

**TOWN OF BLOWING ROCK
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF BLOWING ROCK, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2021

TOWN COUNCIL MEMBERS

Doug Matheson

Virginia Powell

David Harwood

Albert Yount

Charlie Sellers, Mayor

Sue Sweeting, Mayor Pro-Term

Shane Fox, Town Manager

Nicole Norman, Finance Officer

TOWN OF BLOWING ROCK, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To the Honorable Mayor and
Town Council
Town of Blowing Rock, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Blowing Rock ABC Board or the Town of Blowing Rock Tourism Development Authority, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Town of Blowing Rock ABC Board and the Town of Blowing Rock Tourism Development Authority is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Blowing Rock ABC Board and the Town of Blowing Rock Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Employee Payroll, the Retiree Health Benefit Fund Schedules of Proportionate Share of Net OPEB Liability and Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Blowing Rock, North Carolina's, basic financial statements. The budget and actual schedules and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget and actual schedules and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the budget and actual schedules and supplemental ad valorem tax 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 29, 2021 on our consideration of the Town of Blowing Rock, North Carolina's, internal control over financial reporting and 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 Blowing Rock's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Blowing Rock's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2021

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Management's Discussion and Analysis

As management of the Town of Blowing Rock (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2021, with comparisons to the prior year, where appropriate. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

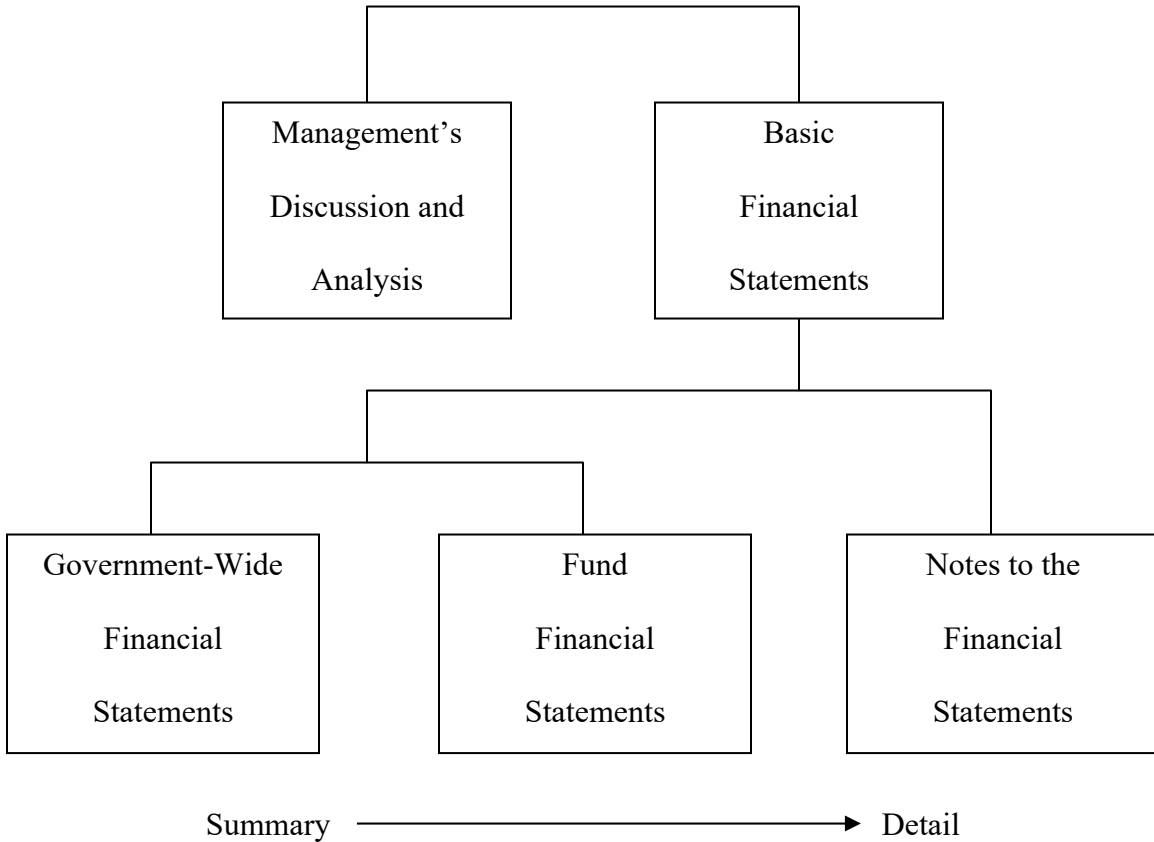
Financial Highlights

- The Town of Blowing Rock's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,547,317 (*net position*).
- The Town's net position increased by \$818,312, primarily due to governmental fund related activities.
- As of June 30, 2021, the Town of Blowing Rock's governmental funds reported combined ending fund balances of \$7,892,050, a decrease of \$1,363,002 in comparison with the prior year. Approximately 43.63% of this total amount, or \$3,443,439, is non-spendable or restricted. The combined fund balance decrease of \$1,363,002 consists of an decrease in the General Capital Projects Fund of \$2,295,366, an increase in the General Fund balance of \$921,362 and an increase in the Appearance Advisory Commission Fund (BRAAC) of \$11,002.
- As of June 30, 2021, expendable, unassigned fund balance for the General Fund was \$5,040,860, or 51.3%, of total General Fund expenditures and transfers for the fiscal year.
- The Town of Blowing Rock earned and maintained a AA+ long-term debt rating from Standard and Poor's on its first, second and third of four planned general obligation bond issuances in February 2016, May 2018 and January 2020. An obligation rated AA differs from the highest rated obligations only to a small degree. The obligator's capacity to meet its financial commitment on the obligation is very strong.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Blowing Rock.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the Town’s financial status.

The next statements (Exhibits C through I) are **fund financial statements**. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements, and 4) the fiduciary fund statement.

The next section of the basic financial statements is in the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town’s individual funds. Budgetary information required by the General Statutes can also be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Blowing Rock. The final category is the component unit. Although legally separate from the Town, the TDA is important to the Town because the Town exercises control over the Authority by appointing its members.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Blowing Rock, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Blowing Rock can be divided into two categories: *governmental funds and proprietary funds*.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Blowing Rock adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the differences between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds. The Town of Blowing Rock has one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements being on page 24 of this report.

Other Information. Combining and individual fund statements and schedules can be found beginning on page 76 of this report. Required supplementary information can be found beginning on page 67.

Government-Wide Financial Analysis

Town of Blowing Rock's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets and Deferred						
Outflows of Resources:						
Current and other assets	\$ 9,134,604	\$ 10,662,067	\$ 2,857,648	\$ 2,902,143	\$ 11,992,252	\$ 13,564,210
Capital assets	26,185,870	24,421,678	14,444,862	14,897,414	40,630,732	39,319,092
Deferred outflows of resources	<u>2,186,628</u>	<u>2,132,557</u>	<u>395,591</u>	<u>396,276</u>	<u>2,582,219</u>	<u>2,528,833</u>
Total assets and deferred outflows of resources	<u>37,507,102</u>	<u>37,216,302</u>	<u>17,698,101</u>	<u>18,195,833</u>	<u>55,205,203</u>	<u>55,412,135</u>
Liabilities and Deferred						
Inflows of Resources:						
Long-term liabilities	2,543,034	2,605,879	739,470	685,238	3,282,504	3,291,117
Other liabilities	16,014,519	17,014,232	3,987,151	4,304,043	20,001,670	21,318,275
Deferred inflows of resources	<u>1,996,434</u>	<u>1,745,247</u>	<u>377,278</u>	<u>328,491</u>	<u>2,373,712</u>	<u>2,073,738</u>
Total liabilities and deferred inflows of resources	<u>20,553,987</u>	<u>21,365,358</u>	<u>5,103,899</u>	<u>5,317,772</u>	<u>25,657,886</u>	<u>26,683,130</u>
Net Position:						
Net investment						
in capital assets	17,383,049	16,136,146	11,320,994	13,349,380	28,704,043	29,485,526
Restricted	1,979,259	1,334,555	-	-	1,979,259	1,334,555
Unrestricted	<u>(2,409,193)</u>	<u>(1,619,757)</u>	<u>1,273,208</u>	<u>(471,319)</u>	<u>(1,135,985)</u>	<u>(2,091,076)</u>
Total net position	<u>\$ 16,953,115</u>	<u>\$ 15,850,944</u>	<u>\$ 12,594,202</u>	<u>\$ 12,878,061</u>	<u>\$ 29,547,317</u>	<u>\$ 28,729,005</u>

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$29,547,317 on June 30, 2021. The Town's net position increased by \$818,312 for the year ended June 30, 2021. However, the largest portion of the Town's net position (97.1%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed 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 \$1,979,259, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$1,135,985) is unrestricted.

Town of Blowing Rock's Changes in Net Position
Figure 3

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 984,236	\$ 839,017	\$ 1,727,099	\$ 1,845,644	\$ 2,711,335	\$ 2,684,661
Operating grants and contributions	334,874	334,749	-	-	334,874	334,749
Capital grants and contributions	217,824	123,199	-	-	217,824	123,199
General revenues:						
Property taxes	4,645,669	4,488,473	-	-	4,645,669	4,488,473
Other taxes	1,656,535	1,377,589	-	-	1,656,535	1,377,589
Investment earnings	2,904	93,278	-	-	2,904	93,278
Grants and contributions not restricted to specific programs	2,768,384	2,486,920	-	-	2,768,384	2,486,920
Other	-	-	465	65,677	465	65,677
Total revenues	<u>10,610,426</u>	<u>9,743,225</u>	<u>1,727,564</u>	<u>1,911,321</u>	<u>12,337,990</u>	<u>11,654,546</u>
Expenses:						
General government	3,650,109	3,198,817	-	-	3,650,109	3,198,817
Public safety	2,788,363	2,772,301	-	-	2,788,363	2,772,301
Transportation	1,380,066	1,235,360	-	-	1,380,066	1,235,360
Environmental protection	494,784	440,886	-	-	494,784	440,886
Cultural and recreational	829,107	962,425	-	-	829,107	962,425
Interest on long-term debt	365,826	307,723	-	-	365,826	307,723
Water and sewer	-	-	2,011,423	2,038,584	2,011,423	2,038,584
Total expenses	<u>9,508,255</u>	<u>8,917,512</u>	<u>2,011,423</u>	<u>2,038,584</u>	<u>11,519,678</u>	<u>10,956,096</u>
Change in net position before transfers	1,102,171	825,713	(283,859)	(127,263)	818,312	698,450
Transfers	-	(4,698)	-	4,698	-	-
Change in net position	1,102,171	821,015	(283,859)	(122,565)	818,312	698,450
Net Position:						
Beginning of year, July 1	<u>15,850,944</u>	<u>15,029,929</u>	<u>12,878,061</u>	<u>13,000,626</u>	<u>28,729,005</u>	<u>28,030,555</u>
End of year, June 30	<u>\$ 16,953,115</u>	<u>\$ 15,850,944</u>	<u>\$ 12,594,202</u>	<u>\$ 12,878,061</u>	<u>\$ 29,547,317</u>	<u>\$ 28,729,005</u>

Governmental Activities. Governmental activities increased the Town's net position by \$1,102,171. Key elements of this increase are as follows:

- Sales and services exceeded expectations with many unknowns during the budget process and throughout the year as the COVID-19 pandemic and associated regulations evolved.
- Town management closely monitored expenditures.
- Increased collections from local option sales tax for the majority of the year to spite expected decreases with online sales being strong and helping to maintain sales levels.
- By the end of the year, most programs were back to normal with minimal operation changes still in place, therefore revenues began to make a recovery and in some cases exceed prior levels.

