

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2026

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2026

"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, 2026

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Financial Section



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Lowdermilk Church & Co., L.L.P.
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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fletcher, North Carolina, as of and for the year ended June 30, 2026, 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, 2026, and the respective changes in financial position, and, where applicable, cash flows thereof 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, 2026, 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, budgetary comparison information, 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 statement 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 October 28, 2026, on our consideration of the Town of Fletcher, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Fletcher, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fletcher, North Carolina's internal control over financial reporting and compliance.

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

Morganton, North Carolina
October 28, 2026

Management's Discussion and Analysis

For the Year Ended June 30, 2026

As management of the Town of Fletcher (the Town), we offer readers of the Town's financial statements this management discussion and analysis (MD&A). The MD&A provides a narrative overview and analysis of the financial statements of the Town of Fletcher for the fiscal year ended June 30, 2026, focusing on why amounts changed from the prior year. We encourage readers to consider the information presented here in conjunction with additional information furnished in this report.

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. 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 of Fletcher.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private sector business. The government-wide financial statements include the Town's governmental activities and discreetly presented component unit.

The statement of net position presents financial information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, transportation, economic & physical development, and cultural and recreation. The Town does not have any business-type activities.

The government-wide financial statements include not only the Town itself (known as the primary government), but also an ABC Board operation (liquor sales), for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. 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 other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, all of the funds of the Town are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government -wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Hurricane Helene Disaster Response Grant Project Fund, which are considered to be major funds.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The Town uses notes to present information in greater detail than is possible within the financial statements themselves, explain the nature of amounts reported in the financial statements and how those amounts were determined, and report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Other Information. In addition to the basic financial statements and accompanying notes, this report includes required supplementary information. The Town presents budgetary comparison schedules for the General Fund and the Hurricane Helene Disaster Response Grant Project Fund, as well as the Town's progress in funding its obligations to provide pension and OPEB benefits to its employees.

Financial Summary and Detailed Analysis

Net position. As noted earlier, net position may serve over time as one useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $25,486,858 at the close of the most recent year, an increase of $596,466.

Town of Fletcher, Net Position

Figure 1

	Governmental Activities	
	June 30	
	2026	2025
Current and other assets	$ 13,415,374	$ 12,714,325
Capital assets	19,479,768	20,090,775
Deferred outflows of resources	972,873	1,082,487
Total assets and deferred outflows of resources	33,868,015	33,887,587
Long-term liabilities outstanding	7,916,752	8,432,411
Other liabilities	162,788	275,415
Deferred inflows of resources	301,617	289,369
Total liabilities and deferred inflows of resources	8,381,157	8,997,195
Net position:		
Net investment in capital assets	14,194,375	14,501,905
Restricted	2,035,576	2,378,952
Unrestricted	9,256,907	8,009,535
Total net position	$ 25,486,858	$ 24,890,392

The largest portion of the Town's net position, $14,194,375, reflects its investment in capital assets (e.g. land, buildings, machinery, vehicles, and infrastructure), net of accumulated depreciation/amortization and less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, $2,035,576, represents resources that are subject to external restrictions on how they may be used. As of the end of the current fiscal year, the Town's unrestricted net position had a balance of $9,256,907. The following section analyzes the finances of the governmental activities.

Governmental activities. Current and other assets increased by $701,049 (5.5 percent) from the prior year, from $12,714,325 to $13,415,374. The increase was primarily attributable to a $1,140,297 increase in cash and cash equivalents, partially offset by a $467,286 decrease in accounts receivable. The decrease in accounts receivable was largely attributable to the Hurricane Helene Grant Fund, which had a $460,882 grant receivable outstanding at June 30, 2025, that was no longer outstanding on June 30, 2026. The increase in cash also reflects the General Fund's positive operating results for the year, as revenues exceeded expenditures by $747,369, with an additional $60,577 received from the sale of capital assets.

Capital assets decreased by $611,007 (3.0 percent), from $20,090,775 to $19,479,768. During the year, the Town added $136,104 in police vehicles, $14,999 for a Public Works mower, and $41,400 in engineering costs associated with the greenway capital project. These additions were offset by current-year depreciation and the disposal of vehicles and equipment with an original cost of $224,653.

Long-term liabilities, which consists of installment purchase agreements, leases, subscription-based IT arrangements, compensated absences and postemployment benefit obligations, decreased by $515,659 (6.1 percent) from the previous year. The decrease was primarily attributable to $279,635 in scheduled principal reductions on installment purchase obligations, a $134,812 decrease in the Town's net pension liability related to LGERS, a $97,917 decrease in compensated absences, and decreases of $12,625 and $11,217 in subscription-based information technology and lease liabilities, respectively. These reductions were partially offset by increases of $17,481 in the Law Enforcement Officers' Special Separation Allowance liability and $3,066 in the Town's other postemployment benefits liability.

Town of Fletcher's Change in Net Position

Figure 2

	Governmental Activities	
	Years Ended June 30	
	2026	2025
Revenues		
Program revenues:		
Charges for service	$ 132,962	$ 129,017
Operating grants and contributions	287,220	634,006
Capital grants and contributions	441,642	460,882
General revenues:		
Property taxes	5,381,527	5,298,191
Other taxes	2,545,122	2,489,790
Grants and contributions not restricted to specific programs	1,190,943	1,182,284
Other	423,490	500,926
Total revenues	10,402,906	10,695,096
Expenses		
General government	1,461,815	1,550,249
Public safety	4,450,895	4,323,644
Transportation	2,103,750	2,009,484
Economic and physical development	460,666	409,053
Cultural and recreation	1,125,900	1,452,566
Interest on long term debt	203,414	215,552
Total expenses	9,806,440	9,960,548
Increase in net position	$ 596,466	$ 734,548
Net position, beginning	$ 24,890,392	$ 24,551,948
Restatement	-	(396,104)
Net position, beginning, restated	24,890,392	24,155,844
Increase in net position	596,466	734,548
Net position, June 30	$ 25,486,858	$ 24,890,392

The Town's overall net position increased by $596,466 from the prior year. The reason for this overall increase is discussed in the following section for governmental activities.

Governmental Activities. Governmental activities increased the Town's net position by $596,466 during fiscal year 2026. Total revenues were $10,402,906, a decrease of $292,190 (2.8 percent) from the prior year. The decrease was primarily attributable to a $346,786 decrease in operating grants and contributions and a $77,436 decrease in other general revenues. These decreases were partially offset by increases in property tax and other tax revenues.

