	409,866	-	409,866
Miscellaneous	10,444	101,382	111,826
Total revenues	10,049,578	562,264	10,611,842
<b>EXPENDITURES</b>			
Current:			
General government	1,239,785	-	1,239,785
Public safety	4,173,456	-	4,173,456
Transportation	1,950,814	-	1,950,814
Economic and physical development	429,438	-	429,438
Cultural and recreation	673,371	662,264	1,335,635
Debt service:			
Principal	412,004	-	412,004
Interest and other charges	217,089	-	217,089
Total expenditures	9,095,957	662,264	9,758,221
Excess (deficiency) of revenues over	953,621	(100,000)	853,621
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	80,616	-	80,616
Transfer to grant project	(100,000)	100,000	-
Total other financing sources (uses)	(19,384)	100,000	80,616
Net change in fund balance	934,237	-	934,237
Fund balances, beginning	11,500,380	-	11,500,380
Fund balances, ending	\$ 12,434,617	\$ -	\$ 12,434,617

**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, 2025**

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

Net Change in Fund Balances - Total Governmental Funds		\$ 934,237
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay expenditures that were capitalized	\$ 414,066	
Depreciation expense for governmental activities	(791,083)	(377,017)
Right to use leased asset capital outlay expenditures which were capitalized	-	
Amortization expense for intangible leased assets	<u>(11,219)</u>	(11,219)
Right to use IT subscription asset capital outlay expenditures which were	-	
Amortization expense for intangible IT subscription assets	<u>(26,378)</u>	(26,378)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		379,200
Benefit payments paid and administrative expense for LEOSSA are not included on the Statement of Activities		8,953
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		2,638
<p>The issuance of long-term debt provides current financial resources to</p>		
Principal payments on long-term debt	\$ 412,004	
Decrease in accrued interest payable	<u>1,537</u>	413,541
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$ (51,653)	
Pension expense	(535,732)	
OPEB plan expense	<u>(2,022)</u>	<u>(589,407)</u>
Total Change in Net Position of Governmental Activities		<u>\$ 734,548</u>

**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, 2025**

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,153,802	\$ 5,153,802	\$ 5,308,388	\$ 154,586
Unrestricted intergovernmental	3,583,871	3,638,871	3,644,675	5,804
Restricted intergovernmental	259,950	395,200	532,014	136,814
Permits and fees	14,900	14,900	14,305	(595)
Sales and services	133,750	133,750	129,886	(3,864)
Investment earnings	305,000	305,000	409,866	104,866
Miscellaneous	10,000	10,000	10,444	444
Total revenues	<u>9,461,273</u>	<u>9,651,523</u>	<u>10,049,578</u>	<u>398,055</u>
<b>Expenditures:</b>				
Current:				
General government	1,247,203	1,362,203	1,239,785	122,418
Public safety	4,323,481	4,414,359	4,173,456	240,903
Economic and physical development	542,900	542,900	429,438	113,462
Transportation	2,159,323	2,214,323	1,950,814	263,509
Cultural and recreation	826,118	856,118	673,371	182,747
Debt service:				
Principal	412,500	412,500	412,004	496
Interest and other charges	218,000	218,000	217,089	911
Total expenditures	<u>9,729,525</u>	<u>10,020,403</u>	<u>9,095,957</u>	<u>924,446</u>
Revenues Over (Under) Expenditures	<u>(268,252)</u>	<u>(368,880)</u>	<u>953,621</u>	<u>1,322,501</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	20,000	20,000	80,616	60,616
Transfer to grant project	-	(605,000)	(100,000)	505,000
Fund balance appropriated	248,252	953,880	-	(953,880)
Total other financing sources (uses)	<u>268,252</u>	<u>368,880</u>	<u>(19,384)</u>	<u>(388,264)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>934,237</u>	<u>\$ 934,237</u>
Fund balance, beginning			<u>11,500,380</u>	
Fund balance, ending			<u>\$ 12,434,617</u>	

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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, 2025**

**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- Hurricane Helene Disaster Response-** This fund is used to account for the park repairs after Hurricane Helene.

### **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 Hurricane Helene Disaster Response 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	\$ 561,141
Police	21,841
Total Restricted Cash	<u>\$ 582,982</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, 2024.

### **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 meet this criterion, pension deferrals and OPEB deferrals for the 2025 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 (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 Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee upon separation from employment. Based on that criteria listed, two types of leave qualify for liability recognition for compensated absences- vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation- 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.

Sick- the Town's sick leave policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences. The Town provides 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.

