

TOWN OF BLOWING ROCK, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2018

TOWN COUNCIL MEMBERS

Doug Matheson

Virginia Powell

Jim Steele

Sue Sweeting

Charlie Sellers, Mayor

Albert Yount, Mayor Pro-Term

Ed Evans, Town Manager

Nicole Norman, Finance Officer

TOWN OF BLOWING ROCK, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability, Total Pension Liability as a Percentage of Covered Payroll and Schedule of Changes in the Total OPEB Liability and Related Ratios, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

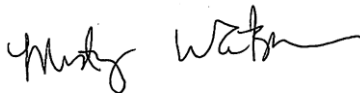
Supplementary Other Information

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

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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. In our opinion, based on our audit, the procedures as described above, the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the 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 grant agreements, and other matters. The purpose of that 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 the Town of Blowing Rock's internal control over financial reporting and compliance.



Misty D Watson, CPA, PA
Boone, North Carolina
September 28, 2018

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, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

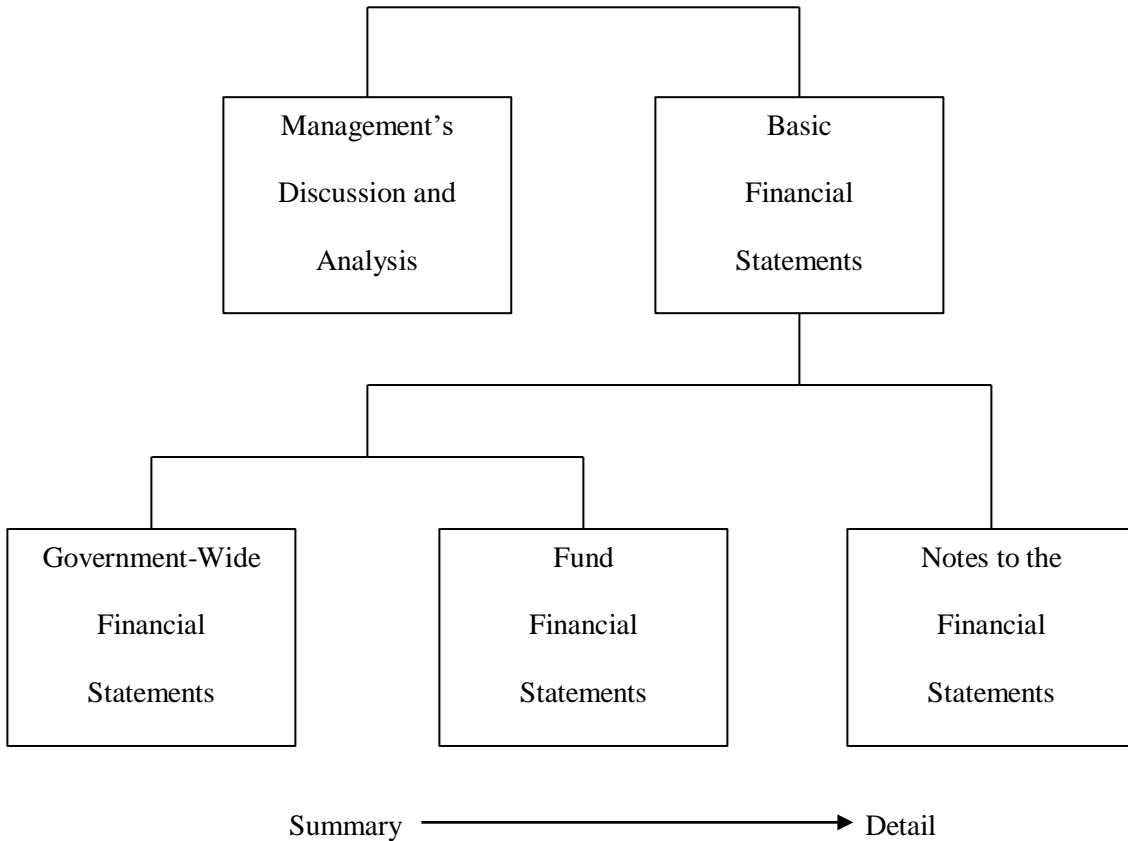
- The assets of the Town of Blowing Rock exceeded its liabilities at the close of the fiscal year by \$32,699,667 (*net position*).
- The government's total net position increased by \$1,020,636 primarily due to governmental fund related activities.
- As of the close of the current fiscal year, the Town of Blowing Rock's governmental funds reported combined ending fund balances of \$6,952,228, an increase of \$1,457,404 in comparison with the prior year. Approximately 44.7% of this total amount, or \$3,108,682, is restricted. The combined fund balance increase of \$1,457,404 consists of an increase in the General Capital Projects Fund of \$832,312, an increase in the General Fund balance of \$619,776 and a \$5,316 increase in the Appearance Advisory Commission Fund (BRAAC).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,283,162, or 57%, of total General Fund expenditures and transfers out for the fiscal year.
- The Town of Blowing Rock earned a AA+ long-term debt rating from Standard and Poor's on its first general obligation bond issuance in February 2016. An obligation rated AA differs from the highest rated obligations only to a small degree. The obligator's capacity to meet its financial commitment on the obligation is very strong.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net 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 positions 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 Federal and State grant funds 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. Although legally separate from the Town, the TDA is important to the Town because the Town exercises control over the Authority by appointing its members.

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

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed, short-term view that helps him or her determine if there are more or less financial resources available to finance the 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 about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information. Combining and individual fund statements and schedules can be found beginning on page 56 of this report. Required supplementary information can be found beginning on page 51.

**Government-Wide Financial Analysis
Town of B**

Blowing Rock's Net Position Figure

2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$8,172,712	\$6,564,470	\$4,049,073	\$3,352,226	\$12,221,785	\$9,916,696
Capital assets	21,318,688	20,360,042	13,532,268	13,868,951	34,850,956	34,228,993
Deferred outflows of resources	458,283	612,852	99,425	130,459	557,708	743,311
Total assets and deferred outflows of resources	29,949,683	27,537,364	17,680,766	17,351,636	47,630,449	44,889,000
Liabilities:						
Long-term liabilities outstanding	10,262,698	8,840,894	3,324,946	2,506,154	13,587,644	11,347,138
Other liabilities	1,080,184	1,170,458	163,658	580,190	1,243,842	1,750,648
Deferred inflows of resources	92,366	54,328	6,930	4,823	99,296	59,151
Total liabilities and deferred inflows of resources	11,435,248	10,065,770	3,495,534	3,091,167	14,930,782	13,156,937
Net Position:						
Net investment in capital assets	12,162,159	14,294,368	10,603,404	12,784,711	22,765,563	27,079,079
Restricted	3,108,682	2,796,459	-	-	3,108,682	2,796,459
Unrestricted	3,243,594	380,767	3,581,828	1,475,758	6,825,422	1,856,525
Total net position	18,514,435	17,471,594	14,185,232	14,260,469	32,699,667	31,732,063

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Blowing Rock exceeded liabilities by \$32,669,667 as of June 30, 2018. The Town's net position increased by \$1,020,636 for the fiscal year ended June 30, 2018. However, the largest portion (70%) 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, \$3,108,682, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,825,422 is unrestricted.

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

- In the current year, there was an increase in local options sales tax and water and sewer collections.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.52%.

Town of Blowing Rock Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$469,739	\$ 399,472	\$1,789,086	\$ 1,678,467	\$2,258,825	\$ 2,077,939
Operating grants and contributions	332,316	220,774	-	-	332,316	220,774
Capital grants and contributions	-	154,484	-	-	-	154,584
General Revenues:						
Property taxes	4,197,402	3,815,216	-	-	4,197,402	3,815,216
Other taxes	381,577	321,376	-	-	381,577	321,376
Investment earnings	44,077	20,307	19,681	8,122	63,758	28,429
Grants and contributions not restricted to specific programs	2,496,861	2,145,710	-	-	2,496,861	2,145,710
Sale of capital assets	36,066	11,662	-	-	36,066	11,662
Other	287,431	223,532	-	-	287,431	223,532
Total revenues	<u>8,245,469</u>	<u>7,312,633</u>	<u>1,808,767</u>	<u>1,686,589</u>	<u>10,054,236</u>	<u>8,999,222</u>
Expenses:						
General government	1,905,347	1,729,126	-	-	1,905,347	1,729,126
Public Safety	2,475,827	2,270,204	-	-	2,475,827	2,270,204
Transportation	1,220,677	1,212,456	-	-	1,220,677	1,212,456
Environmental protection	432,123	410,232	-	-	432,123	410,232
Cultural and recreation	841,417	558,949	-	-	841,417	558,949
Interest on long-term debt	235,145	243,164	-	-	235,145	243,164
Other	49,110	-	-	-	49,110	-
Water and sewer	-	-	1,873,954	1,743,242	1,873,954	1,743,242
Total expenses	<u>7,159,646</u>	<u>6,424,131</u>	<u>1,873,954</u>	<u>1,743,242</u>	<u>9,033,600</u>	<u>8,167,373</u>
Increase (decrease) in net position before transfers	1,085,823	885,502	(65,187)	(56,653)	1,020,636	831,849
Transfers	-	(75,000)	-	75,000	-	-
Increase in net position	<u>1,085,823</u>	<u>813,502</u>	<u>(65,187)</u>	<u>18,347</u>	<u>1,020,636</u>	<u>831,849</u>
Net position, restated	<u>17,428,612</u>	<u>16,658,092</u>	<u>14,250,419</u>	<u>14,242,122</u>	<u>31,679,031</u>	<u>30,900,214</u>
Net position, June 30	<u>18,514,435</u>	<u>17,471,594</u>	<u>\$14,185,232</u>	<u>\$ 14,260,469</u>	<u>\$32,699,667</u>	<u>\$ 31,732,063</u>

Governmental Activities. Governmental activities increased the Town’s net position by \$1,085,823. Key elements of this increase are as follows:

- Sales and services exceeded expectations.
- Town management closely monitored expenditures.
- Increased collections from local option sales tax.

