

**TOWN OF BLOWING ROCK**  
**BLOWING ROCK, NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
June 30, 2006 .

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6/30/2006

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**TOWN OF BLOWING ROCK**  
**June 30, 2006**

**Mayor**

J.B. Lawrence

**Board of Commissioners**

Barbara W. Ball

Terry D. Lentz

Keith Tester

Rita M. Wiseman

Tommy Klutz

**Town Manager**

Scott Hildebran

**Town Clerk and Finance Officer**

Margaret Pierce

# Billy G. Combs, P. C.

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members  
Of the Board of Commissioners  
Town of Blowing Rock, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Blowing Rock's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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 basic financial statements are free of material misstatement. The financial statements of the Blowing Rock ABC Board and the Blowing Rock Tourism Development Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the 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, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2006 on our consideration of Town of Blowing Rock's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town of Blowing Rock, North Carolina, taken as a whole. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Billy G. Combs, P.C.  
Certified Public Accountants

September 11, 2006

## Management's Discussion and Analysis

As management of the Town of Blowing Rock, we offer readers of the Town of Blowing Rock's financial statements this narrative overview and analysis of the financial activities of the Town of Blowing Rock for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

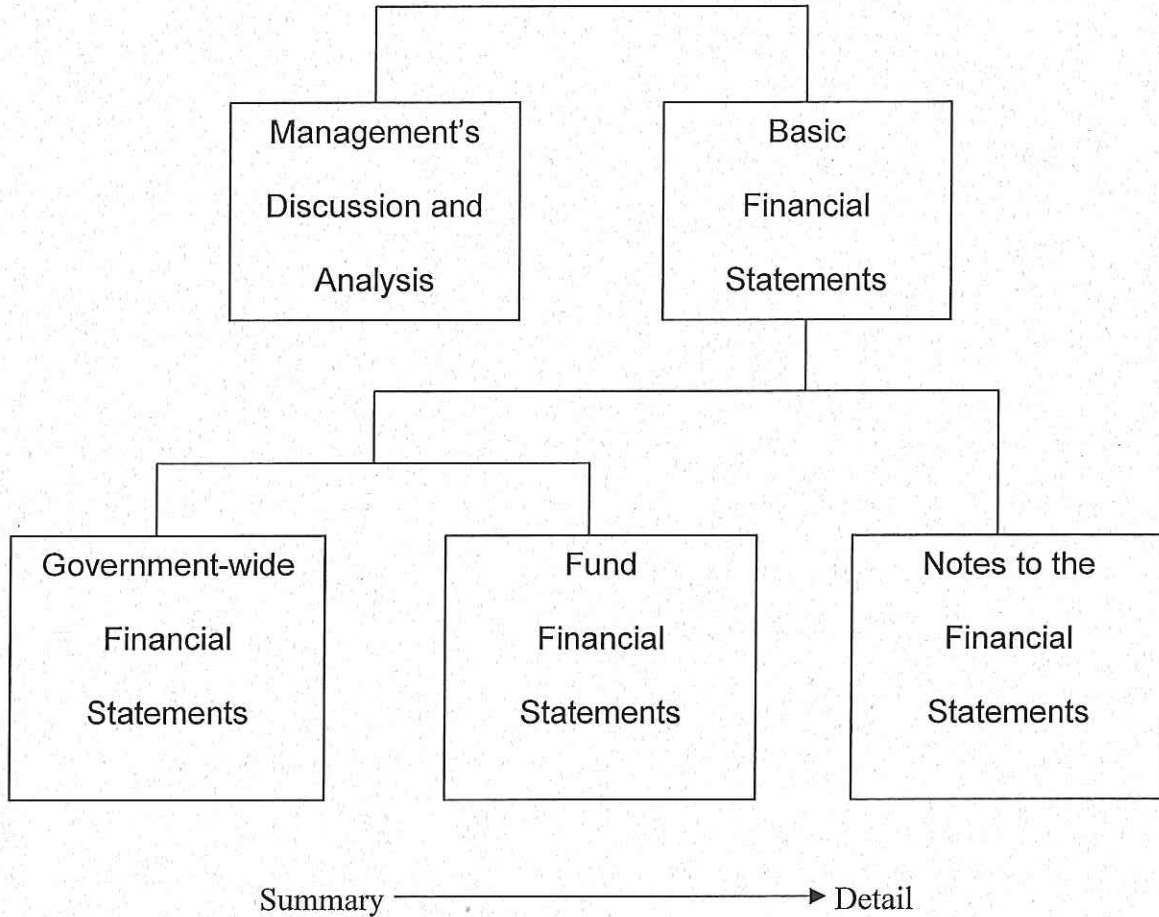
- The assets of the Town of Blowing Rock exceeded its liabilities at the close of the fiscal year by \$15,607,249 (*net assets*).
- The government's total net assets increased by \$964,209 with the increase divided fairly equally between the governmental-type activities and business-type activities net assets.
- As of the close of the current fiscal year, the Town of Blowing Rock's governmental funds reported combined ending fund balances of \$2,342,362 an increase of \$392,852 in comparison with the prior year. Approximately 82.08 percent of this total amount, or \$1,922,675, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,457,813, or 40.27 percent of total general fund expenditures for the fiscal year, an increase of \$236,448 over the prior year.
- The Town of Blowing Rock's total debt decreased by \$241,271 (8.99%) during the current fiscal year.
- The Town of Blowing Rock increased its NC Municipal Bond rating to 80 from 79 the prior year and maintained its A3 Moody's Investor bond rating for the fifth consecutive year.

### Overview of the Financial Statements

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

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the

notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets 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. Property taxes and state-shared revenue such as, street tax, or utility franchise tax finance most of these activities. 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, of which the Town has the ABC Board and the Tourism Development Authority (TDA). Although legally separate from the Town, the ABC Board is important to the Town as the Town exercises control over the Board by appointing its members and because the Board is required to distribute a portion of its profits to the Town. The TDA functions much the same as the ABC in that it is a separate entity with the Town Council appointing the Board and the TDA uses one-third of the occupancy tax dollars collected to support Town infrastructure.

The government-wide financial statements are on Exhibits 1 and 2 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 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 Town's programs. The relationship between government activities (reported in the Statement of Net Assets 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 difference 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** – 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. Town of Blowing Rock 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 Assets 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 begin on page 12 of this report.

**Government-Wide Financial Analysis**

**Town of Blowing Rock's Net Assets**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	2,553,840	2,128,265	1,272,696	1,425,260	3,826,536	3,553,525
Capital assets	6,041,877	5,965,728	8,847,061	8,543,255	14,888,938	14,508,983
Total assets	8,595,717	8,093,993	10,119,757	9,968,515	18,715,474	18,062,508
Long-term liabilities outstanding	1,409,590	1,450,027	1,272,813	1,473,648	2,682,403	2,923,675
Other liabilities	196,892	151,602	228,930	344,191	425,822	495,793
Total liabilities	1,606,482	1,601,629	1,501,743	1,817,839	3,108,225	3,419,468
Net assets:						
Invested in capital assets, net of related debt	4,747,222	4,622,122	7,592,834	7,093,851	12,340,056	11,715,973
Restricted	466,067	431,001	-	-	466,067	431,001
Unrestricted	1,775,946	1,439,241	1,025,180	1,056,825	2,801,126	2,496,066
Total net assets	6,989,235	6,492,364	8,618,014	8,150,676	15,607,249	14,643,040

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Blowing Rock exceeded liabilities by \$15,607,249 as of June 30, 2006. The Town's net assets increased by \$964,209 for the fiscal year ended June 30, 2006. However, the largest portion (79.1%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Blowing Rock uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Blowing Rock's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Blowing Rock's net assets \$466,067 (2.99%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,801,126 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Utilization of a Financial Operating Policy which maximizes cash management.

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.49%, which exceeds last year's collection rate by .55%.
- Continued low cost of debt due to the Town's high bond rating.
- Utilization of a capital improvement plan for managing capital expenditures with five year capital improvement plan, seven year fleet plan, Park and Recreation master plan, and Water/Sewer capital improvement plan.

