TOWN OF BLOWING ROCK

Blowing Rock, North Carolina
Financial Statements
June 30, 2015

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

Town of Blowing Rock, North Carolina
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6/30/2015

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TOWN OF BLOWING ROCK
June 30, 2015

Mayor

J.B. Lawrence

Mayor Pro Tem

Albert Yount

Board of Commissioners

Doug Matheson

Ray Pickett

Dan Phillips

Sue Sweeting

Town Manager

Scott Fogleman

Finance Officer

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INDEPENDENT AUDITORS' REPORT

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 aggregate 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 of 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 *Governmental 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 auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's Schedules of Funding Progress and Schedules of Employer Contributions, on pages 53 and 54, respectively, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 55 and 56, respectively 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, economic, or historical context. We and the other auditors 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Blowing Rock, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 on our consideration of Town of Blowing Rock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Blowing Rock's internal control over financial reporting and compliance.

Combs, Tennant + Carpenter, P.C.

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

October 28, 2015

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

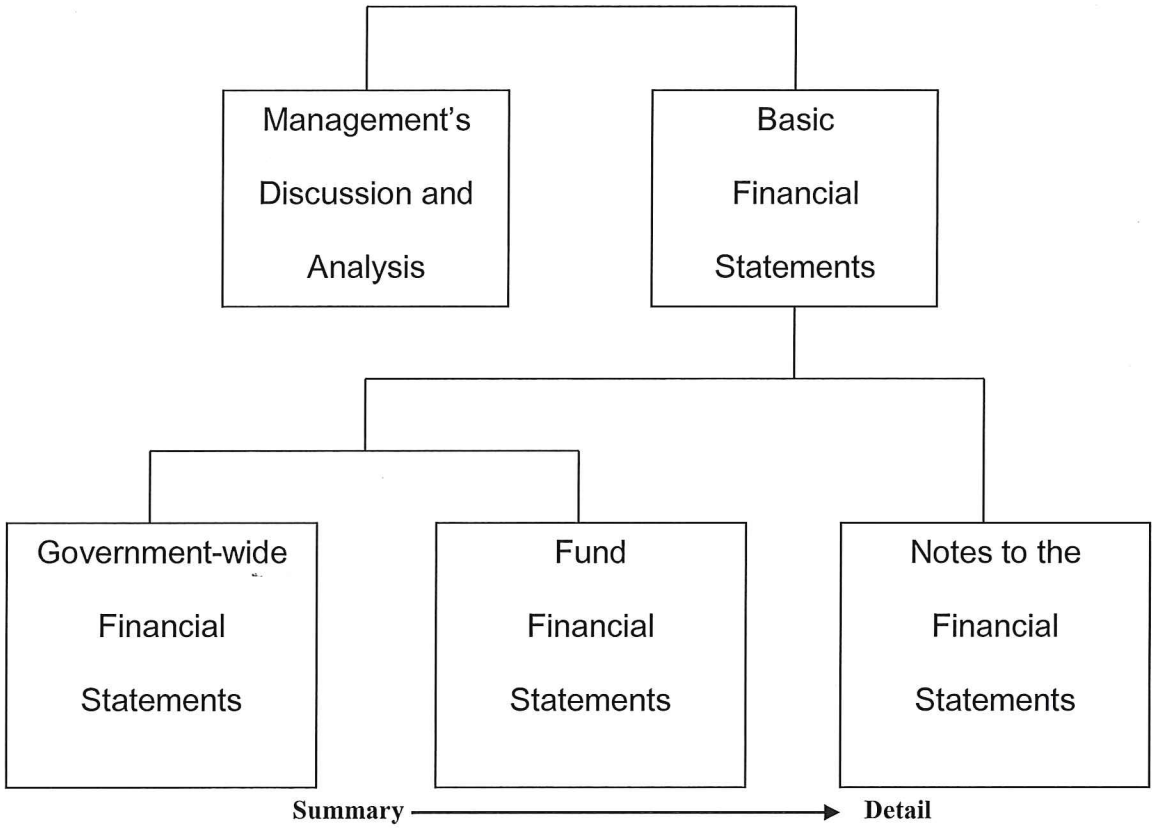
- The assets and deferred outflows of resources of the Town of Blowing Rock exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $28,712,280 (*net position*).
- The government's total net position increased by $1,539,027 with the increase primarily in the governmental-type activities.
- As of the close of the current fiscal year, the Town of Blowing Rock's governmental funds reported combined ending fund balances of $4,951,963 an increase of $1,322,242 in comparison with the prior year. This is primarily attributable to loan proceeds on hand associated with the Public Works Warehouse Facility construction project. Utility Franchise Tax revenue increases should also be noted as a contributor to the fund balance increase for the fiscal year.
- At the end of the current fiscal year, unassigned (available for spending at the government's discretion) fund balance for the General Fund was $2,330,903 or 39.70% of total general fund expenditures for the fiscal year.
- This year, the Town had a successful general obligation bond referendum totaling $9,000,000 in street improvements, $1,000,000 in park improvements, $2,000,000 in water line & system improvements and $1,000,000 in sewer line & system improvements for a total of $13,000,000. Passing on November 4, 2014. Borrowing is planned to begin in fiscal year 2016.
- The Town of Blowing Rock's total long-term liabilities increased by $1,266,788 (22.30%) during the current fiscal year mostly attributable to new debt for capital equipment and the Public Works Warehouse Facility offset by the retirement of debt associated with the American Legion Parking Facility &Water/Sewer Improvement debt.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state-shared revenue such as gas tax or utility franchise tax finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Blowing Rock. The final category is the component unit, of which the Town has the ABC Board and the Tourism Development Authority (TDA). Although legally separate from the Town, the ABC Board is important to the Town as the Town exercises control over the Board by appointing its members and because the Board is required to distribute a portion of its profits to the Town. The TDA functions much the same as the ABC in that it is a separate entity with the Town Council appointing the Board and the TDA uses one-third of the occupancy tax dollars collected to support Town infrastructure.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him

or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net 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 – Town of Blowing Rock has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Blowing Rock uses one enterprise fund to account for its water and sewer activity. This fund functions in the same way as those 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 25 of this report.

Government-Wide Financial Analysis

Town of Blowing Rock's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 5,592,850	$ 4,083,770	$ 2,589,531	$ 2,429,945	$ 8,182,381	$ 6,513,715
Noncurrent assets	16,302,118	15,004,389	12,487,864	12,339,465	28,789,982	27,343,854
Deferred outflows of resources	129,013	-	23,454	-	152,467	-
Total assets and deferred outflows of resources	22,023,981	19,088,159	15,100,849	14,769,410	37,124,830	33,857,569
Long-term liabilities outstanding	5,302,631	4,295,259	1,643,752	1,384,336	6,946,383	5,679,595
Other liabilities	520,908	324,266	351,304	344,452	872,212	668,718
Deferred inflows of resources	505,118	18,023	88,837	-	593,955	18,023
Total liabilities and deferred inflows of resources	6,328,657	4,637,548	2,083,893	1,728,788	8,412,550	6,366,336
Net position:						
Net investment in capital assets	9,571,054	10,859,754	10,864,960	10,976,408	20,436,014	21,836,162
Restricted	3,134,695	944,116	-	-	3,134,695	944,116
Unrestricted	2,989,575	2,646,741	2,151,996	2,064,214	5,141,571	4,710,955
Total net position	$ 15,695,324	$ 14,450,611	$ 13,016,956	$ 13,040,622	$ 28,712,280	$ 27,491,233

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Blowing Rock exceeded liabilities and deferred inflows by $28,712,280 as of June 30, 2015. The Town's net position increased by $1,539,027 for the fiscal year ended June 30, 2015. However, the largest portion (71.10%) 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, $3,134,695 (10.90%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $5,141,571 is unrestricted.

Also, the Town of Blowing Rock implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by $317,980. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Blowing Rock's management.

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

- Utilization of a Financial Operating Policy which maximizes cash management.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.86%, a slight increase from last year's rate of 98.30%.
- Continued utilization of a capital improvement plan for managing capital expenditures with a ten-year Comprehensive Plan, five-year Capital Improvement Plan, Capital Fleet Replacement Plan, Street Pavement Plan, Park and Recreation Master Plan, and Storm Water Master Plan, and availability of the $13,000,000 General Obligation Bonds approved by voters on November 4, 2014.