Business-Type Activities. Business-type activities decreased the Town of Blowing Rock’s net position by

\$65,187. Key element of this decrease are as follows:

- Continued strong collections from water and sewer charges.

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, available 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, fund balance available in the General Fund was \$4,283,162 while total fund balance reached \$5,219,034.

At June 30, 2018, the governmental funds of the Town of Blowing Rock reported a combined fund balance of \$6,952,228 a 26% increase over last year. Included in this change in fund balance is an increase in the General Fund of \$619,776, an increase in the Capital Project Fund of \$832,312, and an increase in other nonmajor funds of \$5,316.

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

Revenues exceeded budgeted amounts due to conservative estimates.

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

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 \$3,581,828. The change in net position was a decrease of \$65,187. 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 capital assets for its governmental and business-type activities as of June 30, 2018, totals \$34,850,956 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- | | |
|----------------------------------------|-------------|
| • Governmental buildings | \$1,221,821 |
| • Governmental equipment and furniture | \$135,379 |
| • Governmental vehicles | \$230,600 |
| • Governmental computers | \$114,660 |

The Town continues various ongoing capital projects.

The Town sold various equipment and vehicles during the year.

Town of Blowing Rock's Capital Assets

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 3,061,253	\$ 3,061,253	\$ 100,504	\$ 100,504	\$ 3,161,757	\$ 3,161,757
Construction in progress	1,387,260	1,447,392	85,148	461,820	1,472,408	1,909,122
Infrastructure	8,379,393	8,568,243	-	-	8,379,393	8,568,243
Buildings	7,317,311	6,268,630	-	-	7,317,311	6,268,630
Plant	-	-	13,053,496	12,964,873	13,053,496	12,964,873
Vehicles	551,268	522,636	-	-	551,268	522,636
Computers	179,142	116,635	-	-	179,142	116,635
Equipment and furniture	443,062	375,253	293,122	341,754	736,184	717,007
Net capital assets	\$ 21,318,689	\$ 20,360,042	\$ 13,532,268	\$ 13,868,951	34,850,956	\$ 34,228,993

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

Long-Term Debt.

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

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$4,897,500	\$ 3,320,000	\$1,567,500	\$ 1,080,000	\$6,465,000	\$4,400,000
Unamortized bond premium	42,599	-	14,587	-	57,186	-
Capital lease	371,036	-	33,964	-	405,000	-
Compensated absences	173,866	148,191	37,335	33,727	211,201	181,918
Total pension liability	317,503	280,786	-	-	317,503	280,786
Total OPEB liability	43,483	-	10,137	-	53,620	-
Net pension liability	528,718	698,290	123,620	154,464	652,338	852,754
Installment purchases	3,887,993	4,541,908	1,327,400	1,478,929	5,215,393	6,020,837
Total	\$10,262,698	\$8,989,175	\$3,114,543	\$2,747,120	\$13,377,241	\$11,736,295

The Town of Blowing Rock's total long-term liabilities increased by \$1,640,976 during the past fiscal year, due to principal payments in the amount \$1,040,442, the issuance of a capital lease in the amount \$405,000 and general obligation bonds in the amount \$2,300,000.

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 the Town of Blowing Rock is \$72,894,199.

Additional information regarding the Town of Blowing Rock's long-term debt can be found in note 2 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

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

- Tourism continues to be a source of strength for the Town during the current year.
- Housing construction activity continues to grow steadily.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities. Property tax revenues are expected to increase over prior year at thirty-seven cents per hundred dollars. State shared revenues are expected to increase slightly due to an improving State economy.

Budgeted expenditures in the General Fund are expected to increase approximately 3% due mainly an increase to debt service as associate with the second of four issuances of General Obligation Bonds. The increase is partially offset by a decrease in capital outlay and transfers.

Business-Type Activities. The water and sewer revenues in the Town are expected to decrease in comparison with the prior year. This is mainly to last years inclusion of funding for the ultimately not expended project of Automated Meter Infrastructure meter reading technology implementation.

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 Director of Finance, Town of Blowing Rock, 1036 Main Street, Blowing Rock, North Carolina 28605.

Town of Blowing Rock, North Carolina
Statement of Net Position
June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Blowing Rock Board of Alcoholic Beverage Control	Town of Blowing Rock Tourism Development Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,919,125	\$ 1,365,508	\$ 6,284,633	\$ 270,441	\$ 621,359
Taxes receivable, net	95,898	-	95,898	-	120,256
Accrued interest receivable on taxes	14,028	-	14,028	-	-
Accounts receivable, net	101,159	373,963	475,122	-	-
Due from other funds	-	17,833	17,833	-	-
Due from other governments	620,520	6,526	627,046	-	-
Inventories	2,700	94,350	97,050	270,084	-
Prepaid expenses	32,279	-	32,279	3,753	-
Restricted cash and cash equivalents	2,387,003	2,190,893	4,577,896	144,693	-
Total current assets	<u>8,172,712</u>	<u>4,049,073</u>	<u>12,221,785</u>	<u>688,971</u>	<u>741,615</u>
Non-current assets:					
Capital assets (Note 4):					
Land, non-depreciable improvements, and construction in progress	4,448,513	185,652	4,634,165	-	-
Other capital assets, net of depreciation	16,870,175	13,346,616	30,216,791	219,327	74,816
Total capital assets	<u>21,318,688</u>	<u>13,532,268</u>	<u>34,850,956</u>	<u>219,327</u>	<u>74,816</u>
Total assets	<u>29,491,400</u>	<u>17,581,341</u>	<u>47,072,741</u>	<u>908,298</u>	<u>816,431</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on bond issuance	3,424	1,150	4,574	-	-
OPEB deferrals	3,408	799	4,207	-	15,979
Pension deferrals	451,451	97,476	548,927	16,351	25,678
Total deferred outflows of resources	<u>458,283</u>	<u>99,425</u>	<u>557,708</u>	<u>16,351</u>	<u>41,657</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,033,901	156,681	1,190,582	154,004	65,220
Accrued interest payable	28,450	7,007	35,457	-	-
Due to other governments	17,833	-	17,833	-	-
Unearned revenue	-	11,263	11,263	-	-
Compensated absences	173,866	37,335	211,201	1,701	-
Current portion of long-term liabilities	979,333	248,840	1,228,173	-	-
Payable from restricted assets	-	199,140	199,140	-	-
Total current liabilities	<u>2,233,383</u>	<u>660,266</u>	<u>2,893,649</u>	<u>155,705</u>	<u>65,220</u>
Long-term liabilities:					
Net pension liability	528,718	123,620	652,338	18,180	33,763
Total OPEB obligation	43,483	10,137	53,620	10,170	43,472
Total pension liability	317,503	-	317,503	-	-
Due in more than one year	8,219,795	2,694,581	10,914,376	-	-
Total liabilities	<u>11,342,882</u>	<u>3,488,604</u>	<u>14,831,486</u>	<u>184,055</u>	<u>142,455</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	58,824	-	58,824	-	-
OPEB deferrals	2,054	481	2,535	247	3,870
Pension deferrals	31,488	6,449	37,937	515	2,527
Total deferred inflows of resources	<u>92,366</u>	<u>6,930</u>	<u>99,296</u>	<u>762</u>	<u>6,397</u>
NET POSITION					
Net investment in capital assets	12,162,159	10,603,404	22,765,563	219,327	74,816
Restricted for:					
Capital projects	2,387,003	-	2,387,003	144,693	-
Working capital	-	-	-	52,095	-
Stabilization by State Statute	721,679	-	721,679	-	120,256
Unrestricted	3,243,594	3,581,828	6,825,422	323,717	514,164
Total net position	<u>\$ 18,514,435</u>	<u>\$ 14,185,232</u>	<u>\$ 32,699,667</u>	<u>\$ 739,832</u>	<u>\$ 709,236</u>