### **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, 2025, the Town's deposits had a carrying amount of \$1,814,817 and a bank balance of \$2,134,679. 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 \$820,516 and a bank balance of \$809,855. \$493,354 of the bank balance was not covered by federal depository insurance. At June 30, 2025, the Town's petty cash fund totaled \$350.

***Investments:***

At June 30, 2025, the Town of Fletcher had \$9,406,642 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 \$484. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2025 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, 2025, 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
Total Capital Assets Not Being Depreciated	<u>6,682,572</u>	<u>-</u>	<u>-</u>	<u>6,682,572</u>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	6,520,837	-	2,800	6,518,037
Buildings and Improvements	8,466,895	35,222	-	8,502,117
Equipment and Furniture	1,769,693	7,920	72,467	1,705,146
Vehicles	2,575,510	370,924	308,882	2,637,552
Total Capital Assets Being Depreciated	<u>19,332,935</u>	<u>414,066</u>	<u>384,149</u>	<u>19,362,852</u>
<b>Less Accumulated Depreciation For:</b>				
Land Improvements	782,152	147,126	2,800	926,478
Buildings and Improvements	1,808,192	211,781	-	2,019,973
Equipment and Furniture	1,187,304	168,699	72,467	1,283,536
Vehicles	1,826,984	263,477	308,882	1,781,579
Total Accumulated Depreciation	<u>5,604,632</u>	<u>791,083</u>	<u>384,149</u>	<u>6,011,566</u>
Total Capital Assets Being Depreciated, Net	<u>13,728,303</u>	<u>(377,017)</u>	<u>-</u>	<u>13,351,286</u>
<b>Capital Assets Being Amortized:</b>				
Right to use assets:				
Leased Equipment	56,092	-	-	56,092
IT Subscriptions	79,267	-	45,839	33,428
Total Capital Assets Being Amortized	<u>135,359</u>	<u>-</u>	<u>45,839</u>	<u>89,520</u>
<b>Less Accumulated Amortization For:</b>				
Right to use assets:				
Leased Equipment	7,827	11,219	-	19,046
IT Subscriptions	33,018	26,378	45,839	13,557
Total Accumulated Amortization	<u>40,845</u>	<u>37,597</u>	<u>45,839</u>	<u>32,603</u>
Total Capital Assets Being Amortized, Net	<u>94,514</u>	<u>(37,597)</u>	<u>-</u>	<u>56,917</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 20,505,389</u>			<u>\$ 20,090,775</u>

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

General Government	\$ 255,744
Public Safety	190,390
Recreation	92,853
Transportation	<u>252,096</u>
Total Depreciation Expense	<u><u>\$ 791,083</u></u>

### Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2025, 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	1,080,432	4,703	-	1,085,135
Furniture and Equipment	<u>193,492</u>	<u>4,744</u>	<u>1,863</u>	<u>196,373</u>
Total Capital Assets Being Depreciated	<u>1,273,924</u>	<u>9,447</u>	<u>1,863</u>	<u>1,281,508</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	673,164	56,586	-	729,750
Furniture and Equipment	<u>145,782</u>	<u>4,875</u>	<u>714</u>	<u>149,943</u>
Total Accumulated Depreciation	<u>818,946</u>	<u>\$ 61,461</u>	<u>\$ 714</u>	<u>879,693</u>
Total Capital Assets Being Depreciated, Net	<u>454,978</u>			<u>401,815</u>
<b>ABC Board Capital Assets, Net</b>	<u><u>\$ 704,971</u></u>			<u><u>\$ 651,808</u></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 creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for Life or a return of the member's contributions.

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

The Town of Fletcher's contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.60% 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 \$379,200 for the year ended June 30, 2025.

*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 at 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, 2025, the Town reported a liability of \$1,712,671 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2024 (measurement date), the Town's proportion was 0.02541% which was an increase of .00076% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$499,397. At June 30, 2025, 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	\$ 300,125	\$ 2,018
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	232,837	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	40,002	50,991
Town contributions subsequent to the measurement date	379,200	-
Total	<u>\$ 952,164</u>	<u>\$ 53,009</u>

The \$379,200 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	\$ 152,883
2027	327,297
2028	66,101
2029	(26,327)
2030	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 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, 2023 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:

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

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:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,034,903	\$ 1,712,671	\$ 624,953

*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, 2023, 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>20</u>
Total	<u><u>21</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, 2023 valuation. The total pension liability in the December 31, 2023 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	4.28 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 \$8,576 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, 2025, the Town reported a total pension liability of \$420,718. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$36,335.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 60,279	\$ 129,878
Changes of assumptions	54,459	77,374
Town benefit payments and plan administrative expense made subsequent to the measurement date	4,288	-
Total	<u>\$ 119,026</u>	<u>\$ 207,252</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:**