Town of Blowing Rock Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 362,629	$ 412,179	$ 1,441,608	$ 1,394,195	$ 1,804,237	$ 1,806,374
Operating grants and contributions	237,020	90,023	-	-	237,020	90,023
Capital grants and contributions	481,594	-	10,000	10,000	491,594	10,000
General revenues:						
Property taxes	3,444,483	3,311,247	-	-	3,444,483	3,311,247
Other taxes	329,861	325,932	-	-	329,861	325,932
Grants and contributions not restricted to specific programs	1,840,656	1,520,785	-	-	1,840,656	1,520,785
Other	270,562	339,728	184	132	270,746	339,860
Total revenues	6,966,805	5,999,894	1,451,792	1,404,327	8,418,597	7,404,221
Expenditures:						
General government	1,391,840	1,386,218	-	-	1,391,840	1,386,218
Public safety	1,972,405	2,036,566	-	-	1,972,405	2,036,566
Transportation	1,101,616	948,742	-	-	1,101,616	948,742
Environmental protection	290,192	237,302	-	-	290,192	237,302
Economic development	-	-	-	-	-	-
Culture and recreation	534,588	491,811	-	-	534,588	491,811
Interest on long-term debt	163,012	182,375	-	-	163,012	182,375
Water and sewer	-	-	1,425,917	1,304,271	1,425,917	1,304,271
Total expenses	5,453,653	5,283,014	1,425,917	1,304,271	6,879,570	6,587,285
Increase in net position before transfers	1,513,152	716,880	25,875	100,056	1,539,027	816,936
Transfers	-	(65,000)	-	65,000	-	-
Increase in net position	1,513,152	651,880	25,875	165,056	1,539,027	816,936
Net position, July 1	14,450,611	13,798,731	13,040,622	12,875,566	27,491,233	26,674,297
Net position, beginning, restated	14,182,172	13,798,731	12,991,081	12,875,566	27,173,253	26,674,297
Net position, June 30	$ 15,695,324	$ 14,450,611	$ 13,016,956	$ 13,040,622	$ 28,712,280	$ 27,491,233

Governmental activities. Governmental activities increased the Town's net position by $1,513,152. Key elements of this increase are as follows:

- The presence of loan proceeds on hand of $1,404,531 in the General Fund and $425,146 in the Water/Sewer Fund associated with the Public Works Warehouse Facility construction project at the end of the year. This project began on May 4, 2015 and is anticipated to be complete by the spring of 2016.
- Utility Franchise Tax revenue exceeding budgeted amounts by $118,728.
- Sales tax revenue exceeded budgeted amounts by $149,733 due to unallocated additional funds received due to the distribution change from per capita to ad valorem that took place in Watauga County two years ago.

Business-type activities: Business-type activities increased the Town of Blowing Rock's net position by $25,875.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Blowing Rock's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Blowing Rock's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Blowing Rock. At the end of the current fiscal year, Town of Blowing Rock's fund balance available for spending in the General Fund was $2,330,903, while total fund balance reached $5,057,048. The Governing Body of the Town of Blowing Rock has determined that the Town should have the goal of maintaining an available fund balance of 50% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 39.70% of general fund expenditures, while total fund balance represents 86.14% of the same amount.

At June 30, 2015, the governmental funds of Town of Blowing Rock reported a combined fund balance of $4,951,963, a 36.43% increase from last year. Attributing to this increase is Loan Proceeds on hand for the construction of the Public Works Warehouse Facility and increases in Sales Tax revenue and Utility Franchise Tax revenue.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external

sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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

Proprietary Funds. The Town of Blowing Rock's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to $2,151,996. The change in net position was an increase of $25,875. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Blowing Rock's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Blowing Rock's investment in capital assets for its governmental and business–type activities as of June 30, 2015, totals $28,556,029 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions):

- Construction in progress of $817,548 in governmental-type activities for ongoing projects such as the Public Works Warehouse Facility.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 3,061,253	$ 3,061,253	$ 100,504	$ 100,504	$ 3,161,757	$ 3,161,757
Construction in progress	817,548	253,018	161,303	132,925	978,851	385,943
Infrastructure	5,558,566	4,937,726	-	-	5,558,566	4,937,726
Buildings	5,911,034	6,056,652	-	-	5,911,034	6,056,652
Plant	-	-	11,921,140	11,983,848	11,921,140	11,983,848
Equipment and furniture	255,676	330,793	268,467	122,188	524,143	452,981
Vehicles	366,290	334,111	-	-	366,290	334,111
Computers	134,248	30,836	-	-	134,248	30,836
Total	$ 16,104,615	$ 15,004,389	$ 12,451,414	$ 12,339,465	$ 28,556,029	$ 27,343,854

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

Long-term Debt. As of June 30, 2015, the Town of Blowing Rock's long term liabilities consisted of the following:

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

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	$ -	$ -	$ -	$ -	$ -	$ -
Compensated absences	103,754	85,613	20,848	21,279	124,602	106,892
Pension obligation (LEOSSA)	69,847	65,011	-	-	69,847	65,011
Installment purchases	5,129,030	4,144,635	1,622,904	1,363,057	6,751,934	5,507,692
Total	$ 5,302,631	$ 4,295,259	$ 1,643,752	$ 1,384,336	$ 6,946,383	$ 5,679,595

- As mentioned previously, the Town of Blowing Rock's total debt increased by $1,266,788 (22.30%) during the past fiscal year, mostly attributable to new debt for capital equipment and the Public Works Warehouse Facility offset by the retirement of debt associated with the American Legion Parking Facility &Water/Sewer Improvement debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Blowing Rock is $81,898,066. Even if the Town's recently approved $13,000,000 General Obligation Bond Referendum had already been issued completely, the Town would still be well within the legal debt margin.

Additional information regarding the Town of Blowing Rock's long-term debt can be found in note III.B.6 beginning on page 49 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Unemployment is in line with the state rate. The Watauga County unemployment rate decreased from 6.50% in July 2014 to 5.60% in July 2015. This is consistent with the historically higher NC state rate that also decreased from 6.9% in July 2014 to 6.30% in July 2015 (unadjusted rates as reported by the North Carolina Department of Commerce North Carolina Labor and Economic Analysis Division).
- Continued increased interest in new housing and development in the area.
- Tourism market continues to show modest improvement with occupancy taxes reported increasing 8.47% in Fiscal Year 2015 over Fiscal Year 2014.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: Property tax collections and revenues from sales tax are projected to increase as the fiscal year 2016 ad valorem tax base is projected to grow by approximately 1.2% or approximately $13 million, a budgeted tax rate increase to .33 cents and the continuation of the ad valorem method of sales tax distribution set by Watauga County for the third consecutive year. The Town will use these revenues to maintain existing programs and fund planned capital improvements.

Prior to fiscal year 2016 a funding source available to all municipalities including Blowing Rock was Business License Fees. This fee ranged from $2.50 to $100 per fee. With the North Carolina General Assembly eliminating the authority of municipalities to charge fees associated with this revenue source, this will be eliminated from the Town's budget in fiscal year 2016. This revenue source for the Town of Blowing Rock typically averaged approximately $16,000 per year and peaked at nearly $22,000 in fiscal year 2012.

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

General Obligation Bond Activities: A General Obligation Bond Referendum was approved by Blowing Rock Voters on November 4, 2014 totaling $13,000,000 in bond funding authority consisting of $9,000,000 in street improvements, $1,000,000 in park improvements, $2,000,000 in water line & system improvements and $1,000,000 in sewer line & system improvements. Borrowing of funds and project planning are scheduled to begin in fiscal year 2016.

Business – type Activities: In terms of utility rates, the customer demand for water has been gradually declining over the past decade and the utility customer base has remained fairly steady, offering fewer gallons among which to spread the largely fixed costs of providing dependable water and sewer services. To help ensure the system is able to recover its costs and not be subsidized by tax revenues when absorbing debt service costs associated with the water and sewer capital improvements planned, a $2.00 base increase for both water and sewer is being recommended along with a $0.25 increase in the per thousand gallon rate for gallons consumed greater than 5,000 per two month billing period. These impacts are expected to increase a typical customer's bill by 5% in the coming year. General operating expenses also increased to cover increased costs of employee retirement and health insurance, materials, supplies, and other operating expenses, including funding for the Water and Sewer Capital Improvements Plan.

