

TOWN OF BLOWING ROCK
BLOWING ROCK, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2009

Town of Blowing Rock, North Carolina
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6/30/2009

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TOWN OF BLOWING ROCK

June 30, 2009

Mayor

J.B. Lawrence

Mayor Pro Tem

Keith Tester

Board of Commissioners

Barbara Ball

Tommy Klutz

Phil Picket

Albert Yount

Town Manager

Scott Hildebran

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INDEPENDENT AUDITORS' 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 and each major fund of the Town of Blowing Rock, North Carolina, as of and for the year ended June 30, 2009, 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. 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. 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 and each major fund of the Town of Blowing Rock, North Carolina as of June 30, 2009, 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.

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.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants

October 26, 2009

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, 2009. 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 \$22,821,317 (*net assets*).
- The government's total net assets increased by \$2,702,743 with the increase primarily in the governmental-type activities. This increase is mainly due to the completion of the new Fire/Rescue Building as well as the donation of the Ruritan Building to the Town.
- As of the close of the current fiscal year, the Town of Blowing Rock's governmental funds reported combined ending fund balances of \$4,307,987 a decrease of \$1,134,219 in comparison with the prior year, attributable to the expenditure of loan proceeds on hand to complete the intended American Legion Parking Facility. Approximately 90.46% of this total amount, or \$3,896,874, is available for spending at the government's discretion (*unreserved fund balance*), however \$1,570,926 has been appropriated by the board for capital projects in progress.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,325,948, or 50.53% of total general fund expenditures for the fiscal year, an increase of \$153,613 over the prior year accomplished through vigilant monitoring of expenditures during the continued global economic downturn.
- The Town of Blowing Rock's total debt decreased by \$736,399 (8.83%) during the current fiscal year with payments being made on the Fire/Rescue Building, American Legion Parking Facility & Sewer Bonds, offset by minimal new debt issued during the fiscal year.
- The Town of Blowing Rock maintained a NC Municipal Bond rating of 80 for the eighth consecutive year and is currently in the process of having its rating reviewed by the NC Municipal Council. The Town also received an upgraded Moody's Investor bond rating of A2, having previously maintained an A3 rating for seven consecutive years, as a result of financial planning & capital debt management.

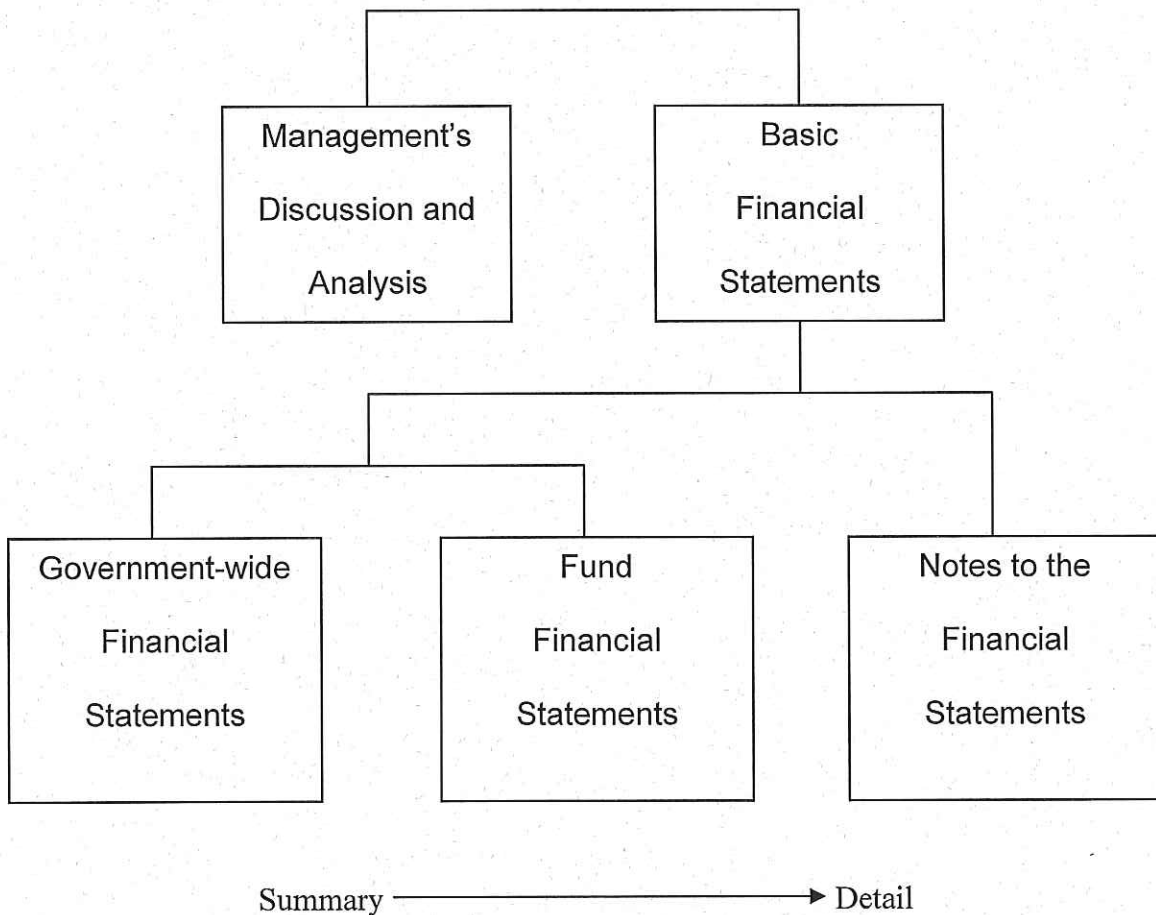
Overview of the Financial Statements

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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 4,858,277	\$ 5,839,015	\$ 2,206,899	\$ 3,392,323	\$ 7,065,176	\$ 9,231,338
Capital assets	13,777,983	10,826,182	10,460,489	9,150,052	24,238,472	19,976,234
Total assets	18,636,260	16,665,197	12,667,388	12,542,375	31,303,648	29,207,572
Long-term liabilities outstanding	5,833,255	6,205,340	1,769,386	2,133,700	7,602,641	8,339,040
Other liabilities	515,404	372,907	364,286	377,051	879,690	749,958
Total liabilities	6,348,659	6,578,247	2,133,672	2,510,751	8,482,331	9,088,998
Net assets:						
Invested in capital assets, net of related debt	8,079,746	6,294,166	8,713,124	8,297,677	16,792,870	14,591,843
Restricted	1,572,027	1,336,439	-	-	1,572,027	1,336,439
Unrestricted	2,635,828	2,456,345	1,820,592	1,733,947	4,456,420	4,190,292
Total net assets	\$ 12,287,601	\$ 10,086,950	\$ 10,533,716	\$ 10,031,624	\$ 22,821,317	\$ 20,118,574

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 \$22,821,317 as of June 30, 2009. The Town's net assets increased by \$2,702,743 for the fiscal year ended June 30, 2009. However, the largest portion (73.58%) 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, \$1,572,027 (6.89%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,456,420 is unrestricted.

Management Discussion and Analysis
Town of Blowing Rock (Page 6 of 12)

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 98.71%, a slight decrease from last year's rate of .51%.
- Utilization of a capital improvement plan for managing capital expenditures with five year Capital Improvement Plan, seven year Fleet Replacement Plan, Street Pavement Plan, Park and Recreation Master Plan, and Storm Water Master Plan.
- Preventative measures, such as diligent monitoring of expenditures and continued prioritization of Capital Projects, attributed to the Town's stability during global recessionary times.