Business-Type Activities. Business-type activities decreased the Town's net position by \$283,859. Key elements of this decrease are as follows:

- Following a usage, rate structure and rate level analysis in collaboration with the State, plans are underway to restructure our utility service rates and minimum billing usage level. New rates and structure will be put in place in Fiscal Year 2021-2022.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus on the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Blowing Rock's fund balance available in the General Fund was \$5,132,055 while total fund balance reached \$7,056,396.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$7,892,050, a 14.7% decrease over last year. Included in this change in fund balance is an increase in the General Fund of \$921,362, a decrease in the Capital Projects Fund of \$2,295,366, and an increase in nonmajor funds of \$11,002.

Capital Project Fund. Several budget amendments were required to comply with budgetary requirements to account for unexpected capital outlay requirements.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,273,208. The change in net position was a decrease of \$283,859. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Blowing Rock's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$40,630,732 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Governmental infrastructure \$83,549
- Governmental equipment and furniture \$29,755
- Governmental vehicles \$70,521
- Business-type plant \$25,171

Town of Blowing Rock's Outstanding Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,086,759	\$ 3,086,759	\$ 100,504	\$ 100,504	\$ 3,187,263	\$ 3,187,263
Construction in progress	4,991,091	2,516,913	421,759	369,641	5,412,850	2,886,554
Infrastructure	10,517,163	10,677,882	13,657,400	14,051,817	24,174,563	24,729,699
Buildings	6,767,342	6,950,664	-	-	6,767,342	6,950,664
Vehicles	370,340	487,454	-	-	370,340	487,454
Computers	47,661	86,805	-	-	47,661	86,805
Equipment and furniture	405,514	450,155	265,199	372,769	670,713	822,924
Capital assets, net	<u>\$ 26,185,870</u>	<u>\$ 24,256,632</u>	<u>\$ 14,444,862</u>	<u>\$ 14,894,731</u>	<u>\$ 40,630,732</u>	<u>\$ 39,151,363</u>

Additional information on the Town's capital assets can be found in Note 2 of the basic financial statements.

Long-Term Debt. Long-term debt as of June 30, 2021 is summarized below:

Town of Blowing Rock's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 7,575,000	\$ 8,030,000	\$ 1,975,000	\$ 2,095,000	\$ 9,550,000	\$ 10,125,000
Unamortized bond premium	379,067	399,242	40,944	43,176	420,011	442,418
Capital lease	196,911	186,274	10,472	20,697	207,383	206,971
Compensated absences	324,146	253,087	53,601	42,857	377,747	295,944
Total pension liability	381,931	314,622	-	-	381,931	314,622
Net OPEB liability	4,336,125	4,801,544	825,929	914,580	5,162,054	5,716,124
Total OPEB liability	55,279	49,395	10,529	9,409	65,808	58,804
Net pension liability	1,454,013	1,105,695	276,955	210,609	1,730,968	1,316,304
Installment purchase - direct placements	<u>2,526,575</u>	<u>3,112,491</u>	<u>1,129,314</u>	<u>1,293,794</u>	<u>3,655,889</u>	<u>4,406,285</u>
Total	<u>\$ 17,229,047</u>	<u>\$ 18,252,350</u>	<u>\$ 4,322,744</u>	<u>\$ 4,630,122</u>	<u>\$ 21,551,791</u>	<u>\$ 22,882,472</u>

The Town's total long-term liabilities decreased by \$1,330,679 during the past fiscal year, due to new General obligation bond issuance and new debt issued for capital equipment and vehicles, offset by principal payments made throughout the year.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed valuation located within that government's boundaries. The legal debt margin for the Town is \$86,224,250.

Additional information on the Town's long-term debt can be found in Note 2 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability and prosperity of the Town:

- Tourism continues to be a source of strength for the Town during the current year with corona virus impacts on travel and tourism having made a full recovery and exceeding levels prior to the pandemic.
- Housing and development construction activity continued to grow steadily throughout the year and sustained during the Corona Virus pandemic with construction of previously planned projects continued development to spite the pandemic.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities. Property tax revenues are expected to increase over prior year at .430 cents per hundred dollars due to property values increasing (with new developments coming on to the tax scrolls) as well as an increase of the tax rate of four (4) cents. The Caldwell County property tax revaluation occurred this year and resulted in slight increases, resulting in a revenue neutral tax rate calculated at .3840, a slight decrease from the most recently adopted tax rate of .390 cents. State shared revenues during budget preparation were expected to have an overall increase due to the main source of sales tax projected to increase. Last year increases were seen rather than the early projections anticipating decrease. As a result, the budget for this revenue was budgeted to increase 20% with plans to monitor the source as the year continues and make necessary adjustments if needed.

Budgeted expenditures in the General Fund are expected to increase, approximately 21%, due mainly to an increase in capital of approximately 57% and slight decrease in debt service of 3%, while operating and maintenance costs and personnel increased by 21% collectively. These adjustments were due to deferred capital purchases in FY 20-21 due to the early economic effects of the corona virus pandemic.

Business-Type Activities. The water and sewer usage in the Town are expected to continue to steadily decrease in comparison with the prior years due to the ongoing cultural emphasis placed on conservation, while expenditures to operate are expected to also increase due to previously deferred capital outlay. Rate increases as well as a rate structure change was put into place at the start of the fiscal year. The increases follow an analysis of existing rates and usage as well as infrastructure needs with plans to continue in the coming years in order to lessen impacts of these trends.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Blowing Rock, 1036 Main Street, Blowing Rock, NC 28605.

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TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Town of Blowing Rock Board of Alcoholic Beverage Control	Town of Blowing Rock Tourism Development Authority
Assets:					
Current assets:					
Cash and cash equivalents	\$ 5,917,522	\$ 2,206,735	\$ 8,124,257	\$ 397,217	\$ 1,257,401
Taxes receivable, net	23,638	-	23,638	-	282,317
Accounts receivable, net	1,126,854	294,772	1,421,626	-	-
Due from other governments	114,566	-	114,566	-	-
Inventories	2,700	112,317	115,017	305,244	-
Prepaid items	62,382	656	63,038	4,382	-
Restricted cash and cash equivalents investments	1,886,942	243,168	2,130,110	146,825	-
Total current assets	9,134,604	2,857,648	11,992,252	853,668	1,539,718
Non-current assets:					
Capital assets					
Land, non-depreciable improvements and construction in progress	8,077,850	522,263	8,600,113	96,275	-
Other capital assets, net of depreciation	18,108,020	13,922,599	32,030,619	112,113	48,248
Total capital assets	26,185,870	14,444,862	40,630,732	208,388	48,248
Total assets	35,320,474	17,302,510	52,622,984	1,062,056	1,587,966
Deferred Outflows of Resources:					
OPEB deferrals	1,304,894	248,551	1,553,445	-	13,944
Pension deferrals	881,734	147,040	1,028,774	26,226	41,873
Total deferred outflows of resources	2,186,628	395,591	2,582,219	26,226	55,817
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	697,893	162,134	860,027	136,747	144,477
Accrued interest payable	112,318	13,534	125,852	-	-
Prepaid fees	30,451	16,903	47,354	-	-
Current portion of long-term debt	1,214,528	335,593	1,550,121	1,796	-
Payable from restricted assets	487,844	211,306	699,150	-	-
Total current liabilities	2,543,034	739,470	3,282,504	138,543	144,477
Long-term liabilities:					
Net pension liability	1,454,013	276,955	1,730,968	36,806	74,327
Total pension liability	381,931	-	381,931	-	-
Total OPEB liability	55,279	10,529	65,808	-	63,018
Net OPEB liability	4,336,125	825,929	5,162,054	12,752	-
Due in more than one year	9,787,171	2,873,738	12,660,909	-	8,460
Total long-term liabilities	16,014,519	3,987,151	20,001,670	49,558	145,805
Total liabilities	18,557,553	4,726,621	23,284,174	188,101	290,282
Deferred Inflows of Resources:					
Prepaid taxes	2,728	-	2,728	-	-
OPEB deferrals	1,931,594	367,923	2,299,517	1,681	11,302
Pension deferrals	62,112	9,355	71,467	(402)	1,106
Total deferred inflows of resources	1,996,434	377,278	2,373,712	1,279	12,408
Net Position:					
Net investment in capital assets	17,383,049	11,320,994	28,704,043	208,388	48,248
Restricted for:					
Capital projects	-	-	-	146,825	-
Working capital	-	-	-	82,843	-
Stabilization by state statute	1,979,259	-	1,979,259	-	282,317
Unrestricted	(2,409,193)	1,273,208	(1,135,985)	460,846	1,010,528
Total net position	\$ 16,953,115	\$ 12,594,202	\$ 29,547,317	\$ 898,902	\$ 1,341,093