Requests for Information

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

Basic Financial Statements

Exhibit 1

Town of Blowing Rock, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government					
	Governmental Activities	Business-type Activities	Total Primary Government	Town of Blowing Rock ABC Board	Town of Blowing Rock Tourism Development Authority	Total Reporting Unit
ASSETS						
Current assets:						
Cash and cash equivalents	$ 3,026,171	$ 1,569,113	$ 4,595,284	$ 158,396	$ 227,924	$ 4,981,604
Taxes receivable (net)	88,213	-	88,213	-	236,290	324,503
Accrued interest receivable on taxes	8,010	-	8,010	-	-	8,010
Accounts receivable (net)	922,313	319,809	1,242,122	-	-	1,242,122
Due from other governments	97,359	-	97,359	-	-	97,359
Due from component units	18,850	-	18,850	-	-	18,850
Due from primary government	-	-	-	-	-	-
Inventories	2,700	69,229	71,929	201,054	-	272,983
Prepaid items	24,703	3,584	28,287	6,588	295	35,170
Restricted cash and cash equivalents	1,404,531	627,796	2,032,327	144,537	-	2,176,864
Total current assets	5,592,850	2,589,531	8,182,381	510,575	464,509	9,157,465
Non-current assets:						
Net pension asset	197,503	36,450	233,953	6,605	13,741	254,299
Capital assets (Note 4):						
Land, non-depreciable improvements, and construction in progress	3,878,801	261,807	4,140,608	96,275	-	4,236,883
Other capital assets, net of depreciation	12,225,814	12,189,607	24,415,421	156,658	-	24,572,079
Total non-current assets	16,302,118	12,487,864	28,789,982	259,538	13,741	29,063,261
Total assets	$ 21,894,968	$ 15,077,395	$ 36,972,363	$ 770,113	$ 478,250	$ 38,220,726
DEFERRED OUTFLOWS OF RESOURCES						
Contributions to pension plan in current fiscal year	$ 129,013	$ 23,454	$ 152,467	$ 6,476	$ 8,746	$ 167,689
Total deferred outflows of resources	129,013	23,454	152,467	6,476	8,746	167,689
LIABILITIES						
Current liabilities:						
Accounts payable	520,908	140,427	661,335	52,915	25,526	739,776
Cash overdraft	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Accrued salaries	-	8,227	8,227	-	-	8,227
Customer deposits	-	-	-	-	-	-
Due to primary government	-	-	-	18,850	-	18,850
Due to other governments	-	-	-	-	-	-
Liabilities payable from restricted assets:						
Customer deposits	-	202,650	202,650	-	-	202,650
Long-term liabilities:						
Due within one year	658,113	140,461	798,574	-	-	798,574
Due in more than one year	4,644,518	1,503,291	6,147,809	15,817	3,914	6,167,540
Total liabilities	5,823,539	1,995,056	7,818,595	87,582	29,440	7,935,617
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	23,756	-	23,756	-	-	23,756
Pension deferrals	481,362	88,837	570,199	16,099	35,824	622,122
Total deferred inflows of resources	505,118	88,837	593,955	16,099	35,824	645,878
NET POSITION						
Net investment in capital assets	9,571,054	10,864,960	20,436,014	252,933	-	20,688,947
Restricted for:						
Capital projects	1,404,531	-	1,404,531	144,537	-	1,549,068
Stabilization by State Statute	1,730,164	-	1,730,164	-	236,290	1,966,454
Culture and recreation	-	-	-	-	-	-
Working capital	-	-	-	43,052	-	43,052
Unrestricted	2,989,575	2,151,996	5,141,571	232,386	185,442	5,559,399
Total net position	$ 15,695,324	$ 13,016,956	$ 28,712,280	$ 672,908	$ 421,732	$ 29,806,920

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

Town of Blowing Rock, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental Activities:				
General government	$ 1,391,840	$ 35,210	$ 81,240	$ -
Public safety	1,972,405	76,243	77,719	352,769
Transportation	1,101,616	-	77,638	-
Environmental protection	290,192	137,987	423	-
Cultural and recreation	534,588	113,189	-	128,825
Interest on long-term debt	163,012	-	-	-
Total governmental activities (See Note 1)	5,453,653	362,629	237,020	481,594
Business-type activities:				
Water and sewer	1,425,917	1,441,608	-	10,000
Electric	-	-	-	-
Total business-type activities	1,425,917	1,441,608	-	10,000
Total primary government	$ 6,879,570	$ 1,804,237	$ 237,020	$ 491,594
Component units:				
ABC Board	$ 1,476,916	$ 1,486,311	$ -	$ -
Blowing Rock Tourism Development Authority	771,354	-	-	-
Total component unit	$ 2,248,270	$ 1,486,311	$ -	$ -

General revenues:
Taxes:
Property taxes, levied for general purpose
Other taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Cumulative change in application of capitalization policy
Change in net position

Net position, beginning , previously reported
Restatement
Net position, beginning, restated
Net position, ending

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

Exhibit 2

Town of Blowing Rock, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position					
Primary Government					
Governmental Activities	Business-type Activities	Total	Town of Blowing Rock ABC Board	Blowing Rock Tourism Development Authority	Total Reporting Unit
$ (1,275,390)	$ -	$ (1,275,390)	$ -	$ -	$ (1,275,390)
(1,465,674)	-	(1,465,674)	-	-	(1,465,674)
(1,023,978)	-	(1,023,978)	-	-	(1,023,978)
(151,782)	-	(151,782)	-	-	(151,782)
(292,574)	-	(292,574)	-	-	(292,574)
(163,012)	-	(163,012)	-	-	(163,012)
(4,372,410)	-	(4,372,410)	-	-	(4,372,410)
-	25,691	25,691	-	-	25,691
-	-	-	-	-	-
-	25,691	25,691	-	-	25,691
(4,372,410)	25,691	(4,346,719)	-	-	(4,346,719)
-	-	-	9,395	-	9,395
-	-	-	-	(771,354)	(771,354)
-	-	-	9,395	(771,354)	(761,959)
3,444,483	-	3,444,483	-	-	3,444,483
329,861	-	329,861	-	841,221	1,171,082
1,840,656	-	1,840,656	-	-	1,840,656
3,254	184	3,438	378	633	4,449
267,308	-	267,308	713	391	268,412
-	-	-	-	-	-
5,885,562	184	5,885,746	1,091	842,245	6,729,082
-	-	-	-	-	-
1,513,152	25,875	1,539,027	10,486	70,891	1,620,404
14,450,611	13,040,622	27,491,233	670,332	372,647	28,534,212
(268,439)	(49,541)	(317,980)	(7,910)	(21,806)	(347,696)
14,182,172	12,991,081	27,173,253	662,422	350,841	28,186,516
$ 15,695,324	$ 13,016,956	$ 28,712,280	$ 672,908	$ 421,732	$ 29,806,920

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

Exhibit 3

Town of Blowing Rock
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds		Total Non-Major	Total Governmental
	General	Capital Projects	Funds	Funds
ASSETS				
Cash and cash equivalents	$ 2,850,030	$ 151,674	$ 24,467	$ 3,026,171
Receivables, net:				
Taxes	88,213	-	-	88,213
Accounts	505,210	435,953	-	941,163
Due from other governments	97,359	-	-	97,359
Due from other funds	691,642	-	-	691,642
Prepaid Expenses	24,703	-	-	24,703
Inventories	2,700	-	-	2,700
Restricted cash	1,404,531	-	-	1,404,531
Total assets	$ 5,664,388	$ 587,627	$ 24,467	$ 6,276,482
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	$ 495,371	$ 16,838	$ 8,699	$ 520,908
Cash overdraft	-	-	-	-
Due to other funds	-	691,642	-	691,642
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	-
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	-
Total liabilities	495,371	708,480	8,699	1,212,550
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	88,213	-	-	88,213
Prepaid taxes	23,756	-	-	23,756
Total deferred inflows of resources	111,969	-	-	111,969
FUND BALANCES				
Non Spendable				
Inventories	2,700	-	-	2,700
Prepaids	24,703	-	-	24,703
Restricted				
Stabilization by State Statute	1,294,211	435,953	-	1,730,164
Streets	-	-	-	-
Capital Projects	1,404,531	-	-	1,404,531
Assigned				
Capital Projects	-	(556,806)	-	(556,806)
Subsequent year's expenditures	-	-	-	-
Unassigned	2,330,903	-	15,768	2,346,671
Total fund balances	5,057,048	(120,853)	15,768	4,951,963
Total liabilities, deferred inflows of resources and fund balances	$ 5,664,388	$ 587,627	$ 24,467	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,104,615
Net pension asset	197,503
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	129,013
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	8,010
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	-
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	88,213
Pension related deferrals	(481,362)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(5,302,631)
Net position of governmental activities	$ 15,695,324

