

**TOWN OF BLOWING ROCK  
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020**



# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2020**

### **TOWN COUNCIL MEMBERS**

Doug Matheson

Virginia Powell

David Harwood

Albert Yount

Charlie Sellers, Mayor

Sue Sweeting, Mayor Pro-Term

Shane Fox, Town Manager

Nicole Norman, Finance Officer



# TOWN OF BLOWING ROCK, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

To the Honorable Mayor and  
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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Blowing Rock, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll, the Retiree Health Benefit Fund Schedules of Proportionate Share of Net OPEB Liability and Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, 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 Town of Blowing Rock, North Carolina's, basic financial statements. The budget and actual schedules and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021 on our consideration of the Town of Blowing Rock, North Carolina's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Blowing Rock's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Blowing Rock's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
January 18, 2021

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## Management's Discussion and Analysis

As management of the Town of Blowing Rock (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2020, with comparisons to the prior year, where appropriate. 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.

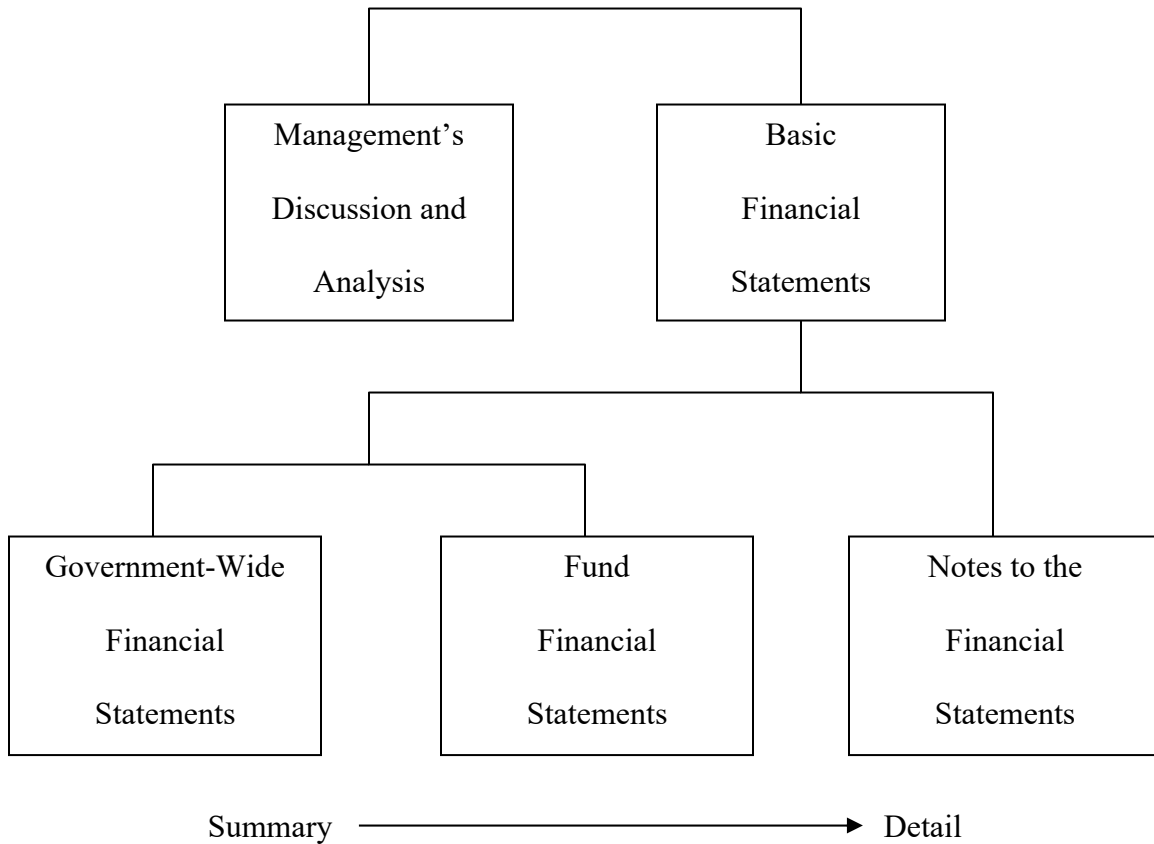
### Financial Highlights

- The Town of Blowing Rock's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$28,729,005 (*net position*).
- The Town's net position increased by \$698,450, primarily due to governmental fund related activities.
- As of June 30, 2020, the Town of Blowing Rock's governmental funds reported combined ending fund balances of \$9,255,052, an increase of \$2,865,602 in comparison with the prior year. Approximately 50.4% of this total amount, or \$4,661,626, is non-spendable or restricted. The combined fund balance increase of \$2,865,602 consists of an increase in the General Capital Projects Fund of \$2,673,714, an increase in the General Fund balance of \$192,241 and a decrease in the Appearance Advisory Commission Fund (BRAAC) of \$353.
- As of June 30, 2020, expendable, unassigned fund balance for the General Fund was \$4,337,838, or 44.8%, of total General Fund expenditures and transfers for the fiscal year.
- The Town of Blowing Rock earned and maintained a AA+ long-term debt rating from Standard and Poor's on its first and second of four planned general obligation bond issuances in February 2016 and May 2018. An obligation rated AA differs from the highest rated obligations bond issuance in February 2016. The obligator's capacity to meet its financial commitment on the obligation is very strong.

### Overview of the Financial Statements

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

**Required Components of Annual Financial Report**  
**Figure 1**



### **Basic Financial Statements**

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

The next statements (Exhibits C through I) are **fund financial statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements, and 4) the fiduciary fund statement.

The next section of the basic financial statements is in 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 can also 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 County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Blowing Rock. The final category is the component unit. Although legally separate from the Town, the TDA is important to the Town because the Town exercises control over the Authority by appointing its members.

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

## Fund Financial Statements

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

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental 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 differences between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements being on page 24 of this report.

**Other Information.** Combining and individual fund statements and schedules can be found beginning on page 75 of this report. Required supplementary information can be found beginning on page 68.



## Government-Wide Financial Analysis

**Town of Blowing Rock's Net Position**  
**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets and Deferred</b>						
<b>Outflows of Resources:</b>						
Current and other assets	\$ 10,662,067	\$ 7,753,421	\$ 2,902,143	\$ 3,400,793	\$ 13,564,210	\$ 11,154,214
Capital assets	24,421,678	22,844,284	14,897,414	14,011,794	39,319,092	36,856,078
Deferred outflows of resources	2,132,557	1,788,084	396,276	334,342	2,528,833	2,122,426
Total assets and deferred outflows of resources	<u>37,216,302</u>	<u>32,385,789</u>	<u>18,195,833</u>	<u>17,746,929</u>	<u>55,412,135</u>	<u>50,132,718</u>
<b>Liabilities and Deferred</b>						
<b>Inflows of Resources:</b>						
Long-term liabilities	2,605,879	2,434,548	685,238	749,974	3,291,117	3,184,522
Other liabilities	17,014,232	12,876,028	4,304,043	3,611,640	21,318,275	16,487,668
Deferred inflows of resources	1,745,247	2,045,284	328,491	384,689	2,073,738	2,429,973
Total liabilities and deferred inflows of resources	<u>21,365,358</u>	<u>17,355,860</u>	<u>5,317,772</u>	<u>4,746,303</u>	<u>26,683,130</u>	<u>22,102,163</u>
<b>Net Position:</b>						
Net investment in capital assets	16,136,146	14,529,227	13,349,380	11,267,105	29,485,526	25,796,332
Restricted	1,334,555	866,759	-	-	1,334,555	866,759
Unrestricted	(1,619,757)	(366,057)	(471,319)	1,733,521	(2,091,076)	1,367,464
Total net position	<u>\$ 15,850,944</u>	<u>\$ 15,029,929</u>	<u>\$ 12,878,061</u>	<u>\$ 13,000,626</u>	<u>\$ 28,729,005</u>	<u>\$ 28,030,555</u>

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The Town's assets and deferred outflows exceeded liabilities and deferred inflows by \$28,729,005 on June 30, 2020. The Town's net position increased by \$698,450 for the year ended June 30, 2020. However, the largest portion of the Town's net position (102.6%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net position \$1,334,555, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$2,091,076) is unrestricted.