Property tax revenue increased by $83,336 (1.5 percent) on the government-wide basis, from $5,298,191 to $5,381,527. The increase reflects growth in the Town's tax base and continued strong collections, with a fiscal year 2026 collection rate of 99.73 percent. Other tax revenues increased by $55,332 (2.2 percent). Investment earnings remained a significant source of general revenue, totaling $359,996 during the fiscal year.

Total governmental expenses were $9,806,440, a decrease of $154,108 (1.6 percent) from the prior year. The most significant decrease occurred in cultural and recreation expenses, which declined by $326,666 (22.5 percent), primarily reflecting reduced Hurricane Helene recovery activity as recovery projects progressed. Hurricane Helene Grant Fund expenditures decreased from $662,264 in fiscal year 2025 to $441,642 in fiscal year 2026.

The decrease in cultural and recreation expenses more than offset increases in several other functional areas. Public safety expenses increased by $127,251 (2.9 percent), reflecting higher police expenditures and an increase in contracted fire services. Transportation expenses increased by $94,266 (4.7 percent) on the government-wide basis, while economic and physical development expenses increased by $51,613 (12.6 percent). General government expenses decreased by $88,434 (5.7 percent). Overall, the reduction in cultural and recreation and general government expenses contributed to the decrease in total governmental expenses for fiscal year 2026.

Detailed Analysis of Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town reports two major funds individually in the governmental fund financial statements, the General Fund and the Hurricane Helene Disaster Response Grant Project Fund.

General Fund. The General Fund is the Town's chief operating fund. At June 30, 2026, total General Fund balance was $13,242,563, an increase of $807,946 from the prior-year balance of $12,434,617. Fund balance available was $12,129,801, representing 132.82% of General Fund expenditures.

The Town's fund balance policy establishes a minimum unassigned General Fund balance of 45% of actual General Fund expenditures to provide resources for unforeseen needs or appropriations and to meet the Town's cash flow needs. At June 30, 2026, unassigned General Fund balance was $7,056,456, or 77.27% of General Fund expenditures, exceeding the Town's minimum policy requirement.

General Fund revenues totaled $9,879,699 during fiscal year 2026. Ad valorem tax revenues increased by $84,641 to $5,393,029, reflecting growth in the Town's tax base and continued strong collections. Local option sales tax revenues totaled $2,446,195, while investment earnings totaled $359,996.

General Fund expenditures totaled $9,132,330 and remained relatively consistent with the prior year overall, although expenditures shifted among governmental functions. Public safety expenditures increased approximately $232,000, primarily due to increased police personnel costs as the Police Department remained more fully staffed during fiscal year 2026, with fewer position vacancies than in the prior year. The increase also reflects higher contracted fire service costs. Economic and physical development expenditures increased approximately $52,000, primarily due to information technology projects completed during the fiscal year. These increases were partially offset by a decrease of approximately $97,000 in transportation expenditures, primarily due to lower capital outlay purchases compared with the prior year. Debt service expenditures also decreased approximately $121,000, primarily due to lower scheduled principal payments during fiscal year 2026.

General Fund revenues exceeded expenditures by $747,369 during fiscal year 2026. Proceeds of $60,577 from the sale of capital assets resulted in a total increase in General Fund balance of $807,946 for the fiscal year.

Hurricane Helene Disaster Response Grant Project Fund. The Hurricane Helene Disaster Response Grant Project Fund is a major governmental fund used to account for grant-funded recovery activities associated with Hurricane Helene. During fiscal year 2026, the fund recognized $441,642 in restricted intergovernmental revenue and an equal amount of expenditures related to recovery activities. As a result, the fund reported no change in fund balance for the fiscal year. Grant-funded expenditures decreased from $662,264 in fiscal year 2025 to $441,642 in fiscal year 2026 as recovery projects progressed.

Significant Capital Asset and Long-term Financing Activity

Capital Assets. The Town's capital assets for its governmental activities as of June 30, 2026, totaled $19,479,768 (net of accumulated depreciation/amortization) a decrease of 3.04 percent over the prior year. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles and right to use assets for leases and IT subscriptions.

Major capital asset events during the year include the following:

- Acquisition of new police cars totaling $136,104.
- Acquisition of a new mower for Public Works totaling $14,999.
- Engineering and related costs of $41,400 associated with construction in progress for the Town's new greenway project.

Capital asset disposals for the year ended June 30, 2026 of vehicles and equipment of $224,653.

Town of Fletcher's Capital Assets
(Net of depreciation/amortization)
Figure 3

	Governmental Activities	
	June 30	
	2026	2025
Land	$ 6,682,572	$ 6,682,572
Construction in progress	41,400	-
Land improvements	5,447,233	5,591,558
Buildings and improvements	6,269,776	6,482,144
Equipment and furniture	294,927	421,610
Vehicles	709,304	855,973
Right to use assets:		
Leases	25,828	37,046
IT Subscriptions	8,728	19,871
Total	$ 19,479,768	$ 20,090,774

Both leases and software subscriptions (SBITA) are intangible, right to use assets. The Town does not own these assets but rather has the right to use them in operations as specified in their respective contracts. When entering into a lease or SBITA contract, a liability is also recognized, which is included in the long-term financings discussion below.

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

Long-term financing. As of June 30, 2026, the Town had total long-term financing liabilities of $7,916,752 composed of installment financings, lease liabilities, subscription liabilities, post-employment healthcare liabilities, pension liabilities, and compensated absences liabilities. The installment debt is backed by security interest in the property for which it was issued. Changes in long-term financing liabilities are as follows:

Town of Fletcher's Long-term Financing Liabilities
Figure 4

	Governmental Activities	
	June 30	
	2026	2025
Direct placement installment debt	$ 5,258,994	$ 5,538,629
Lease liabilities	26,399	37,616
IT subscription liabilities	-	12,625
Total	$ 5,285,393	$ 5,588,870

The Town's total long-term financing liabilities decreased by $303,477, or 5.4 percent, from the prior year. The decrease was primarily attributable to $279,635 in scheduled principal payments on installment purchase obligations, along with decreases of $12,625 in subscription-based information technology liabilities and $11,217 in lease liabilities.

North Carolina general statutes limit the amount of general obligation and installment financing debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is $154,228,486.

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

Currently known facts, decisions, or conditions

The Town was aware of the following items that will impact future finances and were considered in developing the 2027 fiscal year budget.

