

**TOWN OF BLOWING ROCK**  
BLOWING ROCK , NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2012

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



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**TOWN OF BLOWING ROCK**  
**June 30, 2012**

**Mayor**

J.B. Lawrence

**Mayor Pro Tem**

Albert Yount

**Board of Commissioners**

Tommy Klutz

Doug Matheson

Dan Phillips

Jim Steele

**Town Manager**

Scott Hildebran

**Finance Officer**

Nicole Norman

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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 aggregate 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, 2012, 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 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 aggregate discretely presented component units and each major fund of the Town of Blowing Rock, North Carolina as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Blowing Rock's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The individual fund statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*COMBS, TENNANT & CARPENTER, P.C.*

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

October 23, 2012

## 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, 2012. 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 \$26,119,710 (*net assets*).
- The government's total net assets increased by \$58,607 with the increase primarily in the governmental-type activities.
- As of the close of the current fiscal year, the Town of Blowing Rock's governmental funds reported combined ending fund balances of \$3,221,449 a decrease of \$384,766 in comparison with the prior year. This is attributable to the expenditure of funds on hand for phase II of the Downtown Streetscape project, the Blowing Rock Art & History Museum Parking Facility completion and the public works land purchase.
- At the end of the current fiscal year, unassigned (available for spending at the government's discretion) fund balance for the General Fund was \$2,342,258 or 50.73% of total general fund expenditures for the fiscal year.
- Though \$180,289 of fund balance was allocated during the fiscal year (in addition to \$100,000 appropriated during the budget towards paving), fund balance only decreased by \$131,799 due to conservative spending practices. These funds were allocated during the year towards the Blowing Rock Art & History Museum project and an emergency dispatch console.
- The Town of Blowing Rock's total debt decreased by \$804,660 (10.95%) during the current fiscal year mostly attributable to debt retirements via payments being made on the Fire/Rescue Building, American Legion Parking Facility & Sewer Bonds.
- The Town of Blowing Rock maintained a NC Municipal Bond rating of 80 for the tenth consecutive year. The Town also maintained an improved Moody's Investor bond rating of A2 for the third consecutive year, having previously maintained an A3 rating for seven consecutive years, as a result of financial planning & capital debt management.

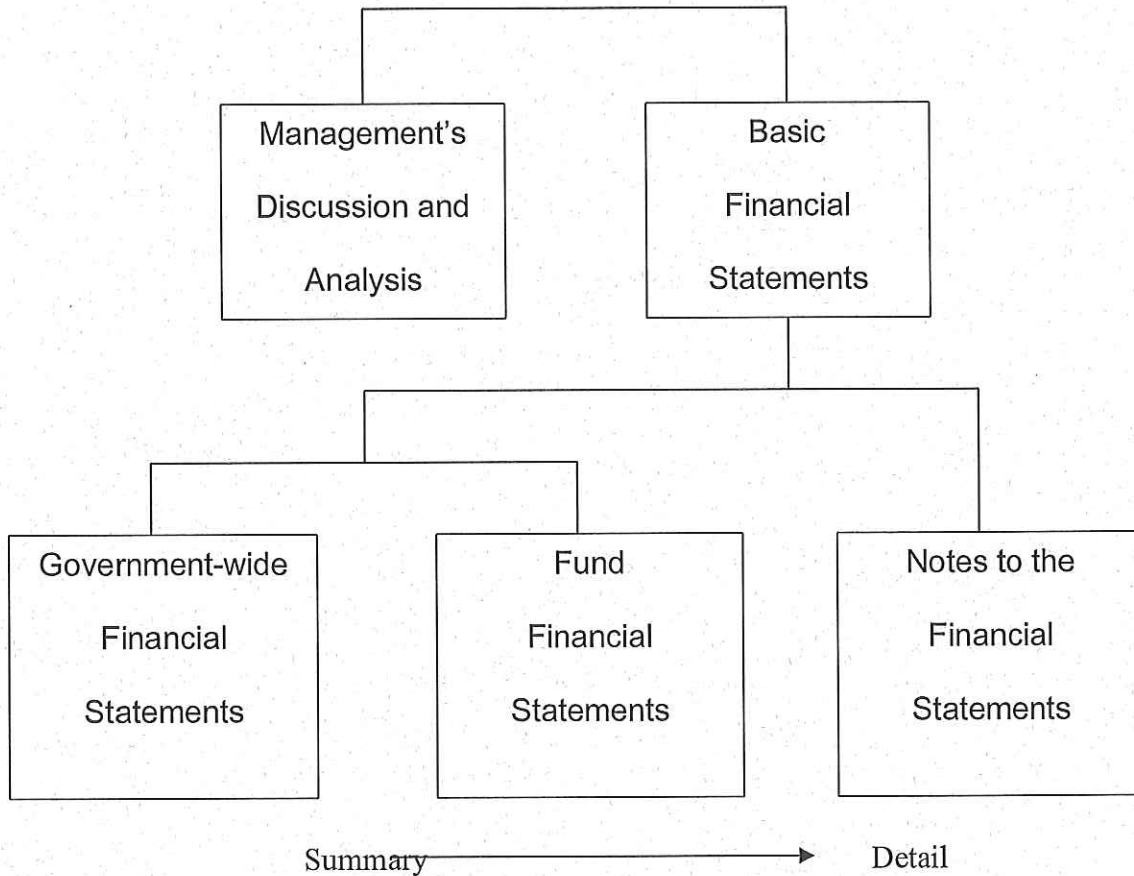
### Overview of the Financial Statements

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 gas 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 3,494,638	\$ 3,961,289	\$ 1,953,746	\$ 2,176,060	\$ 5,448,384	\$ 6,137,349
Capital assets	15,414,647	15,348,701	12,329,329	12,732,932	27,743,976	28,081,633
Total assets	18,909,285	19,309,990	14,283,075	14,908,992	33,192,360	34,218,982
Long-term liabilities outstanding	5,225,199	5,619,074	1,321,118	1,731,903	6,546,317	7,350,977
Other liabilities	214,184	280,536	312,149	526,366	526,333	806,902
Total liabilities	5,439,383	5,899,610	1,633,267	2,258,269	7,072,650	8,157,879
Net assets:						
Invested in capital assets, net of related debt	10,339,732	9,877,752	11,031,234	11,022,625	21,370,966	20,900,377
Restricted	754,086	274,500	-	-	754,086	274,500
Unrestricted	2,376,084	3,258,128	1,618,574	1,628,098	3,994,658	4,886,226
Total net assets	\$ 13,469,902	\$ 13,410,380	\$ 12,649,808	\$ 12,650,723	\$ 26,119,710	\$ 26,061,103

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 \$26,119,710 as of June 30, 2012. The Town's net assets increased by \$58,607 for the fiscal year ended June 30, 2012. However, the largest portion (81.82%) 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, \$754,086 (2.89%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,994,658 is unrestricted.