**Town of Blowing Rock Changes in Net Assets**  
**Figure 3**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 399,800	\$ 373,598	\$ 1,337,801	\$ 1,336,777	\$ 1,737,601	\$ 1,710,375
Operating grants and contributions	14,492	96,905	-	-	14,492	96,905
Capital grants and contributions	184,993	361,304	-	-	184,993	361,304
General revenues:						
Property taxes	2,474,568	2,348,524	-	-	2,474,568	2,348,524
Other taxes	316,421	274,766	-	-	316,421	274,766
Grants and contributions not restricted to specific programs	714,136	655,248	-	-	714,136	655,248
Other	169,765	104,994	42,358	59,774	212,123	164,768
<b>Total revenues</b>	<b>4,274,175</b>	<b>4,215,339</b>	<b>1,380,159</b>	<b>1,396,551</b>	<b>5,654,334</b>	<b>5,611,890</b>
<b>Expenses:</b>						
General government	615,985	557,863	-	-	615,985	557,863
Public safety	1,304,202	1,261,813	-	-	1,304,202	1,261,813
Transportation	825,863	792,575	-	-	825,863	792,575
Environmental protection	248,776	284,287	-	-	248,776	284,287
Economic development	-	-	-	-	-	-
Culture and recreation	492,394	353,890	-	-	492,394	353,890
Interest on long-term debt	85,084	38,028	-	-	85,084	38,028
Water and sewer	-	-	1,117,821	1,052,462	1,117,821	1,052,462
<b>Total expenses</b>	<b>3,572,304</b>	<b>3,288,456</b>	<b>1,117,821</b>	<b>1,052,462</b>	<b>4,690,125</b>	<b>4,340,918</b>
Increase in net assets before transfers	701,871	926,883	262,338	344,089	964,209	1,270,972
Transfers	(205,000)	(203,124)	205,000	203,124	-	-
Cumulative effect of change in application of capitalization policy	-	-	-	-	-	-
Increase in net assets	496,871	723,759	467,338	547,213	964,209	1,270,972
Net assets, July 1 (as reported)	6,492,364	5,768,605	8,150,676	7,603,463	14,643,040	13,372,068
Prior period adjustment (Note III.D)	-	-	-	-	-	-
Net assets, July 1 (as restated)	6,492,364	5,768,605	8,150,676	7,603,463	14,643,040	13,372,068
Net assets, June 30	\$ 6,989,235	\$ 6,492,364	\$ 8,618,014	\$ 8,150,676	\$ 15,607,249	\$ 14,643,040

**Governmental activities.** Governmental activities increased the Town's net assets by \$496,871, thereby accounting for 51.53% of the total growth in the net assets of the Town of Blowing Rock. Key elements of this increase are as follows:

- Tax revenues increased slightly.
- Higher interest rates on investments resulting in additional interest revenue.
- Increase in collections for services assisted in the increase in net assets.
- Unexpected revenue from sale of a surplus property off Hidden Waters Drive for \$50,000.

**Business-type activities:** Business-type activities increased the Town of Blowing Rock's net assets by \$467,338 accounting for 48.47% of the total growth in the Town's net assets. Key elements of this increase are as follows:

- The Town constructed new sewer lines off of another portion of Green Hill Circle and on West Green Hill Road.
- The water line on White Pine Drive was improved.
- The Town continued upgrading facilities and equipment in the Water and Sewer Treatment Plants in conjunction with the Water and Sewer Capital Improvement Plan approved February 14, 2006.

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Blowing Rock'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 of Blowing Rock's financing requirements. Specifically, unreserved fund balance 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 of Blowing Rock. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,457,813, while total fund balance reached \$1,876,295. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40.27 percent of total General Fund expenditures, while total fund balance represents 51.83 percent of that same amount.

At June 30, 2006, the governmental funds of Town of Blowing Rock reported a combined fund balance of \$2,342,362, a 20.15 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General and Capital Projects Funds.

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

Revenues were more than the budgeted amounts primarily because tax collections were higher than expected, sales tax collections, internet income and also permits for renovations. Expenditures were below budget in all areas.

**Proprietary Funds.** The Town of Blowing Rock's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,025,180. The change in net assets was \$467,338. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Blowing Rock's business-type activities.

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

**Capital assets.** The Town of Blowing Rock's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totals \$14,888,938 (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 (there were no significant demolitions):

- Construction in progress for water and sewer capital assets of \$527,412.
- Construction in progress of \$226,331 in governmental-type activities for tennis court renovations, repair to a slide on Green Hill, and sidewalk improvement projects.
- Sale of a surplus property off Hidden Waters Drive for \$50,000.

**Town of Blowing Rock's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,178,831	\$ 3,178,831	\$ 81,521	\$ 81,521	\$ 3,260,352	\$ 3,260,352
Construction in progress	211,860	35,529	132,335	147,777	344,195	183,306
Infrastructure	790,367	806,667	-	-	790,367	806,667
Buildings	1,028,155	1,056,876	-	-	1,028,155	1,056,876
Plant	-	-	8,498,018	8,179,694	8,498,018	8,179,694
Equipment and furniture	613,639	734,560	135,187	134,264	748,826	868,824
Vehicles	189,020	108,923	-	-	189,020	108,923
Computers	30,005	44,342	-	-	30,005	44,342
<b>Total</b>	<b>\$ 6,041,877</b>	<b>\$ 5,965,728</b>	<b>\$ 8,847,061</b>	<b>\$ 8,543,256</b>	<b>\$ 14,888,938</b>	<b>\$ 14,508,984</b>

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

**Long-term Debt.** As of June 30, 2006, the Town of Blowing Rock had total bonded debt outstanding of \$1,195,000. Of this, \$1,195,000 is debt backed by the full faith and credit of the Town.

**Town of Blowing Rock's Outstanding Debt  
General Obligation Bonds and Other Long-Term Liabilities**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ -	\$ -	\$ 1,195,000	\$ 1,375,000	\$ 1,195,000	\$ 1,375,000
Compensated absences	79,366	81,963	18,586	24,244	97,952	106,207
Pension obligation	35,569	24,459	-	-	35,569	24,459
Installment purchases	1,294,655	1,343,604	59,227	74,404	1,353,882	1,418,008
<b>Total</b>	<b>\$ 1,409,590</b>	<b>\$ 1,450,026</b>	<b>\$ 1,272,813</b>	<b>\$ 1,473,648</b>	<b>\$ 2,682,403</b>	<b>\$ 2,923,674</b>

The Town of Blowing Rock's total debt decreased by \$241,271 (8.99%) during the past fiscal year, primarily due to debt retirement payments.

As mentioned in the financial highlights section of this document, the Town of Blowing Rock maintained for the fifth consecutive year its A3 bond rating from Moody's Investor Service and increased its rating from the NC Municipal Council by one point to 80 which equates to the A3 rating from Moody's. These bond ratings are a clear indication of the sound financial condition of Town of Blowing Rock. This achievement is a primary factor in keeping interest costs low on the Town's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Blowing Rock is \$65,360,937.

Additional information regarding the Town of Blowing Rock's long-term debt can be found in note III.B.5 beginning on page 24 of this report.

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

The following key economic indicators reflect the growth and prosperity of the Town.

- Low unemployment. The Watauga County unemployment rate of 3.5% is well below the NC state average of 5.2% for calendar year 2005.
- Housing construction activity remained stable for the year.
- Continued tourism growth in the area.
- Increase in property valuations.

### **Budget Highlights for the Fiscal Year Ending June 30, 2007**

**Governmental Activities:** Property taxes (benefiting from economic growth and revaluation) and revenues from permits and fees are expected to lead the increase in budgeted revenue. The Town will use these increases in revenues to finance programs currently in place and capital improvements in various areas.

Budgeted expenditures in the General Fund may increase due to rising costs of employee compensation, including funding compensation and benefits adjustments.