Management Discussion and Analysis
Town of Blowing Rock (Page 7 of 12)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 400,501	\$ 464,856	\$ 1,473,085	\$ 1,427,132	\$ 1,873,586	\$ 1,891,988
Operating grants and contributions	106,916	118,011	-	-	106,916	118,011
Capital grants and contributions	60,000	-	8,844	306,203	68,844	306,203
General revenues:						
Property taxes	3,036,741	3,008,991	-	-	3,036,741	3,008,991
Other taxes	321,064	339,598	-	-	321,064	339,598
Grants and contributions not restricted to specific programs						
Other	2,488,385	1,149,046	-	-	2,488,385	1,149,046
	324,437	228,168	42,087	67,197	366,524	295,365
Total revenues	6,738,044	5,308,670	1,524,016	1,800,532	8,262,060	7,109,202
Expenditures:						
General government	799,686	713,588	-	-	799,686	713,588
Public safety	1,720,665	1,505,271	-	-	1,720,665	1,505,271
Transportation	813,175	953,808	-	-	813,175	953,808
Environmental protection	194,160	283,411	-	-	194,160	283,411
Economic development	-	-	-	-	-	-
Culture and recreation	393,786	405,770	-	-	393,786	405,770
Interest on long-term debt	409,628	28,079	-	-	409,628	28,079
Water and sewer	-	-	1,228,217	1,160,875	1,228,217	1,160,875
Total expenses	4,331,100	3,889,927	1,228,217	1,160,875	5,559,317	5,050,802
Increase in net assets before transfers	2,406,944	1,418,743	295,799	639,657	2,702,743	2,058,400
Transfers	(206,293)	(200,000)	206,293	200,000	-	-
Cumulative effect of change in application of capitalization policy	-	-	-	-	-	-
Increase in net assets	2,200,651	1,218,743	502,092	839,657	2,702,743	2,058,400
Net assets, July 1	10,086,950	8,868,207	10,031,624	9,191,967	20,118,574	18,060,174
Net assets, June 30	\$ 12,287,601	\$ 10,086,950	\$ 10,533,716	\$ 10,031,624	\$ 22,821,317	\$ 20,118,574

Governmental activities. Governmental activities increased the Town's net assets by \$2,200,651, thereby accounting for 81.42% 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 partly due to an annexation that occurred during the previous fiscal year.
- The contribution of the Ruritan Building to the Town.
- Blowing Rock Fire & Rescue's donation and the Town's acceptance of title to all Rescue vehicles and two Fire vehicles.

Management Discussion and Analysis
Town of Blowing Rock (Page 8 of 12)

- Blowing Rock Fire & Rescue's donation and the Town's acceptance of title to all Rescue vehicles and two Fire vehicles.
- Received unexpected revenue from final residual disbursements of Cable Franchise payments.

Business-type activities: Business-type activities increased the Town of Blowing Rock's net assets by \$502,092 accounting for 18.58% of the total growth in the Town's net assets. Key elements of this increase are as follows:

- 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 \$2,325,948, while total fund balance reached \$2,735,960. 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 50.53% of total General Fund expenditures, while total fund balance represents 59.44% of that same amount.

At June 30, 2009, the governmental funds of Town of Blowing Rock reported a combined fund balance of \$4,307,987, a 20.84% decrease from last year. Attributing to this decrease is the expenditure of Loan Proceeds on hand for the intended construction of the American Legion Parking Facility.

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 higher than expected with economic factors considered at budget time, and also permits for renovations higher than expected. Expenditures were below budget in all areas, due to vigilant monitoring considering a declining economy.

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 \$1,820,592. The change in net assets was \$502,092, which is mainly due to the extension of sewer lines along Quail Hollow Drive. 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, 2009, totals \$24,238,472 (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 of \$1,230,605 in governmental-type activities for ongoing projects such as the American Legion Parking Facility, Storm Water projects & various Sidewalk projects.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 3,178,831	\$ 3,178,831	\$ 81,521	\$ 81,521	\$ 3,260,352	\$ 3,260,352
Construction in progress	1,230,605	4,806,861	1,678,256	191,705	2,908,861	4,998,566
Infrastructure	2,104,957	818,371	-	-	2,104,957	818,371
Buildings	5,890,556	984,732	-	-	5,890,556	984,732
Plant	-	-	8,553,672	8,724,747	8,553,672	8,724,747
Equipment and furniture	673,312	801,000	147,040	152,079	820,352	953,079
Vehicles	698,823	229,141	-	-	698,823	229,141
Computers	899	7,246	-	-	899	7,246
Total	\$ 13,777,983	\$ 10,826,182	\$ 10,460,489	\$ 9,150,052	\$ 24,238,472	\$ 19,976,234

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, 2009, the Town of Blowing Rock had total bonded debt outstanding of \$620,000. Of this, \$620,000 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ -	\$ -	\$ 620,000	\$ 820,000	\$ 620,000	\$ 820,000
Compensated absences	95,972	92,678	22,021	21,325	117,993	114,003
Pension obligation	39,046	33,680	-	-	39,046	33,680
Installment purchases	5,698,237	6,078,982	1,127,365	1,292,375	6,825,602	7,371,357
Total	\$ 5,833,255	\$ 6,205,340	\$ 1,769,386	\$ 2,133,700	\$ 7,602,641	\$ 8,339,040

The Town of Blowing Rock's total debt decreased by \$736,399 (88.31%) during the past fiscal year, primarily attributable to debt payments being made on the American Legion Parking Facility, Fire/Rescue Building & Sewer Bonds, offset by very little new debt issued.

Management Discussion and Analysis
Town of Blowing Rock (Page 11 of 12)

As mentioned in the financial highlights section of this document, Moody's Investor Service upgraded the Town of Blowing Rock's bond rating to an A2 following seven consecutive years of maintaining an A3 rating. Blowing Rock also maintained its rating from the NC Municipal Council of 80, for the eighth consecutive year. 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% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Blowing Rock is \$81,397,437.

Additional information regarding the Town of Blowing Rock's long-term debt can be found in note III.B.6 beginning on page 26 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the financial condition of the Town.

- Unemployment continues to be lower in comparison to state rate. The Watauga County unemployment rate increased from 4.7% in July 2008 to 7.4% in June 2009, below the NC state rate of 6.3% in July 2008 and 11.0% in July 2009.
- Housing construction and renovation activity decreased slightly for the year.
- The tourism market declined resulting from global economic downturn.
- Both Watauga & Caldwell County have delayed their revaluations to tax year 2012 and 2011 respectively.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities: Property tax revenues and revenues from franchise fees and sales tax are projected to remain relatively flat. The Town will use these revenues to fund programs currently in place and capital improvements in various areas.

Budgeted expenditures in the General Fund may increase somewhat, as a result of rising costs of employee compensation and health insurance, as well as increases in operation & maintenance costs.

Business – type Activities: Water and sewer user rates in the Town remained the same. 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.

