

TOWN OF BLOWING ROCK

Blowing Rock, North Carolina
Financial Statements
June 30, 2013

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

Town of Blowing Rock, North Carolina
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6/30/2013

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TOWN OF BLOWING ROCK
June 30, 2013

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Blowing Rock, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Blowing Rock, North Carolina as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary

comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's Schedules of Funding Progress and Schedules of 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 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Blowing Rock, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013 on our consideration of Town of Blowing Rock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Blowing Rock's internal control over financial reporting and compliance.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, North Carolina

October 16, 2013

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, 2013. 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 and deferred outflows of resources of the Town of Blowing Rock exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,674,297 (*net position*).
- The government's total net position increased by \$554,587 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 \$3,331,558 an increase of \$110,109 in comparison with the prior year. At the end of the current fiscal year, unassigned (available for spending at the government's discretion) fund balance for the General Fund was \$2,386,032 or 52.24% of total general fund expenditures for the fiscal year.
- Though \$35,000 of fund balance was allocated during the fiscal year (in addition to \$100,000 appropriated during the budget towards paving), fund balance increased by \$110,109 due to conservative spending practices and a change in sales tax distribution method by Watauga County affecting Blowing Rock, that changed the distribution method from per capita to ad valorem. This change went into effect beginning with the May 2013 distribution. Fund balance allocations were made during the year towards the construction of a salt storage bin at the public works warehouse.
- The Town of Blowing Rock's total debt decreased by \$156,814 (2.40%) 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 eleventh consecutive year. The Town also maintained a Moody's Investor bond rating of A2 for the fourth consecutive year, having improved from its A3 rating of seven consecutive years, as a result of financial planning & capital debt management.
- The Blowing Rock Appearance Advisory Commission (BRAAC) special revenue fund is a new fund added to the Town's budgetary process during fiscal year 2012-2013.

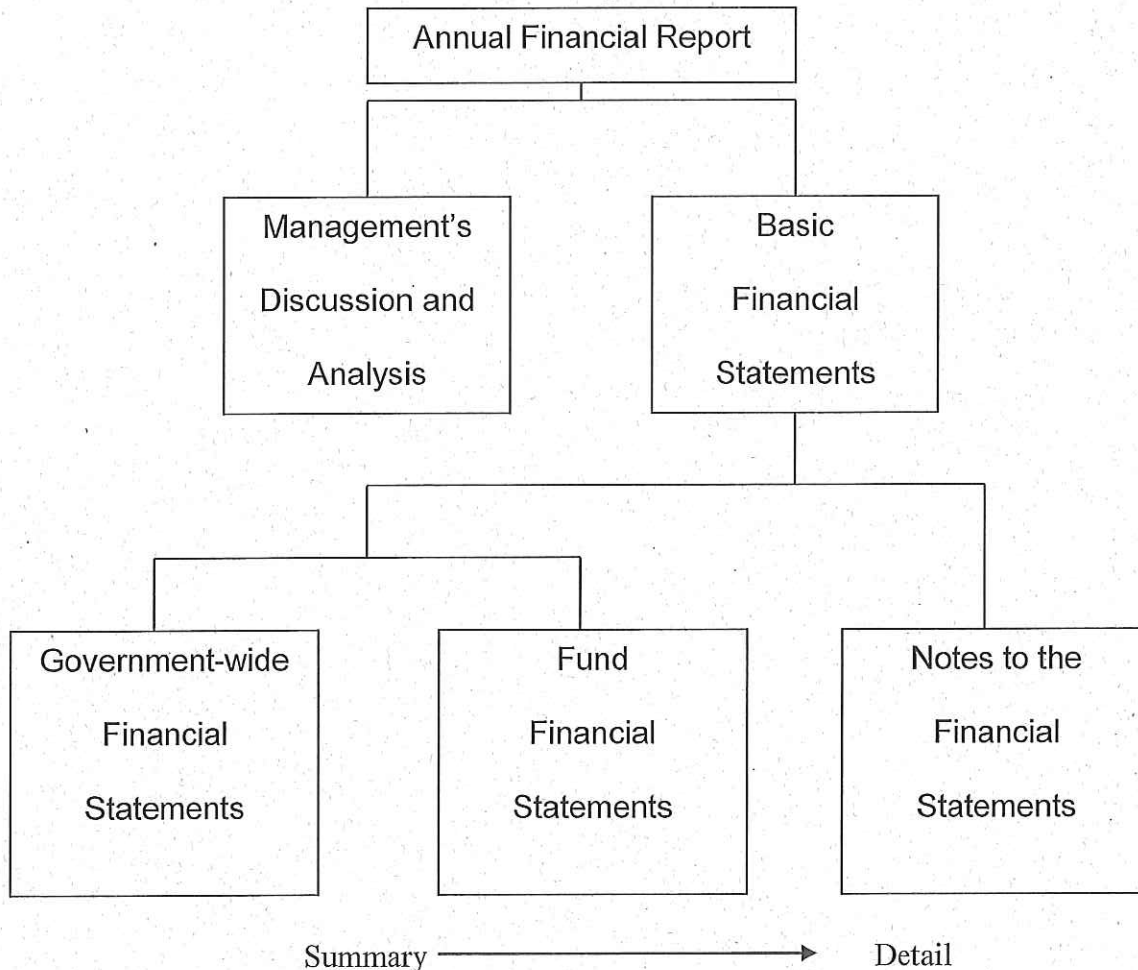
Overview of the Financial Statements

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 about 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 provide 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 position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state-shared revenue such as sales tax and 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 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 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

Management Discussion and Analysis
Town of Blowing Rock (Page 4 of 13)

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 indicate 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Blowing Rock adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board including 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 compares budgeted revenues and expenditures with actual performance for the fiscal year. 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 during the year; 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 – *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Blowing Rock uses an enterprise fund to account for its water and sewer activities. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information regarding the data provided in the government-wide and fund financial statements. The notes to the financial statements begin following the Management Discussion and Analysis Section of this report.

Government-Wide Financial Analysis

Town of Blowing Rock's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,700,071	\$ 3,494,638	\$ 2,301,813	\$ 1,953,746	\$ 6,001,884	\$ 5,448,384
Capital assets	15,159,528	15,414,647	12,601,205	12,329,329	27,760,733	27,743,976
Total assets	18,859,599	18,909,285	14,903,018	14,283,075	33,762,617	33,192,360
Long-term liabilities outstanding	4,731,099	5,225,199	1,658,404	1,321,118	6,389,503	6,546,317
Other liabilities	310,266	214,184	369,048	312,149	679,314	526,333
Deferred inflows of resources	19,503	-	-	-	19,503	-
Total liabilities	5,060,868	5,439,383	2,027,452	1,633,267	7,088,320	7,072,650
Net position:						
Net investment in capital assets	10,586,014	10,339,732	10,962,519	11,031,234	21,548,533	21,370,966
Restricted	824,896	754,086	-	-	824,896	754,086
Unrestricted	2,387,821	2,376,084	1,913,047	1,618,574	4,300,868	3,994,658
Total net position	\$ 13,798,731	\$ 13,469,902	\$ 12,875,566	\$ 12,649,808	\$ 26,674,297	\$ 26,119,710

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Blowing Rock exceeded liabilities and deferred inflows by \$26,674,297 as of June 30, 2013. The Town's net position increased by \$554,587 for the fiscal year ended June 30, 2013. However, the largest portion (80.78%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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 net investment in 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 position, \$824,896 (3.09%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,300,868 is unrestricted.

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

- Utilization of a Financial Operating Policy which maximizes cash management.
- Continued diligence in the collection of property taxes by maintaining a strong tax collection percentage of 98.88%, a slight improvement from last year's rate of 98.16%.

Management Discussion and Analysis
Town of Blowing Rock (Page 6 of 13)

- Utilization of capital improvement plans for managing capital expenditures including a five-year Capital Improvement Plan, Capital Fleet Replacement Plan, Street Pavement Plan, Park and Recreation Master Plan, and Storm Water Master Plan.
- Diligent monitoring of expenditures and continued prioritization of Capital Projects, attributed to the Town's stability during the slow economic recovery.