- **Property tax rate and fire service funding.** The Town Council adopted a property tax rate of $0.30 per $100 of assessed valuation for fiscal year 2027, an increase of $0.02 from the fiscal year 2026 rate. Of the increase, $0.015 was adopted to provide additional funding for contracted fire and rescue services. The remaining $0.005 was adopted to offset the effect of updated revenue projections, including anticipated changes in sales tax revenues.

- **Sales tax revenues.** Sales tax revenues remain a significant source of General Fund revenue. The Town reduced its sales tax revenue projections for fiscal year 2027 based on recent collections and changes affecting the Town's share of sales tax distributions. Management will continue to monitor collections throughout the fiscal year because changes in sales tax revenues could have a significant effect on General Fund operating results.
- **Employee health insurance costs.** Employee health insurance premiums increased approximately 34% for the plan year beginning June 2026 and ending May 2027. Because the increased premiums will be in effect for eleven months of fiscal year 2027, the increase is expected to result in significantly higher employee health insurance expenditures compared with fiscal year 2026
- **Development activity and property tax base.** Commercial and residential development continues within the Town, including ongoing investment at the former Continental industrial site and several residential developments in various stages of construction. As these projects are completed and added to the Town's assessed valuation, they are expected to contribute to growth in the property tax base. However, the timing and amount of additional assessed valuation attributable to these projects during fiscal year 2027 is not yet known.
- **Capital equipment.** The Town has planned significant capital equipment purchases for fiscal year 2027, including the replacement of a streetsweeper and the purchase of a garbage truck. The streetsweeper replacement follows the total loss of the Town's previous unit, for which insurance proceeds were received during the prior fiscal year. The garbage truck is expected to be financed through an installment purchase agreement. These purchases are expected to increase the Town's capital assets and, in the case of the garbage truck, its long-term financing obligations.

Requests for Information

This report is designed to provide an overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to Heather N. Taylor, Finance Officer, 300 Old Cane Creek Road, Fletcher, North Carolina 28732. You can also call (828) 687-3985, visit our website www.fletchernc.org or send an email to h.taylor@fletchernc.org for more information.

Basic Financial Statements

Exhibit 1

Town of Fletcher, North Carolina
Statement of Net Position
June 30, 2026

	Primary Government Governmental Activities	Component Unit Town of Fletcher ABC Board
Assets		
Current assets:		
Cash and cash equivalents	$ 11,779,125	$ 941,165
Taxes receivable, net	27,899	
Accounts receivable, net	969,720	9,604
Inventories	-	462,921
Prepaid items	42,151	17,902
Restricted cash and cash equivalents	596,479	-
Total current assets	13,415,374	1,431,592
Non-current assets:		
Capital assets (Note 4):		
Land and construction in progress	6,723,972	249,993
Other capital assets, net of depreciation	12,721,240	348,987
Right to use assets, net of amortization	34,556	-
Total capital assets	19,479,768	598,980
Total assets	32,895,142	2,030,572
Deferred Outflows of Resources		
Pension deferrals	960,816	92,654
OPEB deferrals	12,057	-
Total deferred outflows of resources	972,873	92,654
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	144,912	412,731
Accrued interest payable	16,985	-
Due to other government	891	-
Current portion of long-term liabilities	446,557	-
Total current liabilities	609,345	412,731
Long-term liabilities:		
Due in more than one year	7,470,195	122,477
Total liabilities	8,079,540	535,208
Deferred Inflows of Resources		
Pension deferrals	272,840	20,825
OPEB deferrals	28,777	-
Total deferred inflows of resources	301,617	20,825
Net Position		
Net investment in capital assets	14,194,375	598,980
Restricted for:		
Prepaid items	42,151	-
Stabilization by State Statue	1,070,611	-
Streets	576,400	-
Police	20,079	-
USDA	326,335	-
Working capital and capital improvements	-	215,814
Unrestricted	9,256,907	752,399
Total net position	$ 25,486,858	$ 1,567,193

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, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Town of Fletcher ABC Board
Primary government:						
Governmental Activities:						
General government	$ 1,461,815	$ 13,207	$ -	$ -	$ (1,448,608)	$ -
Public safety	4,450,895	-	15,991	-	(4,434,904)	-
Transportation	2,103,750	-	262,829	-	(1,840,921)	-
Economic and physical development	460,666	-	-	-	(460,666)	-
Cultural and recreation	1,125,900	119,755	8,400	441,642	(556,103)	-
Interest on long-term debt	203,414	-	-	-	(203,414)	-
Total governmental activities	$ 9,806,440	$ 132,962	$ 287,220	$ 441,642	(8,944,616)	-
Component Unit:						
ABC Board	$ 4,225,478	$ 4,224,211	$ -	$ -	-	(1,267)
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					5,381,527	-
Other taxes					2,545,122	-
Grants and contributions not restricted to specific programs					1,190,943	-
Unrestricted investment earnings					359,996	-
Sale of capital assets					54,963	-
Miscellaneous					8,531	-
Total general revenues					9,541,082	-
Change in net position					$ 596,466	$ (1,267)
Net position, beginning					$ 24,890,392	$ 1,568,460
Change in net position					596,466	(1,267)
Net position, ending					$ 25,486,858	$ 1,567,193

Fund Financial Statements

Exhibit 3

Town of Fletcher, North Carolina
Balance Sheet
Governmental Funds
June 30, 2026

	Major Fund		Total Governmental Funds
	General Fund	Hurricane Helene Grant Fund	
Assets:			
Cash and cash equivalents	$ 11,779,125	$ -	$ 11,779,125
Restricted cash	596,479	-	596,479
Receivables, net:			
Taxes	27,899	-	27,899
Accounts	969,720	-	969,720
Prepaid items	42,151	-	42,151
Total assets	$ 13,415,374	$ -	$ 13,415,374
Liabilities:			
Accounts payable and accrued liabilities	$ 144,912	$ -	$ 144,912
Due to other governments	891	-	891
Total liabilities	145,803	-	145,803
Deferred Inflows of Resources:			
Property taxes receivable	27,008	-	27,008
Total deferred inflows of resources	27,008	-	27,008
Fund Balances:			
Nonspendable			
Prepaid items	42,151	-	42,151
Restricted			
Stabilization by State Statute	1,070,611	-	1,070,611
Streets	576,400	-	576,400
Police	20,079	-	20,079
USDA	326,335	-	326,335
Committed			
Sidewalk	185,305	-	185,305
Assigned			
Capital	2,667,179	-	2,667,179
Library	1,000,000	-	1,000,000
Future Park Development	33,589	-	33,589
Subsequent year's expenditures	264,458	-	264,458
Unassigned	7,056,456	-	7,056,456
Total fund balances	13,242,563	-	13,242,563
Total liabilities, deferred inflows of resources and fund balances	$ 13,415,374	$ -	$ 13,415,374