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

- Utilization of a Financial Operating Policy which maximizes cash management.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.17%, a slight increase of .85% from last year's rate

**Management Discussion and Analysis**  
**Town of Blowing Rock (Page 6 of 10)**

- Utilization of a capital improvement plan for managing capital expenditures with five-year Capital Improvement Plan, Capital 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 continued global recessionary times.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 264,530	\$ 349,514	\$ 1,315,557	\$ 1,341,020	\$ 1,580,087	\$ 1,690,534
Operating grants and contributions	94,161	131,683	-	-	94,161	131,683
Capital grants and contributions	79,490	154,032	446,573	1,136,807	526,063	1,290,839
General revenues:						
Property taxes	3,116,228	3,087,377	-	-	3,116,228	3,087,377
Other taxes	322,253	307,723	-	-	322,253	307,723
Grants and contributions not restricted to specific programs						
	734,887	736,897	-	-	734,887	736,897
Other	132,195	127,737	1,325	3,145	133,520	130,882
Total revenues	4,743,744	4,894,963	1,763,455	2,480,972	6,507,199	7,375,935
<b>Expenditures:</b>						
General government	751,397	707,885	-	-	751,397	707,885
Public safety	1,922,583	2,001,435	-	-	1,922,583	2,001,435
Transportation	900,071	850,302	-	-	900,071	850,302
Environmental protection	291,838	326,994	-	-	291,838	326,994
Economic development	-	-	-	-	-	-
Culture and recreation	447,908	458,385	-	-	447,908	458,385
Interest on long-term debt	220,425	255,783	-	-	220,425	255,783
Water and sewer	-	-	1,914,370	1,228,580	1,914,370	1,228,580
Total expenses	4,534,222	4,600,784	1,914,370	1,228,580	6,448,592	5,829,364
Increase in net assets before transfers	209,522	294,179	(150,915)	1,252,392	58,607	1,546,571
Transfers	(150,000)	(160,000)	150,000	160,000	-	-
Cumulative effect of change in application of capitalization policy	-	-	-	-	-	-
Increase in net assets	59,522	134,179	(915)	1,412,392	58,607	1,546,571
Net assets, July 1	13,410,380	13,276,201	12,650,723	11,238,331	26,061,103	24,514,532
Net assets, June 30	\$ 13,469,902	\$ 13,410,380	\$ 12,649,808	\$ 12,650,723	\$ 26,119,710	\$ 26,061,103

**Governmental activities.** Governmental activities increased the Town's net assets by \$59,522. Key elements of this increase are as follows:

- Tax revenue exceeding budgeted amounts due to conservative budgeting measures.

**Business-type activities:** Business-type activities decreased the Town of Blowing Rock's net assets by \$915.

### **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, unassigned fund balance of the General Fund was \$2,342,258, while total fund balance reached \$2,778,203. 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. Unassigned fund balance represents 50.73% of total General Fund expenditures, while total fund balance represents 60.17% of that same amount.

At June 30, 2012, the governmental funds of Town of Blowing Rock reported a combined fund balance of \$3,221,449, a 10.67% decrease from last year. Attributing to this decrease is the expenditure of Loan Proceeds on hand for the construction of the Blowing Rock Art & History Museum 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.

Conservative revenue estimation and diligent monitoring of expenditures contributed to budget stability and sound financial condition of the Town.

**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 \$1,618,574. The change in net assets was a decrease of \$915. 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, 2012, totals \$27,743,976 (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 \$280,595 in governmental-type activities for ongoing projects such as the public works land purchase, Robbins Pool at Broyhill Park Pavilion & sidewalk projects.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,032,025	\$ 3,032,025	\$ 81,521	\$ 81,521	\$ 3,113,546	\$ 3,113,546
Construction in progress	280,595	1,234,220	126,565	2,612,724	407,160	3,846,944
Infrastructure	4,776,398	3,447,097	-	-	4,776,398	3,447,097
Buildings	6,347,888	6,493,506	-	-	6,347,888	6,493,506
Plant	-	-	11,983,208	9,924,214	11,983,208	9,924,214
Equipment and furniture	469,499	484,576	138,035	114,473	607,534	599,049
Vehicles	480,321	656,742	-	-	480,321	656,742
Computers	27,921	535	-	-	27,921	535
<b>Total</b>	<b>\$ 15,414,647</b>	<b>\$ 15,348,701</b>	<b>\$ 12,329,329</b>	<b>\$ 12,732,932</b>	<b>\$ 27,743,976</b>	<b>\$ 28,081,633</b>

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

**Long-term Debt.** As of June 30, 2012, the Town of Blowing Rock's long term liabilities consisted of the following:

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

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ -	\$ -	\$ -	\$ 210,000	\$ -	\$ 210,000
Compensated absences	89,863	92,761	23,023	21,596	112,886	114,357
Pension obligation	60,421	55,364	-	-	60,421	55,364
Installment purchases	5,074,915	5,470,949	1,298,095	1,500,307	6,373,010	6,971,256
<b>Total</b>	<b>\$ 5,225,199</b>	<b>\$ 5,619,074</b>	<b>\$ 1,321,118</b>	<b>\$ 1,731,903</b>	<b>\$ 6,546,317</b>	<b>\$ 7,350,977</b>

- As mentioned previously, the Town of Blowing Rock's total debt decreased by \$804,660 (10.95%) during the past fiscal year, with no major new debt being issued and debt retirements via payments being made on the Fire/Rescue Building, American Legion Parking Facility & Sewer Bonds being made.

As mentioned in the financial highlights section of this document, Moody's Investor Service maintained the Town of Blowing Rock's improved bond rating of an A2 for the third consecutive year following seven consecutive years of maintaining an A3 rating. Blowing Rock also maintained its rating from the NC Municipal Council of 80, for the tenth 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 \$82,513,699.

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 is in line with the state rate. The Watauga County unemployment rate increased from 8.00% in July 2011 to 9.60% in July 2012. This is now consistent with the historically higher NC state rate that decreased from 10.10% in July 2011 to 9.60% in July 2012.
- Increased interest in new housing.
- Tourism market continues to show modest improvement.
- Watauga & Caldwell County revaluations are to take place in tax year 2013 and 2014, respectively.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities:** Property tax collections and revenues from franchise fees and sales tax are projected to remain relatively flat. The Town will use these revenues to maintain existing programs and fund planned capital improvements.

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

**Business – type Activities:** Water and sewer user rates in the Town increased \$.50 each, per month, with the Water Interconnection Fee decreasing \$1.00 per month. General operating expenses may increase to cover increased costs of employee retirement and health insurance, materials, supplies, and other operating expenses, including funding for the Water and Sewer Capital Improvements Plan.

**Other:** The Town experienced several changes in employee benefit costs, including:

- Increase in contribution of 0.30% of total full time salaries to cover the Town's Other Post Employment Benefits (OPEB) liability.
- Decrease in the required Local Government Employee's Retirement System contribution of 0.14% of total full time salaries, following the first increase since 1983.
- Increase of 5.3% in health insurance premiums.