The accompanying notes are an integral part of this statement

Town of Blowing Rock, North Carolina
Statement of Activities
June 30, 2018

Functions/Programs	Program Revenues							Net (Expense) Revenue and Changes in Net Position				Component Units			
	Primary Government							Primary Government				Town of Blowing Rock		Blowing Rock Tourism Development Authority	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Alcoholic Beverage Control	Beverage Control	Total	Blowing Rock Tourism Development Authority	Blowing Rock Tourism Development Authority	Blowing Rock Tourism Development Authority	Blowing Rock Tourism Development Authority	
Primary government:															
Governmental Activities:															
General government	\$ 1,905,347	\$ 173,574	\$ 2,291	\$ -	\$ (1,729,482)	\$ (1,729,482)	\$ -	\$ -	\$ (1,729,482)	\$ -	\$ -	\$ -	\$ -	\$ -	
Public safety	2,475,827	-	252,494	-	(2,223,333)	(2,223,333)	-	-	(2,223,333)	-	-	-	-	-	
Transportation	1,220,677	-	76,675	-	(1,144,002)	(1,144,002)	-	-	(1,144,002)	-	-	-	-	-	
Environmental protection	432,123	137,550	856	-	(293,717)	(293,717)	-	-	(293,717)	-	-	-	-	-	
Cultural and recreation	841,417	158,615	-	-	(682,802)	(682,802)	-	-	(682,802)	-	-	-	-	-	
Unexpended loan proceeds	49,110	-	-	-	(49,110)	(49,110)	-	-	(49,110)	-	-	-	-	-	
Interest on long-term debt	235,145	-	-	-	(235,145)	(235,145)	-	-	(235,145)	-	-	-	-	-	
Total governmental activities (See Note 1)	7,159,646	469,739	332,316	-	(6,357,591)	(6,357,591)	-	-	(6,357,591)	-	-	-	-	-	
Business-type activities:															
Water and sewer	1,873,954	1,789,086	-	-	\$ (84,868)	(84,868)	-	-	(84,868)	-	-	-	-	-	
Total business-type activities	1,873,954	1,789,086	-	-	(84,868)	(84,868)	-	-	(84,868)	-	-	-	-	-	
Total primary government	\$ 9,033,600	\$ 2,258,825	\$ 332,316	\$ -	(6,357,591)	(6,357,591)	-	-	(6,442,459)	-	-	-	-	-	
Component units:															
Town of Blowing Rock Board of Alcoholic Beverage Control	\$ 1,748,412	\$ 1,795,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,497	\$ -	\$ -	\$ -	\$ -	
Town of Blowing Rock Tourism Development Authority	973,672	-	-	-	-	-	-	-	-	-	-	-	(973,672)	-	
Total component unit	\$ 973,672	-	-	-	-	-	-	-	-	47,497	-	-	(973,672)	-	
General revenues:															
Taxes:															
Property taxes, levied for general purpose					4,197,402	4,197,402	-	-	4,197,402	-	-	-	-	-	
Other taxes					381,577	381,577	-	-	381,577	-	-	-	-	989,904	
Grants and contributions not restricted to specific programs					2,496,861	2,496,861	-	-	2,496,861	-	-	-	-	-	
Unrestricted investment earnings					44,077	44,077	19,681	-	63,758	157	-	-	881	-	
Gain on sale of capital assets					36,066	36,066	-	-	36,066	-	-	-	-	-	
Miscellaneous					287,431	287,431	-	-	287,431	223	-	-	1,415	-	
Total general revenues					7,443,414	7,443,414	19,681	-	7,463,095	380	-	-	992,200	-	
Total general revenues and transfers					7,443,414	7,443,414	19,681	-	7,463,095	380	-	-	992,200	-	
Change in net position					1,085,823	1,085,823	(65,187)	-	1,020,636	47,877	-	-	18,528	-	
Net position, beginning, previously stated					17,471,594	17,471,594	14,260,469	-	31,732,063	684,754	-	-	723,890	-	
Restatement					(42,982)	(42,982)	(10,050)	-	(53,032)	7,201	-	-	(33,182)	-	
Net position, beginning, restated					17,428,612	17,428,612	14,250,419	-	31,679,031	691,955	-	-	690,708	-	
Net position, ending					\$ 18,514,435	\$ 18,514,435	\$ 14,185,232	\$ -	\$ 32,699,667	\$ 739,832	\$ -	\$ -	\$ 709,236	\$ -	

The accompanying notes are an integral part of this statement

Town of Blowing Rock, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

	<u>Major Funds</u>			Total Governmental Funds
	General	Capital Project Fund	Total Non-Major Funds	
ASSETS				
Cash and cash equivalents	\$ 4,887,753	\$ -	\$ 31,372	\$ 4,919,125
Receivables, net:				
Taxes	95,898	-	-	95,898
Accounts	101,159	-	-	101,159
Due from other governments	620,520	-	-	620,520
Inventory	2,700	-	-	2,700
Prepaid expenses	32,279	-	-	32,279
Restricted cash	179,214	2,207,789	-	2,387,003
Total assets	<u>5,919,523</u>	<u>2,207,789</u>	<u>31,372</u>	<u>8,158,684</u>
LIABILITIES				
Accounts payable and accrued liabilities	545,767	477,855	10,279	1,033,901
Due to other funds	-	17,833	-	17,833
Total liabilities	<u>545,767</u>	<u>495,688</u>	<u>10,279</u>	<u>1,051,734</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	58,824	-	-	58,824
Property taxes receivable	95,898	-	-	95,898
Total deferred inflows of resources	<u>154,722</u>	<u>-</u>	<u>-</u>	<u>154,722</u>
FUND BALANCES				
Restricted				
Stabilization by State Statute	721,679	-	-	721,679
Capital projects	179,214	2,207,789	-	2,387,003
Nonspendable				
Inventory	2,700	-	-	2,700
Prepaid expenses	32,279	-	-	32,279
Assigned				
Capital projects	-	(495,688)	-	(495,688)
Unassigned	4,283,162	-	21,093	4,304,255
Total fund balances	<u>5,219,034</u>	<u>1,712,101</u>	<u>21,093</u>	<u>6,952,228</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,919,523</u>	<u>\$ 2,207,789</u>	<u>\$ 31,372</u>	

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

Total Fund Balance, Governmental Funds	\$ 3,424
Charges related to advance refunding bond issue.	\$ 3,424
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 29,390,226
Accumulated depreciation	<u>(8,071,538)</u>
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	14,028
Deferred outflows of resources related to pensions are not reported in the funds	451,451
Deferred outflows of resources related to OPEB are not reported in the funds	3,408
Deferred inflows of resources related to pensions are not reported in the funds	(31,488)
Deferred inflows of resources related to OPEB are not reported in the funds	(2,054)
Earned revenues considered deferred inflows of resources in fund statements.	95,898
Net pension liability	(528,718)
Accrued interest	(28,450)
Total pension liability	(317,503)
Compensated absences	(173,866)
Total OPEB obligation	(43,483)
Gross long-term debt	(9,199,128)
Net position of governmental activities	<u>\$ 18,514,435</u>

The accompanying notes are an integral part of this statement

Town of Blowing Rock, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund	Total Non-Major Funds	
REVENUES				
Ad valorem taxes	\$ 4,154,479	\$ -	\$ -	\$ 4,154,479
Other taxes and licenses	381,577	-	-	381,577
Unrestricted intergovernmental	2,228,022	-	-	2,228,022
Restricted intergovernmental	95,267	268,839	-	364,106
Permits and fees	154,886	-	-	154,886
Sales and services	260,341	-	-	260,341
Investment earnings	22,958	21,119	-	44,077
Miscellaneous	549,181	-	34,176	583,357
Total revenues	<u>7,846,711</u>	<u>289,958</u>	<u>34,176</u>	<u>8,170,845</u>
EXPENDITURES				
Current:				
General government	1,796,865	120,558	-	1,917,423
Public safety	2,361,141	-	-	2,361,141
Transportation	1,044,096	882,912	-	1,927,008
Environmental protection	511,160	-	-	511,160
Culture and recreation	700,830	316,230	20,860	1,037,920
Debt service:				
Principal	833,915	-	-	833,915
Interest and other charges	232,828	-	-	232,828
Total expenditures	<u>7,480,835</u>	<u>1,319,700</u>	<u>20,860</u>	<u>8,821,395</u>
Excess (deficiency) of revenues over expenditures	<u>365,876</u>	<u>(1,029,742)</u>	<u>13,316</u>	<u>(650,550)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	63,000	159,100	-	222,100
Transfers to other funds	(214,100)	-	(8,000)	(222,100)
Installments purchase obligations	371,036	-	-	371,036
General obligation bonds	-	1,757,500	-	1,757,500
Bond issuance costs/premiums	-	(51,823)	-	(51,823)
Bond premium	-	46,387	-	46,387
Unexpended loan proceeds returned	-	(49,110)	-	(49,110)
Sales of capital assets	33,964	-	-	33,964
Total other financing sources (uses)	<u>253,900</u>	<u>1,862,054</u>	<u>(8,000)</u>	<u>2,107,954</u>
Net change in fund balance	<u>619,776</u>	<u>832,312</u>	<u>5,316</u>	<u>1,457,404</u>
Fund balances, beginning	4,599,258	879,789	15,777	5,494,824
Fund balances, ending	<u>\$ 5,219,034</u>	<u>1,712,101</u>	<u>\$ 21,093</u>	<u>\$ 6,952,228</u>