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

Exhibit 4

Town of Blowing Rock
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Capital Projects		
REVENUES				
Ad valorem taxes	$ 3,460,020	$ -	$ -	$ 3,460,020
Other taxes and licenses	329,861	-	-	329,861
Unrestricted intergovernmental	1,765,366	-	-	1,765,366
Restricted intergovernmental	114,959	678,945	-	793,904
Permits and fees	64,799	-	-	64,799
Sales and services	176,878	-	-	176,878
Investment earnings	3,239	15	-	3,254
Miscellaneous	261,154	-	27,140	288,294
Total revenues	6,176,276	678,960	27,140	6,882,376
EXPENDITURES				
Current:				
General government	1,324,099	-	25,696	1,349,795
Public safety	1,812,868	-	-	1,812,868
Transportation	1,153,583	-	-	1,153,583
Economic and physical development	-	-	-	-
Environmental protection	325,727	-	-	325,727
Culture and recreation	509,392	-	-	509,392
Debt service:				
Principal	582,041	-	-	582,041
Interest and other charges	163,012	-	-	163,012
Capital outlay	-	1,255,560	-	1,255,560
Total expenditures	5,870,722	1,255,560	25,696	7,151,978
Excess (deficiency) of revenues over expenditures	305,554	(576,600)	1,444	(269,602)
OTHER FINANCING SOURCES (USES)				
Transfers (to)/from other funds	(315,683)	323,683	(8,000)	-
Sales of capital assets	25,408	-	-	25,408
Installment purchase obligations issued	1,566,436	-	-	1,566,436
Capital lease obligations issued	-	-	-	-
Total other financing sources (uses)	1,276,161	323,683	(8,000)	1,591,844
Net change in fund balance	1,581,715	(252,917)	(6,556)	1,322,242
Fund balances, beginning	3,475,333	132,064	22,324	3,629,721
Change in reserve for inventories	-	-	-	-
Fund balances, ending	$ 5,057,048	$ (120,853)	$ 15,768	$ 4,951,963

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

Exhibit 5

Town of Blowing Rock
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	$ 1,322,242
Change in fund balance due to change in reserve for inventory	-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	1,106,908
Book value assets disposed	(6,682)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	126,584
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	-
Change in unavailable revenue for tax revenues	(15,537)
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.	(984,395)
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.	
Tranfer of capital asset	-
Compensated absences	(18,141)
Pension expense	(12,991)
Net pension obligation	(4,836)
Total changes in net position of governmental activities	$ 1,513,152

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

Exhibit 6

Town of Blowing Rock
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	$ 3,432,823	$ 3,430,323	$ 3,460,020	$ 29,697
Other taxes and licenses	330,961	330,961	329,861	(1,100)
Unrestricted intergovernmental	1,487,477	1,535,477	1,765,366	229,889
Restricted intergovernmental	150,000	110,430	114,959	4,529
Permits and fees	60,000	65,000	64,799	(201)
Sales and services	209,200	182,450	176,878	(5,572)
Investment earnings	10,000	2,500	3,239	739
Miscellaneous	240,000	245,695	261,154	15,459
Total revenues	5,920,461	5,902,836	6,176,276	273,440
Expenditures:				
Current:				
General government	1,403,231	1,362,303	1,324,099	38,204
Public safety	1,847,949	1,823,920	1,812,868	11,052
Transportation	1,053,919	1,189,486	1,153,583	35,903
Environmental protection	467,705	466,354	325,727	140,627
Cultural and recreation	645,812	531,243	509,392	21,851
Debt service:				
Principal retirement	582,041	582,041	582,041	-
Interest and other charges	167,681	167,681	163,012	4,669
Total expenditures	6,168,338	6,123,028	5,870,722	252,306
Revenues over (under) expenditures	(247,877)	(220,192)	305,554	525,746
Other financing sources (uses):				
Transfers to other funds	-	(355,463)	(318,683)	36,780
Transfers from other funds		3,000	3,000	-
Sale of assets	-	25,000	25,408	408
Appropriated fund balance	-	256,652	-	(256,652)
Proceeds from installment purchase	247,877	291,003	1,566,436	1,275,433
Total other financing sources (uses)	247,877	220,192	1,276,161	1,055,969
Revenues and other sources over (under) expenditures and other uses	$ -	$ -	1,581,715	$ 1,581,715
Fund balances, beginning			3,475,333	
Change in reserve for inventories			-	
Fund balances, ending			$ 5,057,048	

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

Exhibit 7

Town of Blowing Rock
Statement of Net Position
Proprietary Funds
June 30, 2015

	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,569,113	$ 1,569,113
Accounts receivable (net) - billed	319,809	319,809
Due from other governments	-	-
Inventories	69,229	69,229
Prepaid items	3,584	3,584
Restricted cash and cash equivalents	627,796	627,796
Total current assets	2,589,531	2,589,531
Noncurrent assets:		
Net pension asset	36,450	36,450
Capital assets (net)		
Land and other non-depreciable assets	261,807	261,807
Other capital assets, net of depreciation	12,189,607	12,189,607
Capital assets (net)	12,451,414	12,451,414
Total noncurrent assets	12,487,864	12,487,864
Total assets	$ 15,077,395	$ 15,077,395
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to the pension plan	$ 23,454	$ 23,454
Total deferred outflows of resources	23,454	23,454
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	140,427	140,427
Accrued salaries	8,227	8,227
Unearned revenue	-	-
Compensated absences - current	20,848	20,848
General obligation bonds payable-current	-	-
Installment purchase-current	119,613	119,613
Liabilities payable from restricted assets:		
Customer deposits	202,650	202,650
Total current liabilities	491,765	491,765
Noncurrent liabilities:		
Compensated absences	-	-
General obligation bonds payable-noncurrent (net)	-	-
Installment purchase-noncurrent	1,503,291	1,503,291
Total noncurrent liabilities	1,503,291	1,503,291
Total liabilities	1,995,056	1,995,056
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	88,837	88,837
Total deferred inflows of resources	88,837	88,837
NET POSITION		
Net investment in capital assets	10,864,960	10,864,960
Unrestricted	2,151,996	2,151,996
Total net position	$ 13,016,956	$ 13,016,956

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

Exhibit 8

Town of Blowing Rock
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	$ 1,424,691	$ 1,424,691
Water and sewer taps	5,668	5,668
Other operating revenues	11,249	11,249
Total operating revenues	1,441,608	1,441,608
OPERATING EXPENSES		
Administration	211,327	211,327
Water/Sewer plant operations	519,274	519,274
Water/Sewer field operations	299,823	299,823
Depreciation	376,611	376,611
Total operating expenses	1,407,035	1,407,035
Operating income (loss)	34,573	34,573
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	184	184
Sale of fixed assets	-	-
Interest and other charges	(18,882)	(18,882)
Bond issuance costs	-	-
Total nonoperating revenue (expenses)	(18,698)	(18,698)
Income (loss) before contributions and transfers	15,875	15,875
Contributions	10,000	10,000
Interconnect assets transferred	-	-
Transfers from other funds	-	-
Transfers to other funds	-	-
Total income (loss) after contributions and transfers	25,875	25,875
Cumulative change in application of capitalization policy	-	-
Change in net position	25,875	25,875
Total net position, previously reported	13,040,622	13,040,622
Restatement	(49,541)	(49,541)
Total net position, restated	12,991,081	12,991,081
Total net position, ending	$ 13,016,956	$ 13,016,956

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

Exhibit 9

Town of Blowing Rock
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 1,452,202	$ 1,452,202
Cash paid for goods and services	(480,338)	(480,338)
Cash paid to or on behalf of employees for services	(539,692)	(539,692)
Customer deposits received (returned)	1,076	1,076
Other operating revenues	-	-
Net cash provided (used) by operating activities	433,248	433,248
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	-
Transfers to other funds	-	-
Grants and contributions	10,000	10,000
Total cash flows from noncapital financing activities	10,000	10,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond anticipation notes issued	-	-
Acquisition and construction of capital assets	(488,560)	(488,560)
Principal paid on bond maturities and equipment contracts	(275,297)	(275,297)
Proceeds from installment purchase	535,144	535,144
Interest paid on bond maturities and equipment contracts	(18,882)	(18,882)
Sale of fixed assets	-	-
Capital contributions-Federal grant	-	-
Net cash provided (used) by capital and related financing activities	(247,595)	(247,595)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	184	184
Net increase (decrease) in cash and cash equivalents	195,837	195,837
Balances, beginning	2,001,072	2,001,072
Balances, ending	$ 2,196,909	$ 2,196,909