### **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, 2012**

	Primary Government			Town of Blowing Rock ABC Board	Town of Blowing Rock Tourism Development Authority	Total Reporting Unit
	Governmental Activities	Business-type Activities	Total Primary Government			
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 3,099,660	\$ 1,330,823	\$ 4,430,483	\$ 117,707	\$ 254,003	\$ 4,802,193
Taxes receivable (net)	53,508	-	53,508	-	87,873	141,381
Accrued interest receivable on taxes	5,497	-	5,497	-	-	5,497
Accounts receivable (net)	256,688	312,500	569,188	-	-	569,188
Due from other governments	54,152	-	54,152	-	-	54,152
Due from component units	-	-	-	-	-	-
Due from primary government	-	-	-	-	-	-
Inventories	305	99,045	99,350	185,007	-	284,357
Prepaid items	24,828	10,124	34,952	5,477	-	40,429
Restricted cash and cash equivalents	-	201,254	201,254	144,532	-	345,786
Total current assets	3,494,638	1,953,746	5,448,384	452,723	341,876	6,242,983
<b>Capital assets (Note 4):</b>						
Land, non-depreciable improvements, and construction in progress	3,312,620	208,086	3,520,706	96,275	-	3,616,981
Other capital assets, net of depreciation	12,102,027	12,121,243	24,223,270	183,790	4,202	24,411,262
Total capital assets	15,414,647	12,329,329	27,743,976	280,065	4,202	28,028,243
Total assets	\$ 18,909,285	\$ 14,283,075	\$ 33,192,360	\$ 732,788	\$ 346,078	\$ 34,271,226
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 167,393	\$ 101,128	\$ 268,521	\$ 117,786	\$ 24,814	\$ 411,121
Unearned revenue	46,791	5,599	52,390	-	-	52,390
Accrued salaries	-	4,168	4,168	-	-	4,168
Customer deposits	-	-	-	-	-	-
Due to primary government	-	-	-	33,285	71,513	104,798
Due to other governments	-	-	-	-	-	-
Liabilities payable from restricted assets:						
Customer deposits	-	201,254	201,254	-	-	201,254
Long-term liabilities:						
Due within one year	670,151	250,789	920,940	-	-	920,940
Due in more than one year	4,555,048	1,070,329	5,625,377	7,953	-	5,633,330
Total liabilities	5,439,383	1,633,267	7,072,650	159,024	96,327	7,328,001
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	10,339,732	11,031,234	21,370,966	280,065	4,202	21,655,233
Restricted for:						
Capital projects	443,246	-	443,246	144,532	-	587,778
Stabilization by State Statute	310,840	-	310,840	-	87,873	398,713
Culture and recreation	-	-	-	-	-	-
Working capital	-	-	-	40,602	-	40,602
Unrestricted	2,376,084	1,618,574	3,994,658	108,565	157,676	4,260,899
Total net assets	\$ 13,469,902	\$ 12,649,808	\$ 26,119,710	\$ 573,764	\$ 249,751	\$ 26,943,225

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, 2012**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 751,397	\$ -	\$ -	\$ -
Public safety	1,922,583	55,227	3,280	-
Transportation	900,071	-	-	79,490
Environmental protection	291,838	61,808	90,881	-
Cultural and recreation	447,908	147,495	-	-
Interest on long-term debt	220,425	-	-	-
Total governmental activities (See Note 1)	4,534,222	264,530	94,161	79,490
<b>Business-type activities:</b>				
Water and sewer	1,914,370	1,315,557	-	446,573
Electric	-	-	-	-
Total business-type activities	1,914,370	1,315,557	-	446,573
Total primary government	\$ 6,448,592	\$ 1,580,087	\$ 94,161	\$ 526,063
<b>Component units:</b>				
ABC Board	\$ 1,426,025	\$ 1,401,833	\$ -	\$ -
Blowing Rock Tourism Development Authority	680,226	-	-	-
Total component unit	\$ 2,106,251	\$ 1,401,833	\$ -	\$ -
<b>General revenues:</b>				
<b>Taxes:</b>				
Property taxes, levied for general purpose				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
<b>Transfers</b>				
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
\$ (751,397)	\$ -	\$ (751,397)	\$ -	\$ -	\$ (751,397)
(1,864,076)	-	(1,864,076)	-	-	(1,864,076)
(820,581)	-	(820,581)	-	-	(820,581)
(139,149)	-	(139,149)	-	-	(139,149)
(300,413)	-	(300,413)	-	-	(300,413)
(220,425)	-	(220,425)	-	-	(220,425)
(4,096,041)	-	(4,096,041)	-	-	(4,096,041)
-	(152,240)	(152,240)	-	-	(152,240)
-	-	-	-	-	-
-	(152,240)	(152,240)	-	-	(152,240)
(4,096,041)	(152,240)	(4,248,281)	-	-	(4,248,281)
-	-	-	(24,192)	-	(24,192)
-	-	-	-	(680,226)	(680,226)
-	-	-	(24,192)	(680,226)	(704,418)
3,116,228	-	3,116,228	-	-	3,116,228
322,253	-	322,253	-	701,783	1,024,036
734,887	-	734,887	-	-	734,887
4,631	1,325	5,956	20	427	6,403
127,564	-	127,564	163	5,599	133,326
(150,000)	150,000	-	-	-	-
4,155,563	151,325	4,306,888	183	707,809	5,014,880
-	-	-	-	-	-
59,522	(915)	58,607	(24,009)	27,583	62,181
13,410,380	12,650,723	26,061,103	597,773	222,168	26,881,044
\$ 13,469,902	\$ 12,649,808	\$ 26,119,710	\$ 573,764	\$ 249,751	\$ 26,943,225

## Exhibit 3

**Town of Blowing Rock  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	Major Funds		Total Governmental Funds
	General	Capital Projects	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,652,096	\$ 447,564	\$ 3,099,660
Receivables, net:			
Taxes	53,508	-	53,508
Accounts	256,660	28	256,688
Due from other governments	54,152	-	54,152
Prepaid Expenses	24,828	-	24,828
Inventories	305	-	305
Total assets	<u>\$ 3,041,549</u>	<u>\$ 447,592</u>	<u>\$ 3,489,141</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 163,047	\$ 4,346	\$ 167,393
Due to other funds	-	-	-
Deferred revenue	53,508	-	53,508
Unearned revenue	46,791	-	46,791
Liabilities payable from restricted assets:			
Accounts payable	-	-	-
Total liabilities	<u>263,346</u>	<u>4,346</u>	<u>267,692</u>
<b>Fund balances:</b>			
Non Spendable			
Inventories	305	-	305
Prepays	24,828	-	24,828
Restricted			
Stabilization by State Statute	310,812	28	310,840
Streets	-	-	-
Capital Projects	-	-	-
Assigned			
Capital Projects	-	443,218	443,218
Subsequent year's expenditures	100,000	-	100,000
Unassigned	2,342,258	-	2,342,258
Total fund balances	<u>2,778,203</u>	<u>443,246</u>	<u>3,221,449</u>
Total liabilities and fund balances	<u>\$ 3,041,549</u>	<u>\$ 447,592</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.	15,414,647
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.	5,497
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.	53,508
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>\$ (5,225,199)</u>
Net assets of governmental activities	<u>\$ 13,469,902</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, 2012**

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects	
<b>REVENUES</b>			
Ad valorem taxes	\$ 3,131,761	\$ -	\$ 3,131,761
Other taxes and licenses	322,253	-	322,253
Unrestricted intergovernmental	662,245	-	662,245
Restricted intergovernmental	84,162	72,102	156,264
Permits and fees	45,807	-	45,807
Sales and services	193,297	-	193,297
Investment earnings	4,451	180	4,631
Miscellaneous	184,630	39,970	224,600
Total revenues	4,628,606	112,252	4,740,858
<b>EXPENDITURES</b>			
Current:			
General government	702,339	-	702,339
Public safety	1,623,726	-	1,623,726
Transportation	904,353	-	904,353
Economic and physical development	-	-	-
Environmental protection	272,358	-	272,358
Culture and recreation	416,170	-	416,170
Debt service:			
Principal	477,904	-	477,904
Interest and other charges	220,425	-	220,425
Capital outlay	-	458,639	458,639
Total expenditures	4,617,275	458,639	5,075,914
Excess (deficiency) of revenues over expenditures	11,331	(346,387)	(335,056)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to)/from other funds	(243,420)	93,420	(150,000)
Sales of capital assets	18,420	-	18,420
Installment purchase obligations issued	81,870	-	81,870
Capital lease obligations issued	-	-	-
Total other financing sources (uses)	(143,130)	93,420	(49,710)
Net change in fund balance	(131,799)	(252,967)	(384,766)
Fund balances, beginning	2,910,002	696,213	3,606,215
Change in reserve for inventories	-	-	-
Fund balances, ending	\$ 2,778,203	\$ 443,246	\$ 3,221,449