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 3,650,109	\$ 562,256	\$ -	\$ -
Public safety	2,788,363	130,517	265,082	60,000
Transportation	1,380,066	-	69,792	-
Environmental protection	494,784	158,754	-	-
Cultural and recreational	829,107	132,709	-	157,824
Interest on long-term debt	365,826	-	-	-
Total governmental activities	<u>9,508,255</u>	<u>984,236</u>	<u>334,874</u>	<u>217,824</u>
Business-Type Activities:				
Water and sewer	<u>2,011,423</u>	<u>1,727,099</u>	-	-
Total primary government	<u>\$ 11,519,678</u>	<u>\$ 2,711,335</u>	<u>\$ 334,874</u>	<u>\$ 217,824</u>
Component Units:				
Town of Blowing Rock Board of Alcoholic Beverage Control	\$ 2,814,960	\$ 2,837,414	\$ -	\$ -
Town of Blowing Rock Tourism Development Authority	937,006	-	-	-
Total component units	<u>\$ 3,751,966</u>	<u>\$ 2,837,414</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Net (Expense) Revenue and Changes in Net Position			Component Units	
	Primary Government			Town of Blowing Rock Board of Alcoholic Beverage Control	Town of Blowing Rock Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total		
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (3,087,853)	\$ -	\$ (3,087,853)		
Public safety	(2,332,764)	-	(2,332,764)		
Transportation	(1,310,274)	-	(1,310,274)		
Environmental protection	(336,030)	-	(336,030)		
Cultural and recreational	(538,574)	-	(538,574)		
Interest on long-term debt	(365,826)	-	(365,826)		
Total governmental activities	<u>(7,971,321)</u>	<u>-</u>	<u>(7,971,321)</u>		
Business-Type Activities:					
Water and sewer	-	(284,324)	(284,324)		
Total primary government	<u>(7,971,321)</u>	<u>(284,324)</u>	<u>(8,255,645)</u>		
Component Units:					
Town of Blowing Rock Board of Alcoholic Beverage Control				\$ 22,454	\$ -
Town of Blowing Rock Tourism Development Authority				-	(937,006)
Total component units				<u>22,454</u>	<u>(937,006)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purpose	4,645,669	-	4,645,669	-	-
Other taxes	1,656,535	-	1,656,535	-	1,488,294
Grants and contributions, not restricted to specific programs	2,768,384	-	2,768,384	-	-
Unrestricted investment earnings	2,904	465	3,369	107	117
Miscellaneous	-	-	-	238	274
Total general revenues	<u>9,073,492</u>	<u>465</u>	<u>9,073,957</u>	<u>345</u>	<u>1,488,685</u>
Change in net position	1,102,171	(283,859)	818,312	22,799	551,679
Net Position:					
Beginning of year - July 1	<u>15,850,944</u>	<u>12,878,061</u>	<u>28,729,005</u>	<u>876,103</u>	<u>789,414</u>
End of year - June 30	<u>\$ 16,953,115</u>	<u>\$ 12,594,202</u>	<u>\$ 29,547,317</u>	<u>\$ 898,902</u>	<u>\$ 1,341,093</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Fund	
Assets:				
Cash and cash equivalents	\$ 5,778,932	\$ 100,000	\$ 38,590	\$ 5,917,522
Taxes receivable, net	23,638	-	-	23,638
Accounts receivable, net	1,006,854	120,000	-	1,126,854
Prepaid items	62,382	-	-	62,382
Due from other governments	114,566	-	-	114,566
Due from other funds	737,839	-	-	737,839
Inventory	2,700	-	-	2,700
Restricted cash and cash equivalents	96,405	1,790,537	-	1,886,942
Total assets	<u>\$ 7,823,316</u>	<u>\$ 2,010,537</u>	<u>\$ 38,590</u>	<u>\$ 9,872,443</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 697,893	\$ -	\$ -	\$ 697,893
Amounts payable from restricted assets	12,210	475,634	-	487,844
Prepaid fees	30,451	-	-	30,451
Due to other funds	-	737,839	-	737,839
Total liabilities	<u>740,554</u>	<u>1,213,473</u>	<u>-</u>	<u>1,954,027</u>
Deferred Inflows of Resources:				
Prepaid taxes	2,728	-	-	2,728
Property taxes receivable	23,638	-	-	23,638
Total deferred inflows of resources	<u>26,366</u>	<u>-</u>	<u>-</u>	<u>26,366</u>
Fund Balances:				
Non-spendable:				
Inventory	2,700	-	-	2,700
Prepaid items	62,382	-	-	62,382
Restricted:				
Stabilization by state statute	1,859,259	120,000	-	1,979,259
Capital items	84,195	1,314,903	-	1,399,098
Assigned:				
Beautification	-	-	38,590	38,590
Subsequent year's expenditures	7,000	-	-	7,000
Unassigned	5,040,860	(637,839)	-	4,403,021
Total fund balances	<u>7,056,396</u>	<u>797,064</u>	<u>38,590</u>	<u>7,892,050</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,823,316</u>	<u>\$ 2,010,537</u>	<u>\$ 38,590</u>	<u>\$ 9,872,443</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Total Governmental Funds</u>
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position:	
Total fund balance, governmental funds	\$ 7,892,050
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	\$ 36,190,489
Accumulated depreciation	<u>(10,004,619)</u>
	26,185,870
Deferred outflows of resources related to pensions are not reported in the funds.	881,734
Deferred outflows of resources related to OPEB are not reported in the funds.	1,304,894
Deferred inflows of resources related to pensions are not reported in the funds.	(62,112)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,931,594)
Earned revenues considered deferred inflows of resources in fund statements.	23,638
Net pension liability	(1,454,013)
Accrued interest	(112,318)
Total pension liability	(381,931)
Net OPEB liability	(4,336,125)
Total OPEB liability	(55,279)
Long-term obligations	<u>(11,001,699)</u>
Net position of governmental activities per Exhibit A	<u>\$ 16,953,115</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Nonmajor Fund	
Revenues:				
Ad valorem taxes	\$ 4,745,261	\$ -	\$ -	\$ 4,745,261
Other taxes and licenses	1,656,535	-	-	1,656,535
Unrestricted intergovernmental revenues	2,768,384	-	-	2,768,384
Restricted intergovernmental revenues	86,583	217,824	-	304,407
Sales and services	185,721	-	-	185,721
Permits and fees	114,371	-	-	114,371
Investment earnings	2,219	685	-	2,904
Other	883,483	-	44,206	927,689
Total revenues	<u>10,442,557</u>	<u>218,509</u>	<u>44,206</u>	<u>10,705,272</u>
Expenditures:				
Current:				
General government	3,297,047	49,370	-	3,346,417
Public safety	2,597,742	4,138	-	2,601,880
Transportation	1,051,041	2,439,294	-	3,490,335
Environmental protection	402,716	-	-	402,716
Culture and recreation	755,461	64,925	20,204	840,590
Debt service:				
Principal	1,132,944	-	-	1,132,944
Interest and other charges	360,803	-	-	360,803
Total expenditures	<u>9,597,754</u>	<u>2,557,727</u>	<u>20,204</u>	<u>12,175,685</u>
Revenues over (under) expenditures	<u>844,803</u>	<u>(2,339,218)</u>	<u>24,002</u>	<u>(1,470,413)</u>
Other Financing Sources (Uses):				
Transfers from other funds	193,000	223,852	-	416,852
Transfers to other funds	(223,852)	(180,000)	(13,000)	(416,852)
Installment purchase obligations	102,665	-	-	102,665
Sales of capital assets	4,746	-	-	4,746
Total other financing sources (uses)	<u>76,559</u>	<u>43,852</u>	<u>(13,000)</u>	<u>107,411</u>
Net change in fund balances	921,362	(2,295,366)	11,002	(1,363,002)
Fund Balances:				
Beginning of year - July 1	<u>6,135,034</u>	<u>3,092,430</u>	<u>27,588</u>	<u>9,255,052</u>
End of year - June 30	<u>\$ 7,056,396</u>	<u>\$ 797,064</u>	<u>\$ 38,590</u>	<u>\$ 7,892,050</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D) \$ (1,363,002)

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 in the current period.

Capital outlay expenditures which were capitalized	\$ 2,658,003	
Depreciation expense for governmental assets	<u>(893,975)</u>	1,764,028

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	317,074
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Benefit payments paid and administrative expense for OPEB are not included on the Statement of Activities.	209,517
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.	16,249
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.	(99,592)
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The issuance of long-term debt provides current financial resources are not reported as revenues in the funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Increase in accrued interest payable	(5,023)	
New long-term debt issued	(102,665)	
Principal payments on long-term debt	<u>1,132,944</u>	1,025,256

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	(71,059)	
OPEB plan expense	(138,712)	
Pension expense	<u>(557,588)</u>	<u>(767,359)</u>

Change in net position of governmental activities per Exhibit B	<u>\$ 1,102,171</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 4,605,264	\$ 4,605,264	\$ 4,745,261	\$ 139,997
Other taxes and licenses	917,970	1,708,943	1,656,535	(52,408)
Unrestricted intergovernmental revenues	1,741,773	2,469,832	2,768,384	298,552
Restricted intergovernmental revenues	92,100	92,100	86,583	(5,517)
Permits and fees	59,475	59,475	114,371	54,896
Sales and services	184,525	184,525	185,721	1,196
Investment earnings	16,000	16,000	2,219	(13,781)
Miscellaneous	568,924	575,024	883,483	308,459
Total revenues	<u>8,186,031</u>	<u>9,711,163</u>	<u>10,442,557</u>	<u>731,394</u>
Expenditures:				
General government	2,122,689	3,498,152	3,297,047	201,105
Public safety	2,667,126	2,722,616	2,597,742	124,874
Transportation	1,091,688	1,136,328	1,051,041	85,287
Environmental protection	364,609	418,669	402,716	15,953
Culture and recreation	844,976	855,486	755,461	100,025
Debt service:				
Principal	1,475,608	1,132,944	1,132,944	-
Interest and other charges	-	360,803	360,803	-
Total expenditures	<u>8,566,696</u>	<u>10,124,998</u>	<u>9,597,754</u>	<u>527,244</u>
Revenues over (under) expenditures	<u>(380,665)</u>	<u>(413,835)</u>	<u>844,803</u>	<u>1,258,638</u>
Other Financing Sources (Uses):				
Transfers from other funds:				
Capital Projects Fund	180,000	180,000	180,000	-
BRAAC	13,000	13,000	13,000	-
Transfers to other funds:				
Capital Projects Fund	(150,000)	(223,852)	(223,852)	-
Installments purchase obligations	102,665	102,665	102,665	-
Sales of capital assets	7,000	7,000	4,746	(2,254)
Appropriated fund balance	228,000	335,022	-	(335,022)
Total other financing sources (uses)	<u>380,665</u>	<u>413,835</u>	<u>76,559</u>	<u>(337,276)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>921,362</u>	<u>\$ 921,362</u>
Fund Balance:				
Beginning of year - July 1			<u>6,135,034</u>	
End of year - June 30			<u>\$ 7,056,396</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,206,735
Accounts receivable, net	294,772
Prepaid expenses	656
Inventories	112,317
Restricted cash and cash equivalents	243,168
Total current assets	<u>2,857,648</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	522,263
Other capital assets, net of depreciation	13,922,599
Total non-current assets	<u>14,444,862</u>
Total assets	<u>17,302,510</u>
Deferred Outflows of Resources:	
Pension deferrals	147,040
OPEB deferrals	248,551
Total deferred outflows of resources	<u>395,591</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	162,134
Current portion of long-term debt	299,144
Accrued interest	13,534
Prepaid fees	16,903
Compensated absences current portion	36,449
Liabilities payable from restricted assets:	
Customer deposits	211,306
Total current liabilities	<u>739,470</u>
Non-current liabilities:	
Due in more than one year	2,873,738
Net OPEB liability	825,929
Total OPEB liability	10,529
Net pension liability	276,955
Total non-current liabilities	<u>3,987,151</u>
Total liabilities	<u>4,726,621</u>
Deferred Inflows of Resources:	
OPEB deferrals	367,923
Pension deferrals	9,355
Total deferred inflows of resources	<u>377,278</u>
Net Position:	
Net investment in capital assets	11,320,994
Unrestricted	1,273,208
Total net position	<u>\$ 12,594,202</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 1,709,754
Water and sewer taps	816
Other operating revenues	<u>16,529</u>
Total operating revenues	<u>1,727,099</u>
Operating Expenses:	
Administration	425,974
Water and sewer plant operations	653,127
Water and sewer field operations	332,908
Depreciation	<u>527,158</u>
Total operating expenses	<u>1,939,167</u>
Operating income (loss)	<u>(212,068)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	465
Interest and other charges	<u>(72,256)</u>
Total non-operating revenues (expenses)	<u>(71,791)</u>
Change in net position	(283,859)
Net Position:	
Beginning of year - July 1	<u>12,878,061</u>
End of year - June 30	<u>\$ 12,594,202</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,834,109
Cash paid for goods and services	(682,072)
Cash paid to employees	<u>(653,556)</u>
Net cash provided (used) by operating activities	<u>498,481</u>
Cash Flows from Capital and Related Financing Activities:	
Principal repaid on long-term debt	(294,705)
Interest and other charges	(72,256)
Acquisition and construction of capital assets	<u>(77,289)</u>
Net cash provided (used) by capital and related financing activities	<u>(444,250)</u>
Cash Flows from Investing Activities:	
Interest and dividends	<u>465</u>
Net increase (decrease) in cash and cash equivalents	54,696
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>2,395,207</u>
End of year - June 30	<u>\$ 2,449,903</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (212,068)
Depreciation	527,158
Change in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivables, net	97,369
(Increase) decrease in prepaid expenses	4,899
(Increase) decrease in inventories	(3,077)
(Increase) decrease in deferred outflows of resources for pensions and OPEB	685
Increase (decrease) in pension liability	66,346
Increase (decrease) in OPEB liability	(87,531)
Increase (decrease) in accounts payable and accrued liabilities	26,962
Increase (decrease) in unearned revenue	16,903
Increase (decrease) in customer deposits	4,742
Increase (decrease) in compensated absences	7,306
Increase (decrease) in deferred inflows of resources for OPEB and pension	<u>48,787</u>
Net cash provided (used) by operating activities	<u>\$ 498,481</u>

The accompanying notes are an integral part of the financial statements.

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TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Blowing Rock, North Carolina, (the "Town") 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 Blowing Rock, North Carolina is a municipal corporation governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component units presented below are reported in a separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Town of Blowing Rock ABC Board

The members of the ABC's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Blowing Rock ABC Board, 7960 Valley Boulevard, Blowing Rock, North Carolina 28605.

Town of Blowing Rock Tourism Development Authority (TDA)

The members of the TDA's governing board are appointed by the Town. The TDA Board, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). The TDA, which provides a financial benefit to the Town, was established to receive the proceeds of room occupancy tax levied pursuant to Session Law 1987-171 and 2003-281. Complete financial statements for the TDA Board may be obtained from the entity's administrative offices at the Town of Blowing Rock TDA, P.O. Box 47, Blowing Rock, North Carolina 28605.

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 units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between the direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 particular 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. Separate statements for each fund category *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities, such as investment earnings.

The Town maintains 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 general government, sanitation services, and street maintenance and construction.

Capital Projects Fund. The Capital Projects Fund accounts for construction of various Town buildings, infrastructure, etc.

The Town maintains the following nonmajor governmental fund:

Blowing Rock Appearance Advisory Commission (BRAAC). This fund is used to account for the activities of the Appearance Advisory Commission.