The accompanying notes are an integral part of this statement

Town of Blowing Rock, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2018

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

Net changes in fund balances - total governmental funds	\$	1,457,404
<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>		
Capital outlay expenditures which were capitalized	\$ 1,642,328	
Depreciation expense for governmental assets	<u>(683,682)</u>	958,646
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		180,929
Benefit payments paid and administrative expense for OPEB are not included on the Statement of Activities		3,408
Benefit payments paid and administrative expense for the LEOWSA are not included on the Statement of Activities		13,472
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		37,140
<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>		
Increase in accrued interest payable	(5,995)	
Bond premium	(44,481)	
New long-term debt issued	(2,128,536)	
Principal payments on long-term debt	<u>833,915</u>	(1,345,097)
<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>		
Compensated absences	(25,675)	
OPEB plan expense	(2,518)	
Pension expense made in current fiscal year	<u>(191,886)</u>	(220,079)
 Total changes in net position of governmental activities	 \$	 <u><u>1,085,823</u></u>

Town of Blowing Rock, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget - Original	Budget - Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 4,153,152	\$ 4,153,152	\$ 4,154,479	\$ 1,327
Other taxes and licenses	380,907	380,907	381,577	670
Unrestricted intergovernmental	2,030,218	2,139,243	2,228,022	88,779
Restricted intergovernmental	106,190	156,190	95,267	(60,923)
Permits and fees	65,000	65,000	154,886	89,886
Sales and services	214,250	214,250	260,341	46,091
Investment earnings	4,000	4,000	22,958	18,958
Miscellaneous	552,927	571,272	549,181	(22,091)
Total revenues	<u>7,506,644</u>	<u>7,684,014</u>	<u>7,846,711</u>	<u>162,697</u>
Expenditures:				
Current:				
General government	2,593,150	2,676,901	2,635,336	41,565
Public safety	2,589,142	2,541,267	2,410,548	130,719
Transportation	1,194,673	1,194,983	1,157,979	37,004
Environmental protection	550,712	567,456	545,979	21,477
Cultural and recreation	859,341	815,186	730,993	84,193
Total expenditures	<u>7,787,018</u>	<u>7,795,793</u>	<u>7,480,835</u>	<u>314,958</u>
Revenues over (under) expenditures	<u>(280,374)</u>	<u>(111,779)</u>	<u>365,876</u>	<u>477,655</u>
Other financing sources (uses):				
Transfer from other funds				
Capital Projects Fund	60,000	60,000	60,000	-
BRAAC	3,000	3,000	3,000	-
Transfer to other funds				
Capital Projects Fund	(214,100)	(387,625)	(214,100)	(173,525)
Installments purchase obligations	419,474	371,904	371,036	868
Sales of capital assets	12,000	12,000	33,964	(21,964)
Total other financing sources (uses)	<u>280,374</u>	<u>59,279</u>	<u>253,900</u>	<u>(194,621)</u>
Fund balance appropriated	<u>-</u>	<u>52,500</u>	<u>-</u>	<u>52,500</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>619,776</u>	<u>\$ 619,776</u>
Fund balances, beginning			4,599,258	
Fund balances, ending			<u>\$ 5,219,034</u>	

The accompanying notes are an integral part of this statement

Town of Blowing Rock, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2018

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	1,365,508
Accounts receivable, net	373,963
Prepaid expenses	6,526
Due from other funds	17,833
Inventories	94,350
Restricted cash and cash equivalents	2,190,893
Total current assets	4,049,073
Noncurrent assets:	
Capital assets:	
Land and construction in progress	185,652
Other capital assets, net of depreciation	13,346,616
Capital assets	13,532,268
Total assets	\$ 17,581,341
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	\$ 97,476
OPEB deferrals	799
Deferred charges on bond issuance	1,150
Total deferred outflows of resources	99,425
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	156,681
Current portion of long-term debt	248,840
Accrued interest	7,007
Unearned revenue	11,263
Compensated absences	37,335
Liabilities payable from restricted assets:	
Customer deposits	199,140
Total current liabilities	660,266
Noncurrent liabilities:	
Notes and bonds payable	2,660,617
Capital lease payable	33,964
Total OPEB liability	10,137
Net pension liability	123,620
Total noncurrent liabilities	2,828,338
Total liabilities	3,488,604
DEFERRED INFLOWS OF RESOURCES	
OPEB deferrals	481
Pension deferrals	6,449
Total deferred outflows of resources	6,930
NET POSITION	
Net investment in capital assets	10,603,404
Unrestricted	3,581,828
Total net position	\$ 14,185,232

The accompanying notes are an integral part of this statement

Town of Blowing Rock, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 1,766,808
Water and sewer taps	3,978
Other operating revenues	18,300
Total operating revenues	1,789,086
OPERATING EXPENSES	
Administration	346,368
Water and Sewer Plant Operations	668,170
Water and Sewer Field Operations	333,686
Depreciation	464,363
Total operating expenses	1,812,587
Operating income (loss)	(23,501)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	19,681
Unexpended loan proceeds returned	(16,386)
Interest and other charges	(44,981)
Total nonoperating revenue (expenses)	(41,686)
Change in net position	(65,187)
Total net position, previously reported	14,260,469
Restatement	(10,050)
Beginning net position, restated	14,250,419
Total net position, ending	\$ 14,185,232

Town of Blowing Rock, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,740,762
Cash paid for goods and services	(669,824)
Cash paid to employees	(650,520)
Customer deposits received	1,806
Customer deposits returned	-
Net cash provided (used) by operating activities	<u>422,224</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(206,527)
Proceeds from capital lease	33,964
Proceeds from general obligation bonds	542,500
Bond premium issued	14,930
Interest and other charges	(44,981)
Unexpended loan proceeds returned	(16,386)
Acquisition and construction of capital assets	(127,682)
Net cash provided (used) by capital and related financing activities	<u>195,818</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	19,681
Net cash provided (used) by investing activities	<u>19,681</u>
Net increase (decrease) in cash and cash equivalents	637,723
Balances, beginning	2,918,678
Balances, ending	<u>\$ 3,556,401</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (23,501)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	464,363
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable, net	(47,334)
(Increase) decrease in prepaid expenses	(6,334)
(Increase) decrease in inventories	(5,456)
(Increase) decrease in deferred outflows of resources for pensions	31,782
Increase (decrease) in net pension liability	(30,844)
Increase (decrease) in total OPEB liability	87
Increase (decrease) in accounts payable and accrued liabilities	32,930
Increase (decrease) in unearned revenue	(990)
Increase (decrease) in customer deposits	1,806
Increase (decrease) in compensated absences	3,608
Increase (decrease) in deferred inflows of resources for OPEB	481
Increase (decrease) in deferred inflows of resources for pensions	1,626
Total adjustments	<u>445,725</u>
Net cash provided by operating activities	<u>\$ 422,224</u>

The accompanying notes are an integral part of this statement

TOWN OF BLOWING ROCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town 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 unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Blowing Rock ABC Board

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

Town of Blowing Rock Tourism Development Authority (TDA)

The members of the TDA's governing board are appointed by the Town. The TDA Board, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the TDA Board may be obtained from the entity's administrative offices at the Town of Blowing Rock TDA, P.O. Box 47, Blowing Rock North Carolina 28605.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. 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

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or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town maintains the following major governmental funds:

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

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

The Town maintains the following nonmajor governmental funds:

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

The Town reports the following major enterprise funds:

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

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 proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2014, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Blowing Rock

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because the tax is levied by Avery County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 is 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 Water and Sewer Fund. 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 amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Equity Deposits and Investments

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

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

The Town's, the ABC Board's, and the TDA's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town pools monies from several funds to facilitate disbursement and investment

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and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board and the TDA consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Cash

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

Restricted cash at June 30, 2018, consist of the following:

Governmental Activities:

General Fund - unexpended debt proceeds	\$	8,290
General Fund – unexpended project funds		170,924
General Capital Projects Fund - unexpended debt proceeds		<u>2,207,789</u>
Total governmental activities	\$	<u>2,387,003</u>

Business-Type Activities:

Water and Sewer Fund - customer deposits	\$	199,140
Water and Sewer Fund - unexpended debt proceeds		<u>1,991,753</u>
Total Business-Type Activities	\$	<u>2,190,893</u>
Total restricted cash	\$	<u><u>4,577,896</u></u>

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, 2018.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventory and Prepaid Items

The inventories of the Town, ABC Board and the TDA are valued at cost (first-in, first-out), which approximates market.

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

The inventories of the Town’s enterprise funds and the ABC Board consist of materials and supplies held for subsequent use and merchandise held for resale. The costs of these inventories are expensed when consumed rather than when purchased. The cost of merchandise held for resale is expensed when sold rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset’s life are not capitalized.

The Town capitalizes interest costs which are incurred during the construction period of capital assets.

In conjunction with implementing GASB 34, “The New Reporting Model”, the Town began capitalizing public domain (“infrastructure”) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town’s capitalization threshold of \$5,000 will be reported as capital assets in the Statement of Net Position. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General governmental infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

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

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

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

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

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

Compensated Absences

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

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. The 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 three items that meet this criterion, pension related deferrals, OPEB deferrals and bond issuance costs.

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 future period and so will not be recognized as revenues until then. The Town has four items that meets this criterion – property taxes receivable, prepaid taxes, OPEB deferrals and pension related deferrals.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or the proprietary fund type Statement of Net Position. Bond premiums and discounts are

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

Net Position/Fund Balances Net Position

Net position in 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, laws or regulations of other governments, or imposed by law through State statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Prepaid expenses - portion of fund balance that is not an available resource because it represents prepaid items, which are not spendable resources.