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

Exhibit 5

**Town of Blowing Rock**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

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

Net changes in fund balances - total governmental funds	\$	(384,766)
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		65,946
Book value assets disposed		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets		-
Change in deferred revenue for tax revenues		(15,533)
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.		396,034
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Transfer of capital asset		-
Compensated absences		2,898
Net pension obligation		(5,057)
		<hr style="border-top: 1px solid black;"/>
Total changes in net assets of governmental activities	\$	<u><u>59,522</u></u>



## 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, 2012**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,011,785	\$ 3,011,785	\$ 3,131,761	\$ 119,976
Other taxes and licenses	315,345	315,345	322,253	6,908
Unrestricted intergovernmental	735,800	738,300	662,245	(76,055)
Restricted intergovernmental	93,000	96,040	84,162	(11,878)
Permits and fees	71,500	71,500	45,807	(25,693)
Sales and services	189,825	189,825	193,297	3,472
Investment earnings	24,000	24,000	4,451	(19,549)
Miscellaneous	214,000	219,958	184,630	(35,328)
Total revenues	<u>4,655,255</u>	<u>4,666,753</u>	<u>4,628,606</u>	<u>(38,147)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	685,435	724,435	702,339	22,096
Public safety	1,629,890	1,690,944	1,623,726	67,218
Transportation	906,005	944,005	904,353	39,652
Environmental protection	338,765	316,765	272,358	44,407
Cultural and recreation	418,860	432,118	416,170	15,948
<b>Debt service:</b>				
Principal retirement	477,904	477,904	477,904	-
Interest and other charges	220,451	220,451	220,425	26
Total expenditures	<u>4,677,310</u>	<u>4,806,622</u>	<u>4,617,275</u>	<u>189,347</u>
Revenues over (under) expenditures	<u>(22,055)</u>	<u>(139,869)</u>	<u>11,331</u>	<u>151,200</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(85,445)	(243,420)	(243,420)	-
Sale of assets	7,500	7,500	18,420	10,920
Appropriated fund balance	100,000	280,289	-	(280,289)
Proceeds from installment purchase	-	95,500	81,870	(13,630)
Total other financing sources (uses)	<u>22,055</u>	<u>139,869</u>	<u>(143,130)</u>	<u>(282,999)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(131,799)</u>	<u>\$ (131,799)</u>
Fund balances, beginning			2,910,002	
Change in reserve for inventories			-	
Fund balances, ending			<u>\$ 2,778,203</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, 2012**

	Water and Sewer Fund		Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,330,823	\$	1,330,823
Accounts receivable (net) - billed	312,500		312,500
Due from other governments	-		-
Inventories	99,045		99,045
Prepaid items	10,124		10,124
Restricted cash and cash equivalents	201,254		201,254
Total current assets	<u>1,953,746</u>		<u>1,953,746</u>
Capital assets:			
Land and other non-depreciable assets	208,086		208,086
Other capital assets, net of depreciation	12,121,243		12,121,243
Capital assets (net)	<u>12,329,329</u>		<u>12,329,329</u>
Total assets	<u>\$ 14,283,075</u>	\$	<u>14,283,075</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 101,128	\$	101,128
Accrued salaries	4,168		4,168
Customer deposits	-		-
Unearned revenue	5,599		5,599
Compensated absences - current	23,023		23,023
General obligation bonds payable-current	-		-
Installment purchase-current	227,766		227,766
Liabilities payable from restricted assets:			
Customer deposits	201,254		201,254
Total current liabilities	<u>562,938</u>		<u>562,938</u>
Noncurrent liabilities:			
Compensated absences	-		-
General obligation bonds payable-noncurrent (net)	-		-
Installment purchase-noncurrent	1,070,329		1,070,329
Total noncurrent liabilities	<u>1,070,329</u>		<u>1,070,329</u>
Total liabilities	<u>1,633,267</u>		<u>1,633,267</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,031,234		11,031,234
Unrestricted	1,618,574		1,618,574
Total net assets	<u>\$ 12,649,808</u>	\$	<u>12,649,808</u>

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

## Exhibit 8

**Town of Blowing Rock**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Water and Sewer Fund	Total
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,295,790	\$ 1,295,790
Water and sewer taps	-	-
Other operating revenues	19,767	19,767
<b>Total operating revenues</b>	<b>1,315,557</b>	<b>1,315,557</b>
<b>OPERATING EXPENSES</b>		
Administration	121,657	121,657
Water/Sewer plant operations	496,239	496,239
Water/Sewer field operations	265,549	265,549
Depreciation	328,424	328,424
<b>Total operating expenses</b>	<b>1,211,869</b>	<b>1,211,869</b>
<b>Operating income (loss)</b>	<b>103,688</b>	<b>103,688</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	1,325	1,325
Sale of fixed assets	-	-
Interest and other charges	(28,545)	(28,545)
Bond issuance costs	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>(27,220)</b>	<b>(27,220)</b>
<b>Income (loss) before contributions and transfers</b>	<b>76,468</b>	<b>76,468</b>
Grant proceeds	446,573	446,573
Interconnect assets transferred	(673,956)	(673,956)
Transfers from other funds	150,000	150,000
Transfers to other funds	-	-
<b>Total income (loss) after contributions and transfers</b>	<b>(915)</b>	<b>(915)</b>
<b>Cumulative change in application of capitalization policy</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(915)</b>	<b>(915)</b>
<b>Total net assets, beginning</b>	<b>12,650,723</b>	<b>12,650,723</b>
<b>Total net assets, ending</b>	<b>\$ 12,649,808</b>	<b>\$ 12,649,808</b>

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

**Town of Blowing Rock  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2012**

	<u>Water and Sewer Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,318,447	\$ 1,318,447
Cash paid for goods and services	(691,409)	(691,409)
Cash paid to or on behalf of employees for services	(416,356)	(416,356)
Customer deposits received (returned)	(7,335)	(7,335)
Other operating revenues	-	-
Net cash provided (used) by operating activities	<u>203,347</u>	<u>203,347</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	150,000	150,000
Transfers to other funds	-	-
Interconnect assets transferred	(673,956)	(673,956)
Grant proceeds	446,573	446,573
Total cash flows from noncapital financing activities	<u>(77,383)</u>	<u>(77,383)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond anticipation notes issued	-	-
Acquisition and construction of capital assets	75,179	75,179
Principal paid on bond maturities and equipment contracts	(425,842)	(425,842)
Proceeds from installment purchase	13,630	13,630
Interest paid on bond maturities and equipment contracts	(28,545)	(28,545)
Sale of fixed assets	-	-
Capital contributions-Federal grant	-	-
Net cash provided (used) by capital and related financing activities	<u>(365,578)</u>	<u>(365,578)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	<u>1,325</u>	<u>1,325</u>
Net increase (decrease) in cash and cash equivalents	(238,289)	(238,289)
Balances, beginning	1,770,366	1,770,366
Balances, ending	<u>\$ 1,532,077</u>	<u>\$ 1,532,077</u>

## Exhibit 9

**Town of Blowing Rock  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2012**

	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 103,688	\$ 103,688
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	328,424	328,424
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,748	3,748
Increase (decrease) in allowance for doubtful accounts	-	-
(Increase) decrease in inventory	(13,349)	(13,349)
(Increase) in prepaid items	(6,374)	(6,374)
(Increase) in due from other funds	-	-
Increase (decrease) in accounts payable and accrued liabilities	(206,024)	(206,024)
Increase (decrease) in unearned revenue	(858)	(858)
Increase (decrease) in customer deposits	(7,335)	(7,335)
Increase (decrease) in accrued vacation pay	1,427	1,427
Total adjustments	99,659	99,659
Net cash provided by operating activities	\$ 203,347	\$ 203,347

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

**Town of Blowing Rock, North Carolina**

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2012

**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 non-major funds.

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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**

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

#### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008 (Watauga County) and January 1, 2009 (Caldwell County).