**Town of Blowing Rock's Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 839,017	\$ 751,932	\$ 1,845,644	\$ 1,682,039	\$ 2,684,661	\$ 2,433,971
Operating grants and contributions	334,749	386,943	-	-	334,749	386,943
Capital grants and contributions	123,199	260,798	-	-	123,199	260,798
General revenues:						
Property taxes	4,488,473	4,411,616	-	-	4,488,473	4,411,616
Other taxes	1,377,589	1,461,829	-	-	1,377,589	1,461,829
Investment earnings	93,278	138,658	-	-	93,278	138,658
Grants and contributions not restricted to specific programs	2,486,920	2,329,158	-	-	2,486,920	2,329,158
Other	-	-	65,677	32,332	65,677	32,332
Total revenues	<u>9,743,225</u>	<u>9,740,934</u>	<u>1,911,321</u>	<u>1,714,371</u>	<u>11,654,546</u>	<u>11,455,305</u>
<b>Expenses:</b>						
General government	3,198,817	3,089,358	-	-	3,198,817	3,089,358
Public safety	2,772,301	2,558,669	-	-	2,772,301	2,558,669
Transportation	1,235,360	1,353,633	-	-	1,235,360	1,353,633
Environmental protection	440,886	437,032	-	-	440,886	437,032
Cultural and recreational	962,425	477,883	-	-	962,425	477,883
Interest on long-term debt	307,723	322,029	-	-	307,723	322,029
Water and sewer	-	-	2,038,584	1,920,239	2,038,584	1,920,239
Total expenses	<u>8,917,512</u>	<u>8,238,603</u>	<u>2,038,584</u>	<u>1,920,239</u>	<u>10,956,096</u>	<u>10,158,842</u>
Change in net position before transfers	825,713	1,502,331	(127,263)	(205,868)	698,450	1,296,463
Transfers	<u>(4,698)</u>	<u>-</u>	<u>4,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>821,015</u>	<u>1,502,331</u>	<u>(122,565)</u>	<u>(205,868)</u>	<u>698,450</u>	<u>1,296,463</u>
<b>Net Position:</b>						
Beginning of year, July 1	15,029,929	18,514,435	13,000,626	14,185,232	28,030,555	32,699,667
Restatement	-	(4,986,837)	-	(978,738)	-	(5,965,575)
Beginning of year - July 1, as restated	<u>15,029,929</u>	<u>13,527,598</u>	<u>13,000,626</u>	<u>13,206,494</u>	<u>28,030,555</u>	<u>26,734,092</u>
End of year, June 30	<u>\$ 15,850,944</u>	<u>\$ 15,029,929</u>	<u>\$ 12,878,061</u>	<u>\$ 13,000,626</u>	<u>\$ 28,729,005</u>	<u>\$ 28,030,555</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$821,015. Key elements of this increase are as follows:

- Sales and services exceeded expectations.
- Town saw increases in interest earnings due to improving economy and rate market at the end of FY 2019 into the majority of FY 2020.
- Town management closely monitored expenditures.
- Increased collections from local option sales tax for the majority of the year.
- Corona virus impacts were realized near the end of the fiscal year with minimal impacts realized to sales tax and water and sewer revenues and the majority of loss of revenue coming from decreases in service revenues for services such as Summer Day Camp and Public Buildings rental income. These service areas as well as others were cancelled or downgraded due to State governed regulations in place to combat the Corona Virus pandemic.

**Business-Type Activities.** Business-type activities decreased the Town's net position by \$122,565. Key elements of this decrease are as follows:

- As our system ages and more advancements are made to utility fixtures and market emphasis is placed on conservation, we have seen decreases in collections while seeing increases to costs. System evaluation is underway to determine how to best ease this process and make advancements to efficiency to offset decreased demand with rate increases planning in FY 2021.

### **Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus on the Town'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's financing requirements. Specifically, fund balance available for appropriation 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. At the end of the current fiscal year, the Town of Blowing Rock's fund balance available in the General Fund was \$4,809,179 while total fund balance reached \$6,135,034.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$9,255,052, a 44.8% increase over last year. Included in this change in fund balance is an increase in the General Fund of \$192,241, an increase in the Capital Projects Fund of \$2,673,714, and a decrease in nonmajor funds of \$353.

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

**Proprietary Funds.** The Town'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 (\$471,319). The change in net position was a decrease of \$122,565. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Blowing Rock's business-type activities.

## Capital Assets and Debt Administration

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$39,319,092 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Governmental infrastructure \$1,539,738
- Governmental equipment and furniture \$15,110
- Governmental vehicles \$210,648
- Business-type plant \$1,798,678
- Business-type equipment \$205,987

**Town of Blowing Rock's Outstanding Capital Assets**  
**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,086,759	\$ 3,086,759	\$ 100,504	\$ 100,504	\$ 3,187,263	\$ 3,187,263
Construction in progress	2,516,913	1,968,344	\$ 369,641	973,402	2,886,554	2,941,746
Infrastructure	10,677,882	9,366,133	14,038,642	12,641,271	24,716,524	22,007,404
Buildings	6,950,667	7,133,989	-	-	6,950,667	7,133,989
Vehicles	575,317	560,453	-	-	575,317	560,453
Computers	86,805	138,647	-	-	86,805	138,647
Equipment and furniture	527,335	589,959	388,627	296,617	915,962	886,576
Capital assets, net	<u>\$ 24,421,678</u>	<u>\$ 22,844,284</u>	<u>\$ 14,897,414</u>	<u>\$ 14,011,794</u>	<u>\$ 39,319,092</u>	<u>\$ 36,856,078</u>

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

**Long-Term Debt.** Long-term debt as of June 30, 2020 is summarized below:

**Town of Blowing Rock's Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 8,030,000	\$ 4,610,000	\$ 2,095,000	\$ 1,500,000	\$ 10,125,000	\$ 6,110,000
Unamortized bond premium	399,242	40,469	43,176	13,829	442,418	54,298
Capital lease	186,274	276,136	20,697	30,682	206,971	306,818
Compensated absences	253,087	180,359	42,857	39,874	295,944	220,233
Total pension liability	314,622	300,950	-	-	314,622	300,950
Net OPEB liability	4,801,544	3,993,620	914,580	760,690	5,716,124	4,754,310
Total OPEB liability	49,395	43,150	9,409	8,219	58,804	51,369
Net pension liability	1,105,695	989,807	210,609	188,535	1,316,304	1,178,342
Installment purchase - direct placements	<u>3,112,491</u>	<u>3,518,635</u>	<u>1,293,794</u>	<u>1,363,950</u>	<u>4,406,285</u>	<u>4,882,585</u>
Total	<u>\$ 18,252,350</u>	<u>\$ 13,953,126</u>	<u>\$ 4,630,122</u>	<u>\$ 3,905,779</u>	<u>\$ 22,882,472</u>	<u>\$ 17,858,905</u>

The Town's total long-term liabilities increased by \$5,023,567 during the past fiscal year, due to new General obligation bond issuance and new debt issued for capital equipment and vehicles, offset by principal payments made throughout the year.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed valuation located within that government's boundaries. The legal debt margin for the Town is \$79,400,400.

Additional information on the Town's long-term debt can be found in Note 2 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

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

- Tourism continues to be a source of strength for the Town during the current year with corona virus impacts on travel and tourism beginning in April and recovering by June.
- Housing and development construction activity continued to grow steadily throughout the year and sustained during the Corona Virus pandemic with construction of previously planned projects continued development to spite the pandemic.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities.** Property tax revenues are expected to increase over prior year at thirty-nine center per hundred dollars due to property values increasing with newly developed properties coming on the tax scrolls. State shared revenues during budget preparation were expected to decrease at an unknown rate due to the corona virus pandemic. As a result the budget for this revenue was budgeted to decrease 30% with plans to monitor the source as the year continues and make necessary adjustments expectedly in a more positive direction.

Budgeted expenditures in the General Fund are expected to decrease minimally, just below 1%, due mainly to an increase in debt service and decrease in capital outlay and transfers, while operating and maintenance costs and personnel increased by only 1%. These adjustments were due to savings efforts to brace for possible impacts on sales tax revenues and program revenues resulting from the Corona Virus pandemic and related response.

**Business-Type Activities.** The water and sewer usage in the Town are expected to continue to steadily decrease in comparison with the prior years due to the ongoing cultural emphasis placed on conservation as well as possible decrease in usage associated with less travel and commercial usage, while expenditures to operate are expected to slightly decrease due to decreases budgeted in capital outlay and transfers. A rate increase was not put into place at the start of the fiscal year due to the pandemic and the desire not to place a financial strain on the citizens of Blowing Rock in a time of economic flux resulting from the pandemic. However, there are plans to revisit the rate structure and economy at mid-year and implement a likely increase at that time. An analysis of existing infrastructure has begun with plans to continue in the coming years in order to lessen impacts of these trends as well.

### **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 financial information should be addressed to the Director of Finance, Town of Blowing Rock, 1036 Main Street, Blowing Rock, NC 28605.