**Business – type Activities:** The water and sewer rates in the Town may increase, primarily to cover increased costs of operations. General operating expenses may increase to cover increased costs of personnel, materials, supplies, and other operating expenses, including funding for the Water and Sewer Capital Improvements Plan.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Blowing Rock, P.O. Box 47, Blowing Rock, NC 28605.



# **Basic Financial Statements**

**Town of Blowing Rock, North Carolina**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government			Town of Blowing Rock ABC Board	Town of Blowing Rock Tourism Development Authority	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government			
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,654,705	\$ 897,040	\$ 2,551,745	\$ 156,139	\$ 192,127	\$ 2,900,011
Taxes receivable (net)	11,776	-	11,776	-	81,328	93,104
Accrued interest receivable on taxes	2,810	-	2,810	-	-	2,810
Accounts receivable (net)	155,038	248,530	403,568	-	-	403,568
Due from other governments	38,666	-	38,666	-	-	38,666
Due from component units	39,351	-	39,351	-	-	39,351
Due from primary government	-	-	-	-	-	-
Inventories	5,105	49,382	54,487	213,401	-	267,888
Prepaid items	181,527	21,823	203,350	-	-	203,350
Total current assets	2,088,978	1,216,775	3,305,753	369,540	273,455	3,948,748
Restricted assets:						
Cash and cash equivalents	464,862	55,921	520,783	284,691	-	805,474
Capital assets (Note 4):						
Land, non-depreciable improvements, and construction in progress	3,390,691	213,856	3,604,547	-	-	3,604,547
Other capital assets, net of depreciation	2,651,186	8,633,205	11,284,391	189,566	13,773	11,487,730
Total capital assets	6,041,877	8,847,061	14,888,938	189,566	13,773	15,092,277
Total assets	\$ 8,595,717	\$ 10,119,757	\$ 18,715,474	\$ 843,797	\$ 287,228	\$ 19,846,499
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 103,953	\$ 23,384	\$ 127,337	\$ 149,050	\$ 5,941	\$ 282,328
Unearned revenue	92,939	4,472	97,411	-	-	97,411
Accrued salaries	-	11,492	11,492	-	-	11,492
Customer deposits	-	189,582	189,582	-	-	189,582
Due to primary government	-	-	-	33,813	5,538	39,351
Due to other governments	-	-	-	-	-	-
Long-term liabilities:						
Due within one year	241,515	234,077	475,592	-	-	475,592
Due in more than one year	1,168,075	1,038,736	2,206,811	-	-	2,206,811
Total liabilities	1,606,482	1,501,743	3,108,225	182,863	11,479	3,302,567
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	4,747,222	7,592,834	12,340,056	189,566	13,773	12,543,395
Restricted for:						
Capital projects	466,067	-	466,067	284,691	-	750,758
Culture and recreation	-	-	-	-	-	-
Other purposes	-	-	-	47,449	-	47,449
Unrestricted	1,775,946	1,025,180	2,801,126	139,228	261,976	3,202,330
Total net assets	\$ 6,989,235	\$ 8,618,014	\$ 15,607,249	\$ 660,934	\$ 275,749	\$ 16,543,932

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

## Net (Expense) Revenue and Changes in Net Assets

## Primary Government

Primary Government			Blowing Rock Tourism Development Authority		
Governmental Activities	Business-type Activities	Total	Town of Blowing Rock ABC Board	Blowing Rock Tourism Development Authority	Total Reporting Unit
\$ (579,235)	\$ -	\$ (579,235)	\$ -	\$ -	\$ (579,235)
(1,119,573)	-	(1,119,573)	-	-	(1,119,573)
(723,782)	-	(723,782)	-	-	(723,782)
(121,635)	-	(121,635)	-	-	(121,635)
(343,710)	-	(343,710)	-	-	(343,710)
(85,084)	-	(85,084)	-	-	(85,084)
(2,973,019)	-	(2,973,019)	-	-	(2,973,019)
-	219,980	219,980	-	-	219,980
-	-	-	-	-	-
-	219,980	219,980	-	-	219,980
(2,973,019)	219,980	(2,753,039)	-	-	(2,753,039)
-	-	-	87,608	-	87,608
-	-	-	-	(579,517)	(579,517)
-	-	-	87,608	(579,517)	(491,909)
2,474,568	-	2,474,568	-	-	2,474,568
316,421	-	316,421	-	718,966	1,035,387
714,136	-	714,136	-	-	714,136
83,452	41,358	124,810	12,669	7,710	145,189
86,313	1,000	87,313	-	-	87,313
(205,000)	205,000	-	-	-	-
3,469,890	247,358	3,717,248	12,669	726,676	4,456,593
-	-	-	-	-	-
496,871	467,338	964,209	100,277	147,159	1,211,645
6,492,364	8,150,676	14,643,040	560,657	128,590	15,332,287
-	-	-	-	-	-
6,492,364	8,150,676	14,643,040	560,657	128,590	15,332,287
\$ 6,989,235	\$ 8,618,014	\$ 15,607,249	\$ 660,934	\$ 275,749	\$ 16,543,932

**Town of Blowing Rock  
Balance Sheet  
Governmental Funds  
June 30, 2006**

	Major Funds		Total Governmental Funds
	General	Capital Projects	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,654,705	\$ 464,862	\$ 2,119,567
Receivables, net:			
Taxes	11,776	-	11,776
Accounts	193,184	1,205	194,389
Due from other governments	38,666	-	38,666
Prepaid Expenses	181,527	-	181,527
Inventories	5,105	-	5,105
Total assets	<u>\$ 2,084,963</u>	<u>\$ 466,067</u>	<u>\$ 2,551,030</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 103,953	\$ -	\$ 103,953
Due to other funds	-	-	-
Deferred revenue	11,776	-	11,776
Unearned revenue	92,939	-	92,939
Total liabilities	<u>208,668</u>	<u>-</u>	<u>208,668</u>
Fund balances:			
Reserved for:			
Inventories	5,105	-	5,105
Prepays	181,527	-	181,527
State statute	231,850	1,205	233,055
Streets-Powell bill	-	-	-
Unreserved, General Fund	1,457,813	-	1,457,813
Unreserved, reported in:			
Capital Projects Fund	-	464,862	464,862
Total fund balances	<u>1,876,295</u>	<u>466,067</u>	<u>2,342,362</u>
Total liabilities and fund balances	<u>\$ 2,084,963</u>	<u>\$ 466,067</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,041,877
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	2,810
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	-
Liabilities for earned but deferred revenues in fund statements.	11,776
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note III).	\$ (1,409,590)
Net assets of governmental activities	<u>\$ 6,989,235</u>

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

**Town of Blowing Rock**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects	
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,487,136	\$ -	\$ 2,487,136
Other taxes and licenses	316,421	-	316,421
Unrestricted intergovernmental	704,136	-	704,136
Restricted intergovernmental	124,485	85,000	209,485
Permits and fees	98,453	-	98,453
Sales and services	154,537	-	154,537
Investment earnings	66,019	17,433	83,452
Miscellaneous	174,580	3,662	178,242
Total revenues	4,125,767	106,095	4,231,862
<b>EXPENDITURES</b>			
Current:			
General government	575,209	-	575,209
Public safety	1,205,652	-	1,205,652
Transportation	815,797	-	815,797
Economic and physical development	-	-	-
Environmental protection	308,385	-	308,385
Culture and recreation	423,484	-	423,484
Debt service:			
Principal	206,611	-	206,611
Interest and other charges	85,084	-	85,084
Capital outlay	-	226,331	226,331
Total expenditures	3,620,222	226,331	3,846,553
Excess (deficiency) of revenues over expenditures	505,545	(120,236)	385,309
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	155,302	155,302
Transfers to other funds	(360,302)	-	(360,302)
Sales of capital assets	54,881	-	54,881
Installment purchase obligations issued	157,662	-	157,662
Capital lease obligations issued	-	-	-
Total other financing sources (uses)	(147,759)	155,302	7,543
Net change in fund balance	357,786	35,066	392,852
Fund balances, beginning as previously reported	1,518,509	431,001	1,949,510
Prior period adjustment	-	-	-
Fund balances, beginning as restated	1,518,509	431,001	1,949,510
Change in reserve for inventories	-	-	-
Fund balances, ending	\$ 1,876,295	\$ 466,067	\$ 2,342,362

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

**Town of Blowing Rock**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

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

Net changes in fund balances - total governmental funds	\$ 392,852
Change in fund balance due to change in reserve for inventory	-

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	76,149
Net book value of assets sold	-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets	-
Change in deferred revenue for tax revenues	(12,566)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

48,949

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.