#### 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, 2012.

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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Non-spendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of June 30, 2012, there was \$25,133 in the non-spendable fund balance.

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

**Restricted for Stabilization by State statute** – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Blowing Rock's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. As of June 30, 2012, there were no funds in the committed fund balance.

**Assigned fund balance** – portion of fund balance that the Town intends to use for a specific purpose.

**Subsequent year's expenditures** – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

**Capital projects** – portion of fund balance that is intended to be used for capital projects.

**Unassigned fund balance** – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

## II. Stewardship, Compliance and Accountability

Our audit for the fiscal year ended June 30, 2012 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, 2012, the Town's deposits had a carrying amount of \$1,718,865 and a bank balance of \$1,850,779. Of the bank balance, \$750,000 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 \$253,745 and the bank balance was \$179,903. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Authority was \$229,003 and the bank balance was \$230,612. All of the bank balance was covered by federal depository insurance. At June 30, 2012, the Town's and the ABC Board's petty cash fund totaled \$500 and \$1,200, respectively.

##### 2. Investments

At June 30, 2012, the Town, the ABC Board, and the Authority had \$2,912,872, \$8,494 and \$25,000 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	6/30/2012
General Fund:	
Taxes Receivable	\$ 77,888

#### 4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,032,025	\$ -	\$ -	\$ 3,032,025
Construction in progress	1,234,220	468,784	(1,422,409)	280,595
Total capital assets not being depreciated	<u>4,266,245</u>	<u>468,784</u>	<u>(1,422,409)</u>	<u>3,312,620</u>
Capital assets being depreciated:				
Infrastructure	3,617,873	1,418,627	-	5,036,500
Buildings	7,305,918	-	-	7,305,918
Equipment and furniture	3,165,896	87,863	(54,000)	3,199,759
Vehicles	1,679,651	62,403	-	1,742,054
Computers	123,156	31,599	-	154,755
Total capital assets being depreciated	<u>15,892,494</u>	<u>1,600,492</u>	<u>(54,000)</u>	<u>17,438,986</u>
Less accumulated depreciation for:				
Infrastructure	170,776	89,326	-	260,102
Buildings	812,412	145,618	-	958,030
Equipment and furniture	2,681,320	102,940	(54,000)	2,730,260
Vehicles	1,022,909	238,824	-	1,261,733
Computers	122,621	4,213	-	126,834
Total accumulated depreciation	<u>4,810,038</u>	<u>\$ 580,921</u>	<u>\$ (54,000)</u>	<u>5,336,959</u>
Total capital assets being depreciated, net	<u>11,082,456</u>			<u>12,102,027</u>
Governmental activity capital assets, net	<u>\$ 15,348,701</u>			<u>\$ 15,414,647</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 50,315
Public Safety	386,921
Transportation	32,826
Environmental protection	20,149
Cultural & recreation	90,710
Unallocated depreciation	-
	<u>\$ 580,921</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Water/Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 81,521	\$ -	\$ -	\$ 81,521
Construction in progress	2,612,724	572,236	(3,058,395)	126,565
Total capital assets not being depreciated	<u>2,694,245</u>	<u>572,236</u>	<u>(3,058,395)</u>	<u>208,086</u>
Capital assets being depreciated:				
Plant	15,790,557	2,358,607	-	18,149,164
Equipment	1,028,397	58,313	(21,600)	1,065,110
Total capital assets being depreciated	<u>16,818,954</u>	<u>2,416,920</u>	<u>(21,600)</u>	<u>19,214,274</u>
Less accumulated depreciation for:				
Plant	5,866,343	299,613	-	6,165,956
Equipment	913,924	28,811	(15,660)	927,075
Total accumulated depreciation	<u>6,780,267</u>	<u>\$ 328,424</u>	<u>\$ (15,660)</u>	<u>7,093,031</u>
Total capital assets being depreciated, net	<u>12,732,932</u>			<u>12,121,243</u>
Business-type activities capital assets, net	<u>\$ 12,732,932</u>			<u>\$ 12,329,329</u>

**Discretely Presented component units**

Activity for the ABC Board for the year ended June 30, 2012, was as follows:

	Useful Life	Cost	Accumulated Depreciation	Net Amount
Land		\$ 96,275	\$ -	\$ 96,275
Building and improvements	20 years	315,572	144,972	170,600
Furniture and equipment	10 years	57,722	44,745	12,977
Computer equipment	5 years	25,775	25,562	213
		<u>\$ 495,344</u>	<u>\$ 215,279</u>	<u>\$ 280,065</u>

Activity for the Authority for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities</b>				
<b>Capital assets being depreciated:</b>				
Furniture and equipment	\$ 15,702	\$ -	\$ -	\$ 15,702
Total capital assets being depreciated	15,702	-	-	15,702
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	9,930	1,570	-	11,500
Total accumulated depreciation	9,930	\$ 1,570	\$ -	11,500
Total capital assets being depreciated, net	<u>5,772</u>			<u>4,202</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 5,772</u>			<u>\$ 4,202</u>

**B. Liabilities****1. Pension Plan Obligations****a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Blowing Rock contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.97% and 7.05%, respectively. 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, 2012, 2011, and 2010 were \$127,749, \$124,656, and \$93,352, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$5,091, \$4,442, and \$3,278,

respectively. The Authority's contributions to LGERS for the year ended June 30, 2012, 2011, and 2010 were \$8,011, \$7,434 and \$7,490, 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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	12
Total	13

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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25–7.85% per year. Both (a) and (b) included an inflation component of 3.00%. 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	\$ 17,196
Interest on net pension obligation	2,768
Adjustment to annual required contribution	<u>(3,303)</u>
Annual pension cost	\$ 16,661
Employer contributions made for fiscal year ending 6/30/2012	<u>(11,604)</u>
Increase (decrease) in net pension obligation	\$ 5,057
Net pension obligation beginning of fiscal year	<u>55,364</u>
Net pension obligation end of fiscal year	\$ 60,421

Fiscal Year Ending	3 Year Trend Information		Net Pension Obligation
	Annual Pension Cost	Percentage of APC Contributed	
6/30/2010	\$ 15,728	28.38%	\$ 50,311
6/30/2011	17,104	70.46%	55,364
6/30/2012	16,661	69.65%	60,421

#### 4. Funded Status and Funding Progress.

As of December 31, 2011, 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 \$149,511. The covered payroll (annual payroll of active employees covered by the plan) was \$379,856, and the ratio of the UAAL to the covered payroll was 39.36%.

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, 2012 were \$26,072 which consisted of \$18,782 from the Town and \$7,290 from the law enforcement officers.