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

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

Restricted for Capital Projects - portion of fund balance that has been restricted by the Board for future expenditures within the Capital Project Fund.

Committed Fund Balance: This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Blowing Rock's governing body (highest level of decision making authority, the Town Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another

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ordinance) to remove or revise the limitation.

Assigned Fund Balance: Assigned fund balance is the portion of fund balance that the Town of Blowing Rock has budgeted for specific purposes.

Assigned for Capital Projects - portion of fund balance that has been budgeted by the Board for future expenditures within the Capital Project Fund.

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

The Town of Blowing Rock has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, Federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

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

Interfund Transactions

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

Use of Estimates

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

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Blowing Rock's employer contributions are recognized when due and the Town

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of Blowing Rock has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

2. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town, the ABC Board and TDA are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's or TDA's agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the ABC Board and TDA, these deposits are considered to be held by the Town's and TDA's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board and TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town, the ABC Board and TDA under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town, the ABC Board and TDA has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town, the ABC Board and TDA complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the Town's deposits had a carrying amount of \$1,818,320 and a bank balance of \$2,019,747. Of the bank balance, \$680,629 was covered by FDIC and the remainder was covered by collateral under the pooling method. The carrying amount of deposits for the ABC Board was \$406,476 and the bank balance was \$417,351. \$394,600 of the bank balance was covered by federal depository insurance and the remainder under the pooling method. The carrying amount of deposits for the Authority was \$596,359 and the bank balance was \$621,157. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$500.

2. Investments

Investment Type	Valuation Measurement Method	Book Value at 6/30/18	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$ 8,523,657	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	520,052	.09 years	Unrated
Total:		\$ 9,043,709		

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At June 30, 2018, the TDA had \$25,000 invested with the North Carolina Capital Management Trust’s Government Portfolio which carried a credit rating of AAAM with Standard and Poor’s. The ABC Board had \$8,658 invested with the NC Capital Management Trust – Term Portfolio, which is valued at a Fair Value Level 1 with a maturity of .09 years. The Town, the ABC Board and the Authority have no policy regarding credit risk.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2018. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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:

Governmental Activities:

Taxes receivable	\$ 95,898
Accounts receivable	101,159
Due from other governments	<u>620,520</u>
Total Governmental Funds	<u>\$ 817,577</u>

Enterprise Funds:

Accounts receivable	\$ 373,963
Due from other governments	<u>6,526</u>
Total Enterprise Funds	<u>380,489</u>
Total	<u>\$ 1,198,066</u>

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Capital Assets

Governmental Capital Assets

The capital assets of the government fund of the Town at June 30, 2018, were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$3,061,253	\$ -	\$ -	3,061,253
Construction in progress	1,447,392	1,319,702	1,379,834	1,387,260
Total capital assets not being depreciated	<u>4,508,645</u>	<u>1,319,702</u>	<u>1,379,834</u>	<u>4,448,513</u>
Capital assets being depreciated:				
Buildings	7,974,282	1,221,821	-	9,196,103
Equipment and furniture	3,271,192	135,379	7,200	3,399,371
Vehicles	2,338,381	230,600	127,950	2,441,031
Computers	348,031	114,660	-	462,691
Infrastructure	9,442,517	-	-	9,442,517
Total capital assets being depreciated	<u>23,374,403</u>	<u>1,702,460</u>	<u>135,150</u>	<u>24,941,713</u>
Less accumulated depreciation for:				
Buildings	1,705,652	173,140	-	1,878,792
Equipment and furniture	2,895,939	67,570	7,200	2,956,309
Vehicles	1,815,745	201,969	127,950	1,889,763
Computers	231,396	52,153	-	283,549
Infrastructure	874,274	188,850	-	1,063,124
Total accumulated depreciation	<u>7,523,006</u>	<u>683,682</u>	<u>135,150</u>	<u>8,071,537</u>
Total capital assets being depreciated, net	<u>15,851,397</u>			<u>16,870,176</u>
Governmental activity capital assets, net	<u><u>\$20,360,042</u></u>			<u><u>\$21,318,689</u></u>

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

Governmental Activities:	
General government	\$ 99,576
Public safety	189,303
Transportation	252,355
Environmental protection	71,073
Cultural and recreation	71,375
Total	<u>\$ 683,682</u>

TOWN OF BLOWING ROCK, NORTH CAROLINA
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FOR THE YEAR ENDED JUNE 30, 2018

Proprietary Capital Assets

The capital assets of the proprietary fund of the Town at June 30, 2018, were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 100,504	\$ -	\$ -	\$ 100,504
Construction in progress	461,820	94,711	471,383	85,148
Total capital assets not being depreciated	<u>562,324</u>	<u>94,711</u>	<u>471,383</u>	<u>185,652</u>
Capital assets being depreciated:				
Plant	20,832,960	471,383	-	21,304,343
Equipment	1,466,222	32,971	-	1,499,193
Total capital assets being depreciated	<u>22,299,182</u>	<u>504,354</u>	<u>-</u>	<u>22,803,536</u>
Less accumulated depreciation for:				
Plant	7,868,087	382,760	-	8,250,847
Equipment	1,124,468	81,603	-	1,206,071
Total accumulated depreciation	<u>8,992,555</u>	<u>464,363</u>	<u>-</u>	<u>9,456,918</u>
Total capital assets being depreciated, net	<u>13,306,627</u>			<u>13,346,618</u>
Water and Sewer fund capital assets, net	<u>\$ 13,868,951</u>			<u>\$13,532,268</u>

Discretely Presented Component Units

Activity for the TDA for the year ended June 30, 2018, was as follows:

At June 30, 2018, the Authority's capital assets consisted of furniture and equipment totaling \$104,259, being depreciated over ten years, and had accumulated depreciation of \$29,443. Depreciation expense for the current year was \$8,856.

TOWN OF BLOWING ROCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 96,275	-	-	\$ 96,275
Total capital assets not being depreciated	<u>96,275</u>	-	-	<u>96,275</u>
Capital assets being depreciated:				
Building and improvements	317,923	11,286	-	329,209
Furniture and equipment	61,218	-	-	61,218
Computer equipment	55,668	-	-	55,668
Total capital assets being depreciated	<u>434,809</u>	<u>11,286</u>	-	<u>446,095</u>
Less accumulated depreciation for:				
Building and improvements	203,747	9,043	-	212,790
Furniture and equipment	56,533	1,433	-	57,966
Computer and furniture	50,069	2,218	-	52,287
Total accumulated depreciation	<u>310,349</u>	<u>12,694</u>	-	<u>323,043</u>
Total capital assets being depreciated, net	<u>124,460</u>			<u>123,052</u>
Governmental activity capital assets, net	<u><u>\$ 220,375</u></u>			<u><u>\$ 219,327</u></u>

B. Liabilities

3. Local Governmental Employees' Retirement System

Pension Plan and Postemployment Obligations

Plan Description. The Town of Blowing Rock is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with

TOWN OF BLOWING ROCK, NORTH CAROLINA
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20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Blowing Rock employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Blowing Rock's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.5% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Blowing Rock were \$223,232 for the year ended June 30, 2018.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2018, the Town reported a liability of \$652,338 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.0427%, which was an increase of 0.00252% from its proportion measured as of June 30,

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NOTES TO THE FINANCIAL STATEMENTS
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2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$217,705. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,581	\$ 17,526
Changes of assumptions	93,163	-
Net difference between projected and actual earnings on pension plan investments	158,389	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,015	15,563
Town contributions subsequent to the measurement date	223,232	-
Total	<u>\$ 514,380</u>	<u>\$ 33,089</u>

\$223,232 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 29,616
2020	183,776
2021	92,014
2022	(48,288)
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

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	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
Town's proportionate share of the net pension liability (asset)	\$ 1,958,333	\$ 652,338	\$ (437,756)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town of Blowing Rock administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Inactive members	1
Active members	<u>11</u>
Total	<u>12</u>

Summary of Significant Accounting Policies.

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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

Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$11,604 as benefits came due for the reporting period.

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

At June 30, 2018, the Town reported a total pension liability of \$317,503. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$26,306.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,401	\$ -
Changes of assumptions	13,674	4,848
Town benefit payments and plan administrative expense made subsequent to the measurement date	13,472	-
Total	\$ 34,547	\$ 4,848

\$13,472 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	940
2020		940
2021		940
2022		940
2023		148
Thereafter		-

\$11,604 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The

TOWN OF BLOWING ROCK, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total Pension Liability	341,088	317,503	295,901

percentage-point higher (4.16 percent) than the current rate:

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

	<u>2018</u>
Beginning balance	\$ 280,786
Service Cost	12,443
Interest on the total pension liability	10,614
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	8,872
Changes of assumptions or other inputs	16,392
Benefit payments	(11,604)
Other changes	-
Ending balance of the total pension liability	<u>\$ 317,503</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 201 through December 31, 2015.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 217,705	\$ 26,306	\$ 244,011
Pension Liability	652,338	317,503	969,841
Proportionate share of the net pension liability	0.04270%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	37,581	7,401	44,982
Changes of assumptions	93,163	13,674	106,837
Net difference between projected and actual earnings on plan investments	158,389	-	158,389
Changes in proportion and differences between contributions and proportionate share of contributions	2,015	-	2,015
Benefit payments and administrative costs paid subsequent to the measurement date	223,232	13,472	236,704
 Deferred of Inflows of Resources			
Differences between expected and actual experience	17,526	-	17,526
Changes of assumptions	-	4,848	4,848
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	15,563	-	15,563

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute an amount equal to five percent of each general employee and five percent of each officer’s salary, and all amounts are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 for general employees and law enforcement officers, respectively, were \$166,967 and \$29,314, which consisted of \$110,926 from the Town and \$56,041 from general employees and \$22,734 from the Town and \$6,580 from the law enforcement officers.