The Town reports the following major enterprise fund:

Water and Sewer Fund. Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Fund is the only enterprise fund of the Town.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide and Proprietary Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund 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. Non-exchange 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 are 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 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.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 collected and certain intergovernmental revenues, such as utilities franchise 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 Blowing Rock because the tax is levied by Watauga County and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Special Revenue, and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end.

Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Fund, which are consolidated with the operating fund for reporting purposes. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. 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 ordinance can be adopted.

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

Deposits and Investments

All deposits of the Town, the ABC Board and the TDA are made in board-designated official depositories and are secured as required by State statutes. The Town, the ABC Board and the TDA may designate, as an official depository, any bank or savings association whose principal

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

office is located in North Carolina. Also, the Town, the ABC Board and the TDA may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town, the ABC Board and the TDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

The Town's, the ABC Board's, and the TDA's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

The Town pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board and the TDA consider 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

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Unexpended debt proceeds of the General Fund, Capital Project Fund and Water and Sewer Fund debt issued by the Town are classified as restricted assets for those funds because their use is completely restricted to the purpose for which bonds were originally issued.

Restricted cash at June 30, 2021, consist of the following:

Governmental Activities:

General Fund - unexpended debt proceeds	\$	84,195
Capital Project Fund - unexpended debt proceeds		1,790,537
General Fund - Customer deposits		<u>12,210</u>
Total governmental activities		<u>1,886,942</u>

Business-Type Activities:

Water and Sewer Fund - customer deposits		211,306
Water and Sewer Fund - unexpended debt proceeds		<u>31,862</u>
Total business-type activities		<u>243,168</u>

Total restricted cash	\$	<u>2,130,110</u>
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TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.

Allowances 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.

Inventory and Prepaid Items

The inventories of the Town's General Fund consist of expendable supplies that are recorded as expenditures as used rather than purchased.

The inventories of the Town's enterprise funds and the ABC Board consist of materials and supplies held for subsequent use and merchandise held for resale. The costs of these inventories are expensed when consumed rather than when purchased. The cost of merchandise held for resale is expensed when sold 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, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized. The Town capitalizes interest costs which are incurred during the construction period of capital assets.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of \$5,000 will be reported as capital assets in the Statement of Net Position. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General governmental infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Infrastructure	50 years
Building and improvements	50 years
Furniture and equipment	5-10 years
Vehicles	5 years
Computer equipment	3 years

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Computer equipment	5 years
Building and improvements	20-25 years
Furniture and equipment	5-10 years

Capital assets of the TDA are depreciated over their useful lives on a straight-line basis as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Building and improvements	50 years
Furniture and equipment	10 years
Computer equipment	5 years

Compensated Absences

The vacation policies of the Town provide for accumulation of thirty days earned vacation leave with such leave being fully vested when earned. The Town's government-wide and proprietary funds, an expense and a liability for compensated absences and salary-related payments are recorded as the leave is earned. The Town has a first-in, first-out method of using accumulated compensated time. 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. The Town's sick leave policy provides of an unlimited accumulation of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in determination of length of service for retirement benefit purposes. Since the Town has no obligation for accumulated sick leave until it is actually taken no accrual for sick leave has been made.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 related deferrals and OPEB deferrals.

In addition to liabilities, the Statement of Net 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 four items that meets this criterion – property taxes receivable, prepaid taxes, OPEB deferrals and pension related deferrals.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance cost, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as net invested in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statutes.

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.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance. This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Inventories and Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid items, which are not spendable resources.

Restricted Fund Balance. This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Stabilization by State Statute – portion of fund balance that is not an available resource for appropriation in accordance with state law [G.S. 159-8(a)].

Restricted for Capital Items – portion of fund balance that has been restricted by revenue source for future capital expenditures.

Restricted fund balance on Exhibit C differs from restricted net position on Exhibit A by unspent debt proceeds less amounts payable from restricted assets of \$1,399,098.

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision making authority, the Town Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body. 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.

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Town has budgeted for specific purposes. The Town Council has the authority to assign fund balance.

Assigned for Beautification – portion of fund balance that has been budgeted by the Board for future expenditures of the Appearance Advisory Commission.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Budget Officer to reallocate appropriations within departments and to also execute interfund and interdepartmental transfers in emergency situations. Notification of all such transfers shall be made to the Town Council at the next meeting.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Unassigned Fund Balance. Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes or other funds.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, state funds, local non-Town funds, and 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 or when required by grant or other contractual agreements.

The Town of Blowing Rock has fund balance goal for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 50% of expenditures. Any portion of the General Fund balance in excess of 50% of expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

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	\$ 7,056,396
Less:	
Non-spendable - inventory	2,700
Non-spendable - prepaid expenses	62,382
Stabilization by state statute	1,859,259
Available fund balance	<u>\$ 5,132,055</u>

Interfund Transactions

Interfund services provided are accounted for as revenues or expenses in the government- wide financial statements since they would be treated as such if they involved organizations external to the Town. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates made are: allowance for doubtful accounts and depreciation lives.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental 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's employer contributions are recognized when due, and the Town 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.

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town, the ABC Board, and TDA are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's or TDA's agents in the units' name. 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, the ABC Board and TDA, these deposits are considered to be held by the Town's and TDA's agents in their names. The amount of the 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, and TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town, the ABC Board and TDA under the Pooling Method, the potential exists for under collateralization, and 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, the ABC Board, and TDA has no 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, the ABC Board and TDA complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,886,555 and a bank balance of \$1,886,644. Of the bank balance, \$616,058 was covered by FDIC, and the remainder was covered by collateral under the Pooling Method. The carrying amount of deposits for the ABC Board was \$388,286 and the bank balance was \$482,269. \$250,000 of the bank balance was covered by federal depository insurance and the remainder under the pooling method. The carrying amount of deposits for the Authority was \$1,232,401, and the bank balance was \$1,237,981. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$504.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Investments

As of June 30, 2021, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2021</u>	<u>Maturity</u>	<u>Rating</u>
NCCMT - Government Portfolio	Fair Value - Level 1	\$ 8,367,308	N/A	AAAm

At June 30, 2021, the TDA had \$25,000 invested with the North Carolina Capital Management Trust's Government Portfolio. The ABC Board had \$155,756 invested with the NC Capital Management Trust's Government Portfolio. The NCCMT Government Portfolio carried a credit rating of AAAM with Standard & Poor's and AAA-mf with Moody's Investor Service. The Town, the ABC Board and the Authority have no policy regarding credit risk.

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of Fair Value Hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. The Town does not have a formal investment policy. However, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2021.

Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

	<u>Allowance</u>
Governmental Activities:	
Taxes receivable	\$ 85,829
Accounts receivable	7,489
Total governmental activities	<u>\$ 93,318</u>
Business-Type Activities:	
Accounts receivable	<u>\$ 65,968</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Due from other governments that is owed to the Town consist of:

Governmental Activities:

Local option sales tax	\$	643
Sales tax refund receivable		113,923
Total	\$	114,566

Capital Assets

Governmental Capital Assets

The capital assets of the government fund of the Town at June 30, 2021, were as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 3,086,759	\$ -	\$ -	\$ 3,086,759
Construction in progress	2,516,913	2,557,727	(83,549)	4,991,091
Total non-depreciable assets	5,603,672	2,557,727	(83,549)	8,077,850
Depreciable Assets:				
Buildings	9,196,103	-	-	9,196,103
Equipment and furniture	3,457,003	29,755	-	3,486,758
Vehicles	2,616,767	70,521	-	2,687,288
Computers	486,342	-	-	486,342
Infrastructure	12,172,599	83,549	-	12,256,148
Total depreciable assets	27,928,814	183,825	-	28,112,639
Less Accumulated Depreciation:				
Buildings	2,245,439	183,322	-	2,428,761
Equipment and furniture	3,006,848	74,396	-	3,081,244
Vehicles	2,129,313	187,635	-	2,316,948
Computers	399,537	39,144	-	438,681
Infrastructure	1,494,717	244,268	-	1,738,985
Total accumulated depreciation	9,275,854	\$ 728,765	\$ -	10,004,619
Depreciable capital assets, net	18,652,960			18,108,020
Governmental activities capital assets, net	\$ 24,256,632			\$ 26,185,870

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Governmental Activities:

General government	\$	98,653
Public safety		207,574
Transportation		303,777
Environmental protection		80,186
Cultural and recreation		<u>38,575</u>
Total	\$	<u><u>728,765</u></u>

Proprietary Capital Assets

The capital assets for the proprietary fund of the Town at June 30, 2021 are as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
Business-Type Activities:				
Water and Sewer Fund:				
Non-Depreciable Assets:				
Land	\$ 100,504	\$ -	\$ -	\$ 100,504
Construction in progress	<u>369,641</u>	<u>77,289</u>	<u>(25,171)</u>	<u>421,759</u>
Total non-depreciable assets	<u>470,145</u>	<u>77,289</u>	<u>(25,171)</u>	<u>522,263</u>
Depreciable Assets:				
Plant	23,103,021	25,171	-	23,128,192
Equipment	<u>1,751,532</u>	<u>-</u>	<u>-</u>	<u>1,751,532</u>
Total depreciable assets	<u>24,854,553</u>	<u>25,171</u>	<u>-</u>	<u>24,879,724</u>
Less Accumulated Depreciation:				
Plant	9,051,204	419,588	-	9,470,792
Equipment	<u>1,378,763</u>	<u>107,570</u>	<u>-</u>	<u>1,486,333</u>
Total accumulated depreciation	<u>10,429,967</u>	<u>\$ 527,158</u>	<u>\$ -</u>	<u>10,957,125</u>
Depreciable capital assets, net	<u>14,424,586</u>			<u>13,922,599</u>
Water and Sewer Fund capital assets, net	<u>\$ 14,894,731</u>			<u>\$ 14,444,862</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Construction Commitments

The Town has active construction projects as of June 30, 2021. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Total Contract</u>
Middle Fork Greenway	\$ 280,512	\$ 2,613,508	\$ 2,894,020
Sidewalk to Bass Lake	220,166	967,956	1,188,122
Gateways	37,866	238,795	276,661
Paving	903,074	2,067,327	2,970,401
WTP Chemical Storage Tank	17,496	244,960	262,456

Discretely Presented Component Units

Activity for the TDA for the year ended June 30, 2021, was as follows:

At June 30, 2021, the Authority's capital assets consisted of furniture and equipment totaling \$104,259, being depreciated over ten years, and had accumulated depreciation of \$56,011. Depreciation expense for the current year was \$8,856.

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Non-Depreciable Assets:				
Land	\$ 96,275	\$ -	\$ -	\$ 96,275
Total non-depreciable assets	<u>96,275</u>	<u>-</u>	<u>-</u>	<u>96,275</u>
Depreciable Assets:				
Buildings and improvements	287,563	-	-	287,563
Furniture and equipment	60,702	-	-	60,702
Computer and furniture	55,668	-	-	55,668
Total depreciable assets	<u>403,933</u>	<u>-</u>	<u>-</u>	<u>403,933</u>
Less Accumulated Depreciation:				
Buildings and improvements	172,675	5,289	-	177,964
Furniture and equipment	59,773	352	-	60,125
Computer and furniture	53,443	288	-	53,731
Total accumulated depreciation	<u>285,891</u>	<u>\$ 5,929</u>	<u>\$ -</u>	<u>291,820</u>
Depreciable capital assets, net	<u>118,042</u>			<u>112,113</u>
ABC Board governmental activity capital assets, net	<u>\$ 214,317</u>			<u>\$ 208,388</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021, is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 26,185,870	\$ 14,444,862
Long-term debt	(10,677,553)	(3,155,730)
Unspent debt proceeds	1,874,732	31,862
Net investment in capital assets	\$ 17,383,049	\$ 11,320,994

B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2021:

	Vendors	Salaries and Benefits	Total
Governmental Activities	\$ 597,753	\$ 100,140	\$ 697,893
Business-Type Activities:			
Water and Sewer Fund	\$ 139,127	\$ 23,007	\$ 162,134

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Blowing Rock is a participating employer in the statewide Local Governmental 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 governmental 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 serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Blowing Rock employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Blowing Rock' contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation for law enforcement officers and 10.15% for general employees and firefighters, 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 Blowing Rock were \$317,074 for the year ended June 30, 2021.