Other: A resolution was adopted March 31, 2008 authorizing the Town to participate in the North Carolina State Health Plan. This move will reduce the Town's Other Post Employment Benefits liability, also known as "OPEB liability" in the up and coming year. The plan continues to require an additional contribution of 4.1% to the State Retirement Fund to cover the Town's liability. The Town joined the State Health Plan beginning July 1, 2008.

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, 2009

	<u>Primary Government</u>			<u>Town of Blowing Rock ABC Board</u>	<u>Town of Blowing Rock Tourism Development Authority</u>	<u>Total Reporting Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>			
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,512,278	\$ 1,810,947	\$ 6,323,225	\$ 160,463	\$ 281,722	\$ 6,765,410
Taxes receivable (net)	31,133	-	31,133	-	62,388	93,521
Accrued interest receivable on taxes	3,753	-	3,753	-	-	3,753
Accounts receivable (net)	199,049	313,950	512,999	-	-	512,999
Due from other governments	74,502	-	74,502	-	-	74,502
Due from component units	32,875	-	32,875	-	-	32,875
Due from primary government	-	-	-	-	-	-
Inventories	4,687	82,002	86,689	211,258	-	297,947
Prepaid items	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	246,122	-	246,122
Total current assets	<u>4,858,277</u>	<u>2,206,899</u>	<u>7,065,176</u>	<u>617,843</u>	<u>344,110</u>	<u>8,027,129</u>
Capital assets (Note 4):						
Land, non-depreciable improvements, and construction in progress	4,409,436	1,759,777	6,169,213	96,275	-	6,265,488
Other capital assets, net of depreciation	9,368,547	8,700,712	18,069,259	107,333	8,912	18,185,504
Total capital assets	<u>13,777,983</u>	<u>10,460,489</u>	<u>24,238,472</u>	<u>203,608</u>	<u>8,912</u>	<u>24,450,992</u>
Total assets	<u>\$ 18,636,260</u>	<u>\$ 12,667,388</u>	<u>\$ 31,303,648</u>	<u>\$ 821,451</u>	<u>\$ 353,022</u>	<u>\$ 32,478,121</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 230,637	\$ 149,678	\$ 380,315	\$ 116,520	\$ 60,245	\$ 557,080
Unearned revenue	284,767	2,408	287,175	-	-	287,175
Accrued salaries	-	11,694	11,694	-	-	11,694
Customer deposits	-	200,506	200,506	-	-	200,506
Due to primary government	-	-	-	32,875	-	32,875
Due to other governments	-	-	-	-	-	-
Long-term liabilities:						
Due within one year	624,116	423,690	1,047,806	-	-	1,047,806
Due in more than one year	5,209,139	1,345,696	6,554,835	-	-	6,554,835
Total liabilities	<u>6,348,659</u>	<u>2,133,672</u>	<u>8,482,331</u>	<u>149,395</u>	<u>60,245</u>	<u>8,691,971</u>
NET ASSETS						
Invested in capital assets, net of related debt	8,079,746	8,713,124	16,792,870	203,608	8,912	17,005,390
Restricted for:						
Capital projects	1,572,027	-	1,572,027	246,122	-	1,818,149
Culture and recreation	-	-	-	-	-	-
Working capital	-	-	-	45,768	-	45,768
Unrestricted	2,635,828	1,820,592	4,456,420	176,558	283,865	4,916,843
Total net assets	<u>\$ 12,287,601</u>	<u>\$ 10,533,716</u>	<u>\$ 22,821,317</u>	<u>\$ 672,056</u>	<u>\$ 292,777</u>	<u>\$ 23,786,150</u>

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

Town of Blowing Rock, North Carolina
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 799,686	\$ 82,985	\$ -	\$ -
Public safety	1,720,665	94,385	7,130	60,000
Transportation	813,175	8,955	99,786	-
Environmental protection	194,160	118,952	-	-
Cultural and recreation	393,786	95,224	-	-
Interest on long-term debt	409,628	-	-	-
Total governmental activities (See Note 1)	4,331,100	400,501	106,916	60,000
Business-type activities:				
Water and sewer	1,228,217	1,473,085	-	8,844
Electric	-	-	-	-
Total business-type activities	1,228,217	1,473,085	-	8,844
Total primary government	\$ 5,559,317	\$ 1,873,586	\$ 106,916	\$ 68,844
Component units:				
ABC Board	\$ 1,544,288	\$ 1,536,552	-	-
Blowing Rock Tourism Development Authority	725,273	24,285	-	-
Total component unit	\$ 2,269,561	\$ 1,560,837	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Cumulative change in application of capitalization policy				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Town of Blowing Rock ABC Board	Blowing Rock Tourism Development Authority	Total Reporting Unit
\$ (716,701)	\$ -	\$ (716,701)	\$ -	\$ -	\$ (716,701)
(1,559,150)	-	(1,559,150)	-	-	(1,559,150)
(704,434)	-	(704,434)	-	-	(704,434)
(75,208)	-	(75,208)	-	-	(75,208)
(298,562)	-	(298,562)	-	-	(298,562)
(409,628)	-	(409,628)	-	-	(409,628)
(3,763,683)	-	(3,763,683)	-	-	(3,763,683)
-	253,712	253,712	-	-	253,712
-	-	-	-	-	-
-	253,712	253,712	-	-	253,712
(3,763,683)	253,712	(3,509,971)	-	-	(3,509,971)
-	-	-	(7,736)	-	(7,736)
-	-	-	-	(700,988)	(700,988)
-	-	-	(7,736)	(700,988)	(708,724)
3,036,741	-	3,036,741	-	-	3,036,741
321,064	-	321,064	-	663,305	984,369
2,488,385	-	2,488,385	-	-	2,488,385
71,955	38,037	109,992	4,647	4,172	118,811
252,482	4,050	256,532	-	1,518	258,050
(206,293)	206,293	-	-	-	-
5,964,334	248,380	6,212,714	4,647	668,995	6,886,356
-	-	-	-	-	-
2,200,651	502,092	2,702,743	(3,089)	(31,993)	2,667,661
10,086,950	10,031,624	20,118,574	675,145	324,770	21,118,489
\$ 12,287,601	\$ 10,533,716	\$ 22,821,317	\$ 672,056	\$ 292,777	\$ 23,786,150

**Town of Blowing Rock
Balance Sheet
Governmental Funds
June 30, 2009**

	Major Funds		Total Governmental Funds
	General	Capital Projects	
ASSETS			
Cash and cash equivalents	\$ 2,938,076	\$ 1,574,202	\$ 4,512,278
Receivables, net:			
Taxes	31,133	-	31,133
Accounts	230,823	1,101	231,924
Due from other governments	74,502	-	74,502
Prepaid Expenses	-	-	-
Inventories	4,687	-	4,687
Total assets	<u>\$ 3,279,221</u>	<u>\$ 1,575,303</u>	<u>\$ 4,854,524</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 227,361	\$ 3,276	\$ 230,637
Due to other funds	-	-	-
Deferred revenue	31,133	-	31,133
Unearned revenue	284,767	-	284,767
Liabilities payable from restricted assets:			
Accounts payable	-	-	-
Total liabilities	<u>543,261</u>	<u>3,276</u>	<u>546,537</u>
Fund balances:			
Reserved for:			
Subsequent year's expenditures	100,000	-	100,000
Inventories	4,687	-	4,687
Prepays	-	-	-
State statute	305,325	1,101	306,426
Streets-Powell bill	-	-	-
Unreserved, General Fund	2,325,948	-	2,325,948
Unreserved, reported in:			
Capital Projects Fund	-	1,570,926	1,570,926
Total fund balances	<u>2,735,960</u>	<u>1,572,027</u>	<u>4,307,987</u>
Total liabilities and fund balances	<u>\$ 3,279,221</u>	<u>\$ 1,575,303</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.	13,777,983
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.	3,753
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.	31,133
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).	<u>\$ (5,833,255)</u>
Net assets of governmental activities	<u>\$ 12,287,601</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, 2009