2026	\$ (11,710)
2027	(21,946)
2028	(38,092)
2029	(28,592)
2030	1,495
Thereafter	6,331

*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 4.28 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 (3.28 percent) or 1-percentage-higher (5.28 percent) than the current rate:

	<b>1% Decrease (3.28%)</b>	<b>Discount Rate (4.28%)</b>	<b>1% Increase (5.28%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 475,585	\$ 420,718	\$ 372,270

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

	<b>2025</b>
Beginning Balance	\$ 333,664
Service Cost	36,536
Interest on the total pension liability	13,175
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	60,606
Changes of assumptions or other inputs	(14,687)
Benefit payments	(8,576)
Other changes	-
Ending Balance of the total pension liability	\$ 420,718

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, 2023 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	\$ 499,397	\$ 36,335	\$ 535,732
Pension Liability	1,712,671	420,718	2,133,389
Proportionate share of the net pension liability	0.02541%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	300,125	60,279	360,404
Changes of assumptions	-	54,459	54,459
Net Difference between projected and actual earnings on pension plan investments	232,837	-	232,837
Changes in proportion and differences between Town contributions and proportionate share of contributions	40,002	-	40,002
Benefit payments and administrative costs paid subsequent to the measurement date	379,200	4,288	383,488
 Deferred of Inflows of Resources			
Differences between expected and actual experience	2,018	129,878	131,896
Changes of assumptions	-	77,374	77,374
Net Difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	50,991	-	50,991

**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, 2025 were \$97,134 which consisted of \$60,984 from the Town and \$36,150 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, 2025 were \$105,657 which consisted of \$72,145 from the Town and \$33,512 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, 2023, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	19	18
Total	19	18

## Total OPEB Liability

The Town's total OPEB liability of \$48,286 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2023 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	3.93 percent
Health Care Cost Trends	Pre-Medicare: 7.00 percent for 2023 decreasing to 4.50 percent by 2033

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 7/1/2024</b>	\$ 45,181
<b>Changes for the year</b>	
Service Cost	3,119
Interest	1,763
Changes of benefit terms	-
Differences between expected and actual experience	(43)
Changes of assumptions or other inputs	(1,734)
Benefit payments	-
<b>Net changes</b>	<u>3,105</u>
<b>Balance as of 6/30/2025</b>	<u>\$ 48,286</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.65% to 3.93% 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, 2023 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, 2023 valuation were based on a review of recent plan experience done concurrently with the June 30, 2023 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 (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	<u>1% Decrease (2.93%)</u>	<u>Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
Total OPEB Liability	\$ 54,809	\$ 48,286	\$ 42,629

*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	\$ 40,909	\$ 48,286	\$ 57,340

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$2,022. At June 30, 2025, 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	\$ -	\$ 19,501
Changes of assumptions	11,297	9,596
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 11,297</u>	<u>\$ 29,097</u>

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

**Year ended June 30:**

2026	\$ (2,860)
2027	(2,860)
2028	(2,767)
2029	(2,530)
2030	(2,326)
Thereafter	(4,457)

## 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	\$ 379,200
Benefit payments made and administrative expenses for LEOSSA	4,288
Differences between expected and actual experience	360,404
Changes of assumptions	65,756
Net difference between projected and actual	232,837
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,002
	<u>\$ 1,082,487</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable (General Fund), less penalties	\$ -	\$ 22,880
Changes in assumptions	86,970	-
Differences between expected and actual experience	151,397	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	50,991	-
Total	<u>\$ 289,358</u>	<u>\$ 22,880</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 finance officer is required to hold a performance bond through a commercial surety bond. The finance officer is individually bonded for \$1,000,000 and the deputy finance officer/tax collector is individually bonded for \$250,000 each. 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 February 21, 2022, to lease one copy machine and requires 60 monthly payments of \$279. 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, 2025 is \$5,212.