Transfer of capital asset	-
Compensated absences	2,597
Net pension obligation	(11,110)

Total changes in net assets of governmental activities	\$ 496,871
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**Town of Blowing Rock**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2006**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,330,500	\$ 2,330,500	\$ 2,487,136	\$ 156,636
Other taxes and licenses	250,525	313,255	316,421	3,166
Unrestricted intergovernmental	640,584	654,350	704,136	49,786
Restricted intergovernmental	114,766	119,991	124,485	4,494
Permits and fees	84,000	84,000	98,453	14,453
Sales and services	155,470	155,470	154,537	(933)
Investment earnings	16,500	61,500	66,019	4,519
Miscellaneous	171,000	177,818	174,580	(3,238)
<b>Total revenues</b>	<b>3,763,345</b>	<b>3,896,884</b>	<b>4,125,767</b>	<b>228,883</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	632,465	632,465	575,209	57,256
Public safety	1,195,135	1,215,719	1,205,652	10,067
Transportation	752,330	826,983	815,797	11,186
Environmental protection	304,800	309,300	308,385	915
Cultural and recreation	434,445	434,445	423,484	10,961
<b>Debt service:</b>				
Principal retirement	107,700	206,732	206,611	121
Interest and other charges	26,470	85,100	85,084	16
<b>Total expenditures</b>	<b>3,453,345</b>	<b>3,710,744</b>	<b>3,620,222</b>	<b>90,522</b>
<b>Revenues over (under) expenditures</b>	<b>310,000</b>	<b>186,140</b>	<b>505,545</b>	<b>319,405</b>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(310,000)	(360,302)	(360,302)	-
Sale of assets	-	16,500	54,881	38,381
Appropriated fund balance	-	-	-	-
Proceeds from installment purchase	-	157,662	157,662	-
<b>Total other financing sources (uses)</b>	<b>(310,000)</b>	<b>(186,140)</b>	<b>(147,759)</b>	<b>38,381</b>
<b>Revenues and other sources over (under) expenditures and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>357,786</b>	<b>\$ 357,786</b>
Fund balances, beginning as previously reported			1,518,509	
Prior period adjustment			-	
Fund balances, beginning as restated			1,518,509	
Change in reserve for inventories			-	
<b>Fund balances, ending</b>			<b>\$ 1,876,295</b>	

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

## Exhibit 7

**Town of Blowing Rock  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006**

	Water and Sewer Fund		Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 897,040	\$	897,040
Accounts receivable (net) - billed	248,530		248,530
Due from other governments	-		-
Inventories	49,382		49,382
Prepaid items	21,823		21,823
Total current assets	<u>1,216,775</u>		<u>1,216,775</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	<u>55,921</u>		<u>55,921</u>
Capital assets:			
Land and other non-depreciable assets	213,856		213,856
Other capital assets, net of depreciation	8,633,205		8,633,205
Capital assets (net)	<u>8,847,061</u>		<u>8,847,061</u>
Total noncurrent assets	<u>8,902,982</u>		<u>8,902,982</u>
Total assets	<u>\$ 10,119,757</u>	\$	<u>10,119,757</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 18,107	\$	18,107
Accrued salaries	11,492		11,492
Customer deposits	189,582		189,582
Unearned revenue	4,472		4,472
Compensated absences - current	2,509		2,509
General obligation bonds payable-current	185,000		185,000
Installment purchase-current	46,568		46,568
Bond anticipation notes payable	-		-
Total current liabilities	<u>457,730</u>		<u>457,730</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Accounts payable	5,277		5,277
Other noncurrent liabilities:			
Compensated absences	16,077		16,077
General obligation bonds payable-noncurrent (net)	1,010,000		1,010,000
Installment purchase-noncurrent	12,659		12,659
Total noncurrent liabilities	<u>1,044,013</u>		<u>1,044,013</u>
Total liabilities	<u>1,501,743</u>		<u>1,501,743</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,592,834		7,592,834
Unrestricted	1,025,180		1,025,180
Total net assets	<u>\$ 8,618,014</u>	\$	<u>8,618,014</u>

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



## Exhibit 8

Town of Blowing Rock  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	Water and Sewer Fund	Total
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,309,793	\$ 1,309,793
Water and sewer taps	16,211	16,211
Other operating revenues	11,797	11,797
<b>Total operating revenues</b>	<b>1,337,801</b>	<b>1,337,801</b>
<b>OPERATING EXPENSES</b>		
Administration	113,924	113,924
Water/Sewer plant operations	439,870	439,870
Water/Sewer field operations	261,226	261,226
Depreciation	259,966	259,966
<b>Total operating expenses</b>	<b>1,074,986</b>	<b>1,074,986</b>
<b>Operating income (loss)</b>	<b>262,815</b>	<b>262,815</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	41,358	41,358
Sale of fixed assets	1,000	1,000
Interest and other charges	(42,835)	(42,835)
Bond issuance costs	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>(477)</b>	<b>(477)</b>
<b>Income (loss) before contributions and transfers</b>	<b>262,338</b>	<b>262,338</b>
Capital contributions	-	-
Public contributions	-	-
Transfers from other funds	205,000	205,000
Transfers to other funds	-	-
<b>Total income (loss) after contributions and transfers</b>	<b>467,338</b>	<b>467,338</b>
<b>Cumulative change in application of capitalization policy</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>467,338</b>	<b>467,338</b>
<b>Fund balances, beginning as previously reported</b>	<b>8,150,676</b>	<b>8,150,676</b>
<b>Prior period adjustment (Note III.D)</b>	<b>-</b>	<b>-</b>
<b>Total net assets, beginning as restated</b>	<b>8,150,676</b>	<b>8,150,676</b>
<b>Total net assets, ending</b>	<b>\$ 8,618,014</b>	<b>\$ 8,618,014</b>

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

**Town of Blowing Rock  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2006**

	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,349,742	\$ 1,349,742
Cash paid for goods and services	(569,282)	(569,282)
Cash paid to or on behalf of employees for services	(378,526)	(378,526)
Customer deposits received (returned)	4,358	4,358
Other operating revenues	-	-
Net cash provided (used) by operating activities	<u>406,292</u>	<u>406,292</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	205,000	205,000
Transfers to other funds	-	-
Public contributions	-	-
Total cash flows from noncapital financing activities	<u>205,000</u>	<u>205,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond anticipation notes issued	-	-
Acquisition and construction of capital assets	(563,772)	(563,772)
Principal paid on bond maturities and equipment contracts	(231,155)	(231,155)
Proceeds from installment purchase	35,978	35,978
Interest paid on bond maturities and equipment contracts	(42,835)	(42,835)
Sale of fixed assets	1,000	1,000
Capital contributions-Federal grant	-	-
Net cash provided (used) by capital and related financing activities	<u>(800,784)</u>	<u>(800,784)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	<u>41,358</u>	<u>41,358</u>
Net increase (decrease) in cash and cash equivalents	(148,134)	(148,134)
Balances, beginning	1,101,095	1,101,095
Balances, ending	<u>\$ 952,961</u>	<u>\$ 952,961</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 262,815</u>	<u>\$ 262,815</u>

**Town of Blowing Rock  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2006**

	<b>Water and Sewer Fund</b>	<b>Totals</b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	259,966	259,966
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	12,007	12,007
Increase (decrease) in allowance for doubtful accounts	-	-
(Increase) decrease in inventory	(2,222)	(2,222)
(Increase) in prepaid items	(5,355)	(5,355)
(Increase) in due from other funds	-	-
Increase (decrease) in accounts payable and accrued liabilities	(120,267)	(120,267)
Increase (decrease) in unearned revenue	648	648
Increase (decrease) in customer deposits	4,358	4,358
Increase (decrease) in accrued vacation pay	(5,658)	(5,658)
Total adjustments	<u>143,477</u>	<u>143,477</u>
Net cash provided by operating activities	<u>\$ 406,292</u>	<u>\$ 406,292</u>

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

**Town of Blowing Rock, North Carolina**

## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2006

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Blowing Rock conform to generally accept 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 is a municipal corporation that is 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 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 Town appoints the members of the ABC Board's governing board. 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 Town of Blowing Rock ABC Board, 7960 Valley Boulevard, Blowing Rock, NC 28605.