Town of Blowing Rock Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 316,113	\$ 264,530	\$ 1,375,061	\$ 1,315,557	\$ 1,691,174	\$ 1,580,087
Operating grants and contributions	118,947	94,161	-	-	118,947	94,161
Capital grants and contributions	-	79,490	16,600	446,573	16,600	526,063
General revenues:						
Property taxes	3,122,218	3,116,228	-	-	3,122,218	3,116,228
Other taxes	315,970	322,253	-	-	315,970	322,253
Grants and contributions not restricted to specific programs	846,988	734,887	-	-	846,988	734,887
Other	191,908	132,195	3,317	1,325	195,225	133,520
Total revenues	4,912,144	4,743,744	1,394,978	1,763,455	6,307,122	6,507,199
Expenditures:						
General government	811,540	751,397	-	-	811,540	751,397
Public safety	1,932,355	1,922,583	-	-	1,932,355	1,922,583
Transportation	800,587	900,071	-	-	800,587	900,071
Environmental protection	278,394	291,838	-	-	278,394	291,838
Economic development	-	-	-	-	-	-
Culture and recreation	457,224	447,908	-	-	457,224	447,908
Interest on long-term debt	203,215	220,425	-	-	203,215	220,425
Water and sewer	-	-	1,269,220	1,914,370	1,269,220	1,914,370
Total expenses	4,483,315	4,534,222	1,269,220	1,914,370	5,752,535	6,448,592
Increase in net position before transfers	428,829	209,522	125,758	(150,915)	554,587	58,607
Transfers	(100,000)	(150,000)	100,000	150,000	-	-
Cumulative effect of change in application of capitalization policy	-	-	-	-	-	-
Increase in net position	328,829	59,522	225,758	(915)	554,587	58,607
Net position, July 1	13,469,902	13,410,380	12,649,808	12,650,723	26,119,710	26,061,103
Net position, June 30	\$ 13,798,731	\$ 13,469,902	\$ 12,875,566	\$ 12,649,808	\$ 26,674,297	\$ 26,119,710

Governmental activities. Governmental activities increased the Town's net position by \$328,829. Key elements of this increase are as follows:

- Tax revenue exceeding budgeted amounts by \$83,470 or 2.83%.

- A change in sales tax distribution method by Watauga County affecting Blowing Rock, that changed the distribution method from per capita to ad valorem. This change went into effect beginning with the May 2013 distribution. Sales tax distribution methods may be changed by a county on an annual basis.

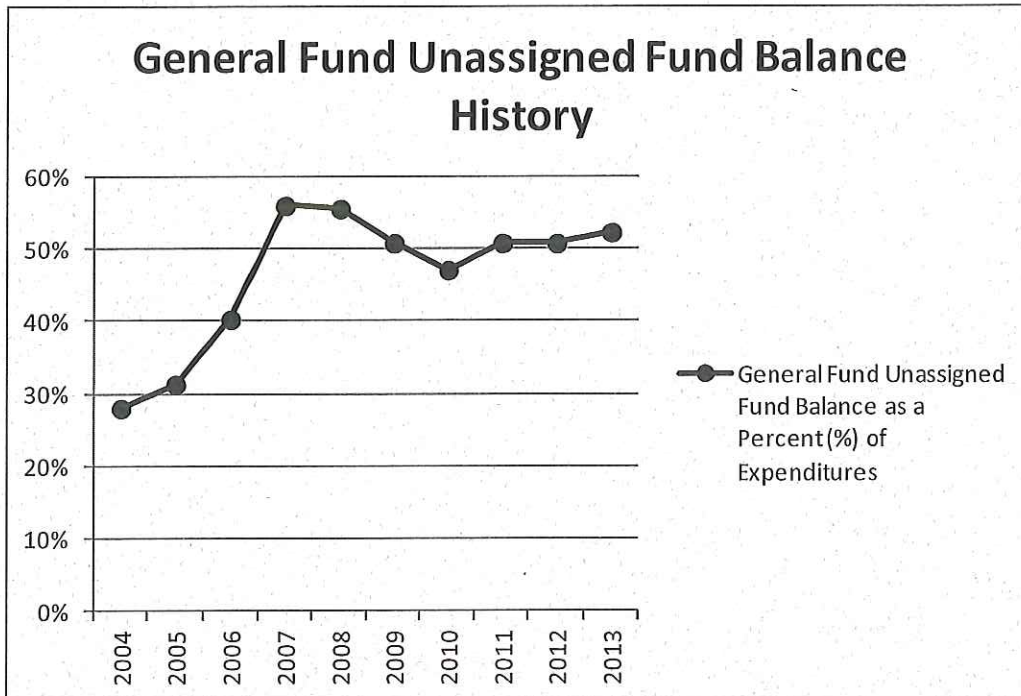
Business-type activities: Business-type activities increased the Town of Blowing Rock's net position by \$225,758. This is mostly due to the retirement of debt.

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, Town of Blowing Rock's fund balance available for spending in the General Fund was \$2,386,032, while total fund balance reached \$2,954,604. The Governing Body of the Town of Blowing Rock has determined that the Town should strive to maintain an available fund balance of 50% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town ended fiscal year 2013 with an available fund balance of 52.24% of general fund expenditures, while total fund balance represents 64.69% of the same amount.

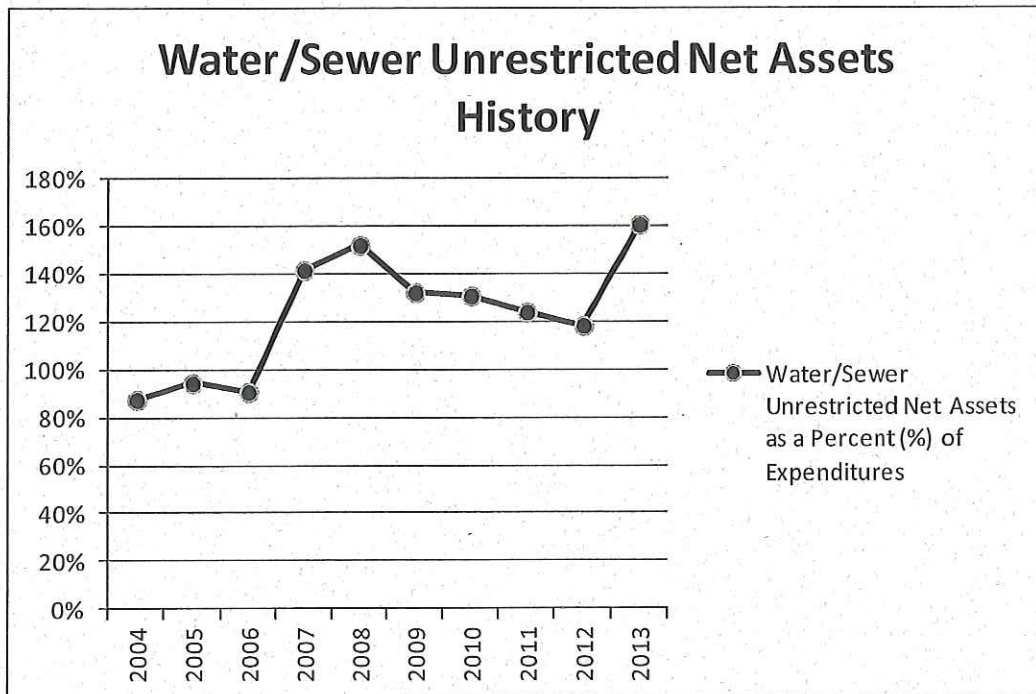


At June 30, 2013, the governmental funds of Town of Blowing Rock reported a combined fund balance of \$3,331,558, a 3.42% increase from last year. Attributing to this increase is the collection of property tax revenue exceeding budget and a change in sales tax allocation method by Watauga County from per capita to ad valorem. The change in distribution method went into effect in May 2013 and will remain in effect through at least April 2014. Each year the Watauga County Commissioners determine which distribution method will be used for the following year:

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 position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,913,047. The change in net position was an increase of \$225,758. 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, 2013, totals \$27,760,733 (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 \$284,959 in governmental-type activities for ongoing projects such as the Downtown Streetscape, Special Paving & sidewalk projects.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,032,025	\$ 3,032,025	\$ 81,521	\$ 81,521	\$ 3,113,546	\$ 3,113,546
Construction in progress	284,959	280,595	106,005	126,565	390,964	407,160
Infrastructure	4,930,571	4,776,398	-	-	4,930,571	4,776,398
Buildings	6,202,270	6,347,888	-	-	6,202,270	6,347,888
Plant	-	-	12,259,835	11,983,208	12,259,835	11,983,208
Equipment and furniture	382,008	469,499	153,844	138,035	535,852	607,534
Vehicles	285,986	480,321	-	-	285,986	480,321
Computers	41,709	27,921	-	-	41,709	27,921
Total	\$ 15,159,528	\$ 15,414,647	\$ 12,601,205	\$ 12,329,329	\$ 27,760,733	\$ 27,743,976

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, 2013, 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	93,155	89,863	19,718	23,023	112,873	112,886
Pension obligation	64,430	60,421	-	-	64,430	60,421
Installment purchases	4,573,514	5,074,915	1,638,686	1,298,095	6,212,200	6,373,010
Total	\$ 4,731,099	\$ 5,225,199	\$ 1,658,404	\$ 1,321,118	\$ 6,389,503	\$ 6,546,317