The second agreement was executed on June 18, 2024, to lease three copy machines and requires 60 monthly payments of \$728. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.7660%. The liability balance as of June 30, 2025 is \$32,404.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 11,217	\$ 867	\$ 12,084
2027	10,104	586	10,690
2028	8,394	345	8,739
2029	7,901	110	8,011
Totals	<u>\$ 37,616</u>	<u>\$ 1,908</u>	<u>\$ 39,524</u>

**B. Installment Purchase**

**1) Economic Development Acquisition Project Direct Placement Installment Purchase-TRUIST**

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

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

Annual debt service principal and interest payments for this installment purchase as of June 30, 2025, are as follows:

<u>Year Ending June 30</u>	<u>Direct Placement</u>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 120,000	\$ 37,164	\$ 157,164
2027	120,000	33,252	153,252
2028	120,000	29,340	149,340
2029	120,000	25,428	145,428
2030	120,000	21,516	141,516
2031-2035	600,000	48,990	648,990
Totals	<u>\$ 1,200,000</u>	<u>\$ 195,690</u>	<u>\$ 1,395,690</u>

**2) Town Hall Direct Placement Installment Purchase Contracts-USDA**

On June 12, 2014, the Town entered into two direct placement installment purchase contracts with the United States Department of Agriculture in the total amount of \$6,500,000 for the new Town Hall building.

The first installment purchase contract is in the amount of \$5,000,000 with the financing contract requiring 40 annual total payments of \$257,350 which includes interest at 4.125% beginning in June 2015 and continuing until December 2041. 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. In April 2024, the Town made an additional principal payment of \$479,000 towards this installment purchase contract. Town Hall is pledged as collateral for the debt.

Annual debt service principal and interest payments for this installment purchase as of June 30, 2025, are as follows:

<u>Year Ending June 30</u>	<u>Direct Placement</u>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 132,809	\$ 124,543	\$ 257,352
2027	138,392	118,960	257,352
2028	144,210	113,142	257,352
2029	150,273	107,079	257,352
2030	156,590	100,762	257,352
2031-2035	887,405	399,355	1,286,760
2036-2040	1,090,289	196,471	1,286,760
2041-2042	379,669	12,703	392,372
Totals	<u>\$3,079,637</u>	<u>\$ 1,173,015</u>	<u>\$ 4,252,652</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, 2025, are as follows:

<u>Year Ending June 30</u>	<u>Direct Placement</u>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 26,825	\$ 42,079	\$ 68,904
2027	27,745	41,159	68,904
2028	28,696	40,208	68,904
2029	29,680	39,224	68,904
2030	30,697	38,207	68,904
2031-2035	170,008	174,512	344,520
2036-2040	201,212	143,308	344,520
2041-2045	238,143	106,377	344,520
2046-2050	281,852	62,668	344,520
2051-2054	224,134	13,614	237,748
Totals	<u>\$1,258,992</u>	<u>\$ 701,356</u>	<u>\$ 1,960,348</u>

### C. Subscriptions

For the year ended June 30, 2024 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 April 13, 2024, the Town entered into a 36-month subscription for the use of DebtBook Software. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 2.9750% was used to discount the subscription payments. The initial liability for the subscription was \$33,428. The liability balance remaining at June 30, 2025 is \$12,625.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2025, were as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 12,625	\$ 375	\$ 13,000
Totals	<u>\$ 12,625</u>	<u>\$ 375</u>	<u>\$ 13,000</u>

### D. Changes in Long-term Liabilities

A summary of changes in long-term liabilities follows:

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Direct Placement Installment Purchase	\$ 5,913,643	\$ -	\$ 375,014	\$ 5,538,629	\$ 381,261
Lease Liabilities	48,554	-	10,938	37,616	11,217
IT Subscription Liabilities	38,677	-	26,052	12,625	12,625
Compensated Absences	610,213	51,653	-	661,866	156,240
Total OPEB Liability	45,181	3,105	-	48,286	-
Net Pension Liability (LGERS)	1,632,591	80,080	-	1,712,671	-
Net Pension Obligation (LEO)	333,664	87,054	-	420,718	-
Governmental activity long-term liabilities	<u>\$ 8,622,523</u>	<u>\$ 221,892</u>	<u>\$ 412,004</u>	<u>\$ 8,432,411</u>	<u>\$ 561,343</u>

**Note 10 – Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2025, consist of the following:

Due from Grant Project Fund for Hurricane Helene Grant expenditures General Fund	<u>\$ 323,570</u>
Due to General Fund for Hurricane Helene Grant expenditures Grant Project Fund	<u>\$ 323,570</u>

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

Transfers to/from other funds at June 30, 2025, consist of the following:

From the General Fund to Hurricane Helene Grant Project Fund for donation towards park repairs as part of the grant project.	<u>\$ 100,000</u>
Total	<u>\$ 100,000</u>

**Note 11 – Net Investment in Capital Assets**

	<u>Governmental</u>
Capital Assets	\$ 20,090,775
less: long-term debt	5,588,870
add: unexpended debt proceeds	<u>-</u>
Net investment in capital asset	<u>\$ 14,501,905</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:

<b><i>Total fund balance-General Fund</i></b>	<b><i>\$ 12,434,617</i></b>
Less:	
Prepaid Items	32,145
Stabilization by State Statute	1,437,490
Streets	561,141
Police	21,841
USDA	326,335
Sidewalk	185,305
Capital	2,667,179
Library	50,000
Future Park Development	30,868
Subsequent Year's Expenditures	266,604
Remaining Fund Balance	6,855,709

### **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, 2025.

### **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 – Subsequent Disclosure of Subsequent Events**

Management has evaluated subsequent events through November 3, 2025, the date on which the financial statements were issued. During the period end of the year and through this date, no circumstances occurred that required recognition or disclosure in these financial statements.