**Town of Blowing Rock Tourism Development Authority (the "Authority")**

The Town appoints the members of the Authority's governing board. The Town collects room occupancy tax for the Authority, which is their main source of revenue. The Authority, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the Authority may be obtained from the entity's financial offices at: Blowing Rock Tourism Development Authority, P.O. Box 47, Blowing Rock, NC 28605.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. 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 direct expenses and program revenues for the different 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 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 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

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

The Town reports the following major enterprise fund:

*Water and Sewer Fund.* This fund is used to account for the Town's water and sewer operations.

### **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 Fund 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 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 water and sewer 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 nonoperating 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 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Watauga County and Caldwell County are responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Blowing Rock. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Watauga County and Caldwell County from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31<sup>st</sup> each year with taxes due by May 1<sup>st</sup> of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

## **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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds 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 immaterial 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, and Fund Equity**

### **1. Deposits and Investments**

All deposits of the Town, the ABC Board, and the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town, the ABC Board, and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town, the ABC Board, and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town, the ABC Board, and the Authority 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; the North Carolina Capital Management Trust (NCCMT). The Town's, the ABC Board's, and the Authority's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

The Town's, the ABC Board's, and the Authority's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

### **2. Cash and Cash Equivalents**

The Town pools money 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 Authority consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

### **3. Restricted Assets**

The unexpended bond proceeds of Water and Sewer Fund serial bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued.

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

### **4. 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, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2005. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

### **5. 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.

### **6. Inventory and Prepaid Items**

The inventories of the Town, the ABC Board, and the Authority are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased. The Authority had no inventory on hand at June 30, 2006.

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.

### **7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.



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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings and Improvements	50
Furniture and Equipment	10
Vehicles	5
Computer Equipment	5

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	20-25
Furniture and Equipment	5-10
Computer Equipment	5

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	50
Furniture and Equipment	10
Computer Equipment	5

## 8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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 costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. 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 debt proceeds received, are reported as debt service expenditures.

## 9. Compensated Absences

The vacation policies of the Town provide for the accumulation of thirty days earned vacation leave with such leave being fully vested when earned. For 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 assumed 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 for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 10. Net Assets / Fund Balances

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

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

### **RESERVED**

**Reserved for inventories** - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

**Reserved for encumbrances** - portion of fund balance available to pay for any commitments related to purchase orders and contracts which remain unperformed at year-end.

**Reserved by State statute** - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by deferred revenues.

Reserved for streets – Powell Bill – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

### UNRESERVED

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2006 – 2007 budget ordinance.

Undesignated - portion of total fund balance available for appropriation, which is uncommitted at year-end.

## **II. Stewardship, Compliance and Accountability**

Our audit for the fiscal year ended June 30, 2006 disclosed no Material Violations of Finance-Related Legal and Contractual Provisions.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town, the ABC Board, and the Authority 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 agents in the unit's 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 the Authority, these deposits are considered to be held by the Town'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, the Authority, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town, the ABC Board, or the Authority 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 has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Authority have no policy regarding custodial credit risk for deposits.

At June 30, 2006, the Town's deposits had a carrying amount of \$1,572,078 and a bank balance of \$1,884,455. Of the bank balance, \$200,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$154,939 and the bank balance was \$182,257. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the Authority was \$192,127 and the bank balance was

\$140,724. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2006, the Town's petty cash fund totaled \$450.

## 2. Investments

At June 30, 2006, the Town and the ABC Board had \$1,500,000 and \$284,691, respectively, invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM with Standard and Poor's. The Authority had no funds invested in the NCCMT at June 30, 2006. The Town, the ABC Board, and the Authority have no policy regarding credit risk.

## 3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

Fund	6/30/2006
General Fund:	
Taxes Receivable	\$ 35,596

## 4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,178,831	\$ -	\$ -	\$ 3,178,831
Construction in progress	35,529	226,331	(50,000)	211,860
Total capital assets not being depreciated	<u>3,214,360</u>	<u>226,331</u>	<u>(50,000)</u>	<u>3,390,691</u>
Capital assets being depreciated:				
Infrastructure	815,014	-	-	815,014
Buildings	1,461,038	-	-	1,461,038
Equipment and furniture	2,564,987	18,899	-	2,583,886
Vehicles	678,731	160,200	(77,656)	761,275
Computers	127,356	-	-	127,356
Total capital assets being depreciated	<u>5,647,126</u>	<u>179,099</u>	<u>(77,656)</u>	<u>5,748,569</u>
Less accumulated depreciation for:				
Infrastructure	8,347	16,300	-	24,647
Buildings	404,162	28,721	-	432,883
Equipment and furniture	1,830,427	159,820	(20,000)	1,970,247
Vehicles	569,808	60,103	(57,656)	572,255
Computers	83,014	14,337	-	97,351
Total accumulated depreciation	<u>2,895,758</u>	<u>\$ 279,281</u>	<u>\$ (77,656)</u>	<u>3,097,383</u>
Total capital assets being depreciated, net	<u>2,751,368</u>			<u>2,651,186</u>
Governmental activity capital assets, net	<u>\$ 5,965,728</u>			<u>\$ 6,041,877</u>

Depreciation was charged to governmental functions as follows:

General Government	\$	41,489
Public Safety		145,649
Transportation		44,187
Environmental protection		28,945
Cultural & recreation		19,011
Unallocated depreciation		-
	\$	<u>279,281</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Water/Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 81,521	\$ -	\$ -	\$ 81,521
Construction in progress	147,777	527,412	(542,854)	132,335
Total capital assets not being depreciated	<u>229,298</u>	<u>527,412</u>	<u>(542,854)</u>	<u>213,856</u>
Capital assets being depreciated:				
Plant	12,541,003	542,853	-	13,083,856
Equipment	846,086	36,360	-	882,446
Total capital assets being depreciated	<u>13,387,089</u>	<u>579,213</u>	<u>-</u>	<u>13,966,302</u>
Less accumulated depreciation for:				
Plant	4,361,309	224,529	-	4,585,838
Equipment	711,822	35,437	-	747,259
Total accumulated depreciation	<u>5,073,131</u>	<u>\$ 259,966</u>	<u>\$ -</u>	<u>5,333,097</u>
Water/Sewer capital assets, net	<u>8,543,256</u>			<u>8,633,205</u>
Business-type activities capital assets, net	<u>\$ 8,543,256</u>			<u>\$ 8,847,061</u>

#### Discretely Presented component units

Activity for the ABC Board for the year ended June 30, 2006, was as follows:

	<u>Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Land		\$ 96,275	\$ -	\$ 96,275
Building and improvements	20 years	171,403	97,188	74,215
Furniture and equipment	10 years	47,036	28,172	18,864
Computer equipment	5 years	25,775	25,563	212
		<u>\$ 340,489</u>	<u>\$ 150,923</u>	<u>\$ 189,566</u>

Activity for the Authority for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities</b>				
<b>Capital assets being depreciated:</b>				
Furniture and equipment	\$ 15,702	\$ -	\$ -	\$ 15,702
Total capital assets being depreciated	15,702	-	-	15,702
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	359	1,570	-	1,929
Total accumulated depreciation	359	\$ 1,570	\$ -	1,929
Total capital assets being depreciated, net	15,343			13,773
<b>Governmental activity capital assets, net</b>	<u>\$ 15,343</u>			<u>\$ 13,773</u>
Economic and Physical Development		<u>\$ 1,570</u>		
Total depreciation expense		<u>\$ 1,570</u>		

## B. Liabilities

### 1. Pension Plan Obligations

#### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Blowing Rock contributes to 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 provides retirement benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.89% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Blowing Rock are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$79,746, \$76,307, and \$78,085, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$1,965, \$1,646, and \$2,945, respectively. The Authority's contributions to LGERS for the year ended June 30, 2006 and 2005 were \$2,223 and \$1,424, respectively. The contributions made by the Town equaled the required contributions for each year.