Town of Fletcher, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2026

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Fund		$ 13,242,563
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	$ 26,013,274	
Accumulated depreciation	(6,568,062)	19,445,212
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	(30,264)	25,828
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	(24,700)	8,728
Deferred outflows of resources related to pensions are not reported in the funds		960,816
Deferred outflows of resources related to OPEB are not reported in the funds		12,057
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		27,008
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Long-term debt	$ (5,258,994)	
Lease liabilities	(26,399)	
IT subscription liabilities	-	
Compensated absences	(563,949)	
OPEB liability	(51,352)	
Total pension liability	(438,199)	
Net pension liability	(1,577,859)	(7,916,752)
Deferred inflows of resources related to pensions are not reported in the funds		(272,840)
Deferred inflows of resources related to OPEB are not reported in the funds		(28,777)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(16,985)
Net position of governmental activities		$ 25,486,858

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

Exhibit 4

Town of Fletcher, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2026

	Major Fund		Total
	General Fund	Hurricane Helene Grant Fund	Governmental Funds
REVENUES			
Ad valorem taxes	$ 5,393,029	$ -	$ 5,393,029
Unrestricted intergovernmental	3,681,042	-	3,681,042
Restricted intergovernmental	285,355	441,642	726,997
Permits and fees	14,980	-	14,980
Sales and services	134,240	-	134,240
Investment earnings	359,996	-	359,996
Miscellaneous	11,057	-	11,057
Total revenues	9,879,699	441,642	10,321,341
EXPENDITURES			
Current:			
General government	1,221,994	-	1,221,994
Public safety	4,405,442	-	4,405,442
Transportation	1,854,125	-	1,854,125
Economic and physical development	481,398	-	481,398
Cultural and recreation	660,867	441,642	1,102,509
Debt service:			
Principal	303,476	-	303,476
Interest and other charges	205,028	-	205,028
Total expenditures	9,132,330	441,642	9,573,972
Excess (deficiency) of revenues over (	747,369	-	747,369
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	60,577	-	60,577
Transfer to grant project	-	-	-
Total other financing sources (uses)	60,577	-	60,577
Net change in fund balance	807,946	-	807,946
Fund balances, beginning	12,434,617	-	12,434,617
Fund balances, ending	$ 13,242,563	$ -	$ 13,242,563

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, 2026

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

Net Change in Fund Balances - Total Governmental Funds		$ 807,946
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures that were capitalized	$ 126,103	
Donated/contributed capital assets	25,000	
Capital project expenditures recorded as construction in progress	41,400	
Net book value of capital assets disposed	(8,140)	
Depreciation expense for governmental activities	(773,009)	(588,646)
Right to use leased asset capital outlay expenditures which were capitalized	-	
Amortization expense for intangible leased assets	(11,218)	(11,218)
Right to use IT subscription asset capital outlay expenditures which were	-	
Amortization expense for intangible IT subscription assets	(11,143)	(11,143)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		430,252
Benefit payments paid and administrative expense for LEOSSA are not included on the Statement of Activities		8,968
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		4,128
The issuance of long-term debt provides current financial resources to		
Principal payments on long-term debt	$ 303,476	
Decrease in accrued interest payable	1,614	305,090
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	$ 97,917	
Pension expense	(444,842)	
OPEB plan expense	(1,986)	(348,911)
Total Change in Net Position of Governmental Activities		$ 596,466

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



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Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

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 of Fletcher (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 (GAAP), 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 (the ABC Board) 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. The ABC Board is a major component unit due to the significant nature of services provided.

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 (G.S.), 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. 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 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.

G.S. 159-30 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 mutual fund shares when the mutual fund is certified by the Local Government Commission. The Town's and the ABC Board's investments are reported at fair value.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is an SEC-registered money market mutual fund that is currently certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAm by S&P and AAA-mf by Moody's Investors Service and reported at fair value.

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	$ 576,400
Police	20,079
Total Restricted Cash	$ 596,479

Ad Valorem Taxes Receivable

By 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, 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. The taxes are based on the assessed values as of January 1, 2025.

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:

Asset Class	Estimated Useful Lives (in Years)
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:

Asset Class	Estimated Useful Lives (in Years)
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 2026 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 statue (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 statue." *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. Significant Violations of Finance-Related Legal and Contractual Provisions.

I. Noncompliance with North Carolina General Statues

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, 2026, the Town's deposits had a carrying amount of $2,610,815 and a bank balance of $3,073,331. 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 $939,015 and a bank balance of $920,015. $491,925 of the bank balance was not covered by federal depository insurance. At June 30, 2026, the Town's petty cash fund totaled $350.

Investments:

At June 30, 2026, the Town of Fletcher had $9,764,439 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's (S&P) and AAA-mf by Moody's Investors Service. The Town has no policy against credit risk.

Note 3 – Receivables

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 $891. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2026 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes Receivable	$ 2,000

Note 4 – Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2026, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 6,682,572	$ -	$ -	$ 6,682,572
Construction in Progress	-	41,400	-	41,400
Total Capital Assets Not Being Depreciated	6,682,572	41,400	-	6,723,972
Capital Assets Being Depreciated:				
Land Improvements	6,518,037	-	-	6,518,037
Buildings and Improvements	8,502,117	-	-	8,502,117
Equipment and Furniture	1,705,146	14,999	129,409	1,590,736
Vehicles	2,637,552	136,104	95,244	2,678,412
Total Capital Assets Being Depreciated	19,362,852	151,103	224,653	19,289,302
Less Accumulated Depreciation For:				
Land Improvements	926,478	144,326	-	1,070,804
Buildings and Improvements	2,019,973	212,368	-	2,232,341
Equipment and Furniture	1,283,536	133,542	121,269	1,295,809
Vehicles	1,781,579	282,773	95,244	1,969,108
Total Accumulated Depreciation	6,011,566	773,009	216,513	6,568,062
Total Capital Assets Being Depreciated, Net	13,351,286	(621,906)	8,140	12,721,240
Capital Assets Being Amortized:				
Right to use assets:				
Leased Equipment	56,092	-	-	56,092
IT Subscriptions	33,428	-	-	33,428
Total Capital Assets Being Amortized	89,520	-	-	89,520
Less Accumulated Amortization For:				
Right to use assets:				
Leased Equipment	19,046	11,218	-	30,264
IT Subscriptions	13,557	11,143	-	24,700
Total Accumulated Amortization	32,603	22,361	-	54,964
Total Capital Assets Being Amortized, Net	56,917	(22,361)	-	34,556
Governmental Activities Capital Assets, Net	$ 20,090,775			$ 19,479,768