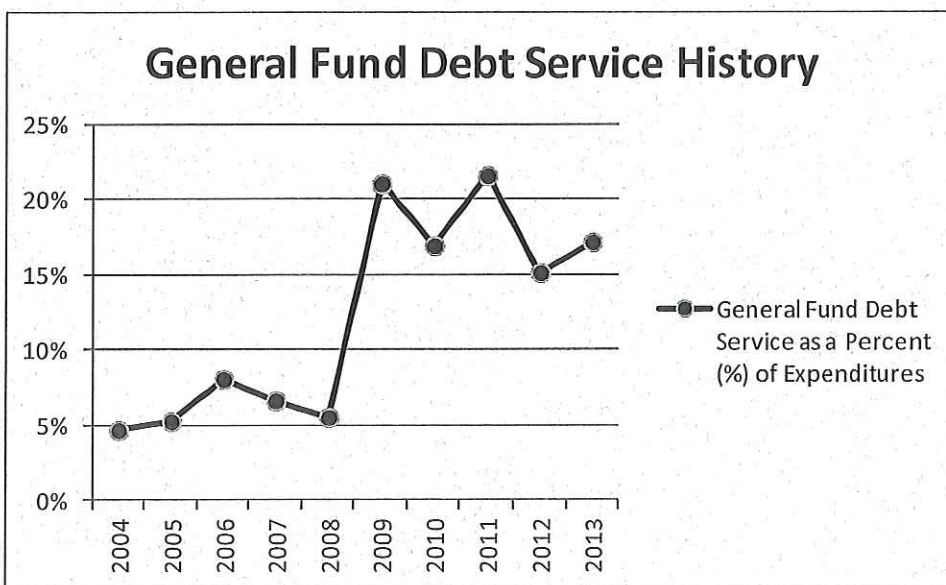
- The Town of Blowing Rock's total debt decreased by \$156,814 (2.40%) during the past fiscal year, with no major new debt being issued and debt payments being made on the Fire/Rescue Building, American Legion Parking Facility & BRAHM Parking Facility being made.

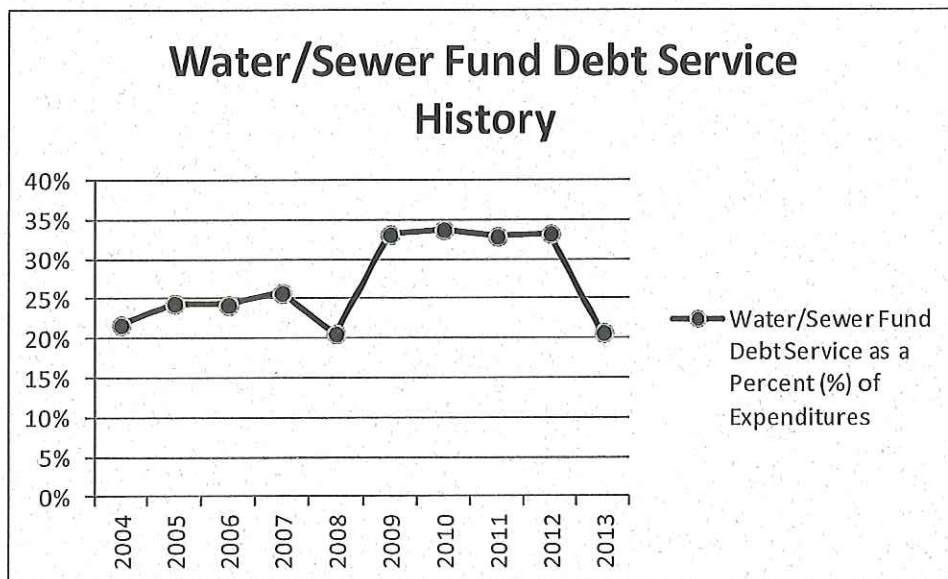
Moody's Investor Service maintained the Town of Blowing Rock's improved bond rating of an A2 for the fourth consecutive year following seven consecutive years of maintaining an A3 rating. Blowing Rock also maintained its rating from the NC Municipal Council of 80, for the eleventh consecutive year. These 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 \$82,875,666.

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.

Capital Debt





Economic Factors and Next Year's Budgets and Rates

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

- Unemployment is lower in comparison to the state rate. The Watauga County unemployment rate decreased from 9.60% in July 2012 to 7.9% in July 2013, below the historically higher NC state rate that decreased from 9.60% in July 2012 to 8.90% in July 2013.
- Continued increased interest in new housing.
- Tourism market continues to show modest improvement.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Property tax collections and revenues from franchise fees are projected to increase slightly or remain relatively flat, while sales tax revenues are projected to decrease slightly due to the population decrease issued in the 2012 US Census Study. The Town will use these revenues to maintain existing programs and fund planned capital improvements.

Budgeted expenditures in the General Fund are projected to decrease slightly, as a result of decreased costs due to dispatch consolidation savings somewhat offset by increased costs in employee retirement and health insurance, as well as increases in operation & maintenance costs.

A Caldwell County property tax revaluation will take effect in tax year 2013. With a calculated revenue neutral tax rate for Caldwell at \$.28, indicating tax revenue for Caldwell County is expected to remain relatively flat. With Caldwell County representing approximately 7% of total Town of Blowing Rock property tax revenue, this is projected to have minimal budgetary impact.

Business – type Activities: Water and sewer user rates in the Town increased \$.75 each, 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 the required Local Government Employee's Retirement System contribution of 0.33% of total full time salaries, following a decrease realized in FY 2012-2013. Increase of 3.6% in health insurance premiums in January 2014.
- Following Legislative Revenue Laws Study Committee approval, Local Governments are now required to maintain a reserve for claims equal to 1% of their taxable wage base, with a max of \$209 per employee. Claims will be paid out of this reserve and each quarter municipalities will be billed to replenish the reserve. For Blowing Rock, this is expected to equal approximately \$9,000 for the General Fund and \$2,000 for the Water/Sewer Fund.

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 Position
June 30, 2013

	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			
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,192,726	\$ 1,643,054	\$ 4,835,780	\$ 120,629	\$ 236,188	\$ 5,192,597
Taxes receivable (net)	33,990	-	33,990	-	82,419	116,409
Accrued interest receivable on taxes	4,755	-	4,755	-	-	4,755
Accounts receivable (net)	343,780	369,535	713,315	-	-	713,315
Due from other governments	80,791	-	80,791	-	-	80,791
Due from component units	37,688	-	37,688	-	-	37,688
Due from primary government	-	-	-	-	-	-
Inventories	2,700	87,958	90,658	208,958	-	299,616
Prepaid items	3,641	-	3,641	5,802	295	9,738
Restricted cash and cash equivalents	-	201,266	201,266	144,536	-	345,802
Total current assets	3,700,071	2,301,813	6,001,884	479,925	318,902	6,800,711
Non-current assets:						
Capital assets (Note 4):						
Land, non-depreciable improvements, and construction in progress	3,316,984	187,526	3,504,510	96,275	-	3,600,785
Other capital assets, net of depreciation	11,842,544	12,413,679	24,256,223	172,252	2,632	24,431,107
Total capital assets	15,159,528	12,601,205	27,760,733	268,527	2,632	28,031,892
Total assets	\$ 18,859,599	\$ 14,903,018	\$ 33,762,617	\$ 748,452	\$ 321,534	\$ 34,832,603
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 310,266	\$ 161,626	\$ 471,892	\$ 91,903	\$ 16,103	\$ 579,898
Unearned revenue	-	-	-	-	-	-
Accrued salaries	-	6,156	6,156	-	-	6,156
Customer deposits	-	-	-	-	-	-
Due to primary government	-	-	-	37,688	-	37,688
Due to other governments	-	-	-	-	-	-
Liabilities payable from restricted assets:						
Customer deposits	-	201,266	201,266	-	-	201,266
Long-term liabilities:						
Due within one year	651,016	247,484	898,500	-	-	898,500
Due in more than one year	4,080,083	1,410,920	5,491,003	10,360	-	5,501,363
Total liabilities	5,041,365	2,027,452	7,068,817	139,951	16,103	7,224,871
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	19,503	-	19,503	-	-	19,503
Total deferred inflows of resources	19,503	-	19,503	-	-	19,503
NET POSITION						
Net investment in capital assets	10,586,014	10,962,519	21,548,533	268,527	2,632	21,819,692
Restricted for:						
Capital projects	362,637	-	362,637	144,536	-	507,173
Stabilization by State Statute	462,259	-	462,259	-	82,419	544,678
Culture and recreation	-	-	-	-	-	-
Working capital	-	-	-	38,937	-	38,937
Unrestricted	2,387,821	1,913,047	4,300,868	156,501	220,380	4,677,749
Total net position	\$ 13,798,731	\$ 12,875,566	\$ 26,674,297	\$ 608,501	\$ 305,431	\$ 27,588,229