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

Exhibit 9

Town of Blowing Rock
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 34,573	$ 34,573
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	376,611	376,611
Pension expense	2,398	2,398
Changes in assets, deferred outflows of resources and liabilities:		
(Increase) decrease in accounts receivable	31,202	31,202
Increase (decrease) in allowance for doubtful accounts	-	-
(Increase) decrease in inventory	8,633	8,633
(Increase) in prepaid items	(3,584)	(3,584)
(Increase) in due from other funds	-	-
(Increase) decrease in deferred outflows of resources for pensions	(23,006)	(23,006)
Increase (decrease) in accounts payable and accrued liabilities	5,776	5,776
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in customer deposits	1,076	1,076
Increase (decrease) in accrued vacation pay	(431)	(431)
Total adjustments	398,675	398,675
Net cash provided by operating activities	$ 433,248	$ 433,248

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

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Blowing Rock is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Town of Blowing Rock ABC Board

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

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

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other

non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting,

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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. Also, 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, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes 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 because the tax is levied by Watauga 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual operating budget 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. 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. 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 to allow for previously unanticipated work to take place.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town, the ABC Board, and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT). The Town's, the ABC Board's, and the Authority's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Blowing Rock Restricted Cash	
Governmental Activities	
General Fund - unexpended debt proceeds	$ 1,404,531
Total governmental activities	1,404,531
Business-type activities	
Water and Sewer Fund - customer deposits	202,650
Water and Sewer Fund - unexpended debt proceeds	425,146
Total Business-type Activities	627,796
Total Restricted Cash	$ 2,032,327

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014 (Caldwell County) and January 1, 2014 (Watauga County).

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

The inventories of the Town's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use and merchandise held for resale. The cost of materials and supplies inventories is expensed when used rather than when purchased. The cost of merchandise held for resale is expensed when sold rather than when purchased. The Authority had no inventory on hand at June 30, 2015.

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

7. Capital Assets

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

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

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policies of the Town provide for the accumulation of twenty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position / Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Blowing Rock's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – portion of fund balance that the Town intends to use for specific purposes.

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

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

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

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

12. 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 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.

II. Stewardship, Compliance and Accountability

The Town did not remit the annual *Powell Bill Expenditures Report* by the August 1, 2015 deadline for funds spent in fiscal year 2014-2015. This is a violation of G.S. 136-41.3. It was inadvertently overlooked and was submitted on September 10, 2015. Disbursement of subsequent Powell Bill revenues was not impacted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town, the ABC Board, and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the ABC Board, and the Authority, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled

collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, the Authority, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town, the ABC Board, or the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Authority have no policy regarding custodial credit risk for deposits.

At June 30, 2015, the Town's deposits had a carrying amount of $3,960,076 and a bank balance of $4,052,116. Of the bank balance, $582,181 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was $294,432 and the bank balance was $366,190. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Authority was $202,924 and the bank balance was $218,451. 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, 2015, the Town's petty cash fund totaled $500.

2. Investments

At June 30, 2015, the Town, the ABC Board, and the Authority had $2,667,035, $8,501, and $25,000 respectively, invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm with Standard and Poor's. The Town, the ABC Board, and the Authority have no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

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

Fund	6/30/2015
General Fund:	
Taxes Receivable	$ 39,198

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, was 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	253,018	1,255,560	(691,030)	817,548
Total capital assets not being depreciated	3,314,271	1,255,560	(691,030)	3,878,801
Capital assets being depreciated:				
Infrastructure	5,408,821	736,380	-	6,145,201
Buildings	7,305,918	-	-	7,305,918
Equipment and furniture	3,106,543	15,644	(116,103)	3,006,084
Vehicles	1,797,884	153,707	(29,506)	1,922,085
Computers	177,519	126,983	(2,880)	301,622
Total capital assets being depreciated	17,796,685	1,032,714	(148,489)	18,680,910
Less accumulated depreciation for:				
Infrastructure	471,095	115,540	-	586,635
Buildings	1,249,266	145,618	-	1,394,884
Equipment and furniture	2,775,750	85,554	(110,896)	2,750,408
Vehicles	1,463,773	120,053	(28,031)	1,555,795
Computers	146,683	23,571	(2,880)	167,374
Total accumulated depreciation	6,106,567	$ 490,336	$ (141,807)	6,455,096
Total capital assets being depreciated, net	11,690,118			12,225,814
Governmental activity capital assets, net	$ 15,004,389			$ 16,104,615

Depreciation was charged to governmental functions as follows:

General Government	$ 57,847
Public Safety	255,732
Transportation	120,939
Environmental protection	23,854
Cultural & recreation	31,964
Unallocated depreciation	-
	$ 490,336

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water/Sewer Fund:				
Capital assets not being depreciated:				
Land	$ 100,504	$ -	$ -	$ 100,504
Construction in progress	132,925	293,768	(265,390)	161,303
Total capital assets not being depreciated	233,429	293,768	(265,390)	261,807
Capital assets being depreciated:				
Plant	18,810,046	275,601	-	19,085,647
Equipment	1,111,493	184,581	-	1,296,074
Total capital assets being depreciated	19,921,539	460,182	-	20,381,721
Less accumulated depreciation for:				
Plant	6,826,198	338,309	-	7,164,507
Equipment	989,305	38,302	-	1,027,607
Total accumulated depreciation	7,815,503	$ 376,611	$ -	8,192,114
Total capital assets being depreciated, net	12,339,465			12,189,607
Business-type activites capital assets, net	$ 12,339,465			$ 12,451,414

Discretely Presented component units

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	Useful Life	Cost	Accumulated Depreciation	Net Amount
Land		$ 96,275	$ -	$ 96,275
Building and improvements	20 years	315,573	181,876	133,697
Furniture and equipment	10 years	61,218	52,223	8,995
Computer equipment	5 years	50,655	36,689	13,966
		$ 523,721	$ 270,788	$ 252,933

Activity for the Authority for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Captial assets being depreciated:				
Furniture and equipment	$ 15,702	$ -	$ -	$ 15,702
Total capital assets being depreciated	15,702	-	-	15,702
Less accumulated depreciation for:				
Furniture and equipment	14,640	1,062	-	15,702
Total accumulated depreciation	14,640	$ 1,062	$ -	15,702
Total capital assets being depreciated, net	1,062			-
Governmental activity capital assets, net	$ 1,062			$ -

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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 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, 2015, was 7.54% of compensation for law enforcement officers and 7.07% 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. Total contributions to the pension plan from the Town of Blowing Rock were $272,992 for the year ended June 30, 2015, comprised of $123,402 contributed by employees and $149,590 contributed by the Town.

Refunds of Contributions – Authority 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, 2015, the Town reported an asset of $233,953 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014, the Town's proportion was 0.0397%, which was an increase of 0.077% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of $15,389. At June 30, 2015, 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	-	25,563
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	544,636
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,877	-
Employer contributions subsequent to the measurement date	149,590	
Total	$ 152,467	$ 570,199

$149,590 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	(141,845)
2017		(141,845)
2018		(141,845)
2019		(141,787)
2020		
Thereafter		
	$	(567,322)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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 asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	794,135	(233,952)	(1,099,569)

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.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Blowing Rock administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	14
Total	15

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies.

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds 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 following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25–7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

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

Employer annual required contribution	$	18,681
Interest on net pension obligation		3,251
Adjustment to annual required contribution		(5,492)
Annual pension cost		16,440
Employer contributions made for fiscal year ending 6/30/2012		(11,604)
Increase (decrease) in net pension obligation		4,836
Net pension obligation beginning of fiscal year		65,011
Net pension obligation end of fiscal year	$	69,847

3 Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	$ 15,613	74.32%	$ 64,430
6/30/2014	12,185	95.23%	65,011
6/30/2015	16,440	70.58%	69,847

4. Funded Status and Funding Progress.

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $224,365. The covered payroll (annual payroll of active employees covered by the plan) was $513,608, and the ratio of the UAAL to the covered payroll was 43.68%.

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

c. Supplemental Retirement Income Plan

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to four percent of each general employee and five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 for general employees and law enforcement officers respectively were $85,105 and $37,888 which consisted of $42,264 from the town and $38,841 from general employees and $19,806 from the Town and $18,082 from the law enforcement officers.

d. Other Post-employment Benefits

Post-employment Healthcare Benefits

Plan Description. The post-employment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 13-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those

contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the plan.

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

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

According to a Town resolution, the Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable service with the Town and retire with full benefits under the System. Participating in the State Health Plan, the Town pays for these benefits through a contribution to the State of 5.4% of the covered payroll of employees who are members of the Retirement system to fund its total liability for the year. The Town's retirees may also purchase coverage for their dependents through the State plan. The Town's contributions for post-employment health benefits for years ended June 30, 2015, 2014, and 2013 were $112,776, $99,957, and $93,807 respectively and fund the Town's portion of OPEB liability for each year. Currently eight retirees are receiving post-employment health benefits.