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## TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2020

	Primary Government			Town of Blowing Rock Board of Alcoholic Beverage Control	Town of Blowing Rock Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total		
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 5,698,133	\$ 284,010	\$ 5,982,143	\$ 404,323	\$ 1,012,024
Taxes receivable, net	123,394	-	123,394	-	108,813
Accounts receivable, net	545,758	392,141	937,899	-	-
Due from other governments	788,797	-	788,797	-	-
Inventories	2,700	109,240	111,940	289,804	-
Prepaid items	48,600	5,555	54,155	4,382	-
Restricted cash and cash equivalents investments	3,454,685	2,111,197	5,565,882	146,825	-
Total current assets	10,662,067	2,902,143	13,564,210	845,334	1,120,837
Non-current assets:					
Capital assets					
Land, non-depreciable improvements and construction in progress	5,603,672	470,145	6,073,817	96,275	-
Other capital assets, net of depreciation	18,818,006	14,427,269	33,245,275	118,042	57,104
Total capital assets	24,421,678	14,897,414	39,319,092	214,317	57,104
Total assets	35,083,745	17,799,557	52,883,302	1,059,651	1,177,941
<b>Deferred Outflows of Resources:</b>					
OPEB deferrals	1,450,454	276,276	1,726,730	-	4,799
Pension deferrals	682,103	120,000	802,103	21,111	34,773
Total deferred outflows of resources	2,132,557	396,276	2,528,833	21,111	39,572
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	1,074,476	139,061	1,213,537	158,408	302,549
Accrued interest payable	87,120	13,534	100,654	-	-
Prepaid fees	27,251	-	27,251	-	-
Current portion of long-term debt	1,238,118	326,079	1,564,197	3,546	-
Liabilities payable from restricted assets:					
Customer deposits	178,914	206,564	385,478	-	-
Total current liabilities	2,605,879	685,238	3,291,117	161,954	302,549
Long-term liabilities:					
Net pension liability	1,105,695	210,609	1,316,304	30,040	57,349
Total pension liability	314,622	-	314,622	-	-
Total OPEB liability	49,395	9,409	58,804	-	56,044
Net OPEB liability	4,801,544	914,580	5,716,124	10,984	-
Due in more than one year	10,742,976	3,169,445	13,912,421	-	7,323
Total long-term liabilities	17,014,232	4,304,043	21,318,275	41,024	120,716
Total liabilities	19,620,111	4,989,281	24,609,392	202,978	423,265
<b>Deferred Inflows of Resources:</b>					
Prepaid taxes	2,980	-	2,980	-	-
OPEB deferrals	1,688,424	321,605	2,010,029	-	4,151
Pension deferrals	53,843	6,886	60,729	1,681	683
Total deferred inflows of resources	1,745,247	328,491	2,073,738	1,681	4,834
<b>Net Position:</b>					
Net investment in capital assets	16,136,146	13,349,380	29,485,526	214,317	57,104
Restricted for:					
Capital projects	-	-	-	146,825	-
Working capital	-	-	-	62,364	-
Stabilization by state statute	1,334,555	-	1,334,555	-	108,813
Unrestricted	(1,619,757)	(471,319)	(2,091,076)	452,597	623,497
Total net position	\$ 15,850,944	\$ 12,878,061	\$ 28,729,005	\$ 876,103	\$ 789,414

The accompanying notes are an integral part of the financial statements.

TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 3,198,817	\$ 446,429	\$ -	\$ -
Public safety	2,772,301	95,911	258,571	60,000
Transportation	1,235,360	-	76,178	-
Environmental protection	440,886	163,609	-	-
Cultural and recreational	962,425	133,068	-	63,199
Interest on long-term debt	307,723	-	-	-
Total governmental activities	<u>8,917,512</u>	<u>839,017</u>	<u>334,749</u>	<u>123,199</u>
<b>Business-Type Activities:</b>				
Water and sewer	<u>2,038,584</u>	<u>1,845,644</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 10,956,096</u>	<u>\$ 2,684,661</u>	<u>\$ 334,749</u>	<u>\$ 123,199</u>
<b>Component Units:</b>				
Town of Blowing Rock Board of				
Alcoholic Beverage Control	\$ 2,059,595	\$ 2,138,928	\$ -	\$ -
Town of Blowing Rock Tourism				
Development Authority	930,499	-	-	-
Total component units	<u>\$ 2,990,094</u>	<u>\$ 2,138,928</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.



**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

	Net (Expense) Revenue and Changes in Net Position			Component Units	
	Primary Government			Town of Blowing Rock Board of Alcoholic Beverage Control	Town of Blowing Rock Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total		
<b>Functions/Programs:</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ (2,752,388)	\$ -	\$ (2,752,388)		
Public safety	(2,357,819)	-	(2,357,819)		
Transportation	(1,159,182)	-	(1,159,182)		
Environmental protection	(277,277)	-	(277,277)		
Cultural and recreational	(766,158)	-	(766,158)		
Interest on long-term debt	(307,723)	-	(307,723)		
Total governmental activities	(7,620,547)	-	(7,620,547)		
<b>Business-Type Activities:</b>					
Water and sewer	-	(192,940)	(192,940)		
Total primary government	(7,620,547)	(192,940)	(7,813,487)		
<b>Component Units:</b>					
Town of Blowing Rock Board of Alcoholic Beverage Control				\$ 79,333	\$ -
Town of Blowing Rock Tourism Development Authority				-	(930,499)
Total component units				79,333	(930,499)
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for					
general purpose	4,488,473	-	4,488,473	-	-
Other taxes	1,377,589	-	1,377,589	-	980,332
Grants and contributions, not restricted to specific programs	2,486,920	-	2,486,920	-	-
Unrestricted investment earnings	93,278	66,269	159,547	2,022	607
Gain (loss) on sale of capital assets	-	(592)	(592)	-	-
Miscellaneous	-	-	-	1,102	3,071
Total general revenues	8,446,260	65,677	8,511,937	3,124	984,010
Transfers	(4,698)	4,698	-	-	-
Total general revenues and transfers	8,441,562	70,375	8,511,937	3,124	984,010
Change in net position	821,015	(122,565)	698,450	82,457	53,511
<b>Net Position:</b>					
Beginning of year - July 1	15,029,929	13,000,626	28,030,555	793,646	735,903
End of year - June 30	\$ 15,850,944	\$ 12,878,061	\$ 28,729,005	\$ 876,103	\$ 789,414

The accompanying notes are an integral part of the financial statements.

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Project Fund</b>	<b>Nonmajor Fund</b>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,154,823	\$ 506,304	\$ 37,006	\$ 5,698,133
Taxes receivable, net	123,394	-	-	123,394
Accounts receivable, net	485,758	60,000	-	545,758
Prepaid items	48,600	-	-	48,600
Due from other governments	788,797	-	-	788,797
Inventory	2,700	-	-	2,700
Restricted cash and cash equivalents	255,551	3,199,134	-	3,454,685
Total assets	<u>\$ 6,859,623</u>	<u>\$ 3,765,438</u>	<u>\$ 37,006</u>	<u>\$ 10,662,067</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 558,754	\$ 506,304	\$ 9,418	\$ 1,074,476
Amounts payable from restricted assets	12,210	166,704	-	178,914
Prepaid fees	27,251	-	-	27,251
Total liabilities	<u>598,215</u>	<u>673,008</u>	<u>9,418</u>	<u>1,280,641</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	2,980	-	-	2,980
Property taxes receivable	123,394	-	-	123,394
Total deferred inflows of resources	<u>126,374</u>	<u>-</u>	<u>-</u>	<u>126,374</u>
<b>Fund Balances:</b>				
Non-spendable:				
Inventory	2,700	-	-	2,700
Prepaid items	48,600	-	-	48,600
Restricted:				
Stabilization by state statute	1,274,555	60,000	-	1,334,555
Capital items	243,341	3,032,430	-	3,275,771
Assigned:				
Beautification	-	-	27,588	27,588
Subsequent year's expenditures	228,000	-	-	228,000
Unassigned	4,337,838	-	-	4,337,838
Total fund balances	<u>6,135,034</u>	<u>3,092,430</u>	<u>27,588</u>	<u>9,255,052</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,859,623</u>	<u>\$ 3,765,438</u>	<u>\$ 37,006</u>	<u>\$ 10,662,067</u>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

		<b><u>Total Governmental Funds</u></b>
<b>Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position:</b>		
Total fund balance, governmental funds		\$ 9,255,052
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$ 33,532,486	
Accumulated depreciation	<u>(9,110,808)</u>	24,421,678
Deferred outflows of resources related to pensions are not reported in the funds.		682,103
Deferred outflows of resources related to OPEB are not reported in the funds.		1,450,454
Deferred inflows of resources related to pensions are not reported in the funds.		(53,843)
Deferred inflows of resources related to OPEB are not reported in the funds.		(1,688,424)
Earned revenues considered deferred inflows of resources in fund statements.		123,394
Net pension liability		(1,105,695)
Accrued interest		(87,120)
Total pension liability		(314,622)
Net OPEB liability		(4,801,544)
Total OPEB liability		(49,395)
Long-term obligations		<u>(11,981,094)</u>
Net position of governmental activities per Exhibit A		<u>\$ 15,850,944</u>