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

General Government	$ 253,483
Public Safety	183,284
Recreation	68,137
Transportation	268,105
Total Depreciation Expense	$ 773,009

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2026, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	$ 249,993	$ -	$ -	$ 249,993
Capital Assets Being Depreciated:				
Buildings	1,085,135	-	-	1,085,135
Furniture and Equipment	196,373	8,042	-	204,415
Total Capital Assets Being Depreciated	1,281,508	8,042	-	1,289,550
Less Accumulated Depreciation for:				
Buildings	729,750	56,977	-	786,727
Furniture and Equipment	149,943	3,893	-	153,836
Total Accumulated Depreciation	879,693	$ 60,870	$ -	940,563
Total Capital Assets Being Depreciated, Net	401,815			348,987
ABC Board Capital Assets, Net	$ 651,808			$ 598,980

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 (ACFR) includes financial statements and required supplementary information for LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by G.S. 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2026, was 16.08% of compensation for law enforcement officers and 14.35% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Fletcher were $430,252 for the year ended June 30, 2026.

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, 2026, the Town reported a liability of $1,577,859 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2025 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, 2025 (measurement date), the Town's proportion was 0.02553% which was a increase of .00012% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the Town recognized pension expense of $406,728. At June 30, 2026, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 384,836	$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	46,993
Changes in proportion and differences between Town contributions and proportionate share of contributions	43,356	23,584
Town contributions subsequent to the measurement date	430,252	-
Total	$ 858,444	$ 70,577

The $430,252 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, 2027. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2027	$ 344,631
2028	82,003
2029	(10,840)
2030	(58,178)
2031	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2025 valuation were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2017. 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, 2026 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100.0%	

The information above is based on 30-year expectations developed with an investment consulting firm's 2026 long-term capital market assumptions. 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 2.38%. All rates of return and inflation are annualized figures. Source data is provided in the 2026 Annual Comprehensive Financial Report (ACFR) published on the website of the Office of the State Controller.

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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	$ 3,007,933	$ 1,577,859	$ 401,929

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR 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. Effective July 1, 2025, per Session Law 2025-8, eligible officers must make an irrevocable election for the benefit to be paid either a) based upon final salary times years of service, payable until age 62, or b) based on salary at 30 years times 30 years of service, payable for the number of years between age 30-year milestone and age 62. 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, 2024, 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	19
Total	20

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, 2024 valuation. The total pension liability in the December 31, 2024 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 9.5 percent, including inflation and productivity factor
Discount rate	4.82 percent

The discount rate used to measure the TPL is the Bond Buyers General Obligation 20-Year Municipal Bond Index Rate.

Mortality assumption: All mortality rates use Pub-2016 amount-weighted tables.

Mortality projection: All mortality rates are projected from 2016 using generational improvement with Scale MP-2021.

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

On June 30, 2026, the Town reported a total pension liability of $438,199. The total pension liability was measured as of December 31, 2025 based on a December 31, 2024 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2025 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2026, the Town recognized pension expense of $38,114.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 67,867	$ 95,268
Changes of assumptions	30,217	106,995
Town benefit payments and plan administrative expense made subsequent to the measurement date	4,288	-
Total	$ 102,372	$ 202,263

$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:	
2027	$ (26,706)
2028	(42,852)
2029	(33,352)
2030	(3,265)
2031	1,996
Thereafter	-

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 4.82 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 (3.82 percent) or 1-percentage-higher (5.82 percent) than the current rate:

	1% Decrease (3.82%)	**Discount Rate (4.82%)**	**1% Increase (5.82%)**
Town's proportionate share of the net pension liability (asset)	$ 490,130	$ 438,199	$ 391,979

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

	2026
Balances as of December 31, 2024	$ 420,718
Service Cost	36,369
Interest on the total pension liability	17,823
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	29,703
Changes of assumptions or other inputs	(57,838)
Benefit payments	(8,576)
Other changes	-
Balances as of December 31, 2025	$ 438,199

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, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2016.

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	$ 406,728	$ 38,144	$ 444,872
Pension Liability	1,577,859	438,199	2,016,058
Proportionate share of the net pension liability	0.02553%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	384,836	67,867	452,703
Changes of assumptions	-	30,217	30,217
Net Difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	43,356	-	43,356
Benefit payments and administrative costs paid subsequent to the measurement date	430,252	4,288	434,540
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	95,268	95,268
Changes of assumptions	-	106,995	106,995
Net Difference between projected and actual earnings on pension plan investments	46,993	-	46,993
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,584	-	23,584

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The Town contributes to the Supplemental Retirement Income Plan (the 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 (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. 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, or at www.osc.nc.gov.

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, 2026 were $109,441 which consisted of $66,998 from the Town and $42,443 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, 2026 were $115,122 which consisted of $74,989 from the Town and $40,133 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, 2025, the date of the latest actuarial valuation:

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

Total OPEB Liability

The Town's total OPEB liability of $51,352 was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2025.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2025 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	5.20 percent
Health Care Cost Trends	Pre-Medicare: 7.00 percent for 2025 decreasing to 4.50 percent by 2035

The discount rate is based on the yield of the Bond Buyer 20-year General Obligation Bond Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability	
Balances as of June 30, 2025	$	48,286
Changes for the year		
Service Cost		3,031
Interest		2,017
Changes of benefit terms		-
Differences between expected and actual experience		2,871
Changes of assumptions or other inputs		(4,853)
Benefit payments		-
Net changes		3,066
Balances as of June 30, 2026	$	51,352

Changes in assumptions and other inputs reflect a change in the discount rate from 3.93% to 5.20% 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, 2025 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, 2025 valuation were based on a review of recent plan experience done concurrently with the June 30, 2025 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 (4.20 percent) or 1-percentage-point higher (6.20 percent) than the current discount rate:

	1% Decrease (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB Liability	$ 58,209	$ 51,352	$ 45,425

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:

	1% Decrease	Current	1% Increase
Total OPEB Liability	$ 44,155	$ 51,352	$ 60,107

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

For the year ended June 30, 2026, the Town recognized OPEB expense of $1,986. At June 30, 2026, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,577	$ 16,365
Changes of assumptions	9,480	12,412
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	$ 12,057	$ 28,777

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

Year ended June 30:	
2027	$ (3,062)
2028	(2,969)
2029	(2,732)
2030	(2,528)
2031	(1,650)
Thereafter	(3,779)

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	$ 430,252
Benefit payments made and administrative expenses for LEOSSA	4,288
Differences between expected and actual experience	455,280
Changes of assumptions	39,697
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,356
	$ 972,873

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund), less penalties	$ -	$ 27,008
Changes in assumptions	119,407	-
Differences between expected and actual experience	111,633	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,577	-
Total	$ 301,617	$ 27,008

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 Bill Moore 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.