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, 2013

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 811,540	\$ -	\$ -	\$ -
Public safety	1,932,355	64,197	18,976	-
Transportation	800,587	1,758	99,442	-
Environmental protection	278,394	148,299	529	-
Cultural and recreation	457,224	101,859	-	-
Interest on long-term debt	203,215	-	-	-
Total governmental activities (See Note 1)	4,483,315	316,113	118,947	-
Business-type activities:				
Water and sewer	1,269,220	1,375,061	-	16,600
Electric	-	-	-	-
Total business-type activities	1,269,220	1,375,061	-	16,600
Total primary government	\$ 5,752,535	\$ 1,691,174	\$ 118,947	\$ 16,600
Component units:				
ABC Board	\$ 1,314,804	\$ 1,345,449	\$ -	\$ -
Blowing Rock Tourism Development Authority	686,666	-	-	-
Total component unit	\$ 2,001,470	\$ 1,345,449	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Cumulative change in application of capitalization policy				
Change in net position				
Net position, beginning				
Net position, ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position						
Primary Government						
Governmental Activities	Business-type Activities	Total	Town of Blowing Rock ABC Board	Blowing Rock Tourism Development Authority	Total Reporting Unit	
\$ (811,540)	\$ -	\$ (811,540)	\$ -	\$ -	\$ (811,540)	
(1,849,182)	-	(1,849,182)	-	-	(1,849,182)	
(699,387)	-	(699,387)	-	-	(699,387)	
(129,566)	-	(129,566)	-	-	(129,566)	
(355,365)	-	(355,365)	-	-	(355,365)	
(203,215)	-	(203,215)	-	-	(203,215)	
(4,048,255)	-	(4,048,255)	-	-	(4,048,255)	
-	122,441	122,441	-	-	122,441	
-	-	-	-	-	-	
-	122,441	122,441	-	-	122,441	
(4,048,255)	122,441	(3,925,814)	-	-	(3,925,814)	
-	-	-	30,645	-	30,645	
-	-	-	-	(686,666)	(686,666)	
-	-	-	30,645	(686,666)	(656,021)	
3,122,218	-	3,122,218	-	-	3,122,218	
315,970	-	315,970	-	736,155	1,052,125	
846,988	-	846,988	-	-	846,988	
3,344	774	4,118	3,852	201	8,171	
188,564	2,543	191,107	240	5,990	197,337	
(100,000)	100,000	-	-	-	-	
4,377,084	103,317	4,480,401	4,092	742,346	5,226,839	
-	-	-	-	-	-	
328,829	225,758	554,587	34,737	55,680	645,004	
13,469,902	12,649,808	26,119,710	573,764	249,751	26,943,225	
\$ 13,798,731	\$ 12,875,566	\$ 26,674,297	\$ 608,501	\$ 305,431	\$ 27,588,229	

Town of Blowing Rock
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Capital Projects		
ASSETS				
Cash and cash equivalents	\$ 2,796,907	\$ 380,855	\$ 14,964	\$ 3,192,726
Receivables, net:				
Taxes	33,990	-	-	33,990
Accounts	343,752	28	-	343,780
Due from other governments	118,479	-	-	118,479
Prepaid Expenses	3,641	-	-	3,641
Inventories	2,700	-	-	2,700
Total assets	<u>\$ 3,299,469</u>	<u>\$ 380,883</u>	<u>\$ 14,964</u>	<u>\$ 3,695,316</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 291,372	\$ 18,246	\$ 647	\$ 310,265
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	-
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	-
Total liabilities	<u>291,372</u>	<u>18,246</u>	<u>647</u>	<u>310,265</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	33,990	-	-	33,990
Prepaid taxes	19,503	-	-	19,503
Total deferred inflows of resources	<u>53,493</u>	<u>-</u>	<u>-</u>	<u>53,493</u>
FUND BALANCES				
Non Spendable				
Inventories	2,700	-	-	2,700
Prepays	3,641	-	-	3,641
Restricted				
Stabilization by State Statute	462,231	28	-	462,259
Streets	-	-	-	-
Capital Projects	-	-	-	-
Assigned				
Capital Projects	-	362,609	-	362,609
Subsequent year's expenditures	100,000	-	-	100,000
Unassigned	2,386,032	-	14,317	2,400,349
Total fund balances	<u>2,954,604</u>	<u>362,637</u>	<u>14,317</u>	<u>3,331,558</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,299,469</u>	<u>\$ 380,883</u>	<u>\$ 14,964</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,159,528

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. 4,755

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 revenues considered deferred inflows of resources in fund statements. 33,990

Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.) (4,731,100)

Net position of governmental activities \$ 13,798,731

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, 2013

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Projects		
REVENUES				
Ad valorem taxes	\$ 3,142,478	\$ -	\$ -	\$ 3,142,478
Other taxes and licenses	315,970	-	-	315,970
Unrestricted intergovernmental	747,219	-	-	747,219
Restricted intergovernmental	118,947	66,460	-	185,407
Permits and fees	56,106	-	-	56,106
Sales and services	165,298	-	-	165,298
Investment earnings	3,223	121	-	3,344
Miscellaneous	208,207	-	33,309	241,516
Total revenues	4,757,448	66,581	33,309	4,857,338
EXPENDITURES				
Current:				
General government	764,708	-	18,992	783,700
Public safety	1,575,128	-	-	1,575,128
Transportation	739,985	-	-	739,985
Economic and physical development	-	-	-	-
Environmental protection	303,457	-	-	303,457
Culture and recreation	400,848	-	-	400,848
Debt service:				
Principal	580,288	-	-	580,288
Interest and other charges	203,215	-	-	203,215
Capital outlay	-	215,061	-	215,061
Total expenditures	4,567,629	215,061	18,992	4,801,682
Excess (deficiency) of revenues over expenditures	189,819	(148,480)	14,317	55,656
OTHER FINANCING SOURCES (USES)				
Transfers (to)/from other funds	(167,871)	67,871	-	(100,000)
Sales of capital assets	75,566	-	-	75,566
Installment purchase obligations issued	78,887	-	-	78,887
Capital lease obligations issued	-	-	-	-
Total other financing sources (uses)	(13,418)	67,871	-	54,453
Net change in fund balance	176,401	(80,609)	14,317	110,109
Fund balances, beginning	2,778,203	443,246	-	3,221,449
Change in reserve for inventories	-	-	-	-
Fund balances, ending	\$ 2,954,604	\$ 362,637	\$ 14,317	\$ 3,331,558

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, 2013

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

Net changes in fund balances - total governmental funds	\$	110,109
Change in fund balance due to change in reserve for inventory		-
<p>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</p>		
		(254,619)
Book value assets disposed		(501)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Amount of donated assets		-
Change in unavailable revenue for tax revenues		(20,260)
<p>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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		501,401
<p>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.</p>		
Transfer of capital asset		-
Compensated absences		(3,292)
Net pension obligation		(4,009)
		<hr style="border-top: 1px solid black;"/>
Total changes in net position of governmental activities	\$	<u><u>328,829</u></u>

**Town of Blowing Rock
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,039,785	\$ 3,037,285	\$ 3,142,478	\$ 105,193
Other taxes and licenses	300,345	320,945	315,970	(4,975)
Unrestricted intergovernmental	706,800	706,000	747,219	41,219
Restricted intergovernmental	74,000	114,176	118,947	4,771
Permits and fees	-	65,000	56,106	(8,894)
Sales and services	377,400	196,900	165,298	(31,602)
Investment earnings	-	13,935	3,223	(10,712)
Miscellaneous	163,035	226,990	208,207	(18,783)
Total revenues	<u>4,661,365</u>	<u>4,681,231</u>	<u>4,757,448</u>	<u>76,217</u>
Expenditures:				
Current:				
General government	618,220	766,570	764,708	1,862
Public safety	1,678,815	1,638,848	1,575,128	63,720
Transportation	978,525	768,695	739,985	28,710
Environmental protection	350,770	321,250	303,457	17,793
Cultural and recreation	420,425	439,075	400,848	38,227
Debt service:				
Principal retirement	758,450	580,288	580,288	-
Interest and other charges	-	203,982	203,215	767
Total expenditures	<u>4,805,205</u>	<u>4,718,708</u>	<u>4,567,629</u>	<u>151,079</u>
Revenues over (under) expenditures	<u>(143,840)</u>	<u>(37,477)</u>	<u>189,819</u>	<u>227,296</u>
Other financing sources (uses):				
Transfers to other funds	43,840	(186,523)	(167,871)	18,652
Sale of assets	-	12,000	75,566	63,566
Appropriated fund balance	100,000	135,000	-	(135,000)
Proceeds from installment purchase	-	77,000	78,887	1,887
Total other financing sources (uses)	<u>143,840</u>	<u>37,477</u>	<u>(13,418)</u>	<u>(50,895)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>176,401</u>	<u>\$ 176,401</u>
Fund balances, beginning			2,778,203	
Change in reserve for inventories			-	
Fund balances, ending			<u>\$ 2,954,604</u>	