2. Other Employment Benefit

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed $50,000 and may not be less than $25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be

separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the Town made contributions to the State for death benefits of $0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2013. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Years Relief	FY Contributions Resume
less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of Blowing Rock will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to the pension plan in the current fiscal year	$ 152,467

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

Taxes receivable (General Fund), less penalties	$ 88,213
Prepaid taxes	23,756
Pension deferrals	570,199

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities for worker's compensation. The pool is reinsured through commercial companies for single occurrence claims in excess of $300,000 up to statutory limits for workers' compensation. The 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.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2015, the Town was defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchases

Installment purchases at June 30, 2015 consists of the following:

Note payable, dated January 17, 2003, due 2018, face amount $775,000, due in quarterly payments of $12,917 plus interest at 4.35%, collateralized by land (Tiller Property).	$ 142,083
Note payable, dated October 10, 2006, due 2026, face amount $4,700,000, due in annual payments of $235,000 plus interest at 4.22%, collateralized by building and land (Fire/Rescue Building).	2,585,000
Note payable, dated December 18, 2014, due 2019, face amount $401,001, due in annual payments of $98.651 plus interest at 1.46%, collateralized by equipment and vehicles.	401,001
Note payable, dated March 6, 2012, due 2033, face amount $550,398, due in annual payments of $27,519, plus interest at 2.445%, funding received through N.C. Dept. of Natural Resources (Wastewater Treatment Plant Improvements).	482,575
Note payable, dated May 14, 2010, due 2031, face amount $1,000,131, due in annual payments of $37,824 including interest at 0.00%, for water interconnection. Funding was received through the NC Drinking Water and Revolving Loan and Grant Program and was matched 100% by American Reinvestment and Recovery Act grant funds (Water Interconnect).	605,184
Note payable, dated November 7, 2013, due 2016, face amount $131,465, due in annual payments of $18,904 plus interest at 1.68%, collateralized by vehicles (Capital Equipment).	66,280
Note payable, dated August 25, 2009, due 2025, face amount $1,000,000, due two annual interest payments of $40,800 followed by annual payments of $76,923 plus interest at 4.08%, collateralized by a parking facility (BRAHM Parking Facility).	769,231
Note payable, dated May 5, 2015, due 2030, face amount $1,700,580, due in annual payments of $113,372, plus interest at 2.83%, collateralized by a building. (Public Works Warehouse)	1,700,580
Total Installment Purchases	$ 6,751,934

The future minimum payments of the installment purchase as of June 30, 2015 are as follows:

Year	General Principal	General Interest	Water/Sewer Principal	Water/Sewer Interest
2015-2016	$ 554,359	$ 184,471	$ 119,613	$ 25,004
2016-2017	520,904	167,046	119,795	23,364
2017-2018	508,790	148,534	120,187	22,465
2018-2019	472,042	131,154	122,312	19,735
2019-2020	428,031	114,611	92,977	17,800
2020-2024	1,984,760	338,662	464,883	67,134
2024-2029	660,144	43,004	464,883	30,694
2029-2034	-	-	118,254	3,933
Total	$ 5,129,030	$ 1,127,482	$ 1,622,904	$ 210,129

At June 30, 2015 the Town of Blowing Rock had a legal debt margin of $81,898,066.

c. Changes in Long-Term Liabilities

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
Government activities:					
Installment purchases	4,144,635	1,566,436	(582,041)	5,129,030	554,359
Compensated absences	85,613	249,918	(231,777)	103,754	103,754
Net pension liability (LGERS)	268,439	-	(268,439)	-	-
Pension Obligation (LEOSSA)	65,011	16,440	(11,604)	69,847	-
Governmental activity long-term debt	4,563,698	1,832,794	(1,093,861)	5,302,631	658,113
Business activities:					
Installment purchases	1,363,057	535,144	(275,297)	1,622,904	119,613
General obligation bonds	-	-	-	-	-
Net pension liability (LGERS)	49,541	-	(49,541)	-	-
Compensated absences	21,279	53,097	(53,528)	20,848	20,848
Business-type activity long-term debt	1,433,877	588,241	(378,366)	1,643,752	140,461

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

This year, the Town had a successful general obligation bond referendum totaling $13,000,000. The referendum passed on November 4, 2014. As of June 30, 2015, no bonds had been issued. Borrowing is planned to begin in fiscal year 2016.

C. Interfund Activity

Transfers to/from Other Funds

Net Transfers to/from other funds at June 30, 2015 consist of the following:

From the Water/Sewer Capital to the General Water/Sewer Fund:

$ 34,482

From the Water/Sewer Fund to the Water/Sewer Capital Projects Fund:

$ 521,000

From the BRAAC Fund to the General Fund:

$ 3,000

From the BRAAC Fund to the General Capital Projects Fund:

$ 5,000

From the General Fund to the General Capital Projects Fund:

$ 378,683

From the General Capital Projects Fund to the General Fund:

$ 60,000

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

During the 2015 fiscal year, the Town has made transfers from the Water/Sewer Capital projects Fund to the Water/Sewer Fund for the following: $9,559 for I & I Repairs. The Water/Sewer Fund also transferred funds to the Water/Sewer Capital Fund for the following: $60,000 for a waterline at Tanger Shoppes on the Parkway, $200,000 for Chetola Lake emergency water access, $25,000 for water plant projects and $40,000 for wastewater plant projects. The BRAAC Fund also transferred funds to the General Fund for the following: $3,000 for watering service by Town staff. The BRAAC Fund also transferred funds to the General Capital Projects Fund for the following: $5,000 as a contribution to the American Legion Building renovation project. The General Fund also made transfers to the General Capital Projects Fund for the following: $40,000 to allocate an ABC Store contribution towards the American Legion Building renovation project, $45,350 special paving funds towards Quail Hollow Road repairs, $34,432 towards the American Legion Building renovation project, $6,780 from the Police Department to a golf cart reserve, $118,921 towards technology infrastructure, $133,200 from the Parks & Recreation Department towards tennis court repairs/adjacent retaining wall ($56,400), additional swings in Memorial Park ($5,000), Laurel Lane drain pipe repairs ($5,000) and Memorial Park entrance improvements ($66,800) and the Town also made transfers from the General Capital Projects Fund to the General Fund for the following: $60,000 for Emergency Services Building debt service.

D. Fund Balance

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

Total fund balance - General Fund	**$**	**5,057,048**
Less:		
Stablization by State Statute		602,569
Prepaids		24,703
Inventories		2,700
Restricted for capital projects		1,404,531
Appropriated Fund Balance in 2015 budget		-
Remaining fund balance		3,022,545

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

IV. Jointly Governed Organization

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D High Country Council of Government (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of $510 to the Council during the fiscal year ended June 30, 2015.

V. Related Organization

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

VI. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 28, 2015 – the date the financial statements were available to be issued.

VII. Summary Disclosure of Significant Contingencies

1. Federal and State Assisted Programs

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

VIII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by $268,439 and $49,541, respectively.

Required Supplementary Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Asset
- Local Government Employees' Retirement System's Schedule of Contributions

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2003	-	100,524	100,524	0.00%	317,218	26.3%
12/31/2004	-	79,129	79,129	0.00%	341,243	29.3%
12/31/2005	-	68,223	68,223	0.00%	360,021	31.0%
12/31/2006	-	78,063	78,063	0.00%	331,529	32.7%
12/31/2007	-	132,313	132,313	0.00%	369,933	34.5%
12/31/2008	-	126,525	126,525	0.00%	332,179	38.1%
12/31/2009	-	138,389	138,389	0.00%	365,575	37.9%
12/31/2010	-	168,741	168,741	0.00%	383,091	44.1%
12/31/2011	-	149,511	149,511	0.00%	379,856	39.4%
12/31/2012	-	134,332	134,332	0.00%	323,992	41.5%
12/31/2013	-	142,810	142,810	0.00%	387,459	36.9%
12/31/2014		224,365	224,365	0.00%	513,608	43.7%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	15,613	74.32%
2014	12,185	95.23%
2015	16,440	70.58%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	16
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.0%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

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

Local Government Employees' Retirement System

	2015	2014
Town's proportion of the net pension liability (asset) (%)	(.0397%)	0.0373%
Town's proportion of the net pension liability (asset) ($)	$ (223,953)	$ 449,608
Town's covered-employee payroll	$ 2,056,654	$ 1,851,048
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.89%)	24.29%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