### **Note 16 – Change of Accounting Principal/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, in the fiscal year ended June 30, 2025. In addition to the value of unused vacation time owed to employees upon separation of employment, the Town now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The implementation of this statement required the Town to update its net compensated absences liability thus affecting net position, and the effects required a restatement in net position of a decrease in \$396,104.

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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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fletcher's proportion of the net pension liability (asset) (%)	0.02541%	0.02465%	0.02780%	0.02780%	0.02749%	0.02780%	0.02780%	0.02749%	0.02780%	0.02465%	0.02541%
Fletcher's proportion of the net pension liability (asset) (\$)	\$1,712,671	\$1,632,591	\$1,568,317	\$421,586	\$995,199	\$757,831	\$669,475	\$447,623	\$633,305	\$128,983	\$1,478,513
Fletcher's covered-employee payroll	\$2,422,319	\$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	\$1,478,513
Fletcher's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.70%	75.34%	79.57%	21.73%	52.56%	43.50%	40.12%	27.83%	39.74%	8.72%	8.72%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	84.14%	84.14%	95.51%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	94.35%

\* The amount presented for each fiscal year was determined as of the prior fiscal year ending June 30.

\*\*This will be the same percentage for all participant employers in the LGERS plan.

Town of Fletcher, North Carolina  
 Town of Fletcher's Contributions  
 Required Supplementary Information  
 Last Ten Fiscal Years

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 379,200	\$ 323,939	\$ 270,916	\$ 229,600	\$ 202,737	\$ 175,650	\$ 140,867	\$ 130,509	\$ 125,549	\$ 106,053
Contributions in relation to the contractually required contribution	379,200	323,939	270,916	229,600	202,737	175,650	140,867	130,509	125,549	106,053
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fletcher's covered-employee payroll	\$ 2,662,576	\$ 2,422,319	\$ 2,166,873	\$ 1,971,111	\$ 1,940,470	\$ 1,893,559	\$ 1,742,204	\$ 1,668,586	\$ 1,608,687	\$ 1,593,816
Contributions as a percentage of covered employee payroll	14.24%	13.37%	12.50%	11.65%	10.45%	9.28%	8.09%	7.82%	7.80%	6.65%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 333,664	\$ 331,926	\$ 461,017	\$ 560,951	\$ 388,730	\$ 279,484	\$ 266,543	\$ 230,597	\$ 209,955
Service cost	36,536	26,122	37,653	39,824	26,776	24,199	22,764	19,654	20,254
Interest on the total pension liability	13,175	14,121	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	60,606	(41,796)	(71,702)	(122,232)	(11,536)	61,301	(4,568)	(12,484)	-
Changes of assumptions or other inputs	(14,687)	11,867	(96,742)	(19,694)	147,326	13,573	(13,678)	19,875	(7,107)
Benefit payments	(8,576)	(8,576)	(8,576)	(8,576)	(2,969)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	\$ 420,718	\$ 333,664	\$ 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 Nine Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 420,718	\$ 333,664	\$ 331,926	\$ 461,017	\$ 560,951	\$ 388,730	\$ 279,484	\$ 266,543	\$ 230,597
Covered payroll	1,149,083	868,625	887,870	799,317	817,842	824,753	731,073	732,702	735,314
Total pension liability as a percentage of covered payroll	36.61%	38.41%	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 Eight Fiscal Years

Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 3,119	\$ 3,322	\$ 4,317	\$ 3,540	\$ 2,545	\$ 3,259	\$ 3,365	\$ 3,629
Interest	1,763	1,777	1,191	1,158	1,409	1,703	1,452	1,172
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(43)	(7,999)	(32)	(12,783)	(61)	(11,614)	-	-
Changes of assumptions	(1,734)	1,209	(9,425)	10,027	7,285	569	(1,817)	(2,954)
Benefit payments	-	-	-	-	-	-	-	-
<b>Net Change in total OPEB Liability</b>	<b>3,105</b>	<b>(1,691)</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>45,181</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>	<b>38,937</b>
<b>Total OPEB liability-ending</b>	<b>\$ 48,286</b>	<b>\$ 45,181</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>