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.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

At June 30, 2021, the Town reported a liability of \$1,730,968 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.0484%, which was an increase of 0.0002% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$578,167. At June 30, 2021, 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	\$ 218,591	\$ -
Changes of assumptions	128,818	-
Net difference between projected and actual earnings on pension plan investments	243,587	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,929	58,464
Town contributions subsequent to the measurement date	317,074	-
Total	\$ 918,999	\$ 58,464

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$317,074 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 ending June 30, 2022. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 152,871
2023	207,697
2024	110,804
2025	72,089
2026	-
Thereafter	-
Total	<u>\$ 543,461</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.5 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, 2019 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets 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 rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 3,511,945	\$ 1,730,968	\$ 250,850

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

Pension Plan Obligations

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town of Blowing Rock 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 have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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. A separate report was not issued for the plan.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits and and terminated employees entitled to, but not yet receiving, benefits	3
Active plan members	11
Total	14

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 criteria, which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

The actuarial assumption used in the December 31, 2019 valuation were based n the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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

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

Deaths After Retirement (Health): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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.

Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$35,207 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$381,931. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$38,762.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,911	\$ 7,255
Changes of assumptions	78,615	5,748
Town benefit payments and plan administrative expense made subsequent to the measurement date	16,249	-
Total	<u>\$ 109,775</u>	<u>\$ 13,003</u>

\$16,249 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2022	18,201
2023	18,993
2024	16,172
2025	17,347
2026	9,810
Thereafter	-
Total	<u>\$ 80,523</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 1.93%, 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	1% Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 407,225	\$ 381,931	\$ 358,576

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

	2021
Beginning balance	\$ 314,622
Service cost	10,878
Interest on the total pension liability	9,683
Differences between expected and actual experience in the measurement of the total pension liability	(531)
Changes of assumptions or other inputs	82,486
Benefit payments	(35,207)
Ending balance of the total pension liability	\$ 381,931

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, 2019 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 578,167	\$ 38,762	\$ 616,929
Net pension liability	1,730,968	-	1,730,968
Total pension liability	-	381,931	381,931
Proportionate share of net pension liability	0.04844%	N/A	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 218,591	\$ 14,911	\$ 233,502
Changes of assumptions	128,818	78,615	207,433
Net difference between projected and actual earnings on pension plan investments	243,587	-	243,587
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,929	-	10,929
Benefit payments and administrative costs paid subsequent to the measurement date	317,074	16,249	333,323

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 7,255	\$ 7,255
Changes of assumptions	-	5,748	5,748
Changes in proportion and differences between Town contributions and proportionate share of contributions	58,464	-	58,464

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute an amount equal to five percent of each general employee and five percent of each officer's salary, and all amounts are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 for general employees and law enforcement officers, respectively, were \$163,567 and \$38,964, which consisted of \$122,249 from the Town and \$41,318 from general employees and \$28,052 from the Town and \$10,912 from the law enforcement officers. No amounts were forfeited.

Other Post-Employment Benefits

Healthcare Benefits

Medical Insurance Benefits

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. The RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources, who serve as ex-officio members. The RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided from the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's Annual Comprehensive Financial Report, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Those former employees who are eligible to receive medical benefits from the RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the state will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.68% of covered payroll which amounted to \$205,438.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

At June 30, 2021, the Town reported a liability of \$5,162,054 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net OPEB liability was based on a projection of the Town's present value of future salary, actuarially determined. At June 30, 2021, the Town's proportion was 0.01861%. For the year ended June 30, 2021, the Town recognized OPEB expense of \$209,699.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,675	\$ 201,946
Changes of assumptions	226,386	2,094,843
Net difference between projected and actual earnings on OPEB plan investments	10,874	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,088,156	-
Employer contributions subsequent to the measurement date	205,438	-
Total	<u>\$ 1,535,529</u>	<u>\$ 2,296,789</u>

\$205,438 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2022	\$ (375,922)
2023	(375,355)
2024	(89,237)
2025	10,981
2026	(137,165)
Thereafter	-
Total	<u>\$ (966,698)</u>

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, 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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

Discount Rate. The discount rate used to measure the total OPEB liability for RHBF was 3.50%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-Year General Obligation Index as of June 30, 2020.

Inflation	3.00 percent
Salary increase	3.50%-5.50%, including inflation and productivity factor
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates - Medical	6.5% grading down by 5% by 2024
Healthcare cost trend rates - prescription drug	7.5% grading down by 5% by 2028
Healthcare cost trend rates - Medicare advantage	6.5% grading down by 5% by 2024
Healthcare cost trend rates - administrative	3.00%

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the Board's Proportionate Share of the Net RHBFB OPEB Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$ 6,121,869	\$ 5,162,054	\$ 4,388,763

Sensitivity of the Board's Proportionate Share of the Net RHBFB OPEB Liability to Changes in the Healthcare Trend Rates. The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease in Trend Rates	Current Trend Rates (6.5% Medical, 7.25% Rx, 3.00% Admin Expenses)	1% Increase in Trend Rates
Net OPEB liability	\$ 4,161,549	\$ 5,162,054	\$ 6,499,364

RHBFB OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

Dental Benefits

Plan Description. The post-employment healthcare benefits are provided through a single employer defined benefit plan. The Town Council has the authority to establish and amend the benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The Comprehensive Dental Plan is administered by Companion Life Insurance Company, which establish premium rates approved by the Department of Insurance of South Carolina.

According to a Town resolution, the Town provides post-employment dental benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable service with the Town and retire with full benefits under the System. The Town pays full cost of premiums. The Town's retirees may also purchase coverage for their dependents through this plan. Total membership includes 13 inactive employees or beneficiaries current receiving benefits and 69 active members for a total membership of 82. A separate report is not issued for the plan.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Total OPEB Liability

The Town's total OPEB liability of \$65,808 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increase	3.50 to 7.75 percent, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	Dental - 4.0%

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ 58,804
Changes for the year:	
Service cost at end of year	2,181
Interest	2,042
Difference between expected and actual experience	709
Changes of assumptions or other inputs	7,379
Benefit payments and implicit subsidy credit	(5,307)
Net change in total OPEB liability	7,004
Balance at June 30, 2021	\$ 65,808

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	Decrease (1.21%)	Rate (2.21%)	Increase (3.21%)
Total OPEB liability	\$ 73,323	\$ 65,808	\$ 59,992

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	\$ 58,419	\$ 65,808	\$ 74,845

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$5,316. At June 30, 2021, 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	\$ 5,655	\$ 569
Changes of assumptions or other inputs	8,182	2,159
Benefit payments and administrative costs made subsequent to the measurement date	4,079	-
Total	\$ 17,916	\$ 2,728

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$4,079 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2022	\$ 1,093
2023	1,093
2024	1,093
2025	1,093
2026	1,460
Thereafter	5,277
Total	<u>\$ 11,109</u>

Total OPEB Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to OPEB

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

	<u>RHBF OPEB</u>	<u>Other Insurance Plan OPEB</u>	<u>Total</u>
OPEB expense	\$ 209,699	\$ 5,316	\$ 215,015
Net OPEB liability	5,162,054	-	5,162,054
Total OPEB liability	-	65,808	65,808
Proportionate share of the net OPEB liability	0.18610%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 4,675	\$ -	\$ 4,675
Changes of assumptions	226,386	-	226,386
Net difference between projected and actual earnings on OPEB plan investments	10,874	5,655	16,529
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,088,156	8,182	1,096,338
Benefit payments and administrative costs paid subsequent to the measurement date	<u>205,438</u>	<u>4,079</u>	<u>209,517</u>
Total deferred outflows of resources	<u>\$ 1,535,529</u>	<u>\$ 17,916</u>	<u>\$ 1,553,445</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 201,946	\$ 569	\$ 202,515
Changes of assumptions	<u>2,094,843</u>	<u>2,159</u>	<u>2,097,002</u>
Total deferred inflows of resources	<u>\$ 2,296,789</u>	<u>\$ 2,728</u>	<u>\$ 2,299,517</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Inflows and Outflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 317,074
Benefit payments made and administrative expenses for LEOSA	16,249
Benefit payments made and administrative expenses for OPEB	209,517
Differences between expected and actual experience	238,177
Changes of assumptions	433,819
Net difference between projected and actual earnings on investments	260,116
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,107,267
Total	\$ 2,582,219

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 23,638
Prepaid taxes	2,728	2,728
Changes in assumptions	2,102,750	-
Differences between expected and actual experience	209,770	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,464	-
Total	\$ 2,373,712	\$ 26,366

Other Employee Benefits

Death Benefit Plan

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within one hundred eighty (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

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

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 a self-funded risk-financing pools administered by the North Carolina League of Municipalities for workers compensation. The pool is reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation for the current policy period.

The pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. Owner purchases employee health insurance coverage from the North Carolina State Health Plan for Teachers and State Employees. The health insurance plan is fully insured by the carrier.

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 does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond with a \$25,000 coverage limit per incident. The Finance Officer and Tax Collector are each individually bonded for \$100,000 each.

Claims, Judgments, and Contingent Liabilities

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Obligations

The long-term obligations of the Town are as follows:

4.22% notes for \$4,700,000, issued in October 2006; payable in annual installments of \$235,000, including interest; beginning in October 2006 with final payment due 2026	\$ 1,175,000
2.89% note for \$438,270, issued November, 2018; payable in annual installments of \$117,771, including interest; beginning November, 2019 with final payment due 2022	225,607
2.445% note for \$536,194, issued March 2012; payable in annual installments of \$27,519 beginning March 2012 with final payment due 2033	321,717
0% note for \$756,480, issued May 2010; payable in annual installments of \$37,824 beginning May 2010 with final payment due 2031	378,240
4.08% note for \$1,000,000; issued August 2009; payable in annual installments of \$76,923 beginning August 2009 with final payment due 2025	307,692
2.83% note for \$1,700,580, issued May 2015; payable in annual installments of \$113,372 beginning May 2015 with final payment 2030	1,020,348
1.82% note, payable in annual installments of \$78,536, including interest, beginning November 2020 through 2023; secured by various vehicles and equipment	<u>227,285</u>
Total notes payable, secured - governmental and business-type activities	<u>\$ 3,655,889</u>

The Town's outstanding note from direct placements of \$1,175,000 is secured by a security interest in the fixtures that are part of the property. Upon the occurrence of any event of default, the bank may exercise any one or more of the following remedies as the bank in its sole discretion shall elect:

- (a) Declare the entire principal amount of the installment payments and all accrued interest and other charges immediately due and payable without notice or demand to the Borrower;
- (b) Proceed by appropriate court action to enforce performance by the borrower of the applicable covenants of this contract or to recover for the breach thereof;
- (c) Exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted or reserved hereunder, including, without limitation, to the extent permitted by law, take

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

possession of any collateral without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the borrower, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorney's fees, incurred with the recovery, repair, storage and other sale, lease or other disposition costs, toward the balance due under this contract and, thereafter, shall pay any remaining proceeds to the borrower;

- (d) Terminate this contract as to all or any part of the equipment and use, operate, lease or hold all or any part of the equipment as the bank in its sole discretion may decide; or
- (e) Take possession of any proceeds of the equipment, including net proceeds.

All remedies of the bank are cumulative and may be exercised concurrently or separately. The exercise of any one remedy shall not be deemed an election of such remedy or preclude the exercise of any other remedy. The borrower agrees to pay to the bank all court costs and reasonable attorney fees incurred by bank in enforcing the bank's rights and remedies under the financing contract.