Town of Blowing Rock's Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	2015	2014
Contractually required contribution	$ 149,590	$ 131,628
Contributions in relation to the contractually required contribution	149,590	131,628
Contribution deficiency (excess)	$ -	$ -
Town's covered employee payroll	$ 2,056,654	$ 1,851,048
Contributions as a percentage of covered-employee payroll	7.27%	7.11%

Individual Fund Statements and Schedules

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	$	$ 3,449,327	$
Interest		10,693	
Total	3,430,323	3,460,020	29,697
Other taxes and licenses:			
Occupancy tax		329,653	
Privilege licenses		208	
Total	330,961	329,861	(1,100)
Unrestricted intergovernmental:			
Local option sales taxes		1,337,910	
Cablevision franchise		-	
Telecommunications sales tax		41,384	
Video Programming Tax		47,535	
Utility franchise tax		272,008	
Hold harmless sales		-	
Beer and wine tax		6,129	
ABC profit distribution		60,400	
Total	1,535,477	1,765,366	229,889
Restricted intergovernmental:			
Powell Bill allocation		77,638	
Snow removal		19,179	
ABC Revenue for law enforcement		5,437	
Federal and State grants		12,282	
Solid waste disposal tax		423	
Total	110,430	114,959	4,529
Permits and fees:			
Building permits		64,799	
Total	65,000	64,799	(201)
Sales and services:			
Recreation department fees		106,079	
Recycling revenue		62,557	
Park lease/rental income		7,110	
Parking fees		1,132	
Total	182,450	176,878	(5,572)
Investment earnings	2,500	3,239	739
Miscellaneous:			
Miscellaneous		140,202	

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Cemetary revenue		35,210	
Solid waste fees		75,430	
Zoning fees		10,312	
Total	245,695	261,154	15,459
Total revenues	5,902,836	6,176,276	273,440
Expenditures:			
General government:			
Salaries		-	
Employee benefits		-	
Professional services		58,911	
Other operating expenditures		282,944	
Capital outlay		-	
Total		341,855	
Governing body:			
Salaries		15,600	
Employee benefits		22,542	
Other operating expenditures		8,026	
Total		46,168	
Finance:			
Salaries		269,814	
Employee benefits		88,522	
Other operating expenditures		504,910	
Capital outlay		-	
Total		863,246	
Public buildings:			
Salaries		402	
Employee benefits		41	
Other operating expenditures		68,257	
Capital outlay		4,130	
Total		72,830	
Total general government	1,362,303	1,324,099	38,204
Public safety:			
Police:			
Salaries		464,100	
Employee benefits		180,184	
Vehicle maintenance		47,729	
Other operating expenditures		280,018	
Capital outlay		51,949	
Total		1,023,980	

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Fire:			
Salaries		384,185	
Employee benefits		132,543	
Other operating expenditures		46,761	
Capital outlay		-	
Total		563,489	
Inspections:			
Salaries		148,142	
Employee benefits		51,257	
Vehicle maintenance		2,731	
Other operating expenditures		23,269	
Capital outlay		-	
Total		225,399	
Total public safety	1,823,920	1,812,868	11,052
Transportation:			
Streets and highways:			
Salaries		261,337	
Employee benefits		102,820	
Sidewalk construction		-	
Vehicle maintenance		53,183	
Street Lights		122,365	
Other operating expenditures		474,411	
Capital outlay		139,467	
Total transportation	1,189,486	1,153,583	35,903
Environmental protection:			
Solid waste:			
Salaries		106,498	
Employee benefits		48,166	
Vehicle maintenance		28,426	
Other operating expenditures		141,983	
Capital outlay		654	
Total environmental protection	466,354	325,727	140,627
Culture and recreation:			
Parks and recreation:			
Salaries		248,903	
Employee benefits		72,013	
Other operating expenditures		147,002	
Capital outlay		7,147	
Total		475,065	
Community donations:			

Town of Blowing Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Contributions		34,327	
Total		34,327	
Total cultural and recreational	531,243	509,392	21,851
Debt service:			
Principal retirement		582,041	
Interest and other charges		163,012	
Total debt service	749,722	745,053	4,669
Total expenditures	6,123,028	5,870,722	252,306
Revenues over (under) expenditures	(220,192)	305,554	525,746
Other financing sources (uses):			
Transfers (to)/from other funds:			
Capital Projects Fund	(355,463)	(318,683)	36,780
Enterprise Fund	-	-	-
Enterprise Capital Projects Fund	-	-	-
BRAAC Fund Transfer In	3,000	3,000	-
Sale of assets	25,000	25,408	408
Proceeds from installment purchase	291,003	1,566,436	1,275,433
Appropriated fund balance	256,652	-	(256,652)
Total	$ 220,192	1,276,161	$ 1,055,969
Revenues and other financing sources over expenditures and other financing uses	$ -	1,581,715	$ 1,581,715
Fund balances, beginning		3,475,333	
Change in reserve for inventories		-	
Fund balances, ending		$ 5,057,048	

Town of Blowing Rock, North Carolina
Capital Projects Fund - Various Projects
Schedules of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2015

	Project Author - ization	Actual Prior Year	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
Storm water connection	$ -	$ -	$ -	$ -	$ -
Contributions and grants	2,515,736	360,343	678,945	1,039,288	(1,476,448)
Total	2,515,736	360,343	678,945	1,039,288	(1,476,448)
Other revenues:					
Investment earnings	12,910	12,671	15	12,686	(224)
Miscellaneous	187,557	161,977	-	161,977	(25,580)
Total	200,467	174,648	15	174,663	(25,804)
Total revenues	2,716,203	534,991	678,960	1,213,951	(1,502,252)
Expenditures					
Recreation projects:					
Capital outlay:					
Culture and recreation	128,580	5,250	48,005	53,255	75,325
Total	128,580	5,250	48,005	53,255	75,325
Streets and sidewalks projects:					
Capital outlay:					
Transportation	1,071,353	173,363	401,805	575,168	496,185
Total	1,071,353	173,363	401,805	575,168	496,185
Public Works					
Capital outlay:					
Public buildings & facilities	2,075,288	68,300	805,750	874,050	1,201,238
Total	2,075,288	68,300	805,750	874,050	1,201,238
Public safety projects:					
Capital outlay:					
Public safety	11,980	6,104	-	6,104	5,876
Total	11,980	6,104	-	6,104	5,876
Total expenditures	3,287,201	253,017	1,255,560	1,508,577	1,778,624
Revenues under expenditures	(570,998)	281,974	(576,600)	(294,626)	276,372
Other Financing Sources					
Various projects:					
Operating transfers in (out):					
General Fund	565,998	(149,910)	318,683	168,773	(397,225)
BRAAC	5,000	-	5,000	5,000	-
Installment purchase obligations issued	-	-	-	-	-
Total other financing sources	570,998	(149,910)	323,683	173,773	(397,225)
Revenues and other sources over expenditures	$ -	$ 132,064	$ (252,917)	$ (120,853)	$ (120,853)

Town of Blowing Rock
Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Appearance Advisory Commission	Total Non-Major Governmental Funds
ASSETS		
Cash and cash equivalents	$ 24,467	$ 24,467
Accounts receivable, net	-	-
Total assets	$ 24,467	$ 24,467
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	$ 8,699	$ 8,699
Fund balances:		
Restricted		
Stabilization by State Statute	-	-
Cultural & recreational	-	-
Unassigned	15,768	15,768
Total fund balances	15,768	15,768
Total liabilities and fund balances	$ 24,467	$ 24,467

Town of Blowing Rock
Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Appearance Advisory Commission	Total Non-Major Governmental Funds
REVENUES		
Donations	$ 25,140	$ 25,140
Miscellaneous	2,000	2,000
Total revenues	27,140	27,140
EXPENDITURES		
Current:		
General government	25,696	25,696
Total expenditures	25,696	25,696
Excess (deficiency) of revenues over expenditures	1,444	1,444
OTHER FINACING SOURCES (USES)		
Transfers (to) from the General Fund	(3,000)	(3,000)
Transfers (to) from the General Capital Projects Fund	(5,000)	(5,000)
Total other financing sources (uses)	(8,000)	(8,000)
Net change in fund balances	(6,556)	(6,556)
Fund balances, beginning	22,324	22,324
Fund balances, ending	$ 15,768	$ 15,768

Town of Blowing Rock, North Carolina
Special Revenue Fund - Appearance Advisory Commission
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Donations	$	$ 25,140	$
Grants		2,000	
Total	33,750	27,140	(6,610)
Expenditures:			
Cultural and recreational:			
Contracted services		4,502	
Beautification		12,550	
Miscellaneous		8,644	
Total	25,750	25,696	54
Revenues over expenditures	8,000	1,444	(6,556)
Other financing sources (uses):			
Transfers (to)/from General Fund	(3,000)	(3,000)	-
Transfers (to)/from General Capital Projects Fund	(5,000)	(5,000)	-
Total	(8,000)	(8,000)	-
Revenues and other financing sources over expenditures and other financing uses	$ -	(6,556)	$ (6,556)
Fund balances, beginning		22,324	
Fund balances, ending		$ 15,768	