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

**Town of Blowing Rock
Statement of Net Position
Proprietary Funds
June 30, 2013**

	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,643,054	\$ 1,643,054
Accounts receivable (net) - billed	369,535	369,535
Due from other governments	-	-
Inventories	87,958	87,958
Prepaid items	-	-
Restricted cash and cash equivalents	201,266	201,266
Total current assets	<u>2,301,813</u>	<u>2,301,813</u>
Capital assets:		
Land and other non-depreciable assets	187,526	187,526
Other capital assets, net of depreciation	12,413,679	12,413,679
Capital assets (net)	<u>12,601,205</u>	<u>12,601,205</u>
Total assets	<u>\$ 14,903,018</u>	<u>\$ 14,903,018</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 161,626	\$ 161,626
Accrued salaries	6,156	6,156
Customer deposits	-	-
Unearned revenue	-	-
Compensated absences - current	19,718	19,718
General obligation bonds payable-current	-	-
Installment purchase-current	227,766	227,766
Liabilities payable from restricted assets:		
Customer deposits	201,266	201,266
Total current liabilities	<u>616,532</u>	<u>616,532</u>
Noncurrent liabilities:		
Compensated absences	-	-
General obligation bonds payable-noncurrent (net)	-	-
Installment purchase-noncurrent	1,410,920	1,410,920
Total noncurrent liabilities	<u>1,410,920</u>	<u>1,410,920</u>
Total liabilities	<u>2,027,452</u>	<u>2,027,452</u>
NET POSITION		
Net investment in capital assets	10,962,519	10,962,519
Unrestricted	1,913,047	1,913,047
Total net position	<u>\$ 12,875,566</u>	<u>\$ 12,875,566</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 Position
Proprietary Funds
For the Year Ended June 30, 2013

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 1,356,706	\$ 1,356,706
Water and sewer taps	1,490	1,490
Other operating revenues	16,865	16,865
Total operating revenues	1,375,061	1,375,061
OPERATING EXPENSES		
Administration	125,752	125,752
Water/Sewer plant operations	504,540	504,540
Water/Sewer field operations	265,100	265,100
Depreciation	355,540	355,540
Total operating expenses	1,250,932	1,250,932
Operating income (loss)	124,129	124,129
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	774	774
Sale of fixed assets	2,543	2,543
Interest and other charges	(18,288)	(18,288)
Bond issuance costs	-	-
Total nonoperating revenue (expenses)	(14,971)	(14,971)
Income (loss) before contributions and transfers	109,158	109,158
Contributions	16,600	16,600
Interconnect assets transferred	-	-
Transfers from other funds	100,000	100,000
Transfers to other funds	-	-
Total income (loss) after contributions and transfers	225,758	225,758
Cumulative change in application of capitalization policy	-	-
Change in net position	225,758	225,758
Total net position, beginning	12,649,808	12,649,808
Total net position, ending	\$ 12,875,566	\$ 12,875,566

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, 2013**

	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,312,427	\$ 1,312,427
Cash paid for goods and services	(402,942)	(402,942)
Cash paid to or on behalf of employees for services	(412,058)	(412,058)
Customer deposits received (returned)	12	12
Other operating revenues	-	-
Net cash provided (used) by operating activities	<u>497,439</u>	<u>497,439</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	100,000	100,000
Transfers to other funds	-	-
Grant proceeds	16,600	16,600
Total cash flows from noncapital financing activities	<u>116,600</u>	<u>116,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond anticipation notes issued	-	-
Acquisition and construction of capital assets	(627,416)	(627,416)
Principal paid on bond maturities and equipment contracts	(227,766)	(227,766)
Proceeds from installment purchase	568,357	568,357
Interest paid on bond maturities and equipment contracts	(18,288)	(18,288)
Sale of fixed assets	2,543	2,543
Capital contributions-Federal grant	-	-
Net cash provided (used) by capital and related financing activities	<u>(302,570)</u>	<u>(302,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>774</u>	<u>774</u>
Net increase (decrease) in cash and cash equivalents	312,243	312,243
Balances, beginning	1,532,077	1,532,077
Balances, ending	<u>\$ 1,844,320</u>	<u>\$ 1,844,320</u>

**Town of Blowing Rock
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013**

	<u>Water and Sewer Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 124,129	\$ 124,129
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	355,540	355,540
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(57,035)	(57,035)
Increase (decrease) in allowance for doubtful accounts	-	-
(Increase) decrease in inventory	11,087	11,087
(Increase) in prepaid items	10,124	10,124
(Increase) in due from other funds	-	-
Increase (decrease) in accounts payable and accrued liabilities	62,486	62,486
Increase (decrease) in unearned revenue	(5,599)	(5,599)
Increase (decrease) in customer deposits	12	12
Increase (decrease) in accrued vacation pay	(3,305)	(3,305)
Total adjustments	<u>373,310</u>	<u>373,310</u>
Net cash provided by operating activities	<u>\$ 497,439</u>	<u>\$ 497,439</u>

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

Town of Blowing Rock, North Carolina

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2013

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 position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. 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 non-major governmental fund:

Appearance Advisory Commission: The Appearance Advisory Commission Fund is used to account for the activities of the Appearance Advisory Commission.

The Town reports the following major enterprise fund:

Water and Sewer Fund. 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. 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 position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund 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, Deferred Outflows/Inflows of Resources, 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, 2012 (Caldwell County) and January 1, 2012 (Watauga 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, 2013.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In 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.

10. 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.

11. Net Position / Fund Balances

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or 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, 2013, there was \$6,341 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, 2013, 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.

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

II. Stewardship, Compliance and Accountability

Our audit for the fiscal year ended June 30, 2013 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, 2013, the Town's deposits had a carrying amount of \$1,171,880 and a bank balance of \$1,235,157. Of the bank balance, \$551,534 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 \$256,666 and the bank balance was \$282,367. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Authority was \$211,188 and the bank balance was \$213,457. All of the bank balance was covered by federal depository insurance. At June 30, 2013, the Town's petty cash fund totaled \$500.

2. Investments

At June 30, 2013, the Town, the ABC Board, and the Authority had \$3,864,666, \$8,499 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 Position are net of the following allowances for doubtful accounts:

Fund	6/30/2013
General Fund:	
Taxes Receivable	\$ 83,322

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,032,025	\$ -	\$ -	\$ 3,032,025
Construction in progress	280,595	215,061	(210,697)	284,959
Total capital assets not being depreciated	<u>3,312,620</u>	<u>215,061</u>	<u>(210,697)</u>	<u>3,316,984</u>
Capital assets being depreciated:				
Infrastructure	5,036,500	258,089	-	5,294,589
Buildings	7,305,918	-	-	7,305,918
Equipment and furniture	3,199,759	5,063	(132,000)	3,072,822
Vehicles	1,742,054	39,910	(107,099)	1,674,865
Computers	154,755	22,764	-	177,519
Total capital assets being depreciated	<u>17,438,986</u>	<u>325,826</u>	<u>(239,099)</u>	<u>17,525,713</u>
Less accumulated depreciation for:				
Infrastructure	260,102	103,916	-	364,018
Buildings	958,030	145,618	-	1,103,648
Equipment and furniture	2,730,260	92,054	(131,500)	2,690,814
Vehicles	1,261,733	234,245	(107,099)	1,388,879
Computers	126,834	8,976	-	135,810
Total accumulated depreciation	<u>5,336,959</u>	<u>\$ 584,809</u>	<u>\$ (238,599)</u>	<u>5,683,169</u>
Total capital assets being depreciated, net	<u>12,102,027</u>			<u>11,842,544</u>
Governmental activity capital assets, net	<u>\$ 15,414,647</u>			<u>\$ 15,159,528</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 48,198
Public Safety	378,853
Transportation	104,536
Environmental protection	20,149
Cultural & recreation	33,073
Unallocated depreciation	-
	<u>\$ 584,809</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water/Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 81,521	\$ -	\$ -	\$ 81,521
Construction in progress	126,565	580,608	(601,168)	106,005
Total capital assets not being depreciated	<u>208,086</u>	<u>580,608</u>	<u>(601,168)</u>	<u>187,526</u>
Capital assets being depreciated:				
Plant	18,149,164	601,168	-	18,750,332
Equipment	1,065,110	46,808	(425)	1,111,493
Total capital assets being depreciated	<u>19,214,274</u>	<u>647,976</u>	<u>(425)</u>	<u>19,861,825</u>
Less accumulated depreciation for:				
Plant	6,165,956	324,541	-	6,490,497
Equipment	927,075	30,999	(425)	957,649
Total accumulated depreciation	<u>7,093,031</u>	<u>\$ 355,540</u>	<u>\$ (425)</u>	<u>7,448,146</u>
Total capital assets being depreciated, net	<u>12,329,329</u>			<u>12,413,679</u>
Business-type activities capital assets, net	<u>\$ 12,329,329</u>			<u>\$ 12,601,205</u>