*The accompanying notes are an integral part of the financial statements.*

## TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund	Nonmajor Fund	
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,467,309	\$ -	\$ -	\$ 4,467,309
Other taxes and licenses	1,377,589	-	-	1,377,589
Unrestricted intergovernmental revenues	2,486,920	-	-	2,486,920
Restricted intergovernmental revenues	86,397	123,199	-	209,596
Sales and services	198,300	-	-	198,300
Permits and fees	94,457	-	-	94,457
Investment earnings	62,988	30,290	-	93,278
Other	734,425	-	34,160	768,585
Total revenues	<u>9,508,385</u>	<u>153,489</u>	<u>34,160</u>	<u>9,696,034</u>
<b>Expenditures:</b>				
Current:				
General government	2,964,917	78,447	-	3,043,364
Public safety	2,571,641	6,190	-	2,577,831
Transportation	1,019,824	1,329,047	-	2,348,871
Environmental protection	336,866	-	-	336,866
Culture and recreation	833,391	654,990	20,053	1,508,434
Debt service:				
Principal	967,006	-	-	967,006
Interest and other charges	321,292	-	-	321,292
Total expenditures	<u>9,014,937</u>	<u>2,068,674</u>	<u>20,053</u>	<u>11,103,664</u>
Revenues over (under) expenditures	<u>493,448</u>	<u>(1,915,185)</u>	<u>14,107</u>	<u>(1,407,630)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	141,720	665,256	-	806,976
Transfers to other funds	(669,954)	(127,260)	(14,460)	(811,674)
Installment purchase obligations	201,000	-	-	201,000
General obligation bonds	-	3,690,000	-	3,690,000
Bond premium	-	360,903	-	360,903
Sales of capital assets	26,027	-	-	26,027
Total other financing sources (uses)	<u>(301,207)</u>	<u>4,588,899</u>	<u>(14,460)</u>	<u>4,273,232</u>
Net change in fund balances	192,241	2,673,714	(353)	2,865,602
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>5,942,793</u>	<u>418,716</u>	<u>27,941</u>	<u>6,389,450</u>
End of year - June 30	<u>\$ 6,135,034</u>	<u>\$ 3,092,430</u>	<u>\$ 27,588</u>	<u>\$ 9,255,052</u>

The accompanying notes are an integral part of the financial statements.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D)		\$ 2,865,602
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 in the current period.		
Capital outlay expenditures which were capitalized	\$ 2,314,065	
Depreciation expense for governmental assets	<u>(736,440)</u>	1,577,625
In the Statement of Activities, only the gain or loss on the reduction of capital assets is reported; whereas, in governmental funds, the proceeds of the sale increase the financial resources. Thus, the changes in net assets differs from the change in fund balance by the cost of the assets less any depreciation.		
Disposal of capital assets		(231)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		261,419
Benefit payments paid and administrative expense for OPEB are not included on the Statement of Activities.		190,150
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.		17,639
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.		21,164
The issuance of long-term debt provides current financial resources are not reported as revenues in the funds, while the repayment of the principal of the 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.		
Increase in accrued interest payable	13,569	
New long-term debt issued	(4,251,903)	
Principal payments on long-term debt	<u>967,006</u>	(3,271,328)
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.		
Compensated absences	(72,728)	
OPEB plan expense	(233,930)	
Pension expense	<u>(534,367)</u>	<u>(841,025)</u>
Change in net position of governmental activities per Exhibit B		<u>\$ 821,015</u>

*The accompanying notes are an integral part of the financial statements.*

## TOWN OF BLOWING ROCK, NORTH CAROLINA

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

## CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,476,178	\$ 4,476,178	\$ 4,467,309	\$ (8,869)
Other taxes and licenses	421,127	1,494,494	1,377,589	(116,905)
Unrestricted intergovernmental revenues	2,281,991	2,281,991	2,486,920	204,929
Restricted intergovernmental revenues	92,300	92,300	86,397	(5,903)
Permits and fees	57,975	57,975	94,457	36,482
Sales and services	249,725	249,725	198,300	(51,425)
Investment earnings	72,500	72,500	62,988	(9,512)
Miscellaneous	567,977	598,060	734,425	136,365
Total revenues	<u>8,219,773</u>	<u>9,323,223</u>	<u>9,508,385</u>	<u>185,162</u>
<b>Expenditures:</b>				
General government	1,923,058	3,060,268	2,964,917	95,351
Public safety	2,716,996	2,733,976	2,571,641	162,335
Transportation	1,287,964	1,218,506	1,019,824	198,682
Environmental protection	364,090	359,065	336,866	22,199
Culture and recreation	917,280	924,540	833,391	91,149
Debt service:				
Principal	1,202,206	967,006	967,006	-
Interest and other charges	-	240,225	321,292	(81,067)
Total expenditures	<u>8,411,594</u>	<u>9,503,586</u>	<u>9,014,937</u>	<u>488,649</u>
Revenues over (under) expenditures	<u>(191,821)</u>	<u>(180,363)</u>	<u>493,448</u>	<u>673,811</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds:				
Capital Projects Fund	60,000	67,260	127,260	60,000
BRAAC	3,000	14,460	14,460	-
Transfers to other funds:				
Capital Projects Fund	(206,479)	(673,849)	(665,256)	8,593
Water Sewer Fund	-	(4,698)	(4,698)	-
Installments purchase obligations	205,300	205,300	201,000	(4,300)
Sales of capital assets	10,000	10,000	26,027	16,027
Appropriated fund balance	120,000	561,890	-	(561,890)
Total other financing sources (uses)	<u>191,821</u>	<u>180,363</u>	<u>(301,207)</u>	<u>(481,570)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>192,241</u>	<u>\$ 192,241</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>5,942,793</u>	
End of year - June 30			<u>\$ 6,135,034</u>	

The accompanying notes are an integral part of the financial statements.

## TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020**Water and  
Sewer Fund****Assets:**

## Current assets:

Cash and cash equivalents	\$ 284,010
Accounts receivable, net	392,141
Prepaid expenses	5,555
Inventories	109,240
Restricted cash and cash equivalents	2,111,197
Total current assets	<u>2,902,143</u>

## Non-current assets:

## Capital assets:

Land and construction in progress	470,145
Other capital assets, net of depreciation	14,427,269
Total non-current assets	<u>14,897,414</u>

Total assets	<u>17,799,557</u>
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**Deferred Outflows of Resources:**

Pension deferrals	120,000
OPEB deferrals	276,276
Total deferred outflows of resources	<u>396,276</u>

**Liabilities:**

## Current liabilities:

Accounts payable and accrued liabilities	139,061
Current portion of long-term debt	296,936
Accrued interest	13,534
Compensated absences current portion	29,143
Liabilities payable from restricted assets:	
Customer deposits	206,564
Total current liabilities	<u>685,238</u>

## Non-current liabilities:

Due in more than one year	3,169,445
Net OPEB liability	914,580
Total OPEB liability	9,409
Net pension liability	210,609
Total non-current liabilities	<u>4,304,043</u>

Total liabilities	<u>4,989,281</u>
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**Deferred Inflows of Resources:**

OPEB deferrals	321,605
Pension deferrals	6,886
Total deferred inflows of resources	<u>328,491</u>

**Net Position:**

Net investment in capital assets	13,349,380
Unrestricted	(471,319)
Total net position	<u>\$ 12,878,061</u>

The accompanying notes are an integral part of the financial statements.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water and Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,826,936
Water and sewer taps	1,758
Other operating revenues	<u>16,950</u>
Total operating revenues	<u>1,845,644</u>
 <b>Operating Expenses:</b>	
Administration	394,853
Water and sewer plant operations	683,549
Water and sewer field operations	338,004
Depreciation	<u>509,138</u>
Total operating expenses	<u>1,925,544</u>
 Operating income (loss)	 <u>(79,900)</u>
 <b>Non-Operating Revenues (Expenses):</b>	
Investment earnings	66,269
Gain (loss) on disposal of assets	(592)
Interest and other charges	<u>(113,040)</u>
Total non-operating revenues (expenses)	<u>(47,363)</u>
 Income (loss) before transfers	 (127,263)
 Transfers from other funds	 <u>4,698</u>
 Change in net position	 (122,565)
 <b>Net Position:</b>	
Beginning of year - July 1	<u>13,000,626</u>
 End of year - June 30	 <u>\$ 12,878,061</u>