Town of Blowing Rock, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Residential	$ -	$ 750,125	$ -
Impact fees		19,500	
Interconnect charges		13,007	
Total	769,449	782,632	13,183
Sewer charges:			
Residential		618,769	
Impact fees		23,290	
Total	612,119	642,059	29,940
Water and sewer taps	5,000	5,668	668
Other operating revenues	15,250	11,249	(4,001)
Total operating revenues	1,401,818	1,441,608	39,790
Nonoperating revenues:			
Interest earnings	500	84	(416)
Total revenues	1,402,318	1,441,692	39,374
Expenditures:			
Water and sewer administration:			
Salaries		118,713	
Employee benefits		13,437	
Travel		-	
Supplies		-	
Insurance		64,759	
Vehicle maintenance		-	
Other operating expenditures		10,324	
Engineering services		6,972	
Total water and sewer administration	250,968	214,205	36,763

Town of Blowing Rock, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Water and sewer plant operations:			
Salaries		183,104	
Employee benefits		59,574	
Repairs and maintenance		26,001	
Supplies		19,637	
Other operating expenditures		29,918	
Utilities		138,423	
Sludge composting		72,155	
Total	569,580	528,812	40,768
Water and sewer field operations:			
Salaries		114,531	
Employee benefits		49,902	
Supplies		60,787	
Chemicals		41,937	
Other operating expenditures		41,250	
Total	316,288	308,407	7,881
Debt service:			
Bond issuance costs		-	
Interest and other charges		18,882	
Principal retirement		275,297	
Total debt service	294,706	294,179	527
Capital outlay:			
Equipment		184,620	
Water taps		-	
Miscellaneous water		-	
Sewer extensions		10,211	
Sewer taps		-	
Miscellaneous sewer		-	
Total capital outlay	194,998	194,831	167
Total expenditures	1,626,540	1,540,434	86,106
Other financing sources (uses):			
Transfer (to)from other funds:			
General fund	-	-	-
Capital projects water and sewer	(496,076)	(486,518)	9,558
Proceeds from installment purchase	184,998	535,144	350,146
Sale of fixed assets	5,000	-	(5,000)
Appropriated fund balance	530,300	-	(530,300)
Total other financing sources (uses)	224,222	48,626	(175,596)
Revenues and other sources over expenditures and other uses	$ -	(50,116)	$ (50,116)

Town of Blowing Rock, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		$ (50,116)	
Reconciling items:			
Principal retirement		275,297	
Capital outlay items capitalized		194,792	
Assets transferred from General Fund		-	
Decrease in bond interest accrued		-	
(Increase) decrease in accrued vacation payable		431	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		23,006	
Pension expense		(2,398)	
Depreciation		(376,611)	
Transfers to/from water and sewer capital projects		486,518	
Proceeds from installment purchase		(535,144)	
Contributions & grant proceeds from Water and Sewer Capital Projects Fund		10,000	
Interest income from Water and Sewer Capital Projects Fund		100	
Miscellaneous income from Water and Sewer Capital Projects Fund		-	
Transfer in from General Fund to Water and Sewer Capital Project Fund		-	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Interconnect assets transferred		-	
Cumulative change in application of capitalization policy		-	
Total reconciling items		75,991	
Net income		$ 25,875	

Town of Blowing Rock, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

	Project Author - ization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	$ 50,245	$ 50,881	$ 100	$ 50,981	$ 736
Contributions & grant proceeds	1,152,440	36,600	10,000	46,600	(1,105,840)
Miscellaneous income	44,750	250	-	250	(44,500)
Total	1,247,435	87,731	10,100	97,831	(1,149,604)
Total revenues	1,247,435	87,731	10,100	97,831	(1,149,604)
Expenditures					
Construction	3,238,300	132,925	293,768	426,693	2,811,607
Total	3,238,300	132,925	293,768	426,693	2,811,607
Revenues under expenditures	(1,990,865)	(45,194)	(283,668)	(328,862)	1,662,003
Other financing sources :					
Operating transfer from water and sewer fund	1,254,600	743,660	486,518	1,230,178	(24,422)
Transfer from general fund	286,920	286,921	-	286,921	1
Proceeds of long-term debt	425,145	-	-	-	(425,145)
Other contributions	-	8,844	-	8,844	8,844
Appropriated fund balance	24,200	-	-	-	(24,200)
Total other sources	1,990,865	1,039,425	486,518	1,525,943	(464,922)
Revenues and other sources over (under) expenditures	$ -	$ 994,231	$ 202,850	$ 1,197,081	$ 1,197,081

Town of Blowing Rock, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	$ -	$ 3,376,644	$ 3,337,422	$ 39,222
Vehicle Tax	-	58,544	58,544	-
2013-2014	52,884	-	36,468	16,416
Vehicle Tax	2,489	-	2,135	354
2012-2013	12,490	-	4,542	7,948
Vehicle Tax	581	-	128	453
2011-2012	24,196	-	1,911	22,285
Vehicle Tax	367	-	62	305
2010-2011	30,275	-	2,334	27,941
Vehicle Tax	497	-	-	497
2009-2010	7,536	-	2,299	5,237
Vehicle Tax	342	-	-	342
2008-2009	2,748	-	985	1,763
Vehicle Tax	446	-	-	446
2007-2008	1,095	-	458	637
Vehicle Tax	573	-	-	573
2006-2007	1,062	-	540	522
Vehicle Tax	407	-	42	365
2005-2006	1,725	-	442	1,283
Vehicle Tax	852	-	30	822
2004-2005	1,666	-	1,666	-
Vehicle Tax	755	-	755	-
	$ 142,986	$ 3,435,188	$ 3,450,763	127,411

Less: allowance for uncollectible ad valorem taxes receivable	(39,198)
Ad valorem taxes receivable - net	$ 88,213

Reconcilement with revenues:

Ad valorem taxes - General Fund	$ 3,460,020
Releases and refunds	(985)
Amounts written off per statute of limitations	2,421
Subtotal	3,461,456
Less interest collected	(10,693)
Total collections and credits	$ 3,450,763

Town of Blowing Rock, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2015

				Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	$ 1,112,334,104	0.310%	$ 3,448,236	$ 3,389,692	$ 58,544
Penalties	-		-	-	-
Total	1,112,334,104		3,448,236	3,389,692	58,544
Discoveries:					
Current year taxes	6,483,172	0.310%	20,098	20,098	-
Prior year taxes	-	0.310%	-	-	-
Penalties	-	0.310%	-	-	-
	6,483,172		20,098	20,098	-
Abatements	(10,692,270)	0.310%	(33,146)	(33,146)	-
Total property valuation	$ 1,108,125,006				
Net levy			3,435,188	3,376,644	58,544
Uncollected taxes at June 30, 2015			39,222	39,222	-
Current year's taxes collected			$3,395,966	$3,337,422	$58,544
Current levy collection percentage			98.86%	98.84%	100.00%

Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Blowing Rock's basic financial statements, and have issued our report thereon dated October 28, 2015. 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*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Blowing Rock's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-1.

Town of Blowing Rock's Response to Findings

The Town of Blowing Rock's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Combs, Tennant + Carpenter, P.C.

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

October 28, 2015

Town of Blowing Rock, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2015

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	X	no
Significant deficiency(s) indentified that are not considered to be material weaknesses?	_____	yes	X	none reported
Noncompliance material to financial statements noted	X	yes	_____	no

Section II. Financial Statement Findings

Finding: 2015-1
MATERIAL NONCOMPLIANCE

Criteria:	G.S. 136-41.3 requires that the annual *Powell Bill Expenditures Report* be submitted by August 1st following the fiscal year.
Condition:	The Town did not remit the annual *Powell Bill Expenditures Report* by the August 1st 2015 deadline for funds spent in fiscal year 2014-2015.
Effect:	Noncompliance with reporting requirements of the state could result in reduction in funding for future periods.
Cause:	Town officials inadvertently overlooked the report submission deadline.
Recommendation:	Management should review report submission procedures and ensure a policy is in place to ensure timely filings.
Views of responsible officials and planned corrective actions:	The Town of Blowing Rock agrees with this finding. The report was submitted on September 10, 2015. Procedures will be implemented to adopt and maintain compliance with reporting requirements of Powell Bill funding.