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects	
REVENUES			
Ad valorem taxes	\$ 3,025,757	\$ -	\$ 3,025,757
Other taxes and licenses	321,064	-	321,064
Unrestricted intergovernmental	806,881	-	806,881
Restricted intergovernmental	107,600	60,000	167,600
Permits and fees	85,148	-	85,148
Sales and services	168,164	-	168,164
Investment earnings	38,110	33,845	71,955
Miscellaneous	201,507	96,480	297,987
Total revenues	4,754,231	190,325	4,944,556
EXPENDITURES			
Current:			
General government	758,735	-	758,735
Public safety	1,418,687	-	1,418,687
Transportation	808,488	-	808,488
Economic and physical development	-	-	-
Environmental protection	262,020	-	262,020
Culture and recreation	369,281	-	369,281
Debt service:			
Principal	553,714	-	553,714
Interest and other charges	409,628	-	409,628
Capital outlay	-	1,544,188	1,544,188
Total expenditures	4,580,553	1,544,188	6,124,741
Excess (deficiency) of revenues over expenditures	173,678	(1,353,863)	(1,180,185)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	42,485	42,485
Transfers to other funds	(248,778)	-	(248,778)
Sales of capital assets	79,290	-	79,290
Installment purchase obligations issued	172,969	-	172,969
Capital lease obligations issued	-	-	-
Total other financing sources (uses)	3,481	42,485	45,966
Net change in fund balance	177,159	(1,311,378)	(1,134,219)
Fund balances, beginning	2,558,801	2,883,405	5,442,206
Change in reserve for inventories	-	-	-
Fund balances, ending	\$ 2,735,960	\$ 1,572,027	\$ 4,307,987

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, 2009

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

Net changes in fund balances - total governmental funds	\$ (1,134,219)
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

1,270,787

Net book value of assets sold

(490)

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

1,681,504

Change in deferred revenue for tax revenues

10,984

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.

380,745

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

(3,294)

Net pension obligation

(5,366)

Total changes in net assets of governmental activities

\$ 2,200,651

Exhibit 6

Town of Blowing Rock
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,938,000	\$ 2,938,000	\$ 3,025,757	\$ 87,757
Other taxes and licenses	342,865	335,395	321,064	(14,331)
Unrestricted intergovernmental	730,800	780,800	806,881	26,081
Restricted intergovernmental	85,000	105,000	107,600	2,600
Permits and fees	88,000	92,000	85,148	(6,852)
Sales and services	155,650	163,550	168,164	4,614
Investment earnings	74,000	78,000	38,110	(39,890)
Miscellaneous	206,500	169,907	201,507	31,600
Total revenues	<u>4,620,815</u>	<u>4,662,652</u>	<u>4,754,231</u>	<u>91,579</u>
Expenditures:				
Current:				
General government	656,889	783,260	758,735	24,525
Public safety	1,524,110	1,512,957	1,418,687	94,270
Transportation	816,990	817,748	808,488	9,260
Environmental protection	276,995	276,985	262,020	14,965
Cultural and recreation	397,835	384,835	369,281	15,554
Debt service:				
Principal retirement	554,000	553,714	553,714	-
Interest and other charges	409,241	409,632	409,628	4
Total expenditures	<u>4,636,060</u>	<u>4,739,131</u>	<u>4,580,553</u>	<u>158,578</u>
Revenues over (under) expenditures	<u>(15,245)</u>	<u>(76,479)</u>	<u>173,678</u>	<u>250,157</u>
Other financing sources (uses):				
Transfers from other funds	140,245	-	-	-
Transfers to other funds	(200,000)	(248,785)	(248,778)	7
Sale of assets	-	77,430	79,290	1,860
Appropriated fund balance	75,000	75,000	-	(75,000)
Proceeds from installment purchase	-	172,834	172,969	135
Total other financing sources (uses)	<u>15,245</u>	<u>76,479</u>	<u>3,481</u>	<u>(72,998)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>177,159</u>	<u>\$ 177,159</u>
Fund balances, beginning			2,558,801	
Change in reserve for inventories			-	
Fund balances, ending			<u>\$ 2,735,960</u>	

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, 2009**

	Water and Sewer Fund		Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,810,947	\$	1,810,947
Accounts receivable (net) - billed	313,950		313,950
Due from other governments	-		-
Inventories	82,002		82,002
Prepaid items	-		-
Restricted cash and cash equivalents	-		-
Total current assets	2,206,899		2,206,899
Capital assets:			
Land and other non-depreciable assets	1,759,777		1,759,777
Other capital assets, net of depreciation	8,700,712		8,700,712
Capital assets (net)	10,460,489		10,460,489
Total assets	\$ 12,667,388	\$	12,667,388
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 125,650	\$	125,650
Accrued salaries	11,694		11,694
Customer deposits	200,506		200,506
Unearned revenue	2,408		2,408
Compensated absences - current	21,325		21,325
General obligation bonds payable-current	205,000		205,000
Installment purchase-current	197,365		197,365
Bond anticipation notes payable	-		-
Total current liabilities	763,948		763,948
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Accounts payable	24,028		24,028
Other noncurrent liabilities:			
Compensated absences	696		696
General obligation bonds payable-noncurrent (net)	415,000		415,000
Installment purchase-noncurrent	930,000		930,000
Total noncurrent liabilities	1,369,724		1,369,724
Total liabilities	2,133,672		2,133,672
NET ASSETS			
Invested in capital assets, net of related debt	8,713,124		8,713,124
Unrestricted	1,820,592		1,820,592
Total net assets	\$ 10,533,716	\$	10,533,716

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, 2009

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 1,440,023	\$ 1,440,023
Water and sewer taps	9,122	9,122
Other operating revenues	23,940	23,940
Total operating revenues	1,473,085	1,473,085
OPERATING EXPENSES		
Administration	130,225	130,225
Water/Sewer plant operations	460,304	460,304
Water/Sewer field operations	292,455	292,455
Depreciation	293,281	293,281
Total operating expenses	1,176,265	1,176,265
Operating income (loss)	296,820	296,820
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	38,037	38,037
Sale of fixed assets	4,050	4,050
Interest and other charges	(51,952)	(51,952)
Bond issuance costs	-	-
Total nonoperating revenue (expenses)	(9,865)	(9,865)
Income (loss) before contributions and transfers	286,955	286,955
Capital contributions	-	-
Public contributions	8,844	8,844
Transfers from other funds	206,293	206,293
Transfers to other funds	-	-
Total income (loss) after contributions and transfers	502,092	502,092
Cumulative change in application of capitalization policy	-	-
Change in net assets	502,092	502,092
Total net assets, beginning	10,031,624	10,031,624
Total net assets, ending	\$ 10,533,716	\$ 10,533,716