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

The first agreement was executed on 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, 2026 is $1,938.

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 $24,601.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2026, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2027	$ 10,104	$ 586	$ 10,690
2028	8,394	345	8,739
2029	7,901	110	8,011
Totals	$ 26,399	$ 1,041	$ 27,440

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, 2026, are as follows:

	Direct Placement		
	Governmental Activities		
Year Ending June 30	Principal	Interest	Total
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	120,000	17,604	137,604
2032-2035	480,000	31,386	511,386
Totals	$ 1,080,000	$ 158,526	$ 1,238,526

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, 2026, are as follows:

	Direct Placement		
	Governmental Activities		
Year Ending June 30	Principal	Interest	Total
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	163,173	94,179	257,352
2032-2036	924,711	362,049	1,286,760
2037-2041	1,136,123	150,637	1,286,760
2042	133,356	1,664	135,020
Totals	$ 2,946,828	$ 1,048,472	$ 3,995,300

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, 2026, are as follows:

	Direct Placement		
	Governmental Activities		
Year Ending June 30	Principal	Interest	Total
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	31,749	37,155	68,904
2032-2036	175,835	168,685	344,520
2037-2041	208,109	136,411	344,520
2042-2046	246,306	98,214	344,520
2047-2051	291,514	53,006	344,520
2052-2054	161,836	7,008	168,844
Totals	$ 1,232,167	$ 659,277	$ 1,891,444

C. Subscriptions

A subscription-based information technology arrangement (SBITA) was entered into during fiscal year 2024 for the use of DebtBook software, which assists the Town with lease and SBITA accounting. The initial term of the agreement was three years. At June 30, 2026, ten months remained on the subscription term, which expires in April 2027

The SBITA 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 subscription liability was $33,428. As of June 30, 2026, all required subscription payments have been made the subscription liability was zero. The Town continues to recognize and amortize the related subscription asset over the remaining subscription term.

D. Changes in Long-term Liabilities

A summary of changes in long-term liabilities follows:

Governmental Activities:	Beginning Balances	Additions	Deletions	Ending Balance	Current Portion of Balance
Direct Placement Installment Purchase	$ 5,538,629	$ -	$ 279,635	$ 5,258,994	$ 286,137
Lease Liabilities	37,616	-	11,217	26,399	10,104
IT Subscription Liabilities	12,625	-	12,625	-	-
Compensated Absences	661,866	-	97,917	563,949	150,316
Total OPEB Liability	48,286	3,066	-	51,352	-
Net Pension Liability (LGERS)	1,712,671	-	134,812	1,577,859	-
Net Pension Obligation (LEO)	420,718	17,481	-	438,199	-
Governmental activity long-term liabilities	$ 8,432,411	$ 20,547	$ 536,206	$ 7,916,752	$ 446,557

Long-term debt activity for the ABC Board for the year ended June 30, 2026, was as follows:

ABC Board:	Beginning Balances	Additions	Deletions	Ending Balance	Current Portion of Balance
Net Pension Liability (LGERS)	$ 149,391	$ -	$ 26,914	$ 122,477	$ -
Total ABC Board	$ 149,391	$ -	$ 26,914	$ 122,477	$ -

Note 10 – Net Investment in Capital Assets

	Governmental
Capital Assets	$ 19,479,768
less: long-term debt	5,285,393
add: unexpended debt proceeds	-
Net investment in capital asset	$ 14,194,375

Note 11 – Fund Balance

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

Total fund balance-General Fund	*$ 13,242,563*
Less:	
Prepaid Items	42,151
Stabilization by State Statute	1,070,611
Streets	576,400
Police	20,079
USDA	326,335
Sidewalk	185,305
Capital	2,667,179
Library	1,000,000
Future Park Development	33,589
Subsequent Year's Expenditures	264,458
Remaining Fund Balance	7,056,456

Note 12– Jointly Governed Organization

The Town, in conjunction with other area counties and municipalities established the Land of Sky Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of $3,595 to the Council during the fiscal year ended June 30, 2026.

Note 13 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 14 – Subsequent Disclosure of Subsequent Events

Management has evaluated subsequent events through October 28, 2026, 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 15 – Changes in Accounting Principles

For the year ended June 30, 2026, GASB Statement No. 103, *Financial Reporting Model Improvements*, was implemented. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement changes the Management's Discussion and Analysis to limit discussion areas while requiring detailed analysis to explain why balances and results of operations changed. The Statement clarifies items reported as Unusual or Infrequent Items, formerly reported as Special or Extraordinary Items, as well as reporting requirements. Changes are required to the reporting format of the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement requires changes to the reporting of major and nonmajor component units. Also, all budgetary comparison information is now required to be presented as Required Supplementary Information. No restatements were required as a result of implementation.

For the year ended June 30, 2026, GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was implemented. The Statement requires separate disclosure of certain lease assets, public-private and public-public partnership right-to-use assets, subscription assets, other intangible assets, and capital assets held for sale. The Statement was applied retroactively. Implementation changed the presentation and disaggregation of the capital assets note but did not affect beginning net position or amounts reported in the basic financial statements.