*The accompanying notes are an integral part of the financial statements.*



## TOWN OF BLOWING ROCK, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,796,520
Cash paid for goods and services	(813,580)
Cash paid to employees	(605,903)
Net cash provided (used) by operating activities	<u>377,037</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Transfers from other funds	<u>4,698</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal repaid on long-term debt	(264,141)
Proceeds from disposal of assets	5,554
Proceeds from long-term debt	779,000
Interest and other charges	(115,598)
Acquisition and construction of capital assets	(1,400,904)
Net cash provided (used) by capital and related financing activities	<u>(996,089)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and dividends	<u>66,269</u>
Net increase (decrease) in cash and cash equivalents	(548,085)
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	<u>2,943,292</u>
End of year - June 30	<u><u>\$ 2,395,207</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (79,900)
Depreciation	509,138
Change in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivables, net	(51,356)
(Increase) decrease in prepaid expenses	(2,278)
(Increase) decrease in inventories	4,199
(Increase) decrease in deferred outflows of resources for pensions and OPEB	(61,934)
Increase (decrease) in pension liability	22,074
Increase (decrease) in OPEB liability	155,080
Increase (decrease) in accounts payable and accrued liabilities	(58,288)
Increase (decrease) in unearned revenue	(10,993)
Increase (decrease) in customer deposits	4,510
Increase (decrease) in compensated absences	2,983
Increase (decrease) in deferred inflows of resources for OPEB and pension	(56,198)
Net cash provided (used) by operating activities	<u><u>\$ 377,037</u></u>

*The accompanying notes are an integral part of the financial statements.*

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# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

### **1. Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

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

##### **Town of Blowing Rock Tourism Development Authority (TDA)**

The members of the TDA's governing board are appointed by the Town. The TDA Board, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). The TDA, which provides a financial benefit to the Town, was established to receive the proceeds of room occupancy tax levied pursuant to Session Law 1987-171 and 2003-281. Complete financial statements for the TDA Board may be obtained from the entity's administrative offices at the Town of Blowing Rock TDA, P.O. Box 47, Blowing Rock, North Carolina 28605.

#### **B. Basis of Presentation**

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government 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 the direct expenses and program revenues for the 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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The Town maintains the following major governmental funds:

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

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

The Town maintains the following nonmajor governmental fund:

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

The Town reports the following major enterprise fund:

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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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

# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

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 certain intergovernmental revenues, such as utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Blowing Rock 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program 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, Special Revenue, and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end.

Project ordinances are adopted for the Capital Projects Fund and the Enterprise Fund Capital Projects Fund, which are consolidated with the operating fund for reporting purposes. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### **Deposits and Investments**

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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The Town's, the ABC Board's, and the TDA's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

### Cash and Cash Equivalents

The Town pools monies 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 TDA consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

### Restricted Assets

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

Restricted cash at June 30, 2020, consist of the following:

#### Governmental Activities:

General Fund - unexpended debt proceeds	\$ 243,341
Capital Project Fund - unexpended debt proceeds	3,199,134
General Fund - Customer deposits	<u>12,210</u>
Total governmental activities	<u>3,454,685</u>

#### Business-Type Activities:

Water and Sewer Fund - customer deposits	206,564
Water and Sewer Fund - unexpended debt proceeds	<u>1,904,633</u>
Total business-type activities	<u>2,111,197</u>

Total restricted cash	<u><u>\$ 5,565,882</u></u>
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# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

### **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, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

### **Allowances for Doubtful Accounts**

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

### **Inventory and Prepaid Items**

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

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

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

### **Capital Assets**

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

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of \$5,000 will be reported as capital assets in the Statement of Net Position. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General governmental infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.



# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

<b><u>Assets</u></b>	<b><u>Estimated Useful Lives</u></b>
Infrastructure	50 years
Building and improvements	50 years
Furniture and equipment	5-10 years
Vehicles	5 years
Computer equipment	3 years

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

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

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

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

### Compensated Absences

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

# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net 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 two items that meet this criterion, pension related deferrals and OPEB deferrals.

In addition to liabilities, the Statement of Net 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 four items that meets this criterion – property taxes receivable, prepaid taxes, OPEB deferrals and pension related deferrals.

### **Long-Term Obligations**

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

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

### **Net Position/Fund Balances**

Net position in government-wide and proprietary fund financial statements are classified as net invested in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statutes.

### **Fund Balances**

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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The governmental fund types classify fund balances as follows:

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

*Inventories and Prepaid Items* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid items, which are not spendable resources.

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

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

*Restricted for Capital Items* - portion of fund balance that has been restricted by revenue source for future capital expenditures.

Restricted fund balance on Exhibit C differs from restricted net position on Exhibit A by unspent debt proceeds of \$3,275,771.

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

**Assigned Fund Balance.** Assigned fund balance is the portion of fund balance that the Town has budgeted for specific purposes. The Town Council has the authority to assign fund balance.

*Assigned for Beautification* - portion of fund balance that has been budgeted by the Board for future expenditures of the Appearance Advisory Commission.

*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; however, the budget ordinance authorizes the Budget Officer to reallocate appropriations within departments and to also execute interfund and interdepartmental transfers in emergency situations. Notification of all such transfers shall be made to the Town Council at the next meeting.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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	\$ 6,135,034
<b>Less:</b>	
Non-spendable - inventory	2,700
Non-spendable - prepaid expenses	48,600
Stabilization by state statute	<u>1,274,555</u>
Available fund balance	<u>\$ 4,809,179</u>

### Interfund Transactions

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

### Use of Estimates

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

# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

### **Defined Benefit Cost-Sharing Plans**

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

## **2. Detail Notes on All Funds**

### **A. Assets**

#### **Deposits**

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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, the Town's deposits had a carrying amount of \$1,271,992 and a bank balance of \$1,272,401. Of the bank balance, \$775,203 was covered by FDIC, and the remainder was covered by collateral under the Pooling Method. The carrying amount of deposits for the ABC Board was \$395,422 and the bank balance was \$445,616. \$250,000 of the bank balance was covered by federal depository insurance and the remainder under the pooling method. The carrying amount of deposits for the Authority was \$987,024, and the bank balance was \$1,013,001. 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, 2020, the Town's petty cash fund totaled \$504.

### Investments

As of June 30, 2020, the Town had the following investments and maturities:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2020</b>	<b>Maturity</b>	<b>Rating</b>
NCCMT - Government Portfolio	Fair Value - Level 1	\$ 9,734,834	N/A	AAAm
NCCMT - Term Portfolio	Fair Value - Level 1	540,695	.15 years	Unrated
Total investments		<u>\$ 10,275,529</u>		

At June 30, 2020, the TDA had \$25,000 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm with Standard and Poor's. The ABC Board had \$155,726 invested with the NC Capital Management Trust – Term Portfolio, which is unrated and valued at a Fair Value Level 1 with a maturity of .15 years. The Town, the ABC Board and the Authority have no policy regarding credit risk.

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

*Level of Fair Value Hierarchy: Level 1:* Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

*Credit Risk.* The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

### Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

	<u>Allowance</u>
<b>Governmental Activities:</b>	
Taxes receivable	\$ 23,292
Accounts receivable	<u>5,529</u>
Total governmental activities	<u>\$ 28,821</u>
 <b>Business-Type Activities:</b>	
Accounts receivable	<u>\$ 28,124</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Capital Assets

#### Governmental Capital Assets

The capital assets of the government fund of the Town at June 30, 2020, were as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 3,086,759	\$ -	\$ -	\$ 3,086,759
Construction in progress	1,968,344	2,068,674	(1,520,105)	2,516,913
Total non-depreciable assets	<u>5,055,103</u>	<u>2,068,674</u>	<u>(1,520,105)</u>	<u>5,603,672</u>
<b>Depreciable Assets:</b>				
Buildings	9,196,103	-	-	9,196,103
Equipment and furniture	3,476,426	15,110	(34,533)	3,457,003
Vehicles	2,501,142	210,648	(95,023)	2,616,767
Computers	486,342	-	-	486,342
Infrastructure	10,632,861	1,539,738	-	12,172,599
Total depreciable assets	<u>26,292,874</u>	<u>1,765,496</u>	<u>(129,556)</u>	<u>27,928,814</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	2,062,114	183,322	-	2,245,436
Equipment and furniture	2,886,467	77,503	(34,302)	2,929,668
Vehicles	1,940,689	195,784	(95,023)	2,041,450
Computers	347,695	51,842	-	399,537
Infrastructure	1,266,728	227,989	-	1,494,717
Total accumulated depreciation	<u>8,503,693</u>	<u>\$ 736,440</u>	<u>\$ (129,325)</u>	<u>9,110,808</u>
Depreciable capital assets, net	<u>17,789,181</u>			<u>18,818,006</u>
Governmental activities capital assets, net	<u>\$ 22,844,284</u>			<u>\$ 24,421,678</u>

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

<b>Governmental Activities:</b>	
General government	\$ 114,871
Public safety	193,587
Transportation	264,274
Environmental protection	79,231
Cultural and recreation	84,477
Total	<u>\$ 736,440</u>



# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Proprietary Capital Assets

The capital assets for the proprietary fund of the Town at June 30, 2020 are as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>
<b>Business-Type Activities:</b>				
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 100,504	\$ -	\$ -	\$ 100,504
Construction in progress	<u>973,402</u>	<u>1,169,905</u>	<u>(1,773,666)</u>	<u>369,641</u>
Total non-depreciable assets	<u>1,073,906</u>	<u>1,169,905</u>	<u>(1,773,666)</u>	<u>470,145</u>
<b>Depreciable Assets:</b>				
Plant	21,304,343	1,798,678	-	23,103,021
Equipment	<u>1,554,022</u>	<u>205,987</u>	<u>(8,477)</u>	<u>1,751,532</u>
Total depreciable assets	<u>22,858,365</u>	<u>2,004,665</u>	<u>(8,477)</u>	<u>24,854,553</u>
<b>Less Accumulated Depreciation:</b>				
Plant	8,663,072	401,307	-	9,064,379
Equipment	<u>1,257,405</u>	<u>107,831</u>	<u>(2,331)</u>	<u>1,362,905</u>
Total accumulated depreciation	<u>9,920,477</u>	<u>\$ 509,138</u>	<u>\$ (2,331)</u>	<u>10,427,284</u>
Depreciable capital assets, net	<u>12,937,888</u>			<u>14,427,269</u>
Water and Sewer Fund capital assets, net	<u>\$ 14,011,794</u>			<u>\$ 14,897,414</u>

### Construction Commitments

The Town has active construction projects as of June 30, 2020. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Total Contract</u>
Middle Fork Greenway	\$ 232,072	\$ 2,667,776	\$ 2,899,848
Repaving Town Streets	101,658	1,971,437	2,073,095
Water Plant Projects	92,488	20,400	112,888

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Discretely Presented Component Units

Activity for the TDA for the year ended June 30, 2020, was as follows:

At June 30, 2020, the Authority's capital assets consisted of furniture and equipment totaling \$104,259, being depreciated over ten years, and had accumulated depreciation of \$47,155. Depreciation expense for the current year was \$8,856.

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Non-Depreciable Assets:</b>				
Land	\$ 96,275	\$ -	\$ -	\$ 96,275
Total non-depreciable assets	<u>96,275</u>	<u>-</u>	<u>-</u>	<u>96,275</u>
<b>Depreciable Assets:</b>				
Buildings and improvements	283,906	3,657	-	287,563
Furniture and equipment	60,702	-	-	60,702
Computer and furniture	55,668	-	-	55,668
Total depreciable assets	<u>400,276</u>	<u>3,657</u>	<u>-</u>	<u>403,933</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	167,158	5,517	-	172,675
Furniture and equipment	58,881	892	-	59,773
Computer and furniture	52,865	578	-	53,443
Total accumulated depreciation	<u>278,904</u>	<u>\$ 6,987</u>	<u>\$ -</u>	<u>285,891</u>
Depreciable capital assets, net	<u>121,372</u>			<u>118,042</u>
ABC Board governmental activity capital assets, net	<u>\$ 217,647</u>			<u>\$ 214,317</u>

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2020, is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 24,421,678	\$ 14,897,414
Long-term debt	(11,728,007)	(3,452,667)
Unspent debt proceeds	3,442,475	1,904,633
Net investment in capital assets	<u>\$ 16,136,146</u>	<u>\$ 13,349,380</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2020:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
<b>Governmental Activities</b>	<u>\$ 1,007,421</u>	<u>\$ 67,055</u>	<u>\$ 1,074,476</u>
<b>Business-Type Activities:</b>			
Water and Sewer Fund	<u>\$ 117,675</u>	<u>\$ 21,386</u>	<u>\$ 139,061</u>

### Pension Plan and Post-Employment Obligations

#### 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](http://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.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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. The 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' contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Blowing Rock were \$261,419 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$1,316,304 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability 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, 2019, the Town's proportion was 0.0482%, which was a decrease of 0.00147% from its proportion measured as of June 30, 2018.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$578,185. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 225,385	\$ -
Changes of assumptions	214,536	-
Net difference between projected and actual earnings on pension plan investments	32,107	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,554	43,035
Town contributions subsequent to the measurement date	261,419	-
Total	<u>\$ 750,001</u>	<u>\$ 43,035</u>

\$261,419 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2021	\$ 227,351
2022	68,510
2023	123,062
2024	26,624
2025	-
Thereafter	-
Total	<u>\$ 445,547</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

*Discount Rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 3,010,629	\$ 1,316,304	\$ (92,022)

*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.

### Pension Plan Obligations

#### Law Enforcement Officers' Special Separation Allowance

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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits and and terminated employees entitled to, but not yet receiving, benefits	2
Active plan members	10
Total	<u>12</u>

### Summary of Significant Accounting Policies

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

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

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

**Deaths After Retirement (Health):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths Before Retirement:** RP-2014 Employee base rates projected to 2015 using MP-2015, projected generationally from 2015 using MP-2015.



# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

**Deaths After Retirement (Beneficiary):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

**Deaths After Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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

Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$33,719 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$314,622. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$24,685.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 19,676	\$ 9,305
Changes of assumptions	14,787	8,389
Town benefit payments and plan administrative expense made subsequent to the measurement date	17,639	-
Total	<u>\$ 52,102</u>	<u>\$ 17,694</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$17,639 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 3,772
2022	3,772
2023	4,564
2024	1,743
2025	2,918
Thereafter	-
Total	<u>\$ 16,769</u>

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.26%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	1% Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$ 337,013</u>	<u>\$ 314,622</u>	<u>\$ 294,261</u>

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

	<u>2020</u>
Beginning balance	\$ 300,950
Service cost	10,572
Interest on the total pension liability	10,341
Differences between expected and actual experience	18,511
Changes of assumptions or other inputs	7,967
Benefit payments	<u>(33,719)</u>
Ending balance of the total pension liability	<u>\$ 314,622</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 578,185	\$ 24,685	\$ 602,870
Net pension liability	1,316,304	-	1,316,304
Total pension liability	-	314,622	314,622
Proportionate share of net pension liability	0.04820%	N/A	-

### **Deferred Outflows of Resources:**

Differences between expected and actual experience	\$ 225,385	\$ 19,676	\$ 245,061
Changes of assumptions	214,536	14,787	229,323
Net difference between projected and actual earnings on pension plan investments	32,107	-	32,107
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,554	-	16,554
Benefit payments and administrative costs paid subsequent to the measurement date	261,419	17,639	279,058

### **Deferred Inflows of Resources:**

Differences between expected and actual experience	\$ -	\$ 9,305	\$ 9,305
Changes of assumptions	-	8,389	8,389
Changes in proportion and differences between Town contributions and proportionate share of contributions	43,035	-	43,035

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute an amount equal to five percent of each general employee and five percent of each officer's salary, and all amounts are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 for general employees and law enforcement officers, respectively, were \$172,139 and \$34,341, which consisted of \$118,084 from the Town and \$54,055 from general employees and \$24,712 from the Town and \$9,629 from the law enforcement officers. No amounts were forfeited.

### **Other Post-Employment Benefits**

#### **Healthcare Benefits**

#### **Medical Insurance Benefits**

*Plan Description.* The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. The RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources, who serve as ex-officio members. The RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided from the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

*Benefits Provided.* Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from the RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the state will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

*Contributions.* By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.47% of covered payroll which amounted to \$186,223.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, the Town reported a liability of \$5,716,124 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net OPEB liability was based on a projection of the Town's present value of future salary, actuarially determined. At June 30, 2020, the Town's proportion was 0.01807%. For the year ended June 30, 2020, the Town recognized OPEB expense of \$87,203.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 288,165
Changes of assumptions	274,744	1,718,517
Net difference between projected and actual earnings on OPEB plan investments	3,806	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,250,569	-
Employer contributions subsequent to the measurement date	186,208	-
Total	<u>\$ 1,715,327</u>	<u>\$ 2,006,682</u>

\$186,208 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2021	\$ (224,289)
2022	(224,289)
2023	(223,739)
2024	50,066
2025	144,688
Thereafter	-
Total	<u>\$ (477,563)</u>

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, 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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

*Discount Rate.* The discount rate used to measure the total OPEB liability for RHBF was 3.50%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-Year General Obligation Index as of June 30, 2019.

Inflation	3.00 percent
Salary increase	3.50%-8.10%, including 3.5% inflation and productivity factor
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates - medical	6.5% grading down to 5% by 2024
Healthcare cost trend rates - prescription drug	9.5% grading down to 5% by 2028
Healthcare cost trend rates - Medicare advantage	6.5% grading down to 5% by 2024
Healthcare cost trend rates - administrative	3.00%

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

*Sensitivity of the Board's Proportionate Share of the Net RHBFB OPEB Liability to Changes in the Discount Rate.* The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 6,794,169	\$ 5,716,124	\$ 4,854,969

*Sensitivity of the Board's Proportionate Share of the Net RHBFB OPEB Liability to Changes in the Healthcare Trend Rates.* The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00% -5.50%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00% -6.50%, Administrative - 3.00%)	1% Increase (Medical - 6.00-7.50%, Pharmacy - 6.00-10.50%, Medicare Advantage - 6.00% - 7.50%, Administrative - 4.00%)
Net OPEB liability	\$ 4,707,729	\$ 5,716,124	\$ 7,044,629

*RHBFB OPEB Plan Fiduciary Net Position.* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

### Dental Benefits

**Plan Description.** The post-employment healthcare benefits are provided through a single employer defined benefit plan. The Town Council has the authority to establish and amend the benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefits Provided.** The Comprehensive Dental Plan is administered by Companion Life Insurance Company, which establish premium rates approved by the Department of Insurance of South Carolina.



# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

According to a Town resolution, the Town provides post-employment dental 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. The Town pays full cost of premiums. The Town's retirees may also purchase coverage for their dependents through this plan. Total membership includes 12 inactive employees or beneficiaries current receiving benefits and 58 active members for a total membership of 70. A separate report is not issued for the plan.

### **Total OPEB Liability**

The Town's total OPEB liability of \$58,804 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increase	3.50 to 7.75 percent, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Dental - 4.0%

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Changes in Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at July 1, 2019	\$ 51,369
Changes for the year:	
Service cost at end of year	1,666
Interest	1,912
Difference between expected and actual experience	6,344
Changes of assumptions or other inputs	1,986
Benefit payments and implicit subsidy credit	(4,473)
Net change in total OPEB liability	7,435
Balance at June 30, 2020	\$ 58,804

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<b>1% Decrease (2.50%)</b>	<b>Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB liability	\$ 64,336	\$ 58,804	\$ 53,893

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	\$ 53,304	\$ 58,804	\$ 65,453

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$3,828. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,682	\$ 692
Changes of assumptions or other inputs	1,779	2,655
Benefit payments and administrative costs made subsequent to the measurement date	3,942	-
Total	<u>\$ 11,403</u>	<u>\$ 3,347</u>

\$3,942 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2021	\$ 250
2022	250
2023	250
2024	250
2025	250
Thereafter	2,864
Total	<u>\$ 4,114</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

	Other Insurance		
	<u>RHBF OPEB</u>	<u>Plan OPEB</u>	<u>Total</u>
OPEB expense	\$ 87,203	\$ 3,828	\$ 91,031
Net OPEB liability	5,716,124	-	5,716,124
Total OPEB liability	-	58,804	58,804
Proportionate share of the net OPEB liability	0.18070%	n/a	-
<b>Deferred Outflows of Resources:</b>			
Changes of assumptions	\$ 274,744	\$ -	\$ 274,744
Net difference between projected and actual earnings on OPEB plan investments	3,806	5,682	9,488
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,250,569	1,779	1,252,348
Benefit payments and administrative costs paid subsequent to the measurement date	<u>186,208</u>	<u>3,942</u>	<u>190,150</u>
Total deferred outflows of resources	<u>\$ 1,715,327</u>	<u>\$ 11,403</u>	<u>\$ 1,726,730</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 288,165	\$ 692	\$ 288,857
Changes of assumptions	<u>1,718,517</u>	<u>2,655</u>	<u>1,721,172</u>
Total deferred inflows of resources	<u>\$ 2,006,682</u>	<u>\$ 3,347</u>	<u>\$ 2,010,029</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Deferred Inflows and Outflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 261,419
Benefit payments made and administrative expenses for LEOSSA	17,639
Benefit payments made and administrative expenses for OPEB	190,150
Differences between expected and actual experience	245,061
Changes of assumptions	504,067
Net difference between projected and actual earnings on investments	41,595
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,268,902
Total	<u>\$ 2,528,833</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable (General Fund)	\$ -	\$ 123,394
Prepaid taxes	2,980	2,980
Changes in assumptions	1,729,561	-
Differences between expected and actual experience	298,162	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,035	-
Total	<u>\$ 2,073,738</u>	<u>\$ 126,374</u>

### Other Employee Benefits

#### Death Benefit Plan

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

# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

membership in the System, or who die within one hundred eighty (180) days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

### **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk-financing pools administered by the North Carolina League of Municipalities for workers compensation. The pool is reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation for the current policy period.

The pool is audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. Owner purchases employee health insurance coverage from the North Carolina State Health Plan for Teachers and State Employees. The health insurance plan is fully insured by the carrier.

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond with a \$25,000 coverage limit per incident. The Finance Officer and Tax Collector are each individually bonded for \$100,000 each.

### **Claims, Judgments, and Contingent Liabilities**

At June 30, 2020, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Long-Term Obligations

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

4.22% notes for \$4,700,000, issued in October 2006; payable in annual installments of \$235,000, including interest; beginning in October 2006 with final payment due 2026	\$ 1,410,000
2.89% note for \$438,270, issued November, 2018; payable in annual installments of \$117,771, including interest; beginning November, 2019 with final payment due 2022	333,578
2.445% note for \$536,194, issued March 2012; payable in annual installments of \$27,519 beginning March 2012 with final payment due 2033	348,526
0% note for \$756,480, issued May 2010; payable in annual installments of \$37,824 beginning May 2010 with final payment due 2031	416,064
4.08% note for \$1,000,000; issued August 2009; payable in annual installments of \$76,923 beginning August 2009 with final payment due 2025	384,615
2.83% note for \$1,700,580, issued May 2015; payable in annual installments of \$113,372 beginning May 2015 with final payment 2030	1,133,720
1.37% note for \$312,000, issued September 2016; payable in annual installments of \$80,777 beginning November 2017 with final payment due in 2021; secured by various vehicles and equipment	79,782
1.82% note, payable in annual installments of \$78,536, including interest, beginning November 2020 through 2023; secured by various vehicles and equipment	<u>300,000</u>
Total notes payable, secured - governmental and business-type activities	<u>\$ 4,406,285</u>

The Town's outstanding note from direct placements of \$1,410,000 is secured by a security interest in the fixtures that are part of the property. Upon the occurrence of any event of default, the bank may exercise any one or more of the following remedies as the bank in its sole discretion shall elect:

- (a) Declare the entire principal amount of the installment payments and all accrued interest and other charges immediately due and payable without notice or demand to the Borrower;

# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

- (b) Proceed by appropriate court action to enforce performance by the borrower of the applicable covenants of this contract or to recover for the breach thereof;
- (c) Exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted or reserved hereunder, including, without limitation, to the extent permitted by law, take possession of any collateral without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the borrower, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorney's fees, incurred with the recovery, repair, storage and other sale, lease or other disposition costs, toward the balance due under this contract and, thereafter, shall pay any remaining proceeds to the borrower;
- (d) Terminate this contract as to all or any part of the equipment and use, operate, lease or hold all or any part of the equipment as the bank in its sole discretion may decide; or
- (e) Take possession of any proceeds of the equipment, including net proceeds.

All remedies of the bank are cumulative and may be exercised concurrently or separately. The exercise of any one remedy shall not be deemed an election of such remedy or preclude the exercise of any other remedy. The borrower agrees to pay to the bank all court costs and reasonable attorney fees incurred by bank in enforcing the bank's rights and remedies under the financing contract.

The Town's outstanding note from direct placements of \$333,578 is secured by a security interest in the equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, all commitments and obligations of lender under this agreement or the related documents or any other agreement immediately will terminate (including any obligation to make further loan advances or disbursements), and, at lender's option, all indebtedness immediately will become due and payable, all without notice of any kind to borrower, except that in the case of an event of default of the type described in the "insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, lender shall have all the rights and remedies provided in the related documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of borrower or of any grantor shall not affect lender's right to declare a default and to exercise its rights and remedies.

The Town's outstanding note from direct borrowing of \$348,526 is payable solely from the revenues of the project or benefited systems, or other available funds. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, any other monies due to the Town from the state may be withheld by the state and applied to the payment of this obligation.



# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

The Town's outstanding note from direct borrowing of \$416,064 is payable solely from the revenues of the project or benefited systems, or other available funds. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, any other monies due to the Town from the state may be withheld by the state and applied to the payment of this obligation.

The Town's outstanding note from direct placements of \$384,615 is secured by a security interest in the real property and the improvements. Upon the occurrence of any event of default, the bank may exercise any one or more of the following remedies as the bank in its sole discretion shall elect:

- (a) Declare the entire principal amount of the installment payments and all accrued interest and other charges immediately due and payable without notice or demand to the borrower;
- (b) Proceed by appropriate court action to enforce performance by the borrower of the applicable covenants of this contract or to recover for the breach thereof;
- (c) Exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted or reserved hereunder, including, without limitation, to the extent permitted by law, take possession of any collateral without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the borrower, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorney's fees, incurred with the recovery, repair, storage and other sale, lease or other disposition costs, toward the balance due under this contract and, thereafter, shall pay any remaining proceeds to the borrower;
- (d) Terminate this contract as to all or any part of the equipment and use, operate, lease or hold all or any part of the equipment as the bank in its sole discretion may decide; or
- (e) Enforce its security interest or institute foreclosure proceedings under the Deed of Trust on all or any portion of real property; or
- (f) Terminate the Escrow Fund in accordance with the escrow agreement.