Discretely Presented component units

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Useful Life	Cost	Accumulated Depreciation	Net Amount
Land		\$ 96,275	\$ -	\$ 96,275
Building and improvements	20 years	315,572	157,581	157,991
Furniture and equipment	10 years	61,218	46,957	14,261
Computer equipment	5 years	25,775	25,775	-
		<u>\$ 498,840</u>	<u>\$ 230,313</u>	<u>\$ 268,527</u>

Activity for the Authority for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 15,702	\$ -	\$ -	\$ 15,702
Total capital assets being depreciated	<u>15,702</u>	<u>-</u>	<u>-</u>	<u>15,702</u>
Less accumulated depreciation for:				
Furniture and equipment	11,500	1,570	-	13,070
Total accumulated depreciation	<u>11,500</u>	<u>\$ 1,570</u>	<u>\$ -</u>	<u>13,070</u>
Total capital assets being depreciated, net	<u>4,202</u>			<u>2,632</u>
Governmental activity capital assets, net	<u>\$ 4,202</u>			<u>\$ 2,632</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 6.74% and 7.22%, 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, 2013, 2012, and 2011 were \$120,937, \$127,749, and \$124,656, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$5,104, \$5,091, and \$4,442, respectively. The Authority's contributions to LGERS for the year ended June 30, 2013, 2012, and 2011 were \$7,953, \$8,011, and \$7,434, 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, 2012, 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	<u>10</u>
Total	<u>11</u>

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, 2012 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	\$ 16,352
Interest on net pension obligation	3,021
Adjustment to annual required contribution	<u>(3,760)</u>
Annual pension cost	15,613
Employer contributions made for fiscal year ending 6/30/2012	<u>(11,604)</u>
Increase (decrease) in net pension obligation	4,009
Net pension obligation beginning of fiscal year	<u>60,421</u>
Net pension obligation end of fiscal year	<u><u>\$ 64,430</u></u>

Fiscal Year Ending	3 Year Trend Information		Net Pension Obligation
	Annual Pension Cost	Percentage of APC Contributed	
6/30/2011	\$ 17,104	70.46%	\$ 55,364
6/30/2012	16,661	69.65%	60,421
6/30/2013	15,613	74.32%	64,430

4. Funded Status and Funding Progress.

As of December 31, 2012, 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 \$134,332. The covered payroll (annual payroll of active employees covered by the plan) was \$323,992, and the ratio of the UAAL to the covered payroll was 41.46%.

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

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 both

law enforcement officers and general employees of 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 and General Employees 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 General Employees and 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 two percent of each general employee and five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 for general employees and law enforcement officers respectively were \$56,922 and \$23,807 which consisted of \$28,045 from the town and \$28,877 from general employees and \$18,722 from the Town and \$5,085 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 5.3% 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, 2013, 2012, and 2011 were \$93,807, \$91,443, and \$95,410 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 Outflows and Inflows of Resources

The Town had no deferred outflows of resources at June 30, 2013.

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

	Unavailable Revenue	Unearned Revenue
Taxes receivable (General Fund), less penalties	\$ 33,990	\$ -
Prepaid taxes (General Fund)	-	19,503
	<u>\$ 33,990</u>	<u>\$ 19,503</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, 2013, 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, 2013 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).	\$ 245,417
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).	3,055,000
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).	229,943
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).	382,637
Note payable, dated March 6, 2012, due 2033, face amount \$550,398, due in annual payments of \$27,519, plus interest at 2.445%, funding received through N.C. Dept. of Natural Resources (Wastewater Treatment Plant Improvements).	537,244
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).	680,832
Note payable, dated March 29, 2012, due 2014, face amount \$95,500, due in annual payments of \$48,0050 plus interest at 1.31%, collateralized by vehicles (Capital Equipment).	48,050
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 plus interest at 4.08%, collateralized by a parking facility (BRAHM Parking Facility).	923,077
Note payable, dated April 20, 2013, due 2015, face amount \$110,000, due in annual payments of \$38,109, plus interest at 1.49%, collateralized by vehicles (Capital Equipment).	<u>110,000</u>
Total Installment Purchases	<u>\$ 6,212,200</u>

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

Year	General		Water/Sewer	
	Principal	Interest	Principal	Interest
2013-2014	\$ 557,861	\$ 184,703	\$ 275,677	\$ 18,400
2014-2015	519,339	165,066	274,305	18,685
2015-2016	363,590	145,829	64,686	12,111
2016-2017	363,590	130,513	64,686	11,438
2017-2018	350,673	115,305	64,686	10,764
2018-2022	1,559,615	375,972	323,431	43,734
2022-2027	858,846	68,917	323,431	26,912
2027-2031	-	-	247,784	10,090
Total	<u>\$ 4,573,514</u>	<u>\$ 1,186,305</u>	<u>\$ 1,638,686</u>	<u>\$ 152,134</u>

At June 30, 2013 the Town of Blowing Rock had a legal debt margin of \$82,875,666.

c. Changes in Long-Term Liabilities

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Government activities:					
Installment purchases	5,074,915	78,887	(580,288)	4,573,514	557,861
Compensated absences	89,863	218,090	(214,798)	93,155	93,155
Pension Obligation	60,421	15,613	(11,604)	64,430	-
Governmental activity long-term debt	<u>5,225,199</u>	<u>312,590</u>	<u>(806,690)</u>	<u>4,731,099</u>	<u>651,016</u>
Business activities:					
Installment purchases	1,298,095	568,357	(227,766)	1,638,686	227,766
General obligation bonds	-	-	-	-	-
Compensated absences	23,023	44,373	(47,678)	19,718	19,718
Business-type activity long-term debt	<u>1,321,118</u>	<u>612,730</u>	<u>(275,444)</u>	<u>1,658,404</u>	<u>247,484</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, 2013 consist of the following:

From the General Fund to the Capital Projects Fund	\$67,871
From the General Fund to the Water/Sewer Capital Projects Fund	\$100,000
From the Water/Sewer Fund to the Water/Sewer Capital Projects Fund	\$143,270

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 2013 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, \$5,600 in TDA occupancy tax revenue towards the Hwy. 321 traffic signal reserve, \$116,323 towards special paving, \$1,788 towards Memorial Park hardscape improvements, and \$28,000 toward a police department capital asset purchase. Transfers of \$70,000 from the parking reserve for American Legion Parking Facility Debt Service, \$60,000 from the N. Caldwell and Blowing Rock Fire Districts and \$13,840 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 \$100,000 to the Water/Sewer Capital Projects Fund for the Water/Sewer Capital Improvement Plan funding. The water/sewer fund also transferred \$143,270 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.

Total fund balance - General Fund	\$ 2,954,604
Less:	
Stablization by State Statute	462,231
Prepays	3,641
Inventories	2,700
Appropriated Fund Balance in 2013 budget	<u>100,000</u>
Remaining fund balance	<u><u>2,386,032</u></u>

The Town of Blowing Rock has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 50% of budgeted expenditures.

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, 2013.