For the year ended June 30, 2026, GASB Statement No. 105, *Subsequent Events*, was implemented. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

Required Supplementary Financial Data

Required Supplementary Information
Town of Fletcher
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget- Over (Under) Final Budget	Actual	Variance with Final Budget- Over (Under) Actual
Revenues:					
Ad valorem taxes	$ 5,280,283	$ 5,280,283	$ -	$ 5,393,029	$ 112,746
Unrestricted intergovernmental	3,622,129	3,677,129	55,000	3,681,042	3,913
Restricted intergovernmental	284,050	284,050	-	285,355	1,305
Permits and fees	15,000	15,000	-	14,980	(20)
Sales and services	137,250	137,250	-	134,240	(3,010)
Investment earnings	360,000	360,000	-	359,996	(4)
Miscellaneous	10,000	10,000	-	11,057	1,057
Total revenues	9,708,712	9,763,712	55,000	9,879,699	115,987
Expenditures:					
Current:					
General government:					
Governing board	58,629	58,629	-	55,233	(3,396)
Administration	1,181,257	1,136,257	(45,000)	1,028,098	(108,159)
Town facilities	156,150	156,150	-	138,663	(17,487)
Total general government	1,396,036	1,351,036	(45,000)	1,221,994	(129,042)
Public safety:					
Police	2,480,913	2,480,913	-	2,365,867	(115,046)
Fire	1,997,085	2,039,575	42,490	2,039,575	-
Total public safety	4,477,998	4,520,488	42,490	4,405,442	(115,046)
Economic and physical development:	535,333	541,333	6,000	481,398	(59,935)
Transportation:	1,955,392	2,098,392	143,000	1,854,125	(244,267)
Cultural and recreation:	879,088	879,088	-	660,867	(218,221)
Debt service:					
Principal	544,794	544,794	-	303,476	(241,318)
Interest and other charges	206,675	206,675	-	205,028	(1,647)
Total debt service	751,469	751,469	-	508,504	(242,965)
Total expenditures	9,995,316	10,141,806	146,490	9,132,330	(1,009,476)
Revenues over (under) xxpenditures	(286,604)	(378,094)	(91,490)	747,369	1,125,463
Other financing sources (uses):					
Sale of capital assets	20,000	20,000	-	60,577	40,577
Total other financing sources (uses)	20,000	20,000	-	60,577	40,577
Net change in fund balance	$ (266,604)	$ (358,094)	$ (91,490)	807,946	$ 1,166,040
Fund balance, beginning				12,434,617	
Fund balance, ending				$ 13,242,563	

See notes to required supplementary information.

The net change in fund balances was included in the budget as an appropriation of fund balance.

Required Supplementary Information
Town of Fletcher, North Carolina
Notes to the Budgetary Comparison Schedule

1. Budgetary basis of accounting

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.

2. Excess of expenditures over appropriations

There were no expenditures in excess of appropriations for the fiscal year ended June 30, 2026.

3. General Fund budgetary highlights

Original budget compared to final budget

During fiscal year 2026, the Town amended the General Fund budget to address several items that were not included, or were not fully provided for, in the original budget. Significant amendments included additional funding for the Town's resurfacing project, implementation of the Stormwater Off-Right-of-Way Assistance Grant Program, and other non-recurring stormwater expenditures. The budget was also amended to recognize sales and use tax revenues and related expenditures and to provide funding for prior-period underpayments to Fletcher Fire and Rescue and Mills River Fire and Rescue.

As a result of these amendments, the final expenditure budget increased by $146,490, from $9,995,316 to $10,141,806. Budgeted revenues increased by $55,000, from $9,708,712 to $9,763,712, resulting in an additional $91,490 of budgeted use of fund balance.

Final budget to actual results

Actual General Fund expenditures were $1,009,476 below the final budget, primarily due to lower-than-budgeted expenditures in transportation, debt service, cultural and recreation, general government, and public safety.

Transportation expenditures were $244,267 below budget, primarily because $100,000 was appropriated for the Stormwater Off-Right-of-Way Assistance Grant Program, while only one small grant award was made during the fiscal year. Debt service expenditures were $242,965 below budget because the budget included funding designated for future capital improvement plan needs that was not expended during the year. Cultural and recreation expenditures were $218,221 below budget, primarily because planned capital improvements associated with the greenway project did not progress as anticipated, with $41,400 in project costs incurred during fiscal year 2026.

General government expenditures were $129,042 below budget, primarily due to personnel savings following the retirement of a senior employee, a period of vacancy, and the subsequent hiring of a replacement employee at a lower salary. Public safety expenditures were $115,046 below budget due in part to personnel vacancies during portions of the fiscal year, although the Police Department remained more fully staffed than in the prior year.

Overall, General Fund revenues exceeded expenditures by $747,369. Including $60,577 in proceeds from the sale of capital assets, fund balance increased by $807,946, compared with a final budget that anticipated a $358,094 decrease in fund balance.

Town of Fletcher, North Carolina
Schedule of the Town's Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Fletcher's proportion of the net pension liability (asset) (%	0.02553%	0.02541%	0.02465%	0.02780%	0.02749%	0.02780%	0.02775%	0.02822%	0.02930%	0.02984%
Fletcher's proportion of the net pension liability (asset) ($)	$ 1,577,859	$ 1,712,671	$ 1,632,591	$ 1,568,317	$ 421,586	$ 995,199	$ 757,831	$ 669,475	$ 447,623	$ 633,305
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
Fletcher's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.26%	70.70%	75.34%	79.57%	21.73%	52.56%	43.50%	40.12%	27.83%	39.74%
Plan fiduciary net position as a percentage of the total pension liability**	85.20%	84.14%	84.14%	84.14%	95.51%	94.18%	91.47%	98.09%	99.07%	102.64%

Notes to the schedule:

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

See Notes to Required Supplementary Information for the LGERS on the following schedule.

Town of Fletcher, North Carolina
Schedule of Town Contributions
Local Government Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 430,252	$ 379,200	$ 323,939	$ 270,916	$ 229,600	$ 202,737	$ 175,650	$ 140,867	$ 130,509	$ 125,549
Contributions in relation to the contractually required contribution	430,252	379,200	323,939	270,916	229,600	202,737	175,650	140,867	130,509	125,549
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fletcher's covered-employee payroll	$ 2,839,747	$ 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
Contributions as a percentage of covered employee payroll	15.15%	14.24%	13.37%	12.50%	11.65%	10.45%	9.28%	8.09%	7.82%	7.80%

Notes to the Required Supplementary Information for LGERS:

For 2023, the total pension liability for the December 31, 2021 actuarial valuation was determined using the following actuarial changes of assumptions:

Inflation and Payroll Growth	2.5% from 3.5%
Mortality Rates	RP-2010 Total Data Set for Healthy Annuitants

For 2022, the discount rate and the investment rate were chnaged to 6.5% from 7.0%.