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, 2009**

	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,469,056	\$ 1,469,056
Cash paid for goods and services	(382,948)	(382,948)
Cash paid to or on behalf of employees for services	(505,366)	(505,366)
Customer deposits received (returned)	(5,161)	(5,161)
Other operating revenues	-	-
Net cash provided (used) by operating activities	<u>575,581</u>	<u>575,581</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	206,293	206,293
Transfers to other funds	-	-
Public contributions	8,844	8,844
Total cash flows from noncapital financing activities	<u>215,137</u>	<u>215,137</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond anticipation notes issued	-	-
Acquisition and construction of capital assets	(1,603,718)	(1,603,718)
Principal paid on bond maturities and equipment contracts	(404,301)	(404,301)
Proceeds from installment purchase	39,291	39,291
Interest paid on bond maturities and equipment contracts	(51,952)	(51,952)
Sale of fixed assets	4,050	4,050
Capital contributions-Federal grant	-	-
Net cash provided (used) by capital and related financing activities	<u>(2,016,630)</u>	<u>(2,016,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>38,037</u>	<u>38,037</u>
Net increase (decrease) in cash and cash equivalents	(1,187,875)	(1,187,875)
Balances, beginning	2,998,822	2,998,822
Balances, ending	<u>\$ 1,810,947</u>	<u>\$ 1,810,947</u>

**Town of Blowing Rock
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009**

	<u>Water and Sewer Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 296,820	\$ 296,820
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	293,281	293,281
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,107)	(3,107)
Increase (decrease) in allowance for doubtful accounts	-	-
(Increase) decrease in inventory	656	656
(Increase) in prepaid items	-	-
(Increase) in due from other funds	-	-
Increase (decrease) in accounts payable and accrued liabilities	(6,682)	(6,682)
Increase (decrease) in unearned revenue	(922)	(922)
Increase (decrease) in customer deposits	(5,161)	(5,161)
Increase (decrease) in accrued vacation pay	696	696
Total adjustments	<u>278,761</u>	<u>278,761</u>
Net cash provided by operating activities	<u>\$ 575,581</u>	<u>\$ 575,581</u>

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

12
Town of Blowing Rock, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Blowing Rock conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Blowing Rock 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 note proceeds of the Water and Sewer Fund and the Capital Projects Fund are classified as restricted assets because their use is completely restricted to the purpose for which the notes were originally issued.

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, 2008.

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 and merchandise held for resale. The cost of materials and supplies inventories is expensed when used rather than when purchased. The cost of merchandise held for resale is expensed when sold rather than when purchased. The Authority had no inventory on hand at June 30, 2009.

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 three 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	5-10
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 twenty 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 2009 – 2010 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, 2009 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, 2009, the Town's deposits had a carrying amount of \$3,736,125 and a bank balance of \$3,762,454. Of the bank balance, \$1,000,000 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 \$307,066 and the bank balance was \$305,463. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Authority was \$181,722 and the bank balance was \$184,068. All of the bank balance was covered by federal depository insurance. At June 30, 2009, the Town's and the ABC Board's petty cash fund totaled \$500 and \$1,200, respectively.

2. Investments

At June 30, 2009, the Town, the ABC Board, and the Authority had \$2,587,100, \$98,318, and \$100,000 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 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	6/30/2009
General Fund:	
Taxes Receivable	\$ 33,760

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2009, 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	4,806,861	1,544,189	(5,120,445)	1,230,605
Total capital assets not being depreciated	<u>7,985,692</u>	<u>1,544,189</u>	<u>(5,120,445)</u>	<u>4,409,436</u>
Capital assets being depreciated:				
Infrastructure	876,611	1,307,257	-	2,183,868
Buildings	1,473,709	5,034,692	-	6,508,401
Equipment and furniture	3,104,541	33,887	(3,000)	3,135,428
Vehicles	895,805	631,767	(141,625)	1,385,947
Computers	123,156	-	-	123,156
Total capital assets being depreciated	<u>6,473,822</u>	<u>7,007,603</u>	<u>(144,625)</u>	<u>13,336,800</u>
Less accumulated depreciation for:				
Infrastructure	58,240	20,671	-	78,911
Buildings	488,977	128,868	-	617,845
Equipment and furniture	2,303,541	161,575	(3,000)	2,462,116
Vehicles	666,664	161,595	(141,135)	687,124
Computers	115,910	6,347	-	122,257
Total accumulated depreciation	<u>3,633,332</u>	<u>\$ 479,056</u>	<u>\$ (144,135)</u>	<u>3,968,253</u>
Total capital assets being depreciated, net	<u>2,840,490</u>			<u>9,368,547</u>
Governmental activity capital assets, net	<u>\$ 10,826,182</u>			<u>\$ 13,777,983</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 39,070
Public Safety	344,699
Transportation	52,737
Environmental protection	29,496
Cultural & recreation	13,054
Unallocated depreciation	-
	<u>\$ 479,056</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	191,705	1,579,001	(92,450)	1,678,256
Total capital assets not being depreciated	<u>273,226</u>	<u>1,579,001</u>	<u>(92,450)</u>	<u>1,759,777</u>
Capital assets being depreciated:				
Plant	13,791,794	77,382	-	13,869,176
Equipment	962,684	39,785	-	1,002,469
Total capital assets being depreciated	<u>14,754,478</u>	<u>117,167</u>	<u>-</u>	<u>14,871,645</u>
Less accumulated depreciation for:				
Plant	5,067,047	248,457	-	5,315,504
Equipment	810,605	44,824	-	855,429
Total accumulated depreciation	<u>5,877,652</u>	<u>\$ 293,281</u>	<u>\$ -</u>	<u>6,170,933</u>
Total capital assets being depreciated, net	<u>9,150,052</u>			<u>8,700,712</u>
Business-type activities capital assets, net	<u>\$ 9,150,052</u>			<u>\$ 10,460,489</u>

Discretely Presented component units

Activity for the ABC Board for the year ended June 30, 2009, 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	201,298	115,213	86,085
Furniture and equipment	10 years	57,722	36,686	21,036
Computer equipment	5 years	25,775	25,563	212
		<u>\$ 381,070</u>	<u>\$ 177,462</u>	<u>\$ 203,608</u>

Activity for the Authority for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 15,702	\$ -	\$ -	\$ 15,702
Total capital assets being depreciated	15,702	-	-	15,702
Less accumulated depreciation for:				
Furniture and equipment	5,170	1,620	-	6,790
Total accumulated depreciation	5,170	\$ 1,620	\$ -	6,790
Total capital assets being depreciated, net	10,532			8,912
Governmental activity capital assets, net	\$ 10,532			\$ 8,912

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 8.98% and 8.96%, 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, 2009, 2008, and 2007 were \$136,719, \$88,938, and \$84,263, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$3,208, \$3,068, and \$2,614, respectively. The Authority's contributions to LGERS for the year ended June 30, 2009, 2008, and 2007 were \$5,732, \$5,755 and \$3,121, 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, 2008, 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	10
Total	10

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.