The Town's outstanding note from direct placements of \$225,607 is secured by a security interest in the equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, all commitments and obligations of lender under this agreement or the related documents or any other agreement immediately will terminate (including any obligation to make further loan advances or disbursements), and, at lender's option, all indebtedness immediately will become due and payable, all without notice of any kind to borrower, except that in the case of an event of default of the type described in the "insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, lender shall have all the rights and remedies provided in the related documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of borrower or of any grantor shall not affect lender's right to declare a default and to exercise its rights and remedies.

The Town's outstanding note from direct borrowing of \$321,717 is payable solely from the revenues of the project or benefited systems, or other available funds. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, any other monies due to the Town from the state may be withheld by the state and applied to the payment of this obligation.

The Town's outstanding note from direct borrowing of \$378,240 is payable solely from the revenues of the project or benefited systems, or other available funds. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, any other monies due to the Town from the state may be withheld by the state and applied to the payment of this obligation.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town's outstanding note from direct placements of \$307,692 is secured by a security interest in the real property and the improvements. Upon the occurrence of any event of default, the bank may exercise any one or more of the following remedies as the bank in its sole discretion shall elect:

- (a) Declare the entire principal amount of the installment payments and all accrued interest and other charges immediately due and payable without notice or demand to the borrower;
- (b) Proceed by appropriate court action to enforce performance by the borrower of the applicable covenants of this contract or to recover for the breach thereof;
- (c) Exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted or reserved hereunder, including, without limitation, to the extent permitted by law, take possession of any collateral without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the borrower, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorney's fees, incurred with the recovery, repair, storage and other sale, lease or other disposition costs, toward the balance due under this contract and, thereafter, shall pay any remaining proceeds to the borrower;
- (d) Terminate this contract as to all or any part of the equipment and use, operate, lease or hold all or any part of the equipment as the bank in its sole discretion may decide; or
- (e) Enforce its security interest or institute foreclosure proceedings under the Deed of Trust on all or any portion of real property; or
- (f) Terminate the Escrow Fund in accordance with the escrow agreement.

The Town's outstanding note from direct placements of \$1,020,348 is secured by a security interest in the property. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the lender will exercise any one or more of the following remedies: (a) Declare the unpaid principal components of the installment payments immediately due and payable; (b) Proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this agreement or to recover for the breach thereof; (c) As provided in the Project Fund Agreement, require the bank to pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (d) Avail itself of all available remedies under this agreement, including execution as provided and attorney's fees and other expenses.

The Town's outstanding note from direct placements of \$227,285 is secured by a security interest in the equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, all commitments and obligations of lender under this agreement or the related documents or any other agreement immediately will terminate (including any obligation to make further loan advances or disbursements), and, at lender's option, all indebtedness immediately will become due and payable, all without notice of any kind to borrower, except that in the case of an event of default of the type described in the "insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, lender shall have all the rights and remedies provided in the related documents or available at law, in equity,

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

or otherwise. Except as may be prohibited by applicable law, all of lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of borrower or of any grantor shall not affect lender's right to declare a default and to exercise its rights and remedies.

Maturities of long-term debt from direct borrowing and direct placements, including interest are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 509,049	\$ 89,666	\$ 166,440	\$ 19,158
2023	511,798	52,825	168,332	15,820
2024	448,631	53,211	118,430	12,433
2025	396,952	36,809	92,977	10,511
2026	320,029	21,347	92,977	9,054
2027-2031	340,116	21,657	436,543	23,607
2032-2033	-	-	53,615	1,967
Total	<u>\$ 2,526,575</u>	<u>\$ 275,515</u>	<u>\$ 1,129,314</u>	<u>\$ 92,550</u>

General Obligation Bonds:

2.0% bonds issued for \$3,500,000, Public Improvement, Series 2016 due on September 1 and March 1 in installments of \$180,000 plus interest through March 1, 2036 \$ 2,600,000

2.0% bonds issued for \$1,135,000, Public Improvement, Series 2016 due on September 1 and March 1 in installments of \$55,000 plus interest through March 1, 2036 860,000

2.9366% bonds issued for \$1,757,500, Public Improvement, Series 2018 due on September 1 and March 1 in installments of \$90,000 plus interest through March 1, 2038 1,470,000

2.9366% bonds issued for \$542,500, Public Improvement, Series 2018 due on September 1 and March 1 in installments of \$30,000 plus interest through March 1, 2038 470,000

2.954% bonds issued for \$3,690,000, Public Improvement, Series 2020 due on November 1 in installments of \$185,000 plus interest through November 1, 2039 3,505,000

2.954% bonds issued for \$680,000, Public Improvement, Series 2020 due on November 1 in installments of \$35,000 plus interest through November 1, 2039 645,000

Total \$ 9,550,000

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The future payments of the general obligation bonds are as follows:

Year Ending June 30	General Fund		Water and Sewer Fund	
	Principal	Interest	Principal	Interest
2022	\$ 455,000	\$ 224,643	\$ 120,000	\$ 56,363
2023	455,000	207,293	120,000	52,013
2024	455,000	190,343	120,000	47,663
2025	455,000	170,793	120,000	43,913
2026	450,000	155,343	125,000	40,163
2027-2031	2,225,000	536,102	620,000	143,240
2032-2036	2,180,000	216,694	580,000	61,468
2037-2041	900,000	40,272	170,000	7,734
Total	<u>\$ 7,575,000</u>	<u>\$ 1,741,483</u>	<u>\$ 1,975,000</u>	<u>\$ 452,557</u>

Capital Lease

The Town entered into a lease agreement on September 6, 2017 in an amount \$405,000 to purchase various equipment. The agreement provides terms of an annual payment of \$106,311 at 1.98% interest rate. The lease expires September 28, 2021.

The following is an analysis of the assets recorded under the capital lease as of June 30, 2021:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 22,321	\$ 1,674	\$ 20,647
Equipment	7,434	124	7,310
Vehicle	60,141	8,019	52,122
Total	<u>\$ 89,896</u>	<u>\$ 9,817</u>	<u>\$ 80,079</u>

The future payments for the capital lease are as follows:

Year Ending June 30	General Fund		Water and Sewer Fund	
	Principal	Interest	Principal	Interest
2022	\$ 119,304	\$ 3,914	\$ 10,472	\$ 252
2023	25,459	1,242	-	-
2024	25,867	834	-	-
2025	26,281	42	-	-
Total	<u>\$ 196,911</u>	<u>\$ 6,032</u>	<u>\$ 10,472</u>	<u>\$ 252</u>

At June 30, 2021, the Town of Blowing Rock had a legal debt margin of \$86,224,250.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:					
Installment purchase - Direct placements	\$ 3,112,491	\$ -	\$ 585,916	\$ 2,526,575	\$ 509,049
General obligation bonds	8,030,000	-	455,000	7,575,000	455,000
Unamortized bond premiums	399,242	-	20,175	379,067	20,175
Capital lease	186,274	102,665	92,028	196,911	119,304
Net pension liability (LGERS)	1,105,695	348,318	-	1,454,013	-
Total pension liability (LEOSSA)	314,622	67,309	-	381,931	-
Net OPEB liability	4,801,544	-	465,419	4,336,125	-
Total OPEB liability	49,395	5,884	-	55,279	-
Compensated absences	253,087	181,968	110,909	324,146	111,000
Governmental activities long-term liabilities	<u>\$ 18,252,350</u>	<u>\$ 706,144</u>	<u>\$ 1,729,447</u>	<u>\$ 17,229,047</u>	<u>\$ 1,214,528</u>
Business-Type Activities:					
General obligation bonds	\$ 2,095,000	\$ -	\$ 120,000	\$ 1,975,000	\$ 120,000
Unamortized bond premiums	43,176	-	2,232	40,944	2,232
Installment purchase - Direct placements and direct borrowings	1,293,794	-	164,480	1,129,314	166,440
Capital lease	20,697	-	10,225	10,472	10,472
Net pension liability (LGERS)	210,609	66,346	-	276,955	-
Net OPEB liability	914,580	-	88,651	825,929	-
Total OPEB liability	9,409	1,120	-	10,529	-
Compensated absences	42,857	18,978	8,234	53,601	36,449
Water and Sewer Fund long-term liabilities	<u>\$ 4,630,122</u>	<u>\$ 86,444</u>	<u>\$ 393,822</u>	<u>\$ 4,322,744</u>	<u>\$ 335,593</u>

Other post-employment liabilities, pension liabilities and compensated absences typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis, assuming that the employees are taking leave time as it is earned.

Contingencies

The Town has received proceeds from several 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 agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any amounts to be refunded to be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Interfund Transactions

Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2021 consist of the following:

Transfer to General Fund from Capital Projects for GO Bond service reserve allocation	\$ 180,000
Transfer to General Fund from BRAAC for watering and beautification	13,000
Transfer to Capital Projects from General Fund for Valley Blvd. Aluminum Fence Upgrade.	73,852
Transfer to Capital Projects from General Fund for Memorial Park Playground project	150,000
Transfer to Water Sewer Fund from Water Sewer Capital Projects For Water and Sewer line replacements	17,530
Transfer in from Water and Sewer capital projects from Water and Sewer Fund for GO Bond and Interconnect Debt Service Reserve transfer	75,584
Transfer from Water Sewer Fund to Water Sewer Capital for Pine Street Force Main Sewer and Chemical Storage Tank project.	<u>315,128</u>
Total interfund transfers	<u>\$ 825,094</u>

Due to/from Other Funds

Balances due to/from other funds at June 30, 2021, consist of the following:

Due from the Capital Project Fund for its activity allocation to the General Fund:

Capital Project Fund	<u>\$ 737,839</u>
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3. Joint Ventures

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D Council of Governments (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 dues of \$597 during the fiscal year ended June 30, 2021.

TOWN OF BLOWING ROCK, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

4. Summary Disclosure of Significant Contingencies Federal and State-Assisted Programs

The Town has received proceeds from several 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 agreements. Such audits could result in the refund of grant monies 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 monies.

5. Summary Disclosure of Significant Commitments and Contingencies

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

6. Subsequent Event

The Town of Blowing Rock was awarded \$421,955 from the Federal American Rescue Plan (ARP). Subsequent to year end, the Town of Blowing Rock received \$210,978. The remaining amount of \$210,977 is expected to be received within the next 12 months.

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TOWN OF BLOWING ROCK, NORTH CAROLINA

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS ***

	Local Governmental Employees' Retirement System			
	2021	2020	2019	2018
Town's proportion of the net pension liability (asset) (%)	0.0484%	0.0482%	0.0497%	0.0427%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,730,968	\$ 1,316,304	\$ 1,178,342	\$ 652,338
Town's covered payroll	\$ 2,878,094	\$ 2,818,331	\$ 2,923,978	\$ 2,428,119
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	60.14%	46.71%	40.30%	26.87%
Plan fiduciary net position as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS ***

	Local Governmental Employees' Retirement System			
	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0402%	0.0401%	-0.0397%	0.0373%
Town's proportion of the net pension liability (asset) (\$)	\$ 852,754	\$ 183,961	\$ (233,953)	\$ 449,608
Town's covered payroll	\$ 2,235,534	\$ 2,056,654	\$ 1,851,018	\$ 1,930,820
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.15%	8.94%	(12.64%)	23.29%
Plan fiduciary net position as a percentage of the total pension liability **	91.47%	98.09%	102.64%	94.35%

TOWN OF BLOWING ROCK, NORTH CAROLINA

**CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 317,074	\$ 261,419	\$ 222,898	\$ 223,232
Contributions in relation to the contractually required contribution	<u>317,074</u>	<u>261,419</u>	<u>222,898</u>	<u>223,232</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,075,426	\$ 2,878,094	\$ 2,818,331	\$ 2,923,978
Contributions as a percentage of covered payroll	10.31%	9.08%	7.91%	7.63%

This schedule is intended to show information for ten years. Additional years' information will be as it becomes available.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 179,484	\$ 151,742	\$ 149,590	\$ 131,628
Contributions in relation to the contractually required contribution	<u>179,484</u>	<u>151,742</u>	<u>149,590</u>	<u>131,628</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,428,119	\$ 2,235,534	\$ 2,056,654	\$ 1,851,018
Contributions as a percentage of covered payroll	7.39%	6.79%	7.27%	7.11%