<b>Covered payroll</b>	\$ 2,305,257	\$ 2,305,257	\$ 1,872,045	\$ 1,872,045	\$ 1,697,551	\$ 1,697,551	\$ 1,564,398	\$ 1,564,398
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>2.09%</b>	<b>1.96%</b>	<b>2.50%</b>	<b>2.71%</b>	<b>2.88%</b>	<b>2.22%</b>	<b>2.80%</b>	<b>2.61%</b>

**Notes to Schedule**

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

Fiscal Year	Rate
2025	3.93%
2024	3.65%
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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**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, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 5,134,802	\$ 5,287,792	\$ 152,990
Prior year	10,000	7,761	(2,239)
Interest	9,000	12,835	3,835
Total	<u>5,153,802</u>	<u>5,308,388</u>	<u>154,586</u>
Unrestricted intergovernmental:			
Local option sales taxes	2,455,999	2,383,363	(72,636)
Utilities sales tax	750,105	811,261	61,156
ABC profit distribution	300,000	330,000	30,000
Sales and use tax	55,000	46,377	(8,623)
Video franchise fee	45,767	40,886	(4,881)
Beer and wine tax	32,000	32,788	788
Total	<u>3,638,871</u>	<u>3,644,675</u>	<u>5,804</u>
Restricted intergovernmental:			
Powell Bill allocation	237,000	260,915	23,915
Powell Bill investment earnings	1,100	1,766	666
Park development	106,000	106,013	13
ABC Funds for law enforcement	12,100	16,852	4,752
Grants	30,000	133,552	103,552
Drug forfeitures	2,500	6,587	4,087
Solid waste disposal tax	6,500	6,329	(171)
Total	<u>395,200</u>	<u>532,014</u>	<u>136,814</u>
Permits and fees:			
Land use permits/fees	7,000	6,070	(930)
Business registration fees	7,900	8,235	335
Total	<u>14,900</u>	<u>14,305</u>	<u>(595)</u>
Sales and services:			
Recreation department fees	117,250	116,790	(460)
Golf tournament fees	6,500	6,939	439
Rents	10,000	6,157	(3,843)
Total	<u>133,750</u>	<u>129,886</u>	<u>(3,864)</u>
Investment earnings	<u>305,000</u>	<u>409,866</u>	<u>104,866</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, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous:			
Miscellaneous revenues	\$ 10,000	\$ 10,444	\$ 444
Total revenues	<u>9,651,523</u>	<u>10,049,578</u>	<u>398,055</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Elected officials	<u>56,914</u>	<u>53,760</u>	<u>3,154</u>
Administration:			
Salaries and employee benefits	688,273	679,930	8,343
Other operating expenditures	<u>460,922</u>	<u>373,895</u>	<u>87,027</u>
Total	<u>1,149,195</u>	<u>1,053,825</u>	<u>95,370</u>
Town facilities:			
Other operating expenditures	<u>156,094</u>	<u>132,200</u>	<u>23,894</u>
Total	<u>156,094</u>	<u>132,200</u>	<u>23,894</u>
Total general government	<u>1,362,203</u>	<u>1,239,785</u>	<u>122,418</u>
Public safety:			
Police:			
Salaries and employee benefits	1,769,239	1,648,413	120,826
Other operating expenditures	500,175	423,368	76,807
Capital outlay	<u>195,940</u>	<u>152,670</u>	<u>43,270</u>
Total	<u>2,465,354</u>	<u>2,224,451</u>	<u>240,903</u>
Fire:			
Contracted services	<u>1,949,005</u>	<u>1,949,005</u>	<u>-</u>
Total public safety	<u>4,414,359</u>	<u>4,173,456</u>	<u>240,903</u>
Economic and physical development:			
Salaries and employee benefits	270,501	266,902	3,599
Other operating expenditures	188,539	154,616	33,923
Capital outlay	<u>83,860</u>	<u>7,920</u>	<u>75,940</u>
Total economic and physical development	<u>542,900</u>	<u>429,438</u>	<u>113,462</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, 2025**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Transportation:			
Streets:			
Salaries and employee benefits	\$ 676,841	\$ 660,648	\$ 16,193
Powell Bill expenditures	292,000	245,861	46,139
Other operating expenditures	902,602	790,829	111,773
Capital outlay	342,880	253,476	89,404
Total transportation	2,214,323	1,950,814	263,509
 Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits	463,902	398,528	65,374
Other operating expenditures	344,276	274,843	69,433
Capital outlay	47,940	-	47,940
Total cultural and recreation	856,118	673,371	182,747
 Debt service:			
Principal retirement	412,500	412,004	496
Interest and other charges	218,000	217,089	911
Total debt service	630,500	629,093	1,407
 Total expenditures	10,020,403	9,095,957	924,446
 Revenues over (under) expenditures	(368,880)	953,621	1,322,501
 <b>Other Financing Sources (Uses):</b>			
Sale of capital assets	20,000	80,616	60,616
Transfer to grant project	(605,000)	(100,000)	505,000
Fund balance appropriated	953,880	-	(953,880)
Total other financing sources (uses)	368,880	(19,384)	(388,264)
 Net change in fund balance	\$ -	934,237	\$ 934,237
 Fund balance, beginning		11,500,380	
 Fund balance, ending		\$ 12,434,617	