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

##### Post-employment Healthcare Benefits

*Plan Description.* The post-employment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 13-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Major Comprehensive Major Medical (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

*Funding Policy.* The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act.

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 5.0% 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. The Town's contributions for post-employment health benefits for years ended June 30, 2012, 2011, and 2010 were \$91,443, \$95,410 and \$86,581 respectively and fund the Town's portion of OPEB liability for each year. Currently eight 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. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

### 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	\$ 53,508	\$ -
Prepaid licenses (General Fund)	-	46,791
Prepaid charges (Water/Sewer Fund)	-	5,599
	<u>\$ 53,508</u>	<u>\$ 52,390</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 a self-funded risk-financing pool administered by the North Carolina League of Municipalities for worker's compensation. The pool is reinsured through commercial companies for single occurrence claims in excess of \$300,000 up to statutory limits for workers' compensation. The Town obtains general liability and auto liability of \$1 million per occurrence and property coverage up to the total insurance values of the property policy through a private insurer.

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, 2012, the Town was defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

## 6. Long-Term Obligations

### a. Installment Purchases

Installment purchases at June 30, 2012 consists of the following:

Note payable, dated January 17, 2003, due 2018, face amount \$775,000, due in quarterly payments of \$12,917 plus interest at 4.35%, collateralized by land (Tiller Property).	\$ 297,083
Note payable, dated October 10, 2006, due 2026, face amount \$4,700,000, due in annual payments of \$235,000 plus interest at 4.22%, collateralized by building and land (Fire/Rescue Building).	3,290,000
Note payable, dated October 21, 2008, due 2015, face amount \$2,064,800, due in annual payments of \$287,939 plus interest at 2.92%, collateralized by a parking facility (American Legion Parking Facility).	344,914
Note payable, dated April 7, 2008, due 2015, face amount \$1,260,000, due in annual payments of \$199,739 plus interest at 2.92%, for water/sewer improvements (Water/Wastewater Improvements).	565,809
Note payable, dated October 15, 2008, due 2013, face amount \$100,000, due in annual payments of \$21,518 including interest at 3.49%, collateralized by vehicles (Garbage Truck).	20,791
Note payable, dated May 14, 2010, due 2031, face amount \$1,000,131, due in annual payments of \$37,824 including interest at 0.00%, for water interconnection. Funding was received through the NC Drinking Water and Revolving Loan and Grant Program and was matched 100% by American Reinvestment and Recovery Act grant funds (Water Interconnect).	718,656
Note payable, dated March 29, 2012, due 2014, face amount \$95,500, due in annual payments of \$21,008 including interest at 1.31%, collateralized by vehicles (Capital Equipment).	95,500
Note payable, dated August 25, 2009, due 2025, face amount \$1,000,000, due two annual interest payments of \$40,800 followed by annual payments of \$76,923 including interest at 4.08%, collateralized by a parking facility (BRAHM Parking Facility).	1,000,000
Note payable, dated April 20, 2011, due 2013, face amount \$80,000, due in annual payments of \$40,986, including interest at 1.81%, collateralized by vehicles (Capital Equipment).	<u>40,257</u>
Total Installment Purchases	<u>\$ 6,373,010</u>

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

Year	General		Water/Sewer	
	Principal	Interest	Principal	Interest
2012-2013	\$ 580,288	\$ 204,332	\$ 227,766	\$ 16,746
2013-2014	519,752	183,692	233,249	11,263
2014-2015	478,561	164,476	231,896	5,667
2015-2016	363,590	145,829	37,824	-
2016-2017	363,590	130,513	37,824	-
2017-2021	1,598,365	442,099	189,120	-
2021-2026	1,170,769	118,001	189,120	-
2026-2030	-	-	151,296	-
Total	<u>\$ 5,074,915</u>	<u>\$ 1,388,942</u>	<u>\$ 1,298,095</u>	<u>\$ 33,676</u>

At June 30, 2012 the Town of Blowing Rock had a legal debt margin of \$82,513,699.

**c. Changes in Long-Term Liabilities**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
Government activities:					
Installment purchases	5,470,949	81,870	(477,904)	5,074,915	580,288
Compensated absences	92,761	212,001	(214,899)	89,863	89,863
Pension Obligation	55,364	16,661	(11,604)	60,421	-
Governmental activity long-term debt	<u>5,619,074</u>	<u>310,532</u>	<u>(704,407)</u>	<u>5,225,199</u>	<u>670,151</u>
Business activities:					
Installment purchases	1,500,307	13,630	(215,842)	1,298,095	227,766
General obligation bonds	210,000	-	(210,000)	-	-
Compensated absences	21,596	63,638	(62,211)	23,023	23,023
Business-type activity long-term debt	<u>1,731,903</u>	<u>77,268</u>	<u>(488,053)</u>	<u>1,321,118</u>	<u>250,789</u>

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

**C. Interfund Activity**

**Transfers to/from Other Funds**

**Net Transfers to/from other funds at June 30, 2012 consist of the following:**

From the General Fund to the Capital Projects Fund	\$93,420
From the General Fund to the Water/Sewer Capital Projects Fund	\$150,000
From the Water/Sewer Fund to the Water/Sewer Capital Projects Fund	\$0

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 2012 fiscal year, the Town made transfers from the General Fund to the General Capital Project Funds for the following: \$50,000 to the Sidewalk Reserve for future projects, \$10,000 for Storm Water Projects, \$2,700 in grant funds towards a police radar box, \$5,000 donated from the Blowing Rock ABC Store towards the pool picnic pavilion and \$150,275 toward the BRAHM Parking Facility. Transfers of \$40,800 from the parking reserve for American Legion Parking Facility Debt Service, \$60,000 from the N. Caldwell and Blowing Rock Fire Districts and \$23,755 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 \$150,000 to the Water/Sewer Capital Projects Fund for the Water/Sewer Capital Improvement Plan funding.

**D. Fund Balance**

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

<b>Total fund balance - General Fund</b>	<b>\$ 2,778,203</b>
Less:	
Stablization by State Statute	310,812
Prepays	24,828
Inventories	305
Appropriated Fund Balance in 2013 budget	<u>100,000</u>
Remaining fund balance	2,342,258

**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 \$510 to the Council during the fiscal year ended June 30, 2012.

**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%
12/31/2009	-	138,389	138,389	0.00%	365,575	37.9%
12/31/2010	-	168,741	168,741	0.00%	383,091	44.1%
12/31/2011	-	149,511	149,511	0.00%	379,856	39.4%



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

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	15,728	28.38%
2011	17,104	70.46%
2012	16,661	69.65%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.0%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

## **Individual Fund Statements and Schedules**

**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, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 3,117,967	\$
Interest		13,794	
Total	<u>3,011,785</u>	<u>3,131,761</u>	<u>119,976</u>
Other taxes and licenses:			
Occupancy tax		300,436	
Privilege licenses		21,817	
Total	<u>315,345</u>	<u>322,253</u>	<u>6,908</u>
Unrestricted intergovernmental:			
Local option sales taxes		293,881	
Cablevision franchise		-	
Telecommunications sales tax		48,646	
Video Programming Tax		47,673	
Utility franchise tax		138,094	
Hold harmless sales		8,548	
Beer and wine tax		5,403	
ABC profit distribution		120,000	
Total	<u>738,300</u>	<u>662,245</u>	<u>(76,055)</u>
Restricted intergovernmental:			
Powell Bill allocation		73,803	
Snow removal		5,687	
ABC Revenue for law enforcement		3,280	
Federal and State grants		540	
Solid waste disposal tax		852	
Total	<u>96,040</u>	<u>84,162</u>	<u>(11,878)</u>
Permits and fees:			
Building permits		45,807	
Total	<u>71,500</u>	<u>45,807</u>	<u>(25,693)</u>
Sales and services:			
Recreation department fees		120,371	
Recycling revenue		61,808	
Park lease/rental income		8,136	
Parking fees		2,982	
Total	<u>189,825</u>	<u>193,297</u>	<u>3,472</u>
Investment earnings	<u>24,000</u>	<u>4,451</u>	<u>(19,549)</u>
Miscellaneous:			