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 made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 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	\$ 15,416
Interest on net pension obligation	2,442
Adjustment to annual required contribution	<u>(2,059)</u>
Annual pension cost	\$ 15,799
Employer contributions made for fiscal year ending 6/30/2009	<u>(10,433)</u>
Increase (decrease) in net pension obligation	\$ 5,366
Net pension obligation beginning of fiscal year	<u>33,680</u>
Net pension obligation end of fiscal year	\$ 39,046

3 Year Trend Information			
Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 9,785	80.85%	\$ 37,443
6/30/2008	9,800	138.90%	33,680
6/30/2009	15,799	66.03%	39,046

4. *Funded Status and Funding Progress.*

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$126,525. The covered payroll (annual payroll of active employees covered by the plan) was \$332,179, and the ratio of the UAAL to the covered payroll was 38.09%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute 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, 2009 were \$55,535, which consisted of \$33,262 from the Town and \$22,273 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. Participating in the State Health Plan, the Town pays for these benefits through a contribution to the State of 4.1% of the covered payroll of employees who are members of the Retirement system to fund its total liability for the year. The Town's retirees may also purchase coverage for their dependents through the State plan. For the fiscal year ended June 30, 2009, the Town made contributions for post-employment health benefits totaling \$77,642 to fund the Town's portion of OPEB liability for the year. Currently four retirees are receiving post-employment health benefits.

2. Other Employment Benefit

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 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, 2009, the Town made contributions to the State for death benefits of \$1,738. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% 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.

3. 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), less penalties	\$ 31,133	\$ -
Prepaid licenses (General Fund)	-	284,767
	<u>\$ 31,133</u>	<u>\$ 284,767</u>

4. 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, and workers' compensation coverage up to statutory limits. 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 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.

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.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded for \$5,000. The finance officer is bonded for \$100,000 and the tax collector is bonded for \$100,000.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2009, the Town was a defendant to a lawsuit. In the opinion of the Town's management and the Town's attorney, the ultimate effect of this legal matter will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchases

The Town has entered into various installment purchase contracts. The first agreement was executed January 17, 2003 for the purchase of land and requires quarterly payments of \$12,917 plus interest at 4.35%. The second agreement was executed February 10, 2005 for the purchase of buildings and requires semiannual payments of \$17,500 plus interest at 3.79%. The third agreement was executed September 14, 2005 for the purchase of equipment and requires annual payments of \$19,077 including interest at 3.45%. The fourth agreement was executed October 10, 2006 for the construction of a building and requires annual principal payments of \$235,000 plus interest at 4.22%. The fifth agreement was executed August 16, 2007 for the purchase of vehicles and equipment and requires annual principal payments of \$49,015 including interest at 3.77%. The sixth agreement was executed April 7, 2008 for the construction of a parking facility and for the water/sewer service capital improvements. This agreement requires annual principal payments of \$290,115 plus interest at 2.92%. The seventh agreement was executed October 15, 2008 for the purchase of vehicles and requires annual payments of \$38,957 including interest at 3.26%.

The future minimum payments of the installment purchase as of June 30, 2009 are as follows:

Year	General		Water/Sewer	
	Principal	Interest	Principal	Interest
2009-2010	\$ 528,144	\$ 228,063	\$ 197,365	\$ 33,148
2010-2011	480,575	207,877	186,173	27,201
2011-2012	456,730	189,589	178,019	21,720
2012-2013	457,429	172,032	183,172	16,567
2013-2014	436,638	154,429	188,566	11,173
2014-2019	1,658,721	540,975	194,070	5,667
2019-2024	1,210,000	248,920	-	-
2024-2026	470,000	29,752	-	-
Total	<u>\$ 5,698,237</u>	<u>\$ 1,771,637</u>	<u>\$ 1,127,365</u>	<u>\$ 115,476</u>

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, 2009 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.

\$ 620,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$90,305, are as follows:

Year	Water/Sewer	
	Principal	Interest
2009-2010	\$ 205,000	\$ 19,740
2010-2011	205,000	13,385
2011-2012	210,000	-
2012-2013	-	-
2013-2014	-	-
Total	<u>\$ 620,000</u>	<u>\$ 33,125</u>

c. Changes in Long-Term Liabilities

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion
Government activities:					
Installment purchases	6,078,982	172,969	(553,714)	5,698,237	528,144
Compensated absences	92,678	90,836	(87,542)	95,972	95,972
Pension Obligation	33,680	15,799	(10,433)	39,046	-
Governmental activity long-term debt	<u>6,205,340</u>	<u>279,604</u>	<u>(651,689)</u>	<u>5,833,255</u>	<u>624,116</u>
Business activities:					
Installment purchases	1,292,375	39,291	(204,301)	1,127,365	197,365
General obligation bonds	820,000	-	(200,000)	620,000	205,000
Compensated absences	21,325	20,862	(20,166)	22,021	21,325
Business-type activity long-term debt	<u>2,133,700</u>	<u>60,153</u>	<u>(424,467)</u>	<u>1,769,386</u>	<u>423,690</u>

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, 2009 consist of the following:

From the General Fund to the Capital Projects Fund	\$42,285
From the General Fund to the Water/Sewer Capital Projects Fund	\$200,000
From the General Fund to the Water/Sewer Fund	\$6,293

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 2009 fiscal year, the Town made transfers from the General Fund to the General Capital Project Funds for the following: \$3,000 for the Smart Board Reserve, \$25,000 to the Sidewalk Reserve for future projects, \$60,000 to the Park Avenue Building reserve for future building renovations, \$7,530 to the Parking Reserve for future projects, \$12,200 for funding the Parks and Recreation Master Plan, \$25,000 for Storm Water Projects and \$50,000 for other future capital projects. Transfers of \$26,735 from the parking reserve, \$60,000 from the N. Caldwell and Blowing Rock Fire Districts and \$53,510 from the Fire/Rescue Reserve for Fire/Rescue Building Debt Service were made to the General Fund from the General Capital Projects fund. The General Fund also transferred \$200,000 to the Water/Sewer Capital Projects Fund for the Water/Sewer Capital Improvement Plan funding, and transferred \$6,293 to the Water/Sewer Fund.

IV. Jointly Governed Organization

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D High Country Council of Government (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 \$530 to the Council during the fiscal year ended June 30, 2009.

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.

Required Supplementary Financial Data

This section contains additional statements required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.

Town of Blowing Rock, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2003	-	100,524	100,524	0.00%	317,218	26.3%
12/31/2004	-	79,129	79,129	0.00%	341,243	29.3%
12/31/2005	-	68,223	68,223	0.00%	360,021	31.0%
12/31/2006	-	78,063	78,063	0.00%	331,529	32.7%
12/31/2007	-	132,313	132,313	0.00%	369,933	34.5%
12/31/2008	-	126,525	126,525	0.00%	332,179	38.1%

**Town of Blowing Rock, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	9,800	138.39%
2009	15,799	66.03%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.3%
Projected salary increases*	4.5 - 12.3%
*Includes inflation at	3.75%
Cost-of living adjustments	N/A