**Town of Fletcher, North Carolina**  
**Balance Sheet**  
**Hurricane Helene Disaster Response Grant Project**  
**For the Year Ended June 30, 2025**

	<u>Hurricane Helene Disaster Response Grant Project</u>
<b>Assets:</b>	
Accounts receivable	\$ 460,882
Total assets	<u>\$ 460,882</u>
<b>Liabilities and Fund Balances:</b>	
Due to general fund	\$ 323,570
Accounts payable	129,224
Retainage payable	<u>8,088</u>
Total liabilities	<u>460,882</u>
<b>Fund Balances:</b>	
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u>\$ 460,882</u>

**Town of Fletcher, North Carolina**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Hurricane Helene Disaster Response Grant Project**  
**From Inception and For the Year Ended June 30, 2025**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
FEMA public assistance	\$ 750,000	\$ -	\$ 460,882	\$ 460,882	\$ (289,118)
Insurance proceeds	100,000	-	101,382	101,382	1,382
Total revenues	850,000	-	562,264	562,264	(287,736)
<b>Expenditures:</b>					
Helene recovery park projects	1,000,000	-	662,264	662,264	337,736
Total expenditures	1,000,000	-	662,264	662,264	337,736
Revenues over (under) expenditures	(150,000)	-	(100,000)	(100,000)	50,000
<b>Other Financing Sources (Uses):</b>					
Transfers (to) from General Fund	150,000	-	100,000	100,000	(50,000)
Total other financing sources (uses)	150,000	-	100,000	100,000	(50,000)
Net change in fund balance	\$ -	-	-	-	\$ -
Fund balance, beginning		-	-	-	
Fund balance, ending		\$ -	\$ -	\$ -	

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## **Other Schedules**

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**Town of Fletcher, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2025**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2024</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2025</u>
2024-2025	\$ -	\$ 5,321,728	\$ 5,309,234	12,494
2023-2024	9,868	-	6,626	3,242
2022-2023	3,225	-	918	2,307
2021-2022	1,596	-	176	1,420
2020-2021	2,071	-	171	1,900
2019-2020	2,773	-	1,162	1,611
2018-2019	551	-	13	538
2017-2018	816	-	112	704
2016-2017	379	-	-	379
2015-2016	769	-	-	769
2014-2015	861	-	861	-
	<u>\$ 22,909</u>	<u>\$ 5,321,728</u>	<u>\$ 5,319,273</u>	25,364
				Less: allowance for uncollectible ad valorem taxes
				<u>2,000</u>
				Ad valorem taxes receivable - net
				<u>\$ 23,364</u>

**Reconciliation With Revenues:**

Ad valorem taxes - General Fund	\$ 5,308,388
Penalties collected on ad valorem taxes- General Fund	12,221
Reconciling items:	
Interest collected	(12,835)
Prior year releases	1,417
Refunds	9,221
Taxes written off	861
Total collections and credits	<u>\$ 5,319,273</u>

**Town of Fletcher, North Carolina**  
**Analysis of Current Tax Levy - Town-Wide Levy**  
**For the Year Ended June 30, 2025**

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	\$ 1,879,084,286	0.00280	\$ 5,261,436	\$ 4,918,123	\$ 343,313
Discoveries- current and prior years	22,437,143		62,824	62,824	-
Releases	<u>(904,286)</u>		<u>(2,532)</u>	<u>(889)</u>	<u>(1,643)</u>
Total property valuation	<u>\$ 1,900,617,143</u>				
Net levy			5,321,728	4,980,058	341,670
Uncollected taxes at June 30, 2025			<u>(12,494)</u>	<u>(7,419)</u>	<u>(5,075)</u>
Current year's taxes collected			<u>\$ 5,309,234</u>	<u>\$ 4,972,639</u>	<u>\$ 336,595</u>
Current levy collection percentage			<u>99.77%</u>	<u>99.85%</u>	<u>98.51%</u>