TOWN OF BLOWING ROCK, NORTH CAROLINA**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 314,622	\$ 300,950	\$ 317,503	\$ 280,786	\$ 277,310
Service cost	10,878	10,572	13,048	12,443	11,175
Interest on the total pension liability	9,683	10,341	9,791	10,614	9,693
Differences between expected and actual experience in the measurement of the total pension liability	(531)	18,511	(14,281)	8,872	-
Changes of assumptions or other inputs	82,486	7,967	(9,763)	16,392	(5,788)
Benefit payments	<u>(35,207)</u>	<u>(33,719)</u>	<u>(15,348)</u>	<u>(11,604)</u>	<u>(11,604)</u>
Ending balance of the total pension liability	<u>\$ 381,931</u>	<u>\$ 314,622</u>	<u>\$ 300,950</u>	<u>\$ 317,503</u>	<u>\$ 280,786</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
 PERCENTAGE OF COVERED EMPLOYEE PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 LAST FIVE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance					
	2021	2020	2019	2018	2017
Total pension liability	\$ 381,931	\$ 314,622	\$ 300,950	\$ 317,503	\$ 280,786
Covered payroll	452,661	432,332	450,078	462,909	414,828
Total pension liability as a percentage of covered payroll	84.37%	72.77%	66.87%	68.59%	67.69%

Notes to the Schedule:

The Town of Blowing Rock has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST FOUR FISCAL YEARS**

Other Post-Employment Benefits				
	2021	2020	2019	2018
Service cost	\$ 2,181	\$ 1,666	\$ 1,752	\$ 1,861
Interest	2,042	1,912	1,843	1,653
Differences between expected and actual experience	709	6,344	(613)	(371)
Changes of assumptions or other inputs	7,379	1,986	(1,438)	(2,525)
Benefit payments	<u>(5,307)</u>	<u>(4,473)</u>	<u>(3,795)</u>	<u>(3,725)</u>
Net change in total OPEB liability	7,004	7,435	(2,251)	(3,107)
Total OPEB liability - beginning	<u>58,804</u>	<u>51,369</u>	<u>53,620</u>	<u>56,727</u>
Total OPEB liability - ending	<u>\$ 65,808</u>	<u>\$ 58,804</u>	<u>\$ 51,369</u>	<u>\$ 53,620</u>
Covered payroll	\$ 2,585,218	\$ 2,585,218	\$ 2,260,517	\$ 2,260,517
Total OPEB liability as a percentage of covered payroll	2.55%	2.27%	2.27%	2.37%

Notes to the Required Schedules:

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

Fiscal Year	Rate
2018	3.59%
2019	3.89%
2020	3.50%
2021	2.21%

TOWN OF BLOWING ROCK, NORTH CAROLINA

**SCHEDULE OF THE TOWN OF BLOWING ROCK'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY - RETIREE HEALTH BENEFIT FUND
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS ***

	Retiree Health Benefit Fund				
	2021	2020	2019	2018	2017
Blowing Rock's proportion of the net OPEB liability (asset)	0.01861%	0.01807%	0.01669%	0.01543%	0.01353%
Blowing Rock's proportionate share of the net OPEB liability (asset)	\$ 5,162,054	\$ 5,716,124	\$ 4,754,310	\$ 5,058,674	\$ 5,884,069
Blowing Rock's covered payroll*	\$ 2,878,019	\$ 2,818,331	\$ 2,729,358	\$ 2,428,119	\$ 2,235,534
Blowing Rock's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	179.36%	202.82%	174.19%	208.34%	263.21%
Plan fiduciary net position as a percentage of the total OPEB liability**	6.92%	4.40%	4.40%	3.52%	2.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF BLOWING ROCK, NORTH CAROLINA**TOWN OF BLOWING ROCK'S CONTRIBUTIONS TO THE RETIREE HEALTH BENEFIT FUND
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS ***

	Retiree Health Benefit Fund				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 205,438	\$ 186,208	\$ 176,709	\$ 165,126	\$ 139,509
Contributions in relation to the contractually required contribution	<u>205,438</u>	<u>186,208</u>	<u>176,709</u>	<u>165,126</u>	<u>139,509</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Blowing Rock's covered payroll	\$ 3,075,426	\$ 2,878,019	\$ 2,818,331	\$ 2,729,358	\$ 2,428,119
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%	5.75%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 4,596,264	\$ 4,729,876	\$ 133,612	\$ 4,460,591
Interest	9,000	15,385	6,385	6,718
Total ad valorem taxes	4,605,264	4,745,261	139,997	4,467,309
Other Taxes and Licenses:				
Occupancy tax	1,708,943	1,656,535	(52,408)	1,377,589
Total other taxes and licenses	1,708,943	1,656,535	(52,408)	1,377,589
Unrestricted Intergovernmental Revenues:				
Local option sales taxes	2,015,932	2,192,176	176,244	1,959,926
Utilities franchise tax	300,000	309,832	9,832	317,282
Telecommunications tax	26,000	23,009	(2,991)	23,420
Video programming tax	42,900	39,332	(3,568)	40,494
Beer and wine tax	5,000	5,584	584	5,794
ABC profit distribution	80,000	198,451	118,451	140,004
Total unrestricted intergovernmental revenues	2,469,832	2,768,384	298,552	2,486,920
Restricted Intergovernmental Revenues:				
Powell Bill	76,000	69,792	(6,208)	76,178
Snow removal	10,500	-	(10,500)	-
Solid waste disposal tax	600	495	(105)	1,265
ABC revenue for law enforcement	5,000	16,296	11,296	8,954
Total restricted intergovernmental revenues	92,100	86,583	(5,517)	86,397
Permits and Fees:				
Building permits	52,475	114,221	61,746	86,957
Other fees	7,000	150	(6,850)	7,500
Total permits and fees	59,475	114,371	54,896	94,457
Sales and Services:				
Recreation department	77,100	74,465	(2,635)	86,810
Recycling	91,025	95,398	4,373	97,277
Parking fines	-	1,820	1,820	2,115
Rental income	16,400	14,038	(2,362)	12,098
Total sales and services	184,525	185,721	1,196	198,300
Investment Earnings	16,000	2,219	(13,781)	62,988

TOWN OF BLOWING ROCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Miscellaneous:				
Cemetery revenues	20,000	47,865	27,865	27,113
Solid waste fees	60,000	62,141	2,141	64,450
Zoning fees	10,000	19,977	9,977	10,256
Fire department contribution	293,288	265,082	(28,206)	258,571
Other	191,736	488,418	296,682	374,035
Total other revenues	<u>575,024</u>	<u>883,483</u>	<u>308,459</u>	<u>734,425</u>
Total revenues	<u>9,711,163</u>	<u>10,442,557</u>	<u>731,394</u>	<u>9,508,385</u>
Expenditures:				
Current:				
General Government:				
Other operating expenditures	1,971,888	1,827,179	144,709	1,509,721
Total general government	<u>1,971,888</u>	<u>1,827,179</u>	<u>144,709</u>	<u>1,509,721</u>
Governing Body:				
Salaries and employee benefits	42,932	42,446	486	41,099
Operating expenditures	8,750	2,240	6,510	4,810
Total governing body	<u>51,682</u>	<u>44,686</u>	<u>6,996</u>	<u>45,909</u>
Finance:				
Salaries and employee benefits	440,017	439,859	158	396,724
Operating expenditures	956,565	938,942	17,623	926,579
Total finance	<u>1,396,582</u>	<u>1,378,801</u>	<u>17,781</u>	<u>1,323,303</u>
Public Buildings:				
Operating expenditures	78,000	46,381	31,619	85,984
Total public buildings	<u>78,000</u>	<u>46,381</u>	<u>31,619</u>	<u>85,984</u>
Total general government	<u>3,498,152</u>	<u>3,297,047</u>	<u>201,105</u>	<u>2,964,917</u>
Public Safety:				
Police:				
Salaries and employee benefits	1,010,965	1,018,777	(7,812)	841,826
Operating expenditures	201,600	204,215	(2,615)	313,231
Capital outlay	102,665	101,668	997	120,439
Total police	<u>1,315,230</u>	<u>1,324,660</u>	<u>(9,430)</u>	<u>1,275,496</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and employee benefits	1,061,462	950,674	110,788	965,754
Operating expenditures	62,300	52,014	10,286	21,609
Total fire	1,123,762	1,002,688	121,074	1,017,030
Inspections:				
Salaries and employee benefits	250,424	250,271	153	241,562
Operating expenditures	33,200	20,123	13,077	37,553
Total planning and inspections	283,624	270,394	13,230	279,115
Total public safety	2,722,616	2,597,742	124,874	2,571,641
Transportation:				
Streets and Highways:				
Salaries and employee benefits	561,858	553,192	8,666	473,880
Operating expenditures	508,800	459,470	49,330	427,393
Capital outlay	33,170	18,761	14,409	101,414
Street Maintenance	32,500	19,618	12,882	17,137
Total transportation	1,136,328	1,051,041	85,287	1,019,824
Environmental Protection:				
Solid Waste:				
Salaries and employee benefits	199,669	190,806	8,863	191,415
Operating expenditures	219,000	211,910	7,090	145,451
Total environmental protection	418,669	402,716	15,953	336,866
Cultural and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	599,486	554,706	44,780	538,391
Other operating expenditures	245,930	190,374	55,556	266,828
Capital outlay	10,070	10,381	(311)	28,172
Total cultural and recreational	855,486	755,461	100,025	833,391
Debt Service:				
Principal retirement	1,132,944	1,132,944	-	967,006
Interest and other charges	360,803	360,803	-	321,292
Total debt service	1,493,747	1,493,747	-	1,288,298
Total expenditures	10,124,998	9,597,754	527,244	9,014,937

TOWN OF BLOWING ROCK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Final Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(413,835)	844,803	1,258,638	493,448
Other Financing Sources (Uses):				
Transfer from other funds:				
Capital Projects Fund	180,000	180,000	-	127,260
BRAAC	13,000	13,000	-	14,460
Transfers to other funds:				
Capital Projects Fund	(223,852)	(223,852)	-	(665,256)
Proceeds from debt issuance	102,665	102,665	-	201,000
Sales of capital assets	7,000	4,746	(2,254)	26,027
Appropriated fund balance	335,022	-	(335,022)	-
Total other financing sources (uses)	413,835	76,559	(337,276)	(301,207)
Net change in fund balance	\$ -	921,362	\$ 921,362	192,241
Fund Balance:				
Beginning of year - July 1		6,135,034		5,942,793
End of year - June 30		\$ 7,056,396		\$ 6,135,034

TOWN OF BLOWING ROCK, NORTH CAROLINA

**CAPITAL PROJECTS FUND - VARIOUS PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
Contributions and grants	\$ 5,172,630	\$ 1,162,868	\$ 217,824	\$ 1,380,692	\$ (3,791,938)
Other revenues:					
Miscellaneous	96,225	127,958	-	127,958	31,733
Investment income	56,993	123,196	685	123,881	66,888
Total revenues	<u>5,325,848</u>	<u>1,414,022</u>	<u>218,509</u>	<u>1,632,531</u>	<u>(3,693,317)</u>
Expenditures:					
Recreation projects:					
Capital outlay:					
Culture and recreation	869,594	728,386	64,925	793,311	76,283
Total	<u>869,594</u>	<u>728,386</u>	<u>64,925</u>	<u>793,311</u>	<u>76,283</u>
Streets and sidewalks projects:					
Capital outlay:					
Transportation	7,900,388	3,058,481	2,439,294	5,497,775	2,402,613
Total	<u>7,900,388</u>	<u>3,058,481</u>	<u>2,439,294</u>	<u>5,497,775</u>	<u>2,402,613</u>
Public works:					
Capital outlay:					
Public buildings and facilities	4,563	1,221,590	4,138	1,225,728	(1,221,165)
Total	<u>4,563</u>	<u>1,221,590</u>	<u>4,138</u>	<u>1,225,728</u>	<u>(1,221,165)</u>
Public safety projects:					
Capital outlay:					
Public safety	38,950	5,780	-	5,780	33,170
Total	<u>38,950</u>	<u>5,780</u>	<u>-</u>	<u>5,780</u>	<u>33,170</u>
General government:					
Capital outlay:					
General government	3,029,653	345,535	49,370	394,905	2,634,748
Total	<u>3,029,653</u>	<u>345,535</u>	<u>49,370</u>	<u>394,905</u>	<u>2,634,748</u>
Total expenditures	<u>11,843,148</u>	<u>5,359,772</u>	<u>2,557,727</u>	<u>7,917,499</u>	<u>3,925,649</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