## b. Law Enforcement Officers Special Separation Allowance

### 1. 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	11
Total	11

A separate report was not issued for the plan.

### 2. 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.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. No actuarial valuation study was performed because the liability at June 30, 2006 was deemed immaterial.

### 3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operation budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions are made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5 – 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases.

*Annual Pension Cost and Net Pension Obligation.* The Town's net pension obligation and changes thereto for the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 10,742
Interest on net pension obligation	1,773
Adjustment to annual required contribution	<u>(1,405)</u>
Annual pension cost	\$ 11,110
Employer contributions made for fiscal year ending 6/30/2006	<u>-</u>
Increase (decrease) in net pension obligation	\$ 11,110
Net pension obligation beginning of fiscal year	<u>24,459</u>
Net pension obligation end of fiscal year	\$ 35,569

Fiscal Year Ending	3 Year Trend Information		Net Pension Obligation
	Annual Pension Cost	Percentage of APC Contributed	
6/30/2004	\$ 7,292	23.90%	\$ 32,012
6/30/2005	7,987	23.90%	38,083
6/30/2006	8,736	24.00%	44,719

#### **c. 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.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2006 were \$21,600, which consisted of \$18,220 from the Town and \$3,380 from the law enforcement officers.

#### **d. Other Post-employment Benefits**

According to a Town resolution, the Town provides post-employment health care 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 the full cost of coverage for these benefits. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. Currently six retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2006, the Town made payments for post-employment health benefit premiums of \$28,426. The Town obtains health care coverage through private insurers.

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death



benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 and may not be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the Town made contributions to the State for death benefits of \$1,659. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

## 2. Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes receivable (General Fund)	\$ 11,776	\$ -
Prepaid licenses (General Fund)	\$ -	\$ 92,939

## 3. 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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. Town management explored opportunities for securing flood insurance and obtained bids for coverage. However, it was concluded that flood insurance was not cost effective.

## 4. Claims, Judgments, and Contingent Liabilities

At June 30, 2006, the Town was not involved in any lawsuits.

## 5. Long-Term Obligations

### a. Installment Purchase

The Town has entered into various installment purchase contracts. The first agreement was executed January 16, 2002 for the purchase of equipment and requires monthly payments of \$1,120 including interest at 4.45%. The second agreement was executed January 17, 2003 for the purchase of land and requires quarterly payments of \$12,917 plus interest at 4.35%. The third agreement was executed March 24, 2003 for the purchase of playground equipment and requires quarterly payments of \$959 including interest at 4.24%. The fourth agreement was executed November 14, 2003 for the purchase of vehicles and requires annual payments of \$16,250 including interest at 4.85%. The fifth agreement was executed March 10, 2004 for the purchase of equipment and requires monthly payments of \$3,400 including interest at 2.46%. The sixth agreement was executed August 23, 2004 for the purchase of vehicles and requires annual payments of \$42,233 including interest at 2.64%. The seventh agreement was executed February 10, 2005 for the purchase of buildings and requires annual payments of \$35,000 plus interest at 3.79%. The eighth agreement was executed September 14, 2005 for the purchase of equipment and requires annual payments of \$32,900 including interest at 3.40%. The ninth agreement was executed September 14, 2005 for the purchase of equipment and requires annual payments of \$19,077 including interest at 3.45%.

The future minimum payments of the installment purchase as of June 30, 2006 are as follows:

Year	General		Water/Sewer	
	Principal	Interest	Principal	Interest
2006-2007	\$ 187,623	\$ 50,156	\$ 46,568	\$ 1,519
2007-2008	147,200	43,700	12,659	438
2008-2009	104,424	38,053	-	-
2009-2010	104,991	33,904	-	-
2010-2011	86,667	29,569	-	-
2012-2016	433,334	94,112	-	-
2017-2021	230,416	15,886	-	-
Total	\$ 1,294,655	\$ 305,379	\$ 59,227	\$ 1,957

### b. General Obligation Indebtedness

Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2006 are comprised of the following individual issues:

#### General Obligation Bonds

Serviced by the Water / Sewer Fund:

Bonds issued October 1, 2002 for the purpose of retiring two issues of sewer bonds, interest rates ranging from 2.5% to 3.25%, with various annual maturities through 2012.

\$ 1,195,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$174,685, are as follows:

Year	Water/Sewer	
	Principal	Interest
2006-2007	\$ 185,000	\$ 36,527
2007-2008	190,000	31,440
2008-2009	200,000	25,740
2009-2010	205,000	19,740
2010-2011	205,000	13,385
2011-2016	210,000	-
Total	\$ 1,195,000	\$ 126,832

### c. Changes in Long-Term Liabilities

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Current Portion
Government activities:					
Installment purchases	1,343,604	157,662	(206,611)	1,294,655	187,623
Compensated absences	81,963	51,295	(53,892)	79,366	53,892
Pension Obligation	24,459	11,110	-	35,569	-
Governmental activity long-term debt	1,450,026	220,067	(260,503)	1,409,590	241,515
Business activities:					
Installment purchases	74,404	35,978	51,155	59,227	46,568
General obligation bonds	1,375,000	-	180,000	1,195,000	185,000
Compensated absences	24,244	-	5,658	18,586	2,509
Business-type activity long-term debt	1,473,648	35,978	236,813	1,272,813	234,077

Compensated absences for governmental activities typically have been liquidated in the General Fund.

### C. Interfund Activity

#### Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2006 consist of the following:

From the General Fund to the Capital Projects Fund	\$155,302
From the General Fund to the Water/Sewer Capital Projects Fund	\$205,000

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During the 2006 fiscal year, the Town made transfers to the General Capital Project Funds for the following: \$17,802 to the Sidewalk Reserve for future projects; \$10,000 to the Parking Facility Reserve to build said facility in the future; \$25,000 for funding the Parks and Recreation Master Plan; \$10,000 for Storm Water Projects; \$50,000 for engineering and architect fees on the new Emergency Services Building Project; and \$42,500 for repairs for a slide on Green Hill Road; and \$205,000 to the Water and Sewer Capital Projects Fund for the Water and Sewer Capital Improvement Plan funding.

#### **IV. Jointly Governed Organization**

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 fees of \$250 to the Council during the fiscal year ended June 30, 2006.

#### **V. Related Organization**

The five-member board of the Blowing Rock Tourism Development Authority is appointed by the Town Council of the Town of Blowing Rock. The Town is accountable for the Tourism Development Authority because it appoints its governing board; however, the Town is not financially accountable for the Tourism Development Authority. Complete financial statements for the Tourism Development Authority can be obtained from the Authority's offices at Post Office Box 47, Blowing Rock, NC 28605.

#### **VI. Summary Disclosure of Significant Contingencies**

##### **1. 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

# Supplementary Statements

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This section contains additional statements required by the Local Government Commission in North Carolina.