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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 5.6% 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. Total membership includes 12 inactive employees or beneficiaries current receiving benefits and 58 active members for a total membership of 70.

Total OPEB Liability

The Town's total OPEB liability of \$53,620 was measured as of June 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50-7.75 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Dental – 4.0%

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The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2017	\$ 56,727
Changes for the year	
Service cost	1,861
Interest	1,653
Changes of benefit terms	-
Differences between expected and actual experience	(371)
Changes in assumptions or other inputs	(2,525)
Benefit payments	(3,725)
Net changes	(3,107)
Balance at 6/30/2018	\$ 53,620

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.56%)	1% Increase
Total OPEB liability	\$ 58,360	\$ 53,620	\$ 49,447

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 48,962	\$ 53,620	\$ 59,258

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$3,152. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 326
Changes of assumptions	-	2,209
Benefit payments and administrative costs made subsequent to the measurement date	4,207	-
Total	\$ 4,207	\$ 2,535

\$4,207 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended

Year ended June 30:

2018	\$ (362)
2019	(362)
2020	(362)
2021	(362)
2022	(362)
Thereafter	(724)

Deferred Inflows and Outflows of Resources

The Town has three deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 223,232
Benefit payments made and administrative expenses for LEOSSA	13,472
Benefit payments made and administrative expenses for OPEB	4,207
Differences between expected and actual experience	44,982
Changes of assumptions	106,837
Net difference between projected and actual earnings on pension plan investments	158,389
Deferred charges on bond issuance	4,574
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,015
Total	\$ 557,708

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 95,898
Prepaid taxes	58,824	58,824
Changes in assumptions	7,057	-
Differences between expected and actual experience	17,851	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,564	-
Total	\$ 99,296	\$ 154,722

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk-financing pools administered by the North Carolina League of Municipalities for workers compensation. The pool is reinsured through commercial companies for single occurrence claims in excess of \$300,000 up to statutory limits for workers' compensation. The pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. 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. own purchases employee health insurance from a private insurance company. The health insurance plan is fully insured by the private carrier.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond with a \$5,000 coverage limit per incident. The Finance Officer and Tax Collector are each individually bonded for \$100,000 each.

Claims, Judgments, and Contingent Liabilities

At June 30,2018, the Town has no pending lawsuits.

Long-Term Obligations

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

4.22% note for \$4,700,000, issued October 2006; payable in annual installments of \$235,000, including interest; beginning October 2006 with final payment due 2026	\$ 1,880,000
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1.46% note for \$401,001, issued December 2014; payable in annual installments of \$98,651, including interest; beginning December 2014 with final payment due 2019	102,248
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TOWN OF BLOWING ROCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2.445% note for \$536,194, issued March 2012; payable in annual installments of \$27,519 beginning March 2012 with final payment due 2033	402,141
0% note for \$756,480, issued May 2010; payable in annual installments of \$37,824 beginning May 2010 with final payment due 2031	491,712
1.51% note for \$402,265, issued September 2015; payable in annual installments of \$104,529 beginning September 2015 with final payment due 2020	204,417
4.08% note for \$1,000,000; issued August 2009; payable in annual installments of \$76,923 beginning August 2009 with final payment due 2025	538,462
2.83% note for \$1,700,580, issued May 2015; payable in annual installments of \$113,372 beginning May 2015 with final payment due 2030	1,360,464
1.37% note for \$312,000, issued September 2016; payable in annual installments of \$80,777 beginning November 2017 with final payment due in 2021; secured by various vehicles and equipment.	235,949
Total installment purchases	<u>\$ 5,215,393</u>

Maturities of long-term debt, including interest are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 617,044	\$ 136,031	\$ 154,829	\$ 20,953
2020	546,251	117,361	125,970	18,525
2021	476,754	99,634	93,686	16,568
2022	396,592	83,193	93,686	15,092
2023	396,592	67,732	92,977	13,426
2024-2028	1,283,979	126,068	464,885	45,268
2029-2033	170,781	6,016	301,367	11,837
2034-2038	-	-	-	-
Total	\$ 3,887,993	\$ 636,035	\$1,327,400	\$ 141,669

General Obligation Bonds:

2.0% bonds issued for \$3,500,000, Public Improvement, Series 2016 due on September 1 and March 1 in installments of \$180,000 plus interest through March 1, 2036 \$3,140,000

TOWN OF BLOWING ROCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2.0% bonds issued for \$1,135,000, Public Improvement, Series 2016 due on September 1 and March 1 in installments of \$55,000 plus interest through March 1, 2036	1,025,000
2.9366% bonds issued for \$1,757,500, Public Improvement, Series 2018 due on September 1 and March 1 in installments of \$90,000 plus interest through March 1, 2038	1,757,500
2.9366% bonds issued for \$542,500, Public Improvement, Series 2018 due on September 1 and March 1 in installments of \$30,000 plus interest through March 1, 2038	<u>542,500</u>
	<u><u>\$6,465,000</u></u>

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

Year Ending June 30	General		Water and Sewer	
	Principal	Interest	Principal	Interest
2019	\$ 270,000	126,039	85,000	40,980
2020	270,000	120,352	85,000	39,160
2021	270,000	112,252	85,000	36,560
2022	270,000	104,152	85,000	33,960
2023	270,000	96,502	85,000	31,360
2024-2028	1,325,000	377,211	440,000	123,500
2029-2033	1,300,000	200,175	435,000	71,479
2034-2038	922,500	64,103	267,500	19,623
Total	\$ 4,897,500	1,200,786	1,567,500	396,622

Capital Lease:

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

The future payments for the capital lease are as follows:

Year Ending June 30	General		Water and Sewer	
	Principal	Interest	Principal	Interest
2019	\$ 90,049	7,377	8,243	642
2020	91,832	5,587	8,406	486
2021	93,650	3,761	8,573	327
2022	95,505	1,899	8,742	165
Total	\$ 371,036	18,624	33,964	1,620

At June 30, 2018, the Town of Blowing Rock had a legal debt margin of \$72,894,199.

TOWN OF BLOWING ROCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 4,541,908	\$ -	\$ 653,915	\$ 3,887,993	\$ 617,044
General obligation bonds	3,320,000	1,757,500	180,000	4,897,500	270,000
Unamortized bond premium	-	44,481	1,882	42,599	2,240
Capital lease	-	371,036	-	371,036	90,049
Net pension liability (LGERS)	698,290	-	169,572	528,718	-
Total pension liability (LEOSSA)	280,786	36,717	-	317,503	-
Total OPEB liability	-	43,483	-	43,483	-
Compensated absences	148,191	75,235	49,560	173,866	173,866
Governmental activity long- term liabilities	<u>\$ 8,989,175</u>	<u>\$ 2,328,452</u>	<u>\$ 1,054,929</u>	<u>\$ 10,262,698</u>	<u>\$ 1,153,199</u>
Business-type activities:					
General obligation bonds	\$ 1,080,000	\$ 542,500	\$ 55,000	1,567,500	\$ 85,000
Unamortized bond premium	-	15,325	768	14,557	768
Installment purchases	1,478,927	-	151,527	1,327,400	154,829
Capital lease	-	33,964	-	33,964	8,243
Net pension liability (LGERS)	154,464	-	30,844	123,620	-
Total OPEB liability	-	10,137	-	10,137	-
Compensated absences	33,727	18,848	15,240	37,335	37,335
Water Sewer Fund long- term liabilities	<u>\$ 2,747,118</u>	<u>\$ 620,774</u>	<u>\$ 253,379</u>	<u>\$ 3,114,513</u>	<u>\$ 286,175</u>

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

4. Interfund Transactions

Transfers to/from Other Funds at June 30, 2018 consists of the following:

From the General Fund to the General Capital Project Fund in the amount \$154,100.

From the BRAAC Fund to the General Fund in the amount \$3,000.

From the BRAAC Fund to the General Capital Project Fund in the amount \$5,000.

From the Water and Sewer Capital Project to the Water and Sewer Fund in the amount \$65,229.

TOWN OF BLOWING ROCK, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

Jointly Governed Organizations

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board.

Related Organization

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

3. Summary Disclosure of Significant Contingencies Federal and State-Assisted

Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

4. Fund Balance

Total fund balance - General Fund	<u>\$ 5,219,034</u>
Less:	
Nonspendable - Inventory	2,700
Nonspendable - Prepaid expenses	32,279
Restricted for capital projects	179,214
Stabilization by State Statute	721,679
Remaining fund balance	4,283,162

5. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$42,982 and \$10,050 for the business-type activities.