**Town of Blowing Rock, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
Miscellaneous		69,175	
Cemetary revenue		18,988	
Solid waste fees		90,029	
Zoning fees		6,438	
Total	219,958	184,630	(35,328)
Total revenues	4,666,753	4,628,606	(38,147)
<b>Expenditures:</b>			
General government:			
Salaries		-	
Employee benefits		-	
Professional services		35,029	
Other operating expenditures		234,699	
Capital outlay		8,250	
Total		277,978	
Governing body:			
Salaries		15,600	
Employee benefits		20,724	
Other operating expenditures		10,639	
Total		46,963	
Finance:			
Salaries		229,391	
Employee benefits		74,493	
Other operating expenditures		21,658	
Capital outlay		3,816	
Total		329,358	
Public buildings:			
Salaries		7,701	
Employee benefits		579	
Other operating expenditures		35,036	
Capital outlay		4,724	
Total		48,040	
Total general government	724,435	702,339	22,096
Public safety:			
Police:			
Salaries		524,726	
Employee benefits		187,348	
Vehicle maintenance		70,638	
Other operating expenditures		75,288	

**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, 2012**

	Budget	Actual	Variance Positive (Negative)
Capital outlay		95,664	
Total		<u>953,664</u>	
Fire:			
Salaries		307,891	
Employee benefits		98,987	
Other operating expenditures		53,126	
Capital outlay		-	
Total		<u>460,004</u>	
Inspections:			
Salaries		142,583	
Employee benefits		45,482	
Vehicle maintenance		1,213	
Other operating expenditures		14,172	
Capital outlay		6,608	
Total		<u>210,058</u>	
Total public safety	<u>1,690,944</u>	<u>1,623,726</u>	<u>67,218</u>
Transportation:			
Streets and highways:			
Salaries		230,444	
Employee benefits		85,780	
Sidewalk construction		-	
Vehicle maintenance		46,572	
Street Lights		118,655	
Other operating expenditures		353,432	
Capital outlay		69,470	
Total transportation	<u>944,005</u>	<u>904,353</u>	<u>39,652</u>
Environmental protection:			
Solid waste:			
Salaries		88,650	
Employee benefits		40,432	
Vehicle maintenance		19,818	
Other operating expenditures		123,458	
Capital outlay		-	
Total environmental protection	<u>316,765</u>	<u>272,358</u>	<u>44,407</u>
Culture and recreation:			
Parks and recreation:			
Salaries		227,800	
Employee benefits		60,135	
Other operating expenditures		116,976	
Capital outlay		<u>2,889</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, 2012**

	Budget	Actual	Variance Positive (Negative)
Total		407,800	
Community donations:			
Contributions		8,370	
Total		8,370	
Total cultural and recreational	432,118	416,170	15,948
Debt service:			
Principal retirement		477,904	
Interest and other charges		220,425	
Total debt service	698,355	698,329	26
Total expenditures	4,806,622	4,617,275	189,347
Revenues over (under) expenditures	(139,869)	11,331	151,200
Other financing sources (uses):			
Transfers (to)/from other funds:			
Capital Projects Fund	(93,420)	(93,420)	-
Enterprise Fund	-	-	-
Enterprise Capital Projects Fund	(150,000)	(150,000)	-
Sale of assets	7,500	18,420	10,920
Proceeds from installment purchase	95,500	81,870	(13,630)
Appropriated fund balance	280,289	-	(280,289)
Total	\$ 139,869	(143,130)	\$ (282,999)
Revenues and other financing sources over expenditures and other financing uses	\$ -	(131,799)	\$ (131,799)
Fund balances, beginning		2,910,002	
Change in reserve for inventories		-	
Fund balances, ending		\$ 2,778,203	

**Town of Blowing Rock, North Carolina**  
**Capital Projects Fund - Various Projects**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2012**