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.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified in Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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%
12/31/2012	-	134,332	134,332	0.00%	323,992	41.5%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	17,104	70.46%
2012	16,661	69.65%
2013	15,613	74.32%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18
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
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 3,128,857	\$
Interest		13,621	
Total	<u>3,037,285</u>	<u>3,142,478</u>	<u>105,193</u>
Other taxes and licenses:			
Occupancy tax		306,466	
Privilege licenses		9,504	
Total	<u>320,945</u>	<u>315,970</u>	<u>(4,975)</u>
Unrestricted intergovernmental:			
Local option sales taxes		429,946	
Cablevision franchise		-	
Telecommunications sales tax		47,630	
Video Programming Tax		46,520	
Utility franchise tax		147,474	
Hold harmless sales		10,594	
Beer and wine tax		5,055	
ABC profit distribution		60,000	
Total	<u>706,000</u>	<u>747,219</u>	<u>41,219</u>
Restricted intergovernmental:			
Powell Bill allocation		75,668	
Snow removal		23,774	
ABC Revenue for law enforcement		3,423	
Federal and State grants		15,553	
Solid waste disposal tax		529	
Total	<u>114,176</u>	<u>118,947</u>	<u>4,771</u>
Permits and fees:			
Building permits		56,106	
Total	<u>65,000</u>	<u>56,106</u>	<u>(8,894)</u>
Sales and services:			
Recreation department fees		93,753	
Recycling revenue		61,681	
Park lease/rental income		8,106	
Parking fees		1,758	
Total	<u>196,900</u>	<u>165,298</u>	<u>(31,602)</u>
Investment earnings	<u>13,935</u>	<u>3,223</u>	<u>(10,712)</u>

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Miscellaneous:			
Miscellaneous		90,935	
Cemetary revenue		22,563	
Solid waste fees		86,618	
Zoning fees		8,091	
Total	226,990	208,207	(18,783)
Total revenues	4,681,231	4,757,448	76,217
Expenditures:			
General government:			
Salaries		-	
Employee benefits		-	
Professional services		37,652	
Other operating expenditures		218,940	
Capital outlay		-	
Total		256,592	
Governing body:			
Salaries		15,600	
Employee benefits		22,006	
Other operating expenditures		7,697	
Total		45,303	
Finance:			
Salaries		229,391	
Employee benefits		76,057	
Other operating expenditures		92,313	
Capital outlay		5,074	
Total		402,835	
Public buildings:			
Salaries		7,379	
Employee benefits		563	
Other operating expenditures		31,535	
Capital outlay		20,501	
Total		59,978	
Total general government	766,570	764,708	1,862

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries		426,100	
Employee benefits		165,239	
Vehicle maintenance		53,131	
Other operating expenditures		232,917	
Capital outlay		49,573	
Total		<u>926,960</u>	
Fire:			
Salaries		279,227	
Employee benefits		91,686	
Other operating expenditures		56,730	
Capital outlay		-	
Total		<u>427,643</u>	
Inspections:			
Salaries		142,230	
Employee benefits		45,323	
Vehicle maintenance		2,032	
Other operating expenditures		26,150	
Capital outlay		4,790	
Total		<u>220,525</u>	
Total public safety	<u>1,638,848</u>	<u>1,575,128</u>	<u>63,720</u>
Transportation:			
Streets and highways:			
Salaries		226,510	
Employee benefits		88,426	
Sidewalk construction		-	
Vehicle maintenance		48,786	
Street Lights		119,221	
Other operating expenditures		238,191	
Capital outlay		18,851	
Total transportation	<u>768,695</u>	<u>739,985</u>	<u>28,710</u>
Environmental protection:			
Solid waste:			
Salaries		95,563	
Employee benefits		43,125	
Vehicle maintenance		25,602	
Other operating expenditures		139,167	
Capital outlay		-	
Total environmental protection	<u>321,250</u>	<u>303,457</u>	<u>17,793</u>

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Parks and recreation:			
Salaries		206,703	
Employee benefits		62,664	
Other operating expenditures		110,948	
Capital outlay		13,787	
Total		<u>394,102</u>	
Community donations:			
Contributions		6,746	
Total		<u>6,746</u>	
Total cultural and recreational	<u>439,075</u>	<u>400,848</u>	<u>38,227</u>
Debt service:			
Principal retirement		580,288	
Interest and other charges		203,215	
Total debt service	<u>784,270</u>	<u>783,503</u>	<u>767</u>
Total expenditures	<u>4,718,708</u>	<u>4,567,629</u>	<u>151,079</u>
Revenues over (under) expenditures	<u>(37,477)</u>	<u>189,819</u>	<u>227,296</u>
Other financing sources (uses):			
Transfers (to)/from other funds:			
Capital Projects Fund	(86,973)	(67,871)	19,102
Enterprise Fund	450	-	(450)
Enterprise Capital Projects Fund	(100,000)	(100,000)	-
Sale of assets	12,000	75,566	63,566
Proceeds from installment purchase	77,000	78,887	1,887
Appropriated fund balance	135,000	-	(135,000)
Total	<u>\$ 37,477</u>	<u>(13,418)</u>	<u>\$ (50,895)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>176,401</u>	<u>\$ 176,401</u>
Fund balances, beginning		2,778,203	
Change in reserve for inventories		-	
Fund balances, ending		<u>\$ 2,954,604</u>	

**Town of Blowing Rock, North Carolina
Capital Projects Fund - Various Projects
Schedules of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental:					
Storm water connection	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and grants	291,500	225,262	66,460	291,722	222
Total	291,500	225,262	66,460	291,722	222
Other revenues:					
Investment earnings	12,910	13,039	121	13,160	250
Miscellaneous	132,990	161,978	-	161,978	28,988
Total	145,900	175,017	121	175,138	29,238
Total revenues	437,400	400,279	66,581	466,860	29,460
Expenditures					
Recreation project:					
Capital outlay:					
Culture and recreation	228,920	43,874	19,098	62,972	165,948
Total	228,920	43,874	19,098	62,972	165,948
Streets and sidewalks project:					
Capital outlay:					
Transportation	658,730	236,720	195,963	432,683	226,047
Total	658,730	236,720	195,963	432,683	226,047
BRAHM project:					
Capital outlay:					
Culture and recreation	-	-	-	-	-
Total	-	-	-	-	-
Total expenditures	887,650	280,594	215,061	495,655	391,995
Revenues under expenditures	(450,250)	119,685	(148,480)	(28,795)	421,455
Other Financing Sources					
Various projects:					
Operating transfers in:					
General Fund	450,250	323,561	67,871	391,432	(58,818)
Installment purchase obligations issued	-	-	-	-	-
Total other financing sources	450,250	323,561	67,871	391,432	(58,818)
Revenues and other sources over expenditures	\$ -	\$ 443,246	\$ (80,609)	\$ 362,637	\$ 362,637

Town of Blowing Rock
Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Appearance Advisory Commission		Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,964	\$	14,964
Accounts receivable, net	-		-
Total assets	\$ 14,964	\$	14,964
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 647	\$	647
Fund balances:			
Restricted			
Stabilization by State Statute	-		-
Cultural & recreational	-		-
Unassigned	14,317		14,317
Total fund balances	14,317		14,317
Total liabilities and fund balances	\$ 14,964	\$	14,964

Town of Blowing Rock
Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Appearance Advisory Commission		Total Non-Major Governmental Funds
REVENUES			
Donations	\$ 33,309	\$	33,309
Miscellaneous	-		-
Total revenues	33,309		33,309
EXPENDITURES			
Current:			
General government	18,992		18,992
Total expenditures	18,992		18,992
Excess (deficiency) of revenues over expenditures	14,317		14,317
Fund balances, beginning	-		-
Fund balances, ending	\$ 14,317	\$	14,317

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

Town of Blowing Rock, North Carolina
Special Revenue Fund - Appearance Advisory Commission
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Donations	\$	\$ 33,309	\$
Miscellaneous		-	
Total	<u>22,670</u>	<u>33,309</u>	<u>10,639</u>
Expenditures:			
Cultural and recreational:			
Contracted services		9,796	
Beautification		8,071	
Miscellaneous		1,125	
Total	<u>22,670</u>	<u>18,992</u>	<u>3,678</u>
Revenues over expenditures	<u>\$ -</u>	14,317	<u>\$ 14,317</u>
Fund balances, beginning		-	
Fund balances, ending		<u>\$ 14,317</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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential	\$ -	\$ 705,849	\$ -
Impact fees		12,000	
Interconnect charges		25,234	
Total	<u>760,800</u>	<u>743,083</u>	<u>(17,717)</u>
Sewer charges:			
Residential		574,228	
Impact fees		39,395	
Total	<u>587,000</u>	<u>613,623</u>	<u>26,623</u>
Water and sewer taps	<u>13,000</u>	<u>1,490</u>	<u>(11,510)</u>
Other operating revenues	<u>19,000</u>	<u>16,865</u>	<u>(2,135)</u>
Total operating revenues	<u>1,379,800</u>	<u>1,375,061</u>	<u>(4,739)</u>
Nonoperating revenues:			
Interest earnings	<u>3,000</u>	<u>367</u>	<u>(2,633)</u>
Total revenues	<u>1,382,800</u>	<u>1,375,428</u>	<u>(7,372)</u>
Expenditures:			
Water and sewer administration:			
Salaries		27,415	
Employee benefits		11,256	
Travel		-	
Supplies		-	
Insurance		51,892	
Vehicle maintenance		-	
Other operating expenditures		10,971	
Engineering services		24,104	
Total water and sewer administration	<u>132,960</u>	<u>125,638</u>	<u>7,322</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, 2013