Town of Blowing Rock, North Carolina
Town of Blowing Rock's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Blowing Rock's proportion of the net pension liability (asset) (%)	0.0427%	0.0402%	0.0401%	-0.0397%	0.0373%
Blowing Rock's proportion of the net pension liability (asset) (\$)	\$ 652,338	\$ 852,754	\$ 183,961	(233,953)	\$ 449,608
Blowing Rock's covered-employee payroll	\$ 2,428,119	\$ 2,235,534	\$ 2,056,654	1,851,048	\$ 1,930,820
Blowing Rock's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.87%	38.15%	8.94%	(12.64%)	23.29%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Blowing Rock, North Carolina
Town of Blowing Rock's Contributions
Required Supplementary Information
Last Four Fiscal Years**

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 223,232	\$ 179,484	\$ 151,742	\$ 149,590	\$ 131,628
Contributions in relation to the contractually required contribution	223,232	179,484	151,742	149,590	131,628
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Blowing Rock's covered-employee payroll	\$ 2,923,978	\$ 2,428,119	\$ 2,235,534	\$ 2,056,654	\$ 1,851,018
Contributions as a percentage of covered-employee payroll	7.63%	7.39%	6.79%	7.27%	7.11%

Town of Blowing Rock, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30,

	2018	2017
Beginning balance	\$ 280,786	\$ 277,310
Service Cost	12,443	11,175
Interest on the total pension liability	10,614	9,693
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	8,872	-
Changes of assumptions or other inputs	16,392	(5,788)
Benefit payments	(11,604)	(11,604)
Other changes	-	-
Ending balance of the total pension liability	\$ 317,503	\$ 280,786

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

Town of Blowing Rock, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2017

	2018	2017
Total pension liability	\$ 317,503	\$ 280,786
Covered payroll	462,909	414,828
Total pension liability as a percentage of covered payroll	68.59%	67.69%

Notes to the schedules:

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

Town of Blowing Rock, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30,

	2018
Total OPEB Liability	
Service cost	\$ 1,861
Interest	1,653
Changes of benefit terms	-
Differences between expected and actual experience	(371)
Changes of assumptions	(2,525)
Benefit payments	(3,725)
Net change in total OPEB liability	(3,107)
Total OPEB liability - beginning	56,727
Total OPEB liability - ending	\$ 53,620
 Covered payroll	 2,260,517
Total OPEB liability as a percentage of covered payroll	 2.37%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2018	3.01%

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 4,147,412	
Interest		7,067	
Total	\$ 4,153,152	4,154,479	\$ 1,327
Other taxes and licenses:			
Occupancy tax		381,577	
Total	380,907	381,577	670
Unrestricted intergovernmental:			
Local option sales taxes		1,752,331	
Utilities franchise tax		315,875	
Telecommunications tax		23,390	
Video programming tax		33,090	
Beer and wine tax		5,661	
ABC profit distribution		97,675	
Total	2,139,243	2,228,022	88,779
Restricted intergovernmental:			
Powell Bill allocation		76,675	
Snow removal		15,445	
Solid waste disposal tax		856	
ABC Revenue for law enforcement		2,291	
Total	156,190	95,267	(60,923)
Permits and fees:			
Building permits		154,886	
Total	65,000	154,886	89,886
Sales and services:			
Recreation department		158,615	
Recycling		83,038	
Parking fines		658	
Rental income		18,030	
Total	214,250	260,341	46,091
Investment earnings	4,000	22,958	18,958
Miscellaneous:			
Cemetery revenues		36,696	
Solid waste fees		54,512	
Zoning fees		16,418	
Fire department contribution		237,049	
Other		204,506	
	571,272	549,181	(22,091)
Total revenues	7,684,014	7,846,711	162,697
Expenditures:			
General government:			
Other operating expenditures		383,514	
Total		383,514	
Governing body:			
Salaries and employee benefits		38,973	
Operating expenditures		10,677	
Total		49,650	
Finance:			
Salaries and employee benefits		373,687	
Operating expenditures		898,924	
Total		1,272,611	

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Operating expenditures		\$ 91,090	
Total		<u>91,090</u>	
Total general government	<u>\$ 1,839,306</u>	<u>1,796,865</u>	<u>\$ 42,441</u>
Public safety:			
Police:			
Salaries and employee benefits		724,146	
Operating expenditures		294,538	
Capital outlay		110,010	
Total		<u>1,128,694</u>	
Fire:			
Salaries and employee benefits		923,059	
Operating expenditures		58,003	
Total		<u>981,062</u>	
Inspections:			
Salaries and employee benefits		227,117	
Operating expenditures		24,268	
Total		<u>251,385</u>	
Total public safety	<u>2,491,827</u>	<u>2,361,141</u>	<u>130,686</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		470,304	
Operating expenditures		421,497	
Capital outlay		152,295	
Total transportation	<u>1,081,068</u>	<u>1,044,096</u>	<u>36,972</u>
Environmental protection			
Solid waste:			
Salaries and employee benefits		177,898	
Operating expenditures		183,936	
Total		<u>149,326</u>	
Total environmental protection	<u>532,636</u>	<u>511,160</u>	<u>21,476</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits		464,691	
Other operating expenditures		205,427	
Capital outlay		30,712	
Total culture and recreation	<u>784,991</u>	<u>700,830</u>	<u>84,161</u>

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

Debt service:			
Principal retirement		833,915	
Interest and other charges		232,828	
Total debt service	<u>1,065,965</u>	<u>1,066,743</u>	<u>(778)</u>
Total expenditures	7,795,793	7,480,835	314,958
Revenues over (under) expenditures	(111,779)	365,876	477,655
Transfer from other funds			
Capital Projects Fund	60,000	60,000	-
BRAAC	3,000	3,000	-
Transfer to other funds			
Capital Projects Fund	(387,625)	(214,100)	173,525
Proceeds from capital lease	371,904	371,036	(868)
Sale of capital assets	12,000	33,964	21,964
Total other finance sources (uses)	<u>\$ 59,279</u>	<u>253,900</u>	<u>\$ 194,621</u>
Fund balance appropriated	52,500	-	(52,500)
	<u>\$ -</u>	619,776	<u>\$ 619,776</u>
Fund balances, beginning		4,599,258	
Fund balances, ending		<u>\$ 5,219,034</u>	

Town of Blowing Rock, North Carolina
Capital Projects Fund- Various Projects
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
Contributions and grants	\$ 1,382,175	\$ 981,916	\$ 268,839	\$ 1,250,755	\$ (131,420)
Other revenues:					
Miscellaneous	111,225	16,886	-	16,886	(94,339)
Investment income	12,925	179,388	21,119	200,507	187,582
Total revenues	<u>1,506,325</u>	<u>1,178,190</u>	<u>289,958</u>	<u>1,468,148</u>	<u>(38,177)</u>
Expenditures					
Recreation projects:					
Capital outlay:					
Culture and recreation	710,213	202,217	316,230	518,447	191,766
Total	<u>710,213</u>	<u>202,217</u>	<u>316,230</u>	<u>518,447</u>	<u>191,766</u>
Streets and sidewalks projects:					
Capital outlay:					
Transportation	3,674,156	119,542	882,912	1,002,454	2,671,702
Total	<u>3,674,156</u>	<u>119,542</u>	<u>882,912</u>	<u>1,002,454</u>	<u>2,671,702</u>
Public works:					
Capital outlay:					
Public buildings and facilities	1,275,435	1,220,235	-	1,220,235	55,200
Total	<u>1,275,435</u>	<u>1,220,235</u>	<u>-</u>	<u>1,220,235</u>	<u>55,200</u>
Public safety projects:					
Capital outlay:					
Public safety	30,000	-	-	-	30,000
Total	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
General government:					
Capital outlay:					
General government	1,097,619	694,883	120,558	815,441	282,178
Total	<u>1,097,619</u>	<u>694,883</u>	<u>120,558</u>	<u>815,441</u>	<u>282,178</u>
Total expenditures	<u>6,787,423</u>	<u>2,236,877</u>	<u>1,319,700</u>	<u>3,556,577</u>	<u>3,230,846</u>
Revenues under expenditures	(5,281,098)	(1,058,687)	(1,029,742)	(2,088,429)	3,192,669
Other financing sources (uses):					
Operating transfers in:					
General Fund	1,099,263	1,758,570	154,100	1,912,670	813,407
BRAAC	11,000	8,000	5,000	13,000	2,000
Proceeds from long-term debt	4,088,548	3,500,000	1,757,500	5,257,500	1,168,952
Unexpended loan proceeds returned	-	-	(49,110)	(49,110)	(49,110)
Bond premiums on debt issued	82,287	-	46,387	46,387	(35,900)
Bond issuance costs on debt issued	-	(3,764)	(51,823)	(55,587)	(55,587)
Total other financing sources (uses)	<u>5,281,098</u>	<u>5,262,806</u>	<u>1,862,054</u>	<u>7,124,860</u>	<u>1,843,762</u>
Revenue and other sources over expenditures	<u>\$ -</u>	<u>4,204,119</u>	<u>832,312</u>	<u>5,036,431</u>	<u>5,036,431</u>
Fund balances, beginning			879,789		
Fund balances, ending			<u>\$ 1,712,101</u>		

Town of Blowing Rock, North Carolina
Balance Sheet
Nonmajor Governmental Fund
For the Year Ended June 30, 2018