**Town of Blowing Rock, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 2,474,072	\$
Interest		13,064	
Total	<u>2,330,500</u>	<u>2,487,136</u>	<u>156,636</u>
Other taxes and licenses:			
Occupancy tax		307,007	
Privilege licenses		9,414	
Total	<u>313,255</u>	<u>316,421</u>	<u>3,166</u>
Unrestricted intergovernmental:			
Local option sales taxes		371,861	
Cablevision franchise		53,826	
Telecommunications sales tax		47,046	
Utility franchise tax		98,563	
Hold harmless sales		6,524	
Beer and wine tax		6,316	
ABC profit distribution		120,000	
Total	<u>654,350</u>	<u>704,136</u>	<u>49,786</u>
Restricted intergovernmental:			
Powell Bill allocation		86,227	
Snow removal		13,316	
ABC Revenue for law enforcement		11,176	
NC Highway Safety Grant		13,766	
Total	<u>119,991</u>	<u>124,485</u>	<u>4,494</u>
Permits and fees:			
Building permits		98,453	
Total	<u>84,000</u>	<u>98,453</u>	<u>14,453</u>
Sales and services:			
Recreation department fees		87,748	
Recycling revenue		3,315	
Park lease/rental income		60,936	
Parking fees		2,538	
Total	<u>155,470</u>	<u>154,537</u>	<u>(933)</u>
Investment earnings	<u>61,500</u>	<u>66,019</u>	<u>4,519</u>
Miscellaneous:			

**Town of Blowing Rock, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous		27,770	
Cemetary revenue		16,730	
Solid waste fees		110,060	
Zoning fees		20,020	
Total	<u>177,818</u>	<u>174,580</u>	<u>(3,238)</u>
Total revenues	<u>3,896,884</u>	<u>4,125,767</u>	<u>228,883</u>
<b>Expenditures:</b>			
General government:			
Salaries and employee benefits		-	
Professional services		49,140	
Other operating expenditures		128,123	
Capital outlay		-	
Total		<u>177,263</u>	
Governing body:			
Salaries and employee benefits		46,971	
Other operating expenditures		3,218	
Total		<u>50,189</u>	
Finance:			
Salaries and employee benefits		256,728	
Other operating expenditures		27,361	
Capital outlay		6,710	
Total		<u>290,799</u>	
Public buildings:			
Salaries and employee benefits		3,921	
Other operating expenditures		34,781	
Capital outlay		18,256	
Total		<u>56,958</u>	
Total general government	<u>632,465</u>	<u>575,209</u>	<u>57,256</u>
Public safety:			
Police:			
Salaries and employee benefits		669,476	
Vehicle maintenance		40,038	
Other operating expenditures		42,643	
Capital outlay		67,378	
Total		<u>819,535</u>	

**Town of Blowing Rock, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Fire:</b>			
Salaries and employee benefits		184,793	
Other operating expenditures		10,305	
Capital outlay		-	
Total		<u>195,098</u>	
<b>Inspections:</b>			
Salaries and employee benefits		158,915	
Vehicle maintenance		2,037	
Other operating expenditures		24,145	
Capital outlay		5,922	
Total		<u>191,019</u>	
Total public safety	<u>1,215,719</u>	<u>1,205,652</u>	<u>10,067</u>
<b>Transportation:</b>			
Streets and highways:			
Salaries and employee benefits		297,483	
Sidewalk construction		2,168	
Vehicle maintenance		37,317	
Street Lights		-	
Other operating expenditures		447,935	
Capital outlay		30,894	
Total transportation	<u>826,983</u>	<u>815,797</u>	<u>11,186</u>
<b>Environmental protection:</b>			
Solid waste:			
Salaries and employee benefits		120,239	
Vehicle maintenance		36,852	
Other operating expenditures		119,860	
Capital outlay		31,434	
Total environmental protection	<u>309,300</u>	<u>308,385</u>	<u>915</u>
<b>Culture and recreation:</b>			
Parks and recreation:			
Salaries and employee benefits		206,651	
Other operating expenditures		104,562	
Capital outlay		47,771	
Total		<u>358,984</u>	
Community donations:			
Contributions		64,500	
Total		<u>64,500</u>	
Total cultural and recreational	<u>434,445</u>	<u>423,484</u>	<u>10,961</u>



Town of Blowing Rock, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2006

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		206,611	
Interest and other charges		85,084	
Total debt service	291,832	291,695	137
Total expenditures	3,710,744	3,620,222	90,522
Revenues over (under) expenditures	186,140	505,545	319,405
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	-	-	-
Transfers to other funds:			
Capital Projects Fund	(155,302)	(155,302)	-
Enterprise Fund	-	-	-
Enterprise Capital Projects Fund	(205,000)	(205,000)	-
Sale of assets	16,500	54,881	38,381
Proceeds from installment purchase	157,662	157,662	-
Appropriated fund balance	-	-	-
Total	\$ (186,140)	\$ (147,759)	\$ 38,381
Revenues and other financing sources over expenditures and other financing uses	\$ -	357,786	\$ 357,786
Fund balances, beginning as previously reported		1,518,509	
Prior period adjustment		-	
Fund balances, beginning as restated		1,518,509	
Change in reserve for inventories		-	
Fund balances, ending		\$ 1,876,295	

**Town of Blowing Rock, North Carolina**  
**Capital Projects Fund - Various Projects**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2006**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
Storm water connection	\$ 10,145	\$ 10,145	\$ -	\$ 10,145	\$ -
Emergency service building contributions	160,000	75,000	85,000	160,000	-
Total	<u>170,145</u>	<u>85,145</u>	<u>85,000</u>	<u>170,145</u>	<u>-</u>
Other revenues:					
Investment earnings	31,000	19,838	17,433	37,271	6,271
Miscellaneous	41,442	41,441	3,662	45,103	3,661
Total	<u>72,442</u>	<u>61,279</u>	<u>21,095</u>	<u>82,374</u>	<u>9,932</u>
Total revenues	<u>242,587</u>	<u>146,424</u>	<u>106,095</u>	<u>252,519</u>	<u>9,932</u>
<b>Expenditures</b>					
Recreation Project:					
Capital outlay:					
Culture and recreation	205,405	27,668	53,390	81,058	124,347
Total	<u>205,405</u>	<u>27,668</u>	<u>53,390</u>	<u>81,058</u>	<u>124,347</u>
Streets and sidewalks Project:					
Capital outlay:					
Transportation	151,760	4,409	78,180	82,589	69,171
Total	<u>151,760</u>	<u>4,409</u>	<u>78,180</u>	<u>82,589</u>	<u>69,171</u>
Emergency services project:					
Capital outlay:					
Public safety	360,829	3,452	94,761	98,213	262,616
Total	<u>360,829</u>	<u>3,452</u>	<u>94,761</u>	<u>98,213</u>	<u>262,616</u>
Total expenditures	<u>717,994</u>	<u>35,529</u>	<u>226,331</u>	<u>261,860</u>	<u>456,134</u>
Revenues under expenditures	<u>(475,407)</u>	<u>110,895</u>	<u>(120,236)</u>	<u>(9,341)</u>	<u>466,066</u>
<b>Other Financing Sources</b>					
Various projects:					
Operating transfers in:					
General Fund	475,407	320,105	155,302	475,407	-
Revenue bond issues	-	-	-	-	-
Total other financing sources	<u>475,407</u>	<u>320,105</u>	<u>155,302</u>	<u>475,407</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 431,000</u>	<u>\$ 35,066</u>	<u>\$ 466,066</u>	<u>\$ 466,066</u>

Town of Blowing Rock, North Carolina  
 Water and Sewer Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non - GAAP)  
 For the Fiscal Year Ended June 30, 2006

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Water sales:			
Residential	\$ -	\$ 643,955	\$ -
Impact fees		47,466	
Municipal usage		-	
Total	<u>721,495</u>	<u>691,421</u>	<u>(30,074)</u>
Sewer charges:			
Residential		503,327	
Impact fees		115,045	
Total	<u>594,705</u>	<u>618,372</u>	<u>23,667</u>
Water and sewer taps	<u>10,000</u>	<u>16,211</u>	<u>6,211</u>
Other operating revenues	<u>13,400</u>	<u>11,797</u>	<u>(1,603)</u>
Total operating revenues	<u>1,339,600</u>	<u>1,337,801</u>	<u>(1,799)</u>
Nonoperating revenues:			
Interest earnings	<u>16,750</u>	<u>33,905</u>	<u>17,155</u>
Total revenues	<u>1,356,350</u>	<u>1,371,706</u>	<u>15,356</u>
<b>Expenditures:</b>			
Water and sewer administration:			
Salaries and employee benefits		46,052	
Travel		-	
Supplies		-	
Insurance		42,779	
Vehicle maintenance		-	
Other operating expenditures		7,423	
Engineering services		17,670	
Total water and sewer administration	<u>114,760</u>	<u>113,924</u>	<u>836</u>