For 2020, the total pension liability for the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Acttuarial Cost Method	Entry Age Normal
Asset Valuation Method	Smoothed Fair Value
Assumptions:	
Inflation	3.00%
Discount Rate	7.00%
Real Wage Growth	0.50%
Payroll Growth	3.50%
Mortality	RP-2014 Total Data Set for Health Annuitants

Town of Fletcher, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	$ 420,718	$ 333,664	$ 331,926	$ 461,017	$ 560,951	$ 388,730	$ 279,484	$ 266,543	$ 230,597	$ 209,955
Service cost	36,369	36,536	26,122	37,653	39,824	26,776	24,199	22,764	19,654	20,254
Interest on the total pension liability	17,823	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	29,703	60,606	(41,796)	(71,702)	(122,232)	(11,536)	61,301	(4,568)	(12,484)	-
Changes of assumptions or other inputs	(57,838)	(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)	(8,576)	(2,969)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	$ 438,199	$ 420,718	$ 333,664	$ 331,926	$ 461,017	$ 560,951	$ 388,730	$ 279,484	$ 266,543	$ 230,597

Notes to the schedule:

The amount presented for each fiscal year was determined as of the prior fiscal year ending December 31.

The Town has no assets accumulated in a trust that meets the criteria for a pension trust as defined by GASB 67.

See Notes to Required Supplementary Information for the LEOSSA on the following schedule.

Town of Fletcher, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	$ 438,199	$ 420,718	$ 333,664	$ 331,926	$ 461,017	$ 560,951	$ 388,730	$ 279,484	$ 266,543	$ 230,597
Covered payroll	1,242,472	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	35.27%	36.61%	38.41%	37.38%	57.68%	68.59%	47.13%	38.23%	36.38%	31.36%

Notes to the Required Supplementary Information for LEOSSA:

The Town has no assets accumulated in a trust that meets the criteria for a pension trust as defined by GASB 67.

The total pension liability was determined from an actuarial valuation as of December 31, 2024. Methods and assumuptions used were: the actuarial cost meethod was entry age normal; a discount rate of 4.82%; inflation at 2.5%; projected individual salary increases of 2.5% to 6.0% annually; projected total payroll increase of 3.25% to 9.50% annually.

Town of Fletcher, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
and Total OPEB Liability as a Percentage of Covered Payroll
Healthcare Benefits Plan

Total OPEB Liability	**2026**	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Service cost	$ 3,031	$ 3,119	$ 3,322	$ 4,317	$ 3,540	$ 2,545	$ 3,259	$ 3,365	$ 3,629
Interest	2,017	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	2,871	(43)	(7,999)	(32)	(12,783)	(61)	(11,614)	-	-
Changes of assumptions	(4,853)	(1,734)	1,209	(9,425)	10,027	7,285	569	(1,817)	(2,954)
Benefit payments	-	-	-	-	-	-	-	-	-
Net Change in total OPEB Liability	3,066	3,105	(1,691)	(3,949)	1,942	11,178	(6,083)	3,000	1,847
Total OPEB liability-beginning	48,286	45,181	46,872	50,821	48,879	37,701	43,784	40,784	38,937
Total OPEB liability-ending	$ 51,352	$ 48,286	$ 45,181	$ 46,872	$ 50,821	$ 48,879	$ 37,701	$ 43,784	$ 40,784
Covered payroll	$ 2,429,875	$ 2,305,257	$ 2,305,257	$ 1,872,045	$ 1,872,045	$ 1,697,551	$ 1,697,551	$ 1,564,398	$ 1,564,398
Total OPEB liability as a percentage of covered payroll	2.11%	2.09%	1.96%	2.50%	2.71%	2.88%	2.22%	2.80%	2.61%

Notes to the schedule:

This schedule is intended to show 10 years of information, additional years' information will be displayed as it becomes available.

The Town has no assets accumulated in a trust that meets the criteria for a OPEB trust as defined by GASB 68.

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 fiscal year:

Fiscal Year	Rate
2026	5.20%
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%

Individual Fund Financial Statement-
Other Major Governmental Fund

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, 2026

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
FEMA public assistance	$ 880,000	$ 460,882	$ 441,642	$ 902,524	$ 22,524
Insurance proceeds	100,000	101,382	-	101,382	1,382
Total revenues	980,000	562,264	441,642	1,003,906	23,906
Expenditures:					
Helene recovery park projects	1,130,000	662,264	441,642	1,103,906	26,094
Total expenditures	1,130,000	662,264	441,642	1,103,906	26,094
Revenues over (under) expenditures	(150,000)	(100,000)	-	(100,000)	50,000
Other Financing Sources (Uses):					
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		$ -	$ -	$ -	

Other Schedules

Town of Fletcher, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2026

Fiscal Year	Uncollected Balance July 1, 2025	Additions	Collections And Credits	Uncollected Balance June 30, 2026
2025-2026	$ -	$ 5,397,997	$ 5,383,617	14,380
2024-2025	12,494	-	4,806	7,688
2023-2024	3,242	-	2,278	964
2022-2023	2,307	-	973	1,334
2021-2022	1,420	-	334	1,086
2020-2021	1,900	-	286	1,614
2019-2020	1,611		246	1,365
2018-2019	538	-	153	385
2017-2018	704	-	-	704
2016-2017	379	-	-	379
2015-2016	769	-	769	-
	$ 25,364	$ 5,397,997	$ 5,393,462	29,899
	Less: allowance for uncollectible ad valorem taxes			2,000
	Ad valorem taxes receivable - net			$ 27,899

Reconciliation With Revenues:

Ad valorem taxes - General Fund	$ 5,393,029
Penalties collected on ad valorem taxes- General Fund	15,031
Reconciling items:	
Interest collected	(15,630)
Prior year releases	86
Refunds	177
Taxes written off	769
Total collections and credits	$ 5,393,462

Town of Fletcher, North Carolina
Analysis of Current Tax Levy - Town-Wide Levy
For the Year Ended June 30, 2026

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current	$ 1,919,098,571	0.00280	$5,373,476	$5,014,881	$ 358,595
Discoveries- current and prior years	26,227,857		73,438	73,438	-
Releases	(17,470,357)		(48,917)	(46,010)	(2,907)
Total property valuation	$ 1,927,856,071				
Net levy			5,397,997	5,042,309	355,688
Uncollected taxes at June 30, 2026			(14,380)	(13,709)	(671)
Current year's taxes collected			$5,383,617	$5,028,600	$ 355,017
Current levy collection percentage			99.73%	99.73%	99.81%



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Compliance Section

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

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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 the Town of Fletcher, North Carolina, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Town of Fletcher, North Carolina's basic financial statements, and have issued our report thereon dated October 28, 2026. 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 the 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 the Town of Fletcher, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fletcher, North Carolina's internal control.

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

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

control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Morganton, North Carolina
October 28, 2026