Supplementary Statements

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, 2009

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 3,023,201	\$
Interest		2,556	
Total	<u>2,938,000</u>	<u>3,025,757</u>	<u>87,757</u>
Other taxes and licenses:			
Occupancy tax		305,795	
Privilege licenses		15,269	
Total	<u>335,395</u>	<u>321,064</u>	<u>(14,331)</u>
Unrestricted intergovernmental:			
Local option sales taxes		370,609 ✓	
Cablevision franchise		4,599	
Telecommunications sales tax		54,679	
Video Programming Tax		63,452	
Utility franchise tax		136,940	
Hold harmless sales		-	
Beer and wine tax		6,602	
ABC profit distribution		170,000	
Total	<u>780,800</u>	<u>806,881</u>	<u>26,081</u>
Restricted intergovernmental:			
Powell Bill allocation		85,618	
Snow removal		14,168	
ABC Revenue for law enforcement		7,130	
Solid waste disposal tax		684	
Total	<u>105,000</u>	<u>107,600</u>	<u>2,600</u>
Permits and fees:			
Building permits		85,148	
Total	<u>92,000</u>	<u>85,148</u>	<u>(6,852)</u>
Sales and services:			
Recreation department fees		95,224	
Recycling revenue		3,275	
Park lease/rental income		60,710	
Parking fees		8,955	
Total	<u>163,550</u>	<u>168,164</u>	<u>4,614</u>
Investment earnings	<u>78,000</u>	<u>38,110</u>	<u>(39,890)</u>
Miscellaneous:			
Miscellaneous		55,002	
Cemetary revenue		22,275	

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, 2009

	Budget	Actual	Variance Positive (Negative)
Solid waste fees		114,993	
Zoning fees		9,237	
Total	169,907	201,507	31,600
Total revenues	4,662,652	4,754,231	91,579
Expenditures:			
General government:			
Salaries		-	
Employee benefits		-	
Professional services		54,496	
Other operating expenditures		290,030	
Capital outlay		-	
Total		344,526	
Governing body:			
Salaries		15,600	
Employee benefits		15,590	
Other operating expenditures		4,671	
Total		35,861	
Finance:			
Salaries		230,482	
Employee benefits		65,037	
Other operating expenditures		22,299	
Capital outlay		6,161	
Total		323,979	
Public buildings:			
Salaries		8,112	
Employee benefits		610	
Other operating expenditures		37,462	
Capital outlay		8,185	
Total		54,369	
Total general government	783,260	758,735	24,525
Public safety:			
Police:			
Salaries		533,978	
Employee benefits		167,752	
Vehicle maintenance		45,552	
Other operating expenditures		53,340	
Capital outlay		9,032	
Total		809,654	

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, 2009

	Budget	Actual	Variance Positive (Negative)
Fire:			
Salaries		249,235	
Employee benefits		71,007	
Other operating expenditures		59,093	
Capital outlay		-	
Total		<u>379,335</u>	
Inspections:			
Salaries		141,637	
Employee benefits		39,305	
Vehicle maintenance		975	
Other operating expenditures		39,758	
Capital outlay		8,023	
Total		<u>229,698</u>	
Total public safety	<u>1,512,957</u>	<u>1,418,687</u>	<u>94,270</u>
Transportation:			
Streets and highways:			
Salaries		250,427	
Employee benefits		79,070	
Sidewalk construction		-	
Vehicle maintenance		55,013	
Street Lights		111,453	
Other operating expenditures		312,525	
Capital outlay		-	
Total transportation	<u>817,748</u>	<u>808,488</u>	<u>9,260</u>
Environmental protection:			
Solid waste:			
Salaries		99,477	
Employee benefits		36,695	
Vehicle maintenance		29,458	
Other operating expenditures		94,826	
Capital outlay		1,564	
Total environmental protection	<u>276,985</u>	<u>262,020</u>	<u>14,965</u>
Culture and recreation:			
Parks and recreation:			
Salaries		200,289	
Employee benefits		51,623	
Other operating expenditures		112,459	
Capital outlay		426	
Total		<u>364,797</u>	
Community donations:			
Contributions		<u>4,484</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, 2009

	Budget	Actual	Variance Positive (Negative)
Community donations:			
Contributions		4,484	
Total		4,484	
Total cultural and recreational	384,835	369,281	15,554
Debt service:			
Principal retirement		553,714	
Interest and other charges		409,628	
Total debt service	963,346	963,342	4
Total expenditures	4,739,131	4,580,553	158,578
Revenues over (under) expenditures	(76,479)	173,678	250,157
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	-	-	-
Transfers to other funds:			
Capital Projects Fund	(42,485)	(42,485)	-
Enterprise Fund	(6,300)	(6,293)	7
Enterprise Capital Projects Fund	(200,000)	(200,000)	-
Sale of assets	77,430	79,290	1,860
Proceeds from installment purchase	172,834	172,969	135
Appropriated fund balance	75,000	-	(75,000)
Total	\$ 76,479	3,481	\$ (72,998)
Revenues and other financing sources over expenditures and other financing uses	\$ -	177,159	\$ 177,159
Fund balances, beginning		2,558,801	
Change in reserve for inventories		-	
Fund balances, ending		\$ 2,735,960	

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, 2009

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
Storm water connection	\$ 10,145	\$ 10,145	\$ -	\$ 10,145	\$ -
Contributions	1,320,205	280,000	60,000	340,000	(980,205)
Total	<u>1,330,350</u>	<u>290,145</u>	<u>60,000</u>	<u>350,145</u>	<u>(980,205)</u>
Other revenues:					
Investment earnings	154,385	160,875	33,845	194,720	40,335
Miscellaneous	432,944	670,389	96,480	766,869	333,925
Total	<u>587,329</u>	<u>831,264</u>	<u>130,325</u>	<u>961,589</u>	<u>374,260</u>
Total revenues	<u>1,917,679</u>	<u>1,121,409</u>	<u>190,325</u>	<u>1,311,734</u>	<u>(605,945)</u>
Expenditures					
Recreation project:					
Capital outlay:					
Culture and recreation	1,347,467	36,110	48,199	84,309	1,263,158
Total	<u>1,347,467</u>	<u>36,110</u>	<u>48,199</u>	<u>84,309</u>	<u>1,263,158</u>
Streets and sidewalks project:					
Capital outlay:					
Transportation	2,077,853	270,780	961,269	1,232,049	845,804
Total	<u>2,077,853</u>	<u>270,780</u>	<u>961,269</u>	<u>1,232,049</u>	<u>845,804</u>
Emergency services project:					
Capital outlay:					
Public safety	5,627,969	4,969,972	534,720	5,504,692	123,277
Total	<u>5,627,969</u>	<u>4,969,972</u>	<u>534,720</u>	<u>5,504,692</u>	<u>123,277</u>
Total expenditures	<u>9,053,289</u>	<u>5,276,862</u>	<u>1,544,188</u>	<u>6,821,050</u>	<u>2,232,239</u>
Revenues under expenditures	<u>(7,135,610)</u>	<u>(4,155,453)</u>	<u>(1,353,863)</u>	<u>(5,509,316)</u>	<u>1,626,294</u>
Other Financing Sources					
Various projects:					
Operating transfers in:					
General Fund	1,630,810	1,534,058	42,485	1,576,543	(54,267)
Installment purchase obligations issued	5,504,800	5,504,800	-	5,504,800	-
Total other financing sources	<u>7,135,610</u>	<u>7,038,858</u>	<u>42,485</u>	<u>7,081,343</u>	<u>(54,267)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 2,883,405</u>	<u>\$ (1,311,378)</u>	<u>\$ 1,572,027</u>	<u>\$ 1,572,027</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, 2009