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental:					
Storm water connection	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and grants	246,340	168,000	72,102	240,102	(6,238)
Total	<u>246,340</u>	<u>168,000</u>	<u>72,102</u>	<u>240,102</u>	<u>(6,238)</u>
Other revenues:					
Investment earnings	31,000	12,859	180	13,039	(17,961)
Miscellaneous	473,045	153,508	39,970	193,478	(279,567)
Total	<u>504,045</u>	<u>166,367</u>	<u>40,150</u>	<u>206,517</u>	<u>(297,528)</u>
Total revenues	<u>750,385</u>	<u>334,367</u>	<u>112,252</u>	<u>446,619</u>	<u>(303,766)</u>
<b>Expenditures</b>					
Recreation project:					
Capital outlay:					
Culture and recreation	210,250	21,750	22,124	43,874	166,376
Total	<u>210,250</u>	<u>21,750</u>	<u>22,124</u>	<u>43,874</u>	<u>166,376</u>
Streets and sidewalks project:					
Capital outlay:					
Transportation	1,105,700	245,114	123,655	368,769	736,931
Total	<u>1,105,700</u>	<u>245,114</u>	<u>123,655</u>	<u>368,769</u>	<u>736,931</u>
BRAHM project:					
Capital outlay:					
Culture and recreation	1,290,360	977,501	312,860	1,290,361	(1)
Total	<u>1,290,360</u>	<u>977,501</u>	<u>312,860</u>	<u>1,290,361</u>	<u>(1)</u>
Total expenditures	<u>2,606,310</u>	<u>1,244,365</u>	<u>458,639</u>	<u>1,703,004</u>	<u>903,306</u>
Revenues under expenditures	<u>(1,855,925)</u>	<u>(909,998)</u>	<u>(346,387)</u>	<u>(1,256,385)</u>	<u>599,540</u>
<b>Other Financing Sources</b>					
Various projects:					
Operating transfers in:					
General Fund	855,925	606,211	93,420	699,631	(156,294)
Installment purchase obligations issued	1,000,000	1,000,000	-	1,000,000	-
Total other financing sources	<u>1,855,925</u>	<u>1,606,211</u>	<u>93,420</u>	<u>1,699,631</u>	<u>(156,294)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 696,213</u>	<u>\$ (252,967)</u>	<u>\$ 443,246</u>	<u>\$ 443,246</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, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Water sales:			
Residential	\$ -	\$ 680,709	\$ -
Impact fees		5,897	
Interconnect charges		51,872	
Total	<u>741,000</u>	<u>738,478</u>	<u>(2,522)</u>
Sewer charges:			
Residential		540,582	
Impact fees		16,730	
Total	<u>564,000</u>	<u>557,312</u>	<u>(6,688)</u>
Water and sewer taps	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>
Other operating revenues	<u>20,240</u>	<u>19,517</u>	<u>(723)</u>
Total operating revenues	<u>1,338,240</u>	<u>1,315,307</u>	<u>(22,933)</u>
Nonoperating revenues:			
Interest earnings	<u>4,500</u>	<u>772</u>	<u>(3,728)</u>
Total revenues	<u>1,342,740</u>	<u>1,316,079</u>	<u>(26,661)</u>
<b>Expenditures:</b>			
Water and sewer administration:			
Salaries		27,496	
Employee benefits		11,068	
Travel		-	
Supplies		-	
Insurance		40,754	
Vehicle maintenance		-	
Other operating expenditures		9,758	
Engineering services		32,709	
Total water and sewer administration	<u>131,770</u>	<u>121,785</u>	<u>9,985</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, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>Water and sewer plant operations:</b>			
Salaries		168,428	
Employee benefits		56,298	
Repairs and maintenance		35,448	
Supplies		20,763	
Other operating expenditures		25,019	
Utilities		147,609	
Sludge composting		41,640	
Total	<u>518,600</u>	<u>495,205</u>	<u>23,395</u>
<b>Water and sewer field operations:</b>			
Salaries		111,690	
Employee benefits		42,803	
Supplies		43,807	
Chemicals		48,642	
Other operating expenditures		18,086	
Total	<u>303,930</u>	<u>265,028</u>	<u>38,902</u>
<b>Debt service:</b>			
Bond issuance costs		-	
Interest and other charges		28,545	
Principal retirement		425,842	
Total debt service	<u>455,320</u>	<u>454,387</u>	<u>933</u>
<b>Capital outlay:</b>			
Equipment		32,480	
Water taps		-	
Miscellaneous water		-	
Sewer extensions		-	
Sewer taps		-	
Miscellaneous sewer		-	
Total capital outlay	<u>32,480</u>	<u>32,480</u>	<u>-</u>
Total expenditures	<u>1,442,100</u>	<u>1,368,885</u>	<u>73,215</u>
<b>Other financing sources (uses):</b>			
<b>Transfer (to) from other funds:</b>			
General fund	-	-	-
Capital projects water and sewer	6,730	2,384,440	2,377,710
Proceeds from installment purchase	13,630	13,630	-
Sale of fixed assets	4,000	-	(4,000)
Appropriated fund balance	75,000	-	(75,000)
Total other financing sources (uses)	<u>99,360</u>	<u>2,398,070</u>	<u>2,298,710</u>
<b>Revenues and other sources over expenditures and other uses</b>	<u>\$ -</u>	<u>2,345,264</u>	<u>\$ 2,345,264</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources over expenditures and other uses		\$ 2,345,264	
Reconciling items:			
Principal retirement		425,842	
Capital outlay items capitalized		32,480	
Assets transferred from General Fund		-	
Decrease in bond interest accrued		-	
Increase in accrued vacation payable		(1,427)	
Depreciation		(328,424)	
Transfers to/from water and sewer capital projects		(2,384,440)	
Proceeds from installment purchase		(13,630)	
Contributions & grant proceeds from Water and Sewer Capital Projects Fund		446,573	
Interest income from Water and Sewer Capital Projects Fund		553	
Miscellaneous income from Water and Sewer Capital Projects Fund		250	
Transfer in from General Fund to Water and Sewer Capital Project Fund		150,000	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Interconnect assets transferred		(673,956)	
Cumulative change in application of capitalization policy		-	
Total reconciling items		<u>(2,346,179)</u>	
Net income		<u>\$ (915)</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, 2012**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 96,780	\$ 96,383	\$ 553	\$ 96,936	\$ 156
Contributions & grant proceeds	2,541,000	1,533,027	446,573	1,979,600	(561,400)
Miscellaneous income	33,750	-	250	250	(33,500)
Total	<u>2,671,530</u>	<u>1,629,410</u>	<u>447,376</u>	<u>2,076,786</u>	<u>(594,744)</u>
Total revenues	2,671,530	2,766,888	447,376	2,076,786	(594,744)
<b>Expenditures</b>					
Construction	4,501,595	2,612,722	572,239	3,184,961	1,316,634
Total	<u>4,501,595</u>	<u>2,612,722</u>	<u>572,239</u>	<u>3,184,961</u>	<u>1,316,634</u>
Revenues under expenditures	(1,830,065)	154,166	(124,863)	(1,108,175)	721,890
<b>Other financing sources :</b>					
Operating transfer from water and sewer fund	628,915	569,414	-	569,414	(59,501)
Transfer from general fund	444,670	294,671	150,000	444,671	1
Proceeds of long-term debt	756,480	756,480	-	756,480	-
Other contributions	-	8,844	-	8,844	8,844
Total other sources	<u>1,830,065</u>	<u>1,629,409</u>	<u>150,000</u>	<u>1,779,409</u>	<u>(50,656)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,783,575</u>	<u>\$ 25,137</u>	<u>\$ 671,234</u>	<u>\$ 671,234</u>

## **Other Schedules**

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This section contains additional information required on property taxes.

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Schedule of Ad Valorem Taxes Receivable

Analysis of Current Year Tax Levy

**Town of Blowing Rock, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2012**

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 3,061,810	\$ 3,007,130	\$ 54,680
Vehicle Tax	-	49,225	47,067	2,158
2010-2011	81,738	-	37,962	43,776
Vehicle Tax	4,162	-	3,307	855
2009-2010	30,799	-	17,704	13,095
Vehicle Tax	397	-	46	351
2008-2009	7,931	-	4,911	3,020
Vehicle Tax	652	-	46	606
2007-2008	2,714	-	1,606	1,108
Vehicle Tax	622	-	18	604
2006-2007	1,242	-	22	1,220
Vehicle Tax	409	-	-	409
2005-2006	1,740	-	-	1,740
Vehicle Tax	854	-	-	854
2004-2005	1,667	-	-	1,667
Vehicle Tax	793	-	-	793
2003-2004	1,115	-	42	1,073
Vehicle Tax	529	-	-	529
2002-2003	2,858	-	-	2,858
2001-2002	2,529	-	2,529	-
	<u>\$ 142,751</u>	<u>\$ 3,111,035</u>	<u>\$ 3,122,390</u>	<u>\$ 131,396</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>77,888</u>
Ad valorem taxes receivable - net				<u>\$ 53,508</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 3,131,761
Releases and refunds				1,564
Amounts written off per statute of limitations				<u>2,858</u>
Subtotal				3,136,183
Less interest collected				<u>(13,794)</u>
Total collections and credits				<u>\$ 3,122,389</u>

**Town of Blowing Rock, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2012**

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 1,109,502,742	0.280%	\$ 3,106,608	\$ 3,057,383	\$ 49,225
Penalties	-		-	-	-
Total	<u>1,109,502,742</u>		<u>3,106,608</u>	<u>3,057,383</u>	<u>49,225</u>
Discoveries:					
Current year taxes	7,041,106	0.280%	19,715	19,715	-
Prior year taxes	-	0.280%	-	-	-
Penalties	-	0.280%	-	-	-
	<u>7,041,106</u>		<u>19,715</u>	<u>19,715</u>	<u>-</u>
Abatements	(5,459,980)	0.280%	(15,288)	(15,288)	-
Total property valuation	<u>\$ 1,111,083,868</u>				
Net levy			3,111,035	3,061,810	49,225
Uncollected taxes at June 30, 2012			<u>56,838</u>	<u>54,680</u>	<u>2,158</u>
Current year's taxes collected			<u>\$3,054,197</u>	<u>\$3,007,130</u>	<u>\$47,067</u>
Current levy collection percentage			<u>98.17%</u>	<u>98.21%</u>	<u>95.62%</u>