**CAPITAL PROJECTS FUND - VARIOUS PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues over (under) expenditures	<u>(6,517,300)</u>	<u>(3,945,750)</u>	<u>(2,339,218)</u>	<u>(6,284,968)</u>	<u>(232,332)</u>
Other Financing Sources (Uses):					
Operating transfers in:					
General Fund	2,148,527	2,675,434	223,852	2,899,286	750,759
BRAAC	11,000	13,000	-	13,000	2,000
Operating transfers out:					
General Fund	(1,356,648)	(1,171,145)	(180,000)	(1,351,145)	5,503
Proceeds from long-term debt	5,559,028	5,102,435	-	5,102,435	(456,593)
Discount of debt issued	-	(3,764)	-	(3,764)	(3,764)
Bond premiums on debt issued	<u>155,393</u>	<u>422,220</u>	<u>-</u>	<u>422,220</u>	<u>266,827</u>
Total other financing sources (uses)	<u>6,517,300</u>	<u>7,038,180</u>	<u>43,852</u>	<u>7,082,032</u>	<u>564,732</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,092,430</u>	<u>(2,295,366)</u>	<u>\$ 797,064</u>	<u>\$ 797,064</u>
Fund Balance:					
Beginning of year - July 1			<u>3,092,430</u>		
End of year - June 30			<u>\$ 797,064</u>		

TOWN OF BLOWING ROCK, NORTH CAROLINA

SPECIAL REVENUE FUND - APPEARANCE ADVISORY COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Donations	\$ 27,070	\$ 44,206	\$ 17,136
Miscellaneous income	<u>50</u>	<u>-</u>	<u>(50)</u>
Total revenues	<u>27,120</u>	<u>44,206</u>	<u>17,086</u>
Expenditures:			
Cultural and recreational:			
Contracted services	4,000	2,394	1,606
Beautification	15,000	14,225	775
Miscellaneous	<u>5,120</u>	<u>3,585</u>	<u>1,535</u>
Total expenditures	<u>24,120</u>	<u>20,204</u>	<u>3,916</u>
Revenues over (under) expenditures	<u>3,000</u>	<u>24,002</u>	<u>21,002</u>
Other Financing Sources (Uses):			
Transfers to General Fund	(13,000)	(13,000)	-
Appropriated fund balance	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>(13,000)</u>	<u>(10,000)</u>
Net change in fund balance	<u>\$ -</u>	11,002	<u>\$ 11,002</u>
Fund Balance:			
Beginning of year - July 1		<u>27,588</u>	
End of year - June 30		<u>\$ 38,590</u>	

TOWN OF BLOWING ROCK, NORTH CAROLINA

**ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Water sales:			
Residential	\$ 921,770	\$ 889,120	\$ (32,650)
Interconnect charges	13,000	13,318	318
Impact fees	15,219	30,970	15,751
Total	<u>949,989</u>	<u>933,408</u>	<u>(16,581)</u>
Sewer charges:			
Residential	767,250	718,015	(49,235)
Sewer CIP surcharge	23,531	58,331	34,800
Total	<u>790,781</u>	<u>776,346</u>	<u>(14,435)</u>
Water and sewer taps	<u>3,000</u>	<u>816</u>	<u>(2,184)</u>
Other operating revenues	<u>12,800</u>	<u>16,529</u>	<u>3,729</u>
Total operating revenues	<u>1,756,570</u>	<u>1,727,099</u>	<u>(29,471)</u>
Non-operating revenues:			
Interest earnings	<u>3,000</u>	<u>135</u>	<u>(2,865)</u>
Total non-operating revenues	<u>3,000</u>	<u>135</u>	<u>(2,865)</u>
Total revenues	<u>1,759,570</u>	<u>1,727,234</u>	<u>(32,336)</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	118,571	103,342	15,229
Other operating expenses	279,146	302,567	(23,421)
Total	<u>397,717</u>	<u>405,909</u>	<u>(8,192)</u>
Water and sewer plant operations:			
Salaries and employee benefits	376,077	402,568	(26,491)
Utilities	121,000	133,099	(12,099)
Other operating expenditures	155,645	109,237	46,408
Total	<u>652,722</u>	<u>644,904</u>	<u>7,818</u>
Water and sewer field operations:			
Salaries and employee benefits	223,807	184,445	39,362
Other operating expenditures	147,300	137,719	9,581
Capital outlay	45,000	-	45,000
Total	<u>416,107</u>	<u>322,164</u>	<u>93,943</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

**ENTERPRISE FUND - WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Interest and other charges	14,137	72,256	(58,119)
Principal retirement	377,311	294,705	82,606
Total debt service	<u>391,448</u>	<u>366,961</u>	<u>24,487</u>
 Total expenditures	 <u>1,857,994</u>	 <u>1,739,938</u>	 <u>118,056</u>
 Revenues over (under) expenditures	 <u>(98,424)</u>	 <u>(12,704)</u>	 <u>85,720</u>
Other Financing Sources (Uses):			
Transfer in	93,114	93,114	-
Transfer out	(315,128)	(315,128)	-
Appropriated fund balance	320,438	-	(320,438)
Total other financing sources (uses)	<u>98,424</u>	<u>(222,014)</u>	<u>(320,438)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>(234,718)</u>	 <u>\$ (234,718)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		294,705	
Change in accrued vacation pay		(10,744)	
Change in deferred outflows of resources - pensions and OPEB		(685)	
Change in pension liability		(66,346)	
Change in OPEB liability		87,531	
Change in deferred inflows of resources - pensions and OPEB		(48,787)	
Depreciation		(527,158)	
Interest income from Water and Sewer Capital Projects Fund		329	
Transfer in/out from Water and Sewer Capital Projects Fund		222,014	
Total reconciling items		<u>(49,141)</u>	
 Change in net position		 <u>\$ (283,859)</u>	

TOWN OF BLOWING ROCK, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 92,810	\$ 112,287	\$ 329	\$ 112,616	\$ 19,806
Contributions and grant proceeds	51,000	65,444	-	65,444	14,444
Miscellaneous income	15,390	533	-	533	(14,857)
Total revenues	<u>159,200</u>	<u>178,264</u>	<u>329</u>	<u>178,593</u>	<u>19,393</u>
Expenditures:					
Construction	3,531,843	938,575	77,289	1,015,864	2,515,979
Engineering and permitting	32,640	36,049	-	36,049	(3,409)
Total	<u>3,564,483</u>	<u>974,624</u>	<u>77,289</u>	<u>1,051,913</u>	<u>2,512,570</u>
Debt service:					
Interest expense	-	-	1,860	1,860	(1,860)
Bond issuance costs on debt issued	12,430	18,495	-	18,495	(6,065)
Total debt service	<u>12,430</u>	<u>18,495</u>	<u>1,860</u>	<u>20,355</u>	<u>(7,925)</u>
Contingency	43,383	-	-	-	43,383
Total expenditures	<u>3,620,296</u>	<u>993,119</u>	<u>79,149</u>	<u>1,072,268</u>	<u>2,548,028</u>
Revenues over (under) expenditures	<u>(3,461,096)</u>	<u>(814,855)</u>	<u>(78,820)</u>	<u>(893,675)</u>	<u>2,567,421</u>
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	1,284,313	1,238,899	315,128	1,554,027	269,714
Transfer from General Fund	326,430	362,358	-	362,358	35,928
Transfer to Water and Sewer Fund	(427,342)	(324,080)	(93,114)	(417,194)	10,148
Proceeds from long-term debt	2,253,495	1,717,168	-	1,717,168	(536,327)
Bond premiums on debt issued	-	45,005	-	45,005	45,005
Unexpended loan proceeds returned	-	(425,500)	-	(425,500)	(425,500)
Appropriated fund balance	24,200	-	-	-	(24,200)
Total other financing sources (uses)	<u>3,461,096</u>	<u>2,613,850</u>	<u>222,014</u>	<u>2,835,864</u>	<u>(625,232)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,798,995</u>	<u>\$ 143,194</u>	<u>\$ 1,942,189</u>	<u>\$ 1,942,189</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2021

Fiscal Year	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 4,695,884	\$ 4,646,125	\$ 49,759
2019-2020	61,246	-	40,753	20,493
2018-2019	23,339	-	14,789	8,550
2017-2018	20,191	-	13,910	6,281
2016-2017	11,867	-	4,571	7,296
2015-2016	2,556	-	739	1,817
2014-2015	2,980	-	694	2,286
2013-2014	3,853	-	-	3,853
2012-2013	2,627	-	-	2,627
2011-2012	6,514	-	9	6,505
2010-2011	11,513	-	11,513	-
Total	\$ 146,686	\$ 4,695,884	\$ 4,733,103	109,467

Less allowance for uncollectible ad valorem taxes receivable:

General Fund

(85,829)

Ad valorem taxes receivable, net

\$ 23,638

Reconciliation with Revenues:

Taxes, ad valorem, General Fund

\$ 4,745,261

Reconciling items:

Miscellaneous

(8,286)

Amounts written off per Statute of Limitations

11,513

Penalties and interest

(15,385)

Total collections and credits

\$ 4,733,103

TOWN OF BLOWING ROCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY - TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2021

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rate	\$ 1,184,007,949	\$ 0.39	\$ 4,617,631	\$ 4,617,631	\$ -
Registered motor vehicles taxed	<u>28,508,462</u>	0.39	<u>111,183</u>	<u>-</u>	<u>111,183</u>
Total	<u>1,212,516,411</u>		<u>4,728,814</u>	<u>4,617,631</u>	<u>111,183</u>
Abatements	<u>(8,443,590)</u>	0.39	<u>(32,930)</u>	<u>(32,930)</u>	<u>-</u>
Total property valuation	<u>\$ 1,204,072,821</u>				
Net Levy			4,695,884	4,584,701	111,183
Less uncollected taxes at June 30, 2021			<u>(49,759)</u>	<u>(49,759)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 4,646,125</u>	<u>\$ 4,534,942</u>	<u>\$ 111,183</u>
Current Levy Collection Percentage			<u>98.94%</u>	<u>98.91%</u>	<u>100.00%</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA

**ANALYSIS OF CURRENT YEAR LEVY - TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2021**

Secondary Market Disclosures:

Assessed Valuation:

Assessment ratio		<u>100.00%</u>
Real property	\$	1,191,579,834
Personal property		12,460,780
Public service companies		<u>32,207</u>
Total assessed valuation	\$	<u>1,204,072,821</u>
Tax rate per \$100		0.3900
Levy (includes discoveries, releases, and abatements, excludes penalties)	\$	<u>4,695,884</u>

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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*

Independent Auditor's Report

To the Honorable Mayor and
Town Council
Town of Blowing Rock, 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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Town of Blowing Rock ABC Board and the Town of Blowing Rock Tourism Development Authority. The financial statements of the Town of Blowing Rock ABC Board and the Town of Blowing Rock Tourism Development Authority were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Town of Blowing Rock ABC Board and the Town of Blowing Rock Tourism Development Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Blowing Rock'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 Blowing Rock's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 over financial reporting 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Blowing Rock's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance 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 result 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2021

TOWN OF BLOWING ROCK, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?

No

• Significant deficiency identified?

None reported

Non-compliance material to financial statements noted?

No

2. Financial Statements Findings

None reported.

TOWN OF BLOWING ROCK, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

None in prior year.