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential	\$ -	\$ 674,060	\$ -
Impact fees		23,280	
Interconnect charges		129,000	
Total	<u>846,000</u>	<u>826,340</u>	<u>(19,660)</u>
Sewer charges:			
Residential		544,540	
Impact fees		69,143	
Total	<u>624,180</u>	<u>613,683</u>	<u>(10,497)</u>
Water and sewer taps	<u>12,500</u>	<u>9,122</u>	<u>(3,378)</u>
Other operating revenues	<u>18,480</u>	<u>23,940</u>	<u>5,460</u>
Total operating revenues	<u>1,501,160</u>	<u>1,473,085</u>	<u>(28,075)</u>
Nonoperating revenues:			
Interest earnings	<u>38,000</u>	<u>16,874</u>	<u>(21,126)</u>
Total revenues	<u>1,539,160</u>	<u>1,489,959</u>	<u>(49,201)</u>
Expenditures:			
Water and sewer administration:			
Salaries		31,507	
Employee benefits		9,750	
Travel		-	
Supplies		-	
Insurance		50,674	
Vehicle maintenance		-	
Other operating expenditures		15,446	
Engineering services		21,936	
Total water and sewer administration	<u>129,485</u>	<u>129,313</u>	<u>172</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, 2009

	Budget	Actual	Variance Positive (Negative)
Water and sewer plant operations:			
Salaries		159,117	
Employee benefits		46,760	
Repairs and maintenance		31,855	
Supplies		12,344	
Other operating expenditures		25,693	
Utilities		130,130	
Sludge composting		53,240	
Total	484,124	459,139	24,985
Water and sewer field operations:			
Salaries		128,618	
Employee benefits		41,570	
Supplies		47,411	
Chemicals		51,274	
Other operating expenditures		13,044	
Total	330,495	281,917	48,578
Debt service:			
Bond issuance costs	-	-	-
Interest and other charges	52,120	51,952	168
Principal retirement	404,305	404,301	4
Total debt service	456,425	456,253	172
Capital outlay:			
Equipment	57,280	51,704	5,576
Water taps	-	-	-
Miscellaneous water	-	-	-
Sewer extensions	-	-	-
Sewer taps	-	-	-
Miscellaneous sewer	-	-	-
Total capital outlay	57,280	51,704	5,576
Total expenditures	1,457,809	1,378,326	79,483
Other financing sources (uses):			
Transfer (to)from other funds:			
General fund	6,300	6,293	(7)
Capital projects water and sewer	(130,931)	(130,931)	-
Proceeds from installment purchase	39,780	39,291	(489)
Sale of fixed assets	3,500	4,050	550
Appropriated fund balance	-	-	-
Total other financing sources (uses)	(81,351)	(81,297)	61
Revenues and other sources over expenditures and other uses	\$ -	30,336	\$ 30,336

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 30,336	
Reconciling items:			
Principal retirement		404,301	
Capital outlay items capitalized		39,785	
Assets transferred from General Fund		-	
Decrease in bond interest accrued		-	
Increase in accrued vacation payable		(696)	
Depreciation		(293,281)	
Transfers to water and sewer capital projects		130,931	
Proceeds from installment purchase		(39,291)	
Public contributions from Water and Sewer Capital Projects Fund		8,844	
Interest income from Water and Sewer Capital Projects Fund		21,163	
Transfer in from General Fund to Water and Sewer Capital Project Fund		200,000	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Cumulative change in application of capitalization policy		-	
Total reconciling items		<u>471,756</u>	
Net income		<u>\$ 502,092</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, 2009

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 90,652	\$ 112,164	\$ 21,163	\$ 133,327	\$ 42,675
Grants & contributions	1,800,000	-	-	-	(1,800,000)
Miscellaneous income	33,750	-	-	-	(33,750)
Total	<u>1,924,402</u>	<u>112,164</u>	<u>21,163</u>	<u>133,327</u>	<u>(1,791,075)</u>
Total revenues	1,924,402	112,164	21,163	133,327	(1,791,075)
Expenditures					
Construction	6,342,486	193,216	1,563,932	1,757,148	4,585,338
Total	<u>6,342,486</u>	<u>193,216</u>	<u>1,563,932</u>	<u>1,757,148</u>	<u>4,585,338</u>
Revenues under expenditures	<u>(4,418,084)</u>	<u>(81,052)</u>	<u>(1,542,769)</u>	<u>(1,623,821)</u>	<u>2,794,263</u>
Other financing sources :					
Operating transfer from water and sewer fund	437,000	371,973	130,931	502,904	65,904
Transfer from general fund	521,084	321,087	200,000	521,087	3
Proceeds of long-term debt	3,460,000	1,260,000	-	1,260,000	(2,200,000)
Other contributions	-	-	8,844	8,844	8,844
Total other sources	<u>4,418,084</u>	<u>1,953,060</u>	<u>339,775</u>	<u>2,292,835</u>	<u>(2,125,249)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,872,008</u>	<u>\$ (1,202,994)</u>	<u>\$ 669,014</u>	<u>\$ 669,014</u>

Other Schedules

This section contains additional information required on property taxes.

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, 2009

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections And Credits	Uncollected Balance June 30, 2009
2008-2009	\$ -	\$ 2,997,450	\$ 2,961,532	\$ 35,918
Vehicle Tax	-	51,201	47,706	3,495
2007-2008	20,331	-	15,613	4,718
Vehicle Tax	2,973	-	2,239	734
2006-2007	4,115	-	859	3,256
Vehicle Tax	2,294	-	1,859	435
2005-2006	2,930	-	181	2,749
Vehicle Tax	1,411	-	553	858
2004-2005	2,280	-	9	2,271
Vehicle Tax	1,427	-	634	793
2003-2004	1,647	-	7	1,640
Vehicle Tax	2,295	-	1,761	534
2002-2003	2,868	-	10	2,858
Vehicle Tax	-	-	-	-
2001-2002	2,540	-	-	2,540
Vehicle Tax	102	-	102	-
2000-2001	1,242	-	-	1,242
1999-2000	852	-	-	852
1998-1999	1,476	-	1,476	-
	<u>\$ 50,783</u>	<u>\$ 3,048,651</u>	<u>\$ 3,034,541</u>	<u>64,893</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>33,760</u>
Ad valorem taxes receivable - net				<u>\$ 31,133</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 3,025,757
Releases and refunds				9,352
Amounts written off per statute of limitations				<u>1,988</u>
Subtotal				3,037,097
Less interest collected				<u>(2,556)</u>
Total collections and credits				<u>\$ 3,034,541</u>

Town of Blowing Rock, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2009

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 1,088,048,953	0.280%	\$ 3,046,537	\$ 2,995,336	\$ 51,201
Penalties	-		261	261	-
Total	<u>1,088,048,953</u>		<u>3,046,798</u>	<u>2,995,597</u>	<u>51,201</u>
Discoveries:					
Current year taxes	465,600	0.280%	1,303	1,303	-
Prior year taxes	1,910,400	0.280%	5,349	5,349	-
Penalties	-	0.280%	42	42	-
	<u>2,376,000</u>		<u>6,694</u>	<u>6,694</u>	<u>-</u>
Abatements	(1,729,028)	0.280%	(4,841)	(4,841)	-
Total property valuation	<u>\$ 1,088,695,925</u>				
Net levy			3,048,651	2,997,450	51,201
Uncollected taxes at June 30, 2009			<u>39,413</u>	<u>35,918</u>	<u>3,495</u>
Current year's taxes collected			<u>\$3,009,238</u>	<u>\$2,961,532</u>	<u>\$47,706</u>
Current levy collection percentage			<u>98.71%</u>	<u>98.80%</u>	<u>93.17%</u>