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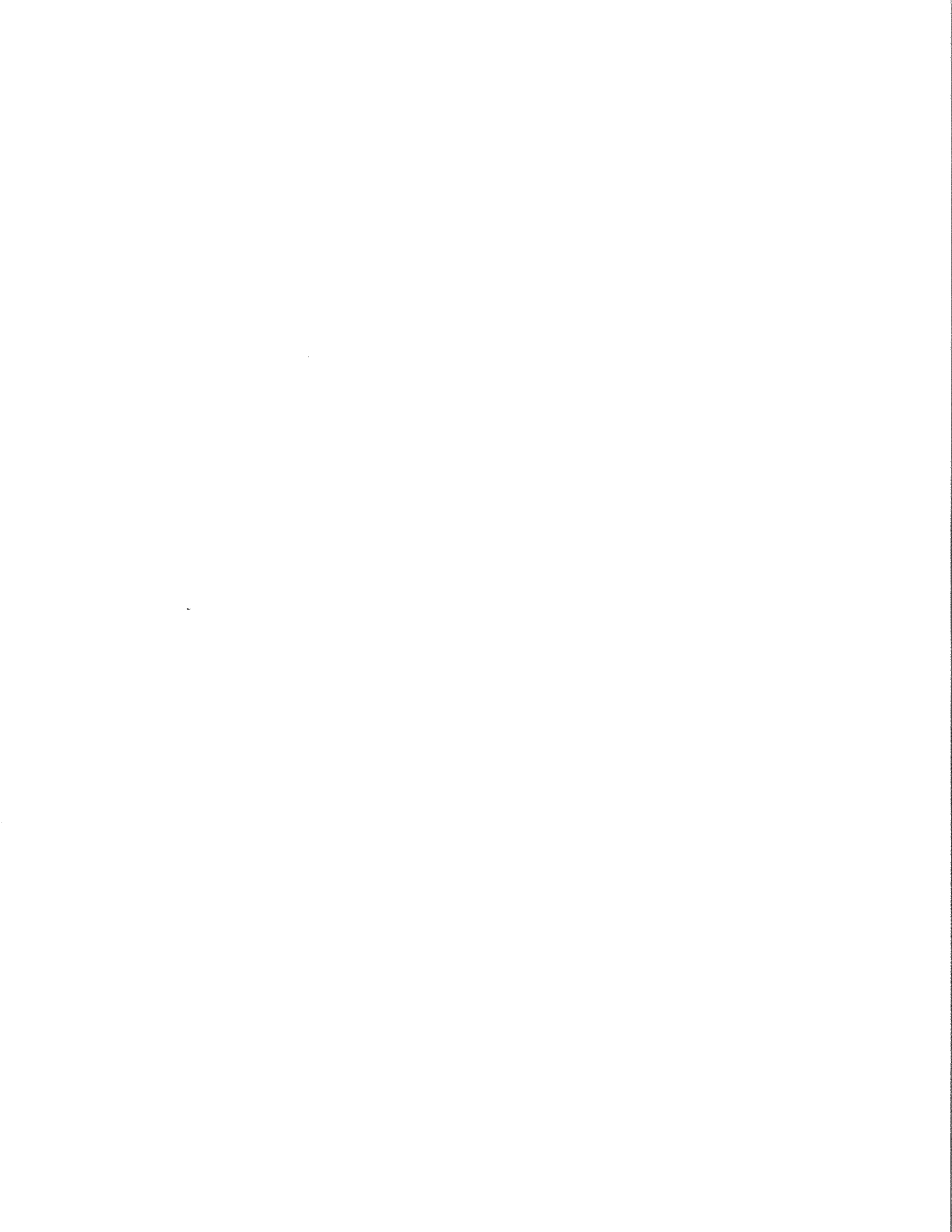
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## **Compliance Section**

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121 North Sterling Street  
Morganton, North Carolina  
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INDEPENDENT AUDITOR'S 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, 2025, 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 November 3, 2025. Our report includes a reference to other auditors who audited the financial statements of the Town of Fletcher Alcoholic Beverage Control Board, as described in our report on the Town of Fletcher, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Town of Fletcher Alcoholic Beverage Control Board were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Town of Fletcher Alcoholic Beverage Control Board or that are reported on separately by those auditors who audited the financial statements of the Town of Fletcher Alcoholic Beverage 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  
November 3, 2025