**Town of Blowing Rock, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2006**

	Budget	Actual	Variance Positive (Negative)
<b>Water and sewer plant operations:</b>			
Salaries and employee benefits		183,650	
Repairs and maintenance		26,990	
Supplies		11,059	
Other operating expenditures		30,973	
Utilities		135,718	
Sludge composting		51,480	
Total	<u>450,550</u>	<u>439,870</u>	<u>10,680</u>
<b>Water and sewer field operations:</b>			
Salaries and employee benefits		148,824	
Supplies		51,906	
Chemicals		52,692	
Other operating expenditures		13,462	
Total	<u>270,780</u>	<u>266,884</u>	<u>3,896</u>
<b>Debt service:</b>			
Bond issuance costs	-	-	-
Interest and other charges	42,835	42,835	-
Principal retirement	231,155	231,155	-
Total debt service	<u>273,990</u>	<u>273,990</u>	<u>-</u>
<b>Capital outlay:</b>			
Equipment	38,560	36,360	2,200
Water taps	-	-	-
Miscellaneous water	14,070	-	14,070
Sewer extensions	-	-	-
Sewer taps	-	-	-
Miscellaneous sewer	-	-	-
Total capital outlay	<u>52,630</u>	<u>36,360</u>	<u>16,270</u>
Total expenditures	<u>1,162,710</u>	<u>1,131,028</u>	<u>31,682</u>
<b>Other financing sources (uses):</b>			
Transfer (to) from other funds:			
General fund	-	-	-
Capital projects water and sewer	(230,000)	(230,000)	-
Proceeds from installment purchase	36,360	35,978	(382)
Sale of fixed assets	-	1,000	1,000
Appropriated fund balance	-	-	-
Total other financing sources (uses)	<u>(193,640)</u>	<u>(193,022)</u>	<u>618</u>
<b>Revenues and other sources over expenditures and other uses</b>	<u>\$ -</u>	<u>47,656</u>	<u>\$ 47,656</u>

**Town of Blowing Rock, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ 47,656	
Reconciling items:			
Principal retirement		231,155	
Capital outlay		36,360	
Decrease in bond interest accrued		-	
Decrease in accrued vacation pay		5,658	
Depreciation		(259,966)	
Transfers to water and sewer capital projects		230,000	
Proceeds from installment purchase		(35,978)	
Capital contributions		-	
Interest income from Water and Sewer Capital Projects Fund		7,453	
Transfer in from General Fund to Water and Sewer Capital Project Fund		205,000	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Cumulative change in application of capitalization policy		-	
Total reconciling items		<u>419,682</u>	
Net income		<u>\$ 467,338</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 Fiscal Year Ended June 30, 2006**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 60,232	\$ 53,571	\$ 7,453	\$ 61,024	\$ (792)
Total	<u>60,232</u>	<u>53,571</u>	<u>7,453</u>	<u>61,024</u>	<u>(792)</u>
Total revenues	<u>60,232</u>	<u>53,571</u>	<u>7,453</u>	<u>61,024</u>	<u>(792)</u>
<b>Expenditures</b>					
Construction	<u>725,041</u>	<u>147,777</u>	<u>527,412</u>	<u>675,189</u>	<u>49,852</u>
Total	<u>725,041</u>	<u>147,777</u>	<u>527,412</u>	<u>675,189</u>	<u>49,852</u>
Revenues under expenditures	<u>(664,809)</u>	<u>(94,206)</u>	<u>(519,959)</u>	<u>(614,165)</u>	<u>(50,644)</u>
<b>Other financing sources :</b>					
Operating transfer from water and sewer fund	402,000	172,000	230,000	402,000	-
Transfer from general fund	262,809	57,809	205,000	262,809	-
Proceeds of long-term debt	-	-	-	-	-
Public contributions	-	-	-	-	-
Total other sources	<u>664,809</u>	<u>229,809</u>	<u>435,000</u>	<u>664,809</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 135,603</u>	<u>\$ (84,959)</u>	<u>\$ 50,644</u>	<u>\$ 50,644</u>

## **Other Schedules**

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**This section contains additional information required on property taxes.**

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**Schedule of Ad Valorem Taxes Receivable**

**Analysis of Current Year Tax Levy**

**Town of Blowing Rock, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2006**

Fiscal Year	Uncollected Balance June 30, 2004	Additions	Collections And Credits	Uncollected Balance June 30, 2005
2005-2006	\$ -	\$ 2,401,612	\$ 2,392,389	\$ 9,223
Vehicle Tax	-	56,602	53,375	3,227
2004-2005	21,458	-	14,869	6,589
Vehicle Tax	3,541	-	1,039	2,502
2003-2004	6,193	-	1,983	4,210
Vehicle Tax	3,140	-	76	3,064
2002-2003	5,118	-	907	4,211
Vehicle Tax	1,424	-	18	1,406
2001-2002	4,935	-	1,909	3,026
Vehicle Tax	358	-	232	126
2000-2001	3,256	-	1,566	1,690
Vehicle Tax	358	-	232	126
1999-2000	6,283	-	3,084	3,199
1998-1999	5,717	-	2,854	2,863
1997-1998	2,315	-	1,183	1,132
1996-1997	2,015	-	1,237	778
1995-1996	1,362	-	1,362	-
	<u>\$ 67,473</u>	<u>\$ 2,458,214</u>	<u>\$ 2,478,315</u>	<u>47,372</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>35,596</u>
Ad valorem taxes receivable - net				<u>\$ 11,776</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 2,487,136
Releases and refunds				2,881
Amounts written off per statute of limitations				<u>1,362</u>
Subtotal				2,491,379
Less interest collected				<u>(13,064)</u>
Total collections and credits				<u>\$ 2,478,315</u>



**Town of Blowing Rock, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2006**

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 834,966,999	0.295%	\$ 2,463,159	\$ 2,406,557	\$ 56,602
Penalties	-		283	283	-
Total	<u>834,966,999</u>		<u>2,463,442</u>	<u>2,406,840</u>	<u>56,602</u>
Discoveries:					
Current year taxes	-	0.295%	-	-	-
Prior year taxes	-	0.295%	-	-	-
Penalties	-	0.295%	-	-	-
	-		-	-	-
Abatements	<u>(1,772,100)</u>	0.295%	<u>(5,228)</u>	<u>(5,228)</u>	-
Total property valuation	<u>\$ 833,194,899</u>				
Net levy			2,458,214	2,401,612	56,602
Uncollected taxes at June 30, 2006			<u>12,450</u>	<u>9,223</u>	<u>3,227</u>
Current year's taxes collected			<u>\$2,445,764</u>	<u>\$2,392,389</u>	<u>\$53,375</u>
Current levy collection percentage			<u>99.49%</u>	<u>99.62%</u>	<u>94.30%</u>

# **Compliance Section**

**Billy G. Combs, P. C.**CERTIFIED PUBLIC ACCOUNTANTS  
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Fax: 828-733-8689**Report on Internal Control over Financial Reporting and on Compliance and****Billy G. Combs, CPA Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Douglas M. Tennant, CPA  
Jason D. Carpenter, CPA  
Tanya L. Singleton, CPA**  
**Government Auditing Standards**To the Honorable Mayor and members of  
the Board of Commissioners  
Town of Blowing Rock, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2006, which collectively comprises the Town of Blowing Rock's basic financial statements, and have issued our report thereon dated September 11, 2006. 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. The financial statements of the Town of Blowing Rock ABC Board were not audited in accordance with *Government Auditing Standards*.


**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Blowing Rock's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

This report is intended solely for the information of the audit committee, management, others within the organization, members of the Board of Directors, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

  
Billy G. Combs, P.C.

Certified Public Accountants

September 11, 2006