	Appearance Advisory Commission Fund	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	\$ 31,372	31,372
Total assets	\$ 31,372	31,372
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 10,279	10,279
Fund balances:		
Unassigned	\$ 21,093	21,093
Total fund balances	\$ 21,093	21,093
Total liabilities and fund balances	\$ 31,372	31,372

Schedule 4

Town of Blowing Rock, North Carolina
Special Revenue Fund - Appearance Advisory Commission
Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Fund
For the Year Ended June 30, 2018

Revenues:	Actual
Donations	\$ 34,176
Miscellaneous income	-
Total revenues	<u>34,176</u>
Expenditures:	
Cultural and recreational:	
Contracted services	7,336
Beautification	9,393
Miscellaneous	<u>4,131</u>
Total expenditures	<u>20,860</u>
Revenues over expenditures	13,316
Other Financing Sources (Uses):	
Transfers to General Fund	(3,000)
Transfer to Capital Project Fund	<u>(5,000)</u>
Total other financing sources (uses)	<u>(8,000)</u>
Appropriated fund balance	<u>-</u>
Revenue and other financing sources over expenditures and other financing sources	5,316
Fund balance, beginning	<u>15,777</u>
Fund balance, ending	<u><u>\$ 21,093</u></u>

Town of Blowing Rock, North Carolina
Special Revenue Fund - Appearance Advisory Commission
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Donations	\$ 23,315	34,176	10,861
Miscellaneous income	10,050	-	(10,050)
Total revenues	33,365	34,176	811
Expenditures:			
Cultural and recreational:			
Contracted services	3,000	7,336	(4,336)
Beautification	12,250	9,393	2,857
Miscellaneous	7,115	4,131	2,984
Total expenditures	22,365	20,860	1,505
Revenues over expenditures	11,000	13,316	2,316
Other Financing Sources (Uses):			
Transfers to General Fund	(6,000)	(3,000)	(3,000)
Transfer to Capital Project Fund	(5,000)	(5,000)	-
Total other financing sources (uses)	(11,000)	(8,000)	(3,000)
Appropriated fund balance	-	-	-
Revenue and other financing sources over expenditures and other financing sources	\$ -	5,316	5,316
Fund balance, beginning		15,777	
Fund balance, ending		21,093	

Town of Blowing Rock, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential		\$ 866,102	
Interconnect charges		13,018	
Impact fees		75,385	
Total	\$ 849,142	954,505	\$ 105,363
Sewer charges:			
Residential		713,439	
Sewer CIP surcharge		98,864	
Total	704,615	812,303	107,688
Water and sewer taps	1,000	3,978	2,978
Other operating revenues	14,181	18,300	4,119
Total operating revenues	1,568,938	1,789,086	220,148
Nonoperating revenues:			
Interest earnings	1,000	6,453	5,453
Total revenues	1,569,938	1,795,539	225,601
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		103,837	
Other operating expenditures		239,979	
Total water and sewer administration	406,932	343,816	63,116
Water and sewer plant operations:			
Salaries and employee benefits		338,484	
Utilities		130,018	
Other operating expenditures		177,028	
Total	663,329	645,530	17,799
Water and sewer field operations:			
Salaries and employee benefits		194,932	
Other operating expenditures		137,687	
Capital outlay		33,964	
Total	404,736	366,583	38,153
Debt service:			
Interest and other charges		44,981	-
Principal retirement		206,527	-
Total debt service	253,266	251,508	1,758
Total expenditures	1,728,263	1,607,437	120,826
Revenues over(under) expenditures	(158,325)	188,102	346,427
Other Financing Sources (Uses)			
Transfer from Water and Sewer Capital Project Fund	125,229	65,229	60,000
Capital lease proceeds	33,096	33,964	(868)
Total other financing source(uses)	158,325	99,193	59,132
Revenues and other sources over expenditures and other uses	\$ -	287,295	\$ 287,295
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		206,527	
Capital outlay		32,969	
Capital lease proceeds		(33,964)	
Increase in accrued vacation pay		(3,608)	
Decrease in deferred outflows of resources - pensions		(31,782)	
Decrease in net pension liability		30,844	
Increase in total OPEB liability		(116)	
Increase in deferred inflows of resources - pensions		(1,626)	
Increase in deferred inflows of resources - OPEB		(481)	
Depreciation		(464,363)	
Interest income from Water and Sewer Capital Projects Fund		13,228	
Bond issuance costs from Water and Sewer Capital Projects Fund		(18,495)	
Unexpended loan proceeds returned		(16,386)	
Transfer in from Water and Sewer Capital Projects Fund		(65,229)	
Total reconciling items		(352,482)	
Change in net position		\$ (65,187)	

Town of Blowing Rock, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 50,250	59,464	13,228	72,692	22,442
Contributions and grant proceeds	11,000	1,169,040	-	1,169,040	1,158,040
Miscellaneous income	73,750	533	-	533	(73,217)
Total revenues	<u>135,000</u>	<u>1,229,037</u>	<u>13,228</u>	<u>1,242,265</u>	<u>1,107,265</u>
Expenditures:					
Construction	3,395,372	2,228,889	94,711	2,323,600	1,071,772
Total expenditures	<u>3,395,372</u>	<u>2,228,889</u>	<u>94,711</u>	<u>2,323,600</u>	<u>1,071,772</u>
Revenues over (under) expenditures	<u>(3,260,372)</u>	<u>(999,852)</u>	<u>(81,483)</u>	<u>(1,081,335)</u>	<u>2,179,037</u>
Other financing sources (uses):					
Transfer to/from water and sewer fund	828,042	1,573,404	(65,229)	1,508,175	680,133
Transfer from general fund	326,430	422,365	-	422,365	95,935
Proceeds from long-term debt	2,102,645	1,135,000	542,500	1,677,500	(425,145)
Bond premiums on debt issued	-	-	14,930	14,930	14,930
Bond issuance costs on debt issued	(20,945)	(1,221)	(18,495)	(19,716)	1,229
Unexpended loan proceeds returned	-	-	(16,386)	(16,386)	(16,386)
Other contributions	-	8,844	-	8,844	8,844
Appropriated fund balance	24,200	-	-	-	(24,200)
Total other financing sources	<u>3,260,372</u>	<u>3,138,392</u>	<u>457,320</u>	<u>3,595,712</u>	<u>335,340</u>
Revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>2,138,540</u>	<u>375,837</u>	<u>2,514,377</u>	<u>2,514,377</u>

Town of Blowing Rock, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 4,194,438	\$ 4,132,342	\$ 62,096
2016-2017	32,510	-	13,500	19,010
2015-2016	12,859	-	5,912	6,947
2014-2015	4,087	-	386	3,701
2013-2014	4,481	-	378	4,103
2012-2013	3,402	-	486	2,916
2011-2012	6,973	-	458	6,515
2010-2011	12,060	-	531	11,529
2009-2010	2,337	-	340	1,997
2008-2009	2,207	-	450	1,757
2007-2008	1,134	-	(1,134)	-
	<u>\$ 82,050</u>	<u>\$ 4,194,438</u>	<u>\$ 4,153,649</u>	<u>120,571</u>
	Less: allowance for uncollectible accounts:			
	General Fund			<u>24,673</u>
	Ad valorem taxes receivable - net			<u>\$ 95,898</u>
	<u>Reconciliation to revenues:</u>			
	Ad valorem taxes - General Fund			\$ 4,154,479
	Reconciling items:			
	Prior year releases			4,119
	Amounts written off per statute of limitations			2,118
	Penalties and interest			<u>(7,067)</u>
	Subtotal			<u>(830)</u>
	Total collections and credits			<u>\$ 4,153,649</u>

Town of Blowing Rock, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2018

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,093,917,568	0.37	\$ 4,047,495	\$ 4,047,495	\$ -
Registered motor vehicles taxed	21,405,405	0.37	79,200	-	79,200
Penalties	-		311	311	-
Total	<u>1,115,322,973</u>		<u>4,127,006</u>	<u>4,047,806</u>	<u>79,200</u>
Discoveries:					
Current year taxes	<u>18,778,924</u>	0.37	<u>71,551</u>	<u>71,551</u>	<u>-</u>
Abatements	<u>(1,113,243)</u>	0.37	<u>(4,119)</u>	<u>(4,119)</u>	<u>-</u>
Total property valuation	<u>\$ 1,132,988,654</u>				
Net levy			4,194,438	4,115,238	79,200
Uncollected taxes at June 30, 2018			<u>(62,096)</u>	<u>(62,096)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,132,342</u>	<u>\$ 4,053,142</u>	<u>\$ 79,200</u>
Current levy collection percentage			<u>98.52%</u>	<u>98.49%</u>	<u>100.00%</u>

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**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters
Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing
Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina, as of and for the year ended June 30, 2018, 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 September 28, 2018.

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'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 material weaknesses. However, material weaknesses may exist that have not been identified.

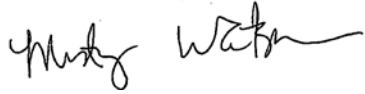
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Misty Watson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Misty D Watson, CPA, PA
Boone, NC
September 28, 2008

**TOWN OF BLOWING ROCK,
NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	None noted
• Significant deficiencies identified that are not considered to be material weaknesses?	None noted
Non-compliance material to financial statements noted?	No