	Budget	Actual	Variance Positive (Negative)
Water and sewer plant operations:			
Salaries		163,879	
Employee benefits		56,796	
Repairs and maintenance		29,046	
Supplies		12,285	
Other operating expenditures		47,062	
Utilities		158,300	
Sludge composting		39,120	
Total	513,350	506,488	6,862
Water and sewer field operations:			
Salaries		105,393	
Employee benefits		44,014	
Supplies		62,803	
Chemicals		29,118	
Other operating expenditures		25,243	
Total	319,455	266,571	52,884
Debt service:			
Bond issuance costs		-	
Interest and other charges		18,288	
Principal retirement		227,766	
Total debt service	287,965	246,054	41,911
Capital outlay:			
Equipment		39,910	
Water taps		-	
Miscellaneous water		6,898	
Sewer extensions		-	
Sewer taps		-	
Miscellaneous sewer		-	
Total capital outlay	47,000	46,808	192
Total expenditures	1,300,730	1,191,559	109,171
Other financing sources (uses):			
Transfer (to) from other funds:			
General fund	-	-	-
Capital projects water and sewer	(119,070)	(143,270)	(24,200)
Proceeds from installment purchase	33,000	-	(33,000)
Sale of fixed assets	4,000	2,543	(1,457)
Appropriated fund balance	-	-	-
Total other financing sources (uses)	(82,070)	(140,727)	(58,657)
Revenues and other sources over expenditures and other uses	\$ -	43,142	\$ 43,142

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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 43,142	
Reconciling items:			
Principal retirement		227,766	
Capital outlay items capitalized		46,808	
Assets transferred from General Fund		-	
Decrease in bond interest accrued		-	
(Increase) decrease in accrued vacation payable		3,305	
Depreciation		(355,540)	
Transfers to/from water and sewer capital projects		143,270	
Proceeds from installment purchase		-	
Contributions & grant proceeds from Water and Sewer Capital Projects Fund		16,600	
Interest income from Water and Sewer Capital Projects Fund		407	
Miscellaneous income from Water and Sewer Capital Projects Fund		-	
Transfer in from General Fund to Water and Sewer Capital Project Fund		100,000	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Interconnect assets transferred		-	
Cumulative change in application of capitalization policy		-	
Total reconciling items		<u>182,616</u>	
Net income		<u>\$ 225,758</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, 2013

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ 50,245	\$ 50,402	\$ 407	\$ 50,809	\$ 564
Contributions & grant proceeds	1,133,440	10,000	16,600	26,600	(1,106,840)
Miscellaneous income	33,750	250	-	250	(33,500)
Total	<u>1,217,435</u>	<u>60,652</u>	<u>17,007</u>	<u>77,659</u>	<u>(1,139,776)</u>
 Total revenues	 1,217,435	 2,766,888	 17,007	 77,659	 (1,139,776)
Expenditures					
Construction	2,798,995	126,565	580,608	707,173	2,091,822
Total	<u>2,798,995</u>	<u>126,565</u>	<u>580,608</u>	<u>707,173</u>	<u>2,091,822</u>
Revenues under expenditures	<u>(1,581,560)</u>	<u>2,640,323</u>	<u>(563,601)</u>	<u>(629,514)</u>	<u>952,046</u>
Other financing sources :					
Operating transfer from water and sewer fund	672,446	469,590	143,270	612,860	(59,586)
Transfer from general fund	358,714	258,714	100,000	358,714	-
Proceeds of long-term debt	550,400	-	537,244	537,244	(13,156)
Other contributions	-	8,844	-	8,844	8,844
Total other sources	<u>1,581,560</u>	<u>737,148</u>	<u>780,514</u>	<u>1,517,662</u>	<u>(63,898)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,377,471</u>	<u>\$ 216,913</u>	<u>\$ 888,148</u>	<u>\$ 888,148</u>

Town of Blowing Rock, North Carolina
Statements of Grant Revenues and Expenditures
Wastewater Treatment Plant Improvements
E-SRF-T-11-0270
For the Period July 1, 2012 to June 30, 2013

Statement of Revenues

Sources of Funds:

Local (Cash)	
Local match	\$ 11,008
State funds	<u>537,244</u>
Total revenues	<u>\$ 548,252</u>

Statement of Expenditures

Construction cost	\$ 434,587
Engineering fee	95,500
Other	
Materials testing	<u>18,165</u>
Total expenses	<u>\$ 548,252</u>

Other Schedules

This section contains additional information required on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Year Tax Levy

Town of Blowing Rock, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 3,066,480	\$ 3,033,471	\$ 33,009
Vehicle Tax	-	51,595	49,563	2,032
2011-2012	54,680	-	26,325	28,355
Vehicle Tax	2,158	-	1,701	457
2010-2011	43,776	-	12,741	31,035
Vehicle Tax	855	-	144	711
2009-2010	13,095	-	5,035	8,060
Vehicle Tax	351	-	1	350
2008-2009	3,020	-	7	3,013
Vehicle Tax	606	-	160	446
2007-2008	1,108	-	10	1,098
Vehicle Tax	604	-	31	573
2006-2007	1,220	-	92	1,128
Vehicle Tax	409	-	-	409
2005-2006	1,740	-	-	1,740
Vehicle Tax	854	-	-	854
2004-2005	1,667	-	-	1,667
Vehicle Tax	793	-	18	775
2003-2004	1,073	-	2	1,071
Vehicle Tax	529	-	-	529
2002-2003	2,858	-	2,858	-
	<u>\$ 131,396</u>	<u>\$ 3,118,075</u>	<u>\$ 3,132,159</u>	<u>117,312</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>83,322</u>
Ad valorem taxes receivable - net				<u>\$ 33,990</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 3,142,478
Releases and refunds				444
Amounts written off per statute of limitations				<u>2,858</u>
Subtotal				3,145,780
Less interest collected				<u>(13,621)</u>
Total collections and credits				<u>\$ 3,132,159</u>

Town of Blowing Rock, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2013

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 1,107,800,367	0.280%	\$ 3,101,841	\$ 3,050,246	\$ 51,595
Penalties	-		-	-	-
Total	<u>1,107,800,367</u>		<u>3,101,841</u>	<u>3,050,246</u>	<u>51,595</u>
Discoveries:					
Current year taxes	8,554,906	0.280%	23,953	23,953	-
Prior year taxes	-	0.280%	-	-	-
Penalties	-	0.280%	-	-	-
	<u>8,554,906</u>		<u>23,953</u>	<u>23,953</u>	<u>-</u>
Abatements	(2,756,950)	0.280%	(7,719)	(7,719)	-
Total property valuation	<u>\$ 1,113,598,323</u>				
Net levy			3,118,075	3,066,480	51,595
Uncollected taxes at June 30, 2013			<u>35,041</u>	<u>33,009</u>	<u>2,032</u>
Current year's taxes collected			<u>\$3,083,034</u>	<u>\$3,033,471</u>	<u>\$49,563</u>
Current levy collection percentage			<u>98.88%</u>	<u>98.92%</u>	<u>96.06%</u>

Compliance Section

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Blowing Rock, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Blowing Rock's basic financial statements, and have issued our report thereon dated October 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Blowing Rock's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Blowing Rock's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Blowing Rock's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Blowing Rock's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

COMBS, TENNANT & CARPENTER, P.C.
COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, North Carolina

October 16, 2013

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**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal
 Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit
 Implementation Act**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Blowing Rock's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Blowing Rock's major federal programs for the year ended June 30, 2013. The Town of Blowing Rock's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Blowing Rock's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Blowing Rock's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Blowing Rock's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Blowing Rock complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Blowing Rock is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Blowing Rock's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, North Carolina

October 16, 2013

**Town of Blowing Rock, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(s) indentified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(s) indentified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with Seciton 510(a) of Circular A-133 _____ yes X no

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
66.458	Capitalization Grant for State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

**Town of Blowing Rock, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013**

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questioned Costs

None Reported

**Town of Blowing Rock, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013**

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questioned Costs

None Reported

**Town of Blowing Rock, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2013**

Prior Year Audit Findings

None Reported

Town of Blowing Rock, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>
Federal Grants:			
Cash Programs:			
<u>U. S. Department of Justice</u>			
Passed-through N.C. Department of Crime Control and Public Safety:			
Criminal Justice Improvements Grants Program	16.738		\$ 15,553
<u>Environmental Protection Agency</u>			
Passed-through N.C. Department of Environment and Natural Resources			
ARRA - NC Drinking Water State Revolving Fund and Grant program(note 2)	66.458		537,244
Total assistance - federal programs			552,797
State Grants:			
Cash Assistance:			
<u>N.C. Department of Transportation:</u>			
Powell Bill			75,668
Total assistance - State programs			75,668
Total assistance			\$ 628,465

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Blowing Rock and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Loans Outstanding

Town of Blowing Rock had the following loan balances outstanding at June 30, 2013. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>\$</u>
N.C. Drinking Water Revolving Loan and Grant Program	66.458	\$ 537,244