The Town's outstanding note from direct placements of \$1,133,720 is secured by a security interest in the property. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the lender will exercise any one or more of the following remedies: (a) Declare the unpaid principal components of the installment payments immediately due and payable; (b) Proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this agreement or to recover for the breach thereof; (c) As provided in the Project Fund Agreement, require the bank to pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (d) Avail itself of all available remedies under this agreement, including execution as provided and attorney's fees and other expenses.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Town's outstanding note from direct placements of \$79,782 is secured by a security interest in the equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the lender may execute one or more of the following remedies: (a) Declare the unpaid principal components of the installment payments immediately due and payable; (b) Proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this agreement or to recover for the breach thereof; (c) As provided in the Project Fund Agreement, require the bank to pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (d) Avail itself of all available remedies under this Agreement, including execution as provided and attorney's fees and other expenses.

The Town's outstanding note from direct placements of \$300,000 is secured by a security interest in the equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, all commitments and obligations of lender under this agreement or the related documents or any other agreement immediately will terminate (including any obligation to make further loan advances or disbursements), and, at lender's option, all indebtedness immediately will become due and payable, all without notice of any kind to borrower, except that in the case of an event of default of the type described in the "insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, lender shall have all the rights and remedies provided in the related documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of borrower or of any grantor shall not affect lender's right to declare a default and to exercise its rights and remedies.

Maturities of long-term debt from direct borrowing and direct placements, including interest are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 585,915	\$ 109,138	\$ 164,479	\$ 22,575
2022	509,050	89,666	166,440	19,158
2023	511,798	52,825	168,332	15,820
2024	448,631	53,211	118,430	12,433
2025	396,952	36,809	92,977	10,511
2026-2030	660,145	43,004	464,886	30,694
2031-2033	-	-	118,250	3,934
Total	<u>\$ 3,112,491</u>	<u>\$ 384,653</u>	<u>\$ 1,293,794</u>	<u>\$ 115,125</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### General Obligation Bonds:

2.0% bonds issued for \$3,500,000, Public Improvement, Series 2016 due on September 1 and March 1 in installments of \$180,000 plus interest through March 1, 2036	\$ 2,780,000
2.0% bonds issued for \$1,135,000, Public Improvement, Series 2016 due on September 1 and March 1 in installments of \$55,000 plus interest through March 1, 2036	915,000
2.9366% bonds issued for \$1,757,500, Public Improvement, Series 2018 due on September 1 and March 1 in installments of \$90,000 plus interest through March 1, 2038	1,560,000
2.9366% bonds issued for \$542,500, Public Improvement, Series 2018 due on September 1 and March 1 in installments of \$30,000 plus interest through March 1, 2038	500,000
2.954% bonds issued for \$3,690,000, Public Improvement, Series 2020 due on November 1 in installments of \$185,000 plus interest through November 1, 2039	3,690,000
2.954% bonds issued for \$680,000, Public Improvement, Series 2020 due on November 1 in installments of \$35,000 plus interest through November 1, 2039	<u>680,000</u>
Total	<u><u>\$ 10,125,000</u></u>

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

Year Ending June 30	General Fund		Water and Sewer Fund	
	Principal	Interest	Principal	Interest
2021	\$ 455,000	\$ 241,993	\$ 120,000	\$ 60,713
2022	455,000	224,643	120,000	56,363
2023	455,000	207,293	120,000	52,013
2024	455,000	190,343	120,000	47,663
2025	455,000	170,793	120,000	43,913
2026-2030	2,230,000	615,940	625,000	162,315
2031-2035	2,225,000	266,142	600,000	76,129
2036-2040	<u>1,300,000</u>	<u>66,329</u>	<u>270,000</u>	<u>14,161</u>
Total	<u><u>\$ 8,030,000</u></u>	<u><u>\$ 1,983,476</u></u>	<u><u>\$ 2,095,000</u></u>	<u><u>\$ 513,270</u></u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Capital Lease

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

The following is an analysis of the assets recorded under the capital lease as of June 30, 2020:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 12,050	\$ 3,414	\$ 8,636
Vehicle	147,320	71,205	76,115
Equipment	88,323	25,761	62,562
Equipment	35,006	9,627	25,379
Vehicle	32,969	20,344	12,625
Vehicle	40,688	21,296	19,392
Vehicle	42,592	17,583	25,009
Total	<u>\$ 398,948</u>	<u>\$ 169,230</u>	<u>\$ 229,718</u>

The future payments for the capital lease are as follows:

<u>Year Ending June 30</u>	<u>General Fund</u>		<u>Water and Sewer Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 92,028	\$ 4,489	\$ 10,225	\$ 499
2022	94,246	2,271	10,472	252
Total	<u>\$ 186,274</u>	<u>\$ 6,760</u>	<u>\$ 20,697</u>	<u>\$ 751</u>

At June 30, 2020, the Town of Blowing Rock had a legal debt margin of \$79,400,400.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
<b>Governmental Activities:</b>					
Installment purchase - Direct placements	\$ 3,518,635	\$ 201,000	\$ 607,144	\$ 3,112,491	\$ 585,915
General obligation bonds	4,610,000	3,690,000	270,000	8,030,000	455,000
Unamortized bond premiums	40,469	360,903	2,130	399,242	20,175
Capital lease	276,136	-	89,862	186,274	92,028
Net pension liability (LGERS)	989,807	115,888	-	1,105,695	-
Total pension liability (LEOSSA)	300,950	13,672	-	314,622	-
Net OPEB liability	3,993,620	807,924	-	4,801,544	-
Total OPEB liability	43,150	6,245	-	49,395	-
Compensated absences	180,359	157,061	84,333	253,087	85,000
Governmental activities long-term liabilities	<u>\$ 13,953,126</u>	<u>\$ 5,352,693</u>	<u>\$ 1,053,469</u>	<u>\$ 18,252,350</u>	<u>\$ 1,238,118</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 1,500,000	\$ 680,000	\$ 85,000	\$ 2,095,000	\$ 120,000
Unamortized bond premiums	13,829	30,075	728	43,176	2,232
Installment purchase - Direct placements and direct borrowings	1,363,950	99,000	169,156	1,293,794	164,479
Capital lease	30,682	-	9,985	20,697	10,225
Net pension liability (LGERS)	188,535	22,074	-	210,609	-
Net OPEB liability	760,690	153,890	-	914,580	-
Total OPEB liability	8,219	1,190	-	9,409	-
Compensated absences	39,874	19,202	16,219	42,857	29,143
Water and Sewer Fund long-term liabilities	<u>\$ 3,905,779</u>	<u>\$ 1,005,431</u>	<u>\$ 281,088</u>	<u>\$ 4,630,122</u>	<u>\$ 326,079</u>

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

### Contingencies

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

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### Interfund Transactions

#### Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2020 consist of the following:

From General Fund to Capital Project Fund to fund Town projects	\$ 665,256
From Water and Sewer Fund to Water and Sewer Capital Project Fund to fund water and wastewater treatment plant reserves	38,573
From Capital Project Fund to General Fund to fund debt service, fund road repairs and purchase park benches	127,260
From Water and Sewer Capital Project Fund to Water and Sewer Fund for debt service payment	60,824
From Appearance Advisory Commission Fund to General Fund to fund watering service and capital purchases	14,460
From General Fund to Water Sewer Fund for grant match	<u>4,698</u>
Total interfund transfers	<u>\$ 911,071</u>

### 3. Joint Ventures

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership dues of \$510 during the fiscal year ended June 30, 2020.

### 4. Summary Disclosure of Significant Contingencies Federal and State-Assisted Programs

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

### 5. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact Town revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

**TOWN OF BLOWING ROCK, NORTH CAROLINA****PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)****REQUIRED SUPPLEMENTARY INFORMATION****LAST SEVEN FISCAL YEARS \***

	<b>Local Governmental Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.0482%	0.0497%	0.0427%	0.0402%	0.0401%	-0.0397%	0.0373%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,316,304	\$ 1,178,342	\$ 652,338	\$ 852,754	\$ 183,961	\$ (233,953)	\$ 449,608
Town's covered payroll	\$ 2,818,331	\$ 2,923,978	\$ 2,428,119	\$ 2,235,534	\$ 2,056,654	\$ 1,851,018	\$ 1,930,820
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.71%	40.30%	26.87%	38.15%	8.94%	( 12.64%)	23.29%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF BLOWING ROCK, NORTH CAROLINA****CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SEVEN FISCAL YEARS**

	<b>Local Government Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 261,419	\$ 222,898	\$ 223,232	\$ 179,484	\$ 151,742	\$ 149,590	\$ 131,628
Contributions in relation to the contractually required contribution	<u>261,419</u>	<u>222,898</u>	<u>223,232</u>	<u>179,484</u>	<u>151,742</u>	<u>149,590</u>	<u>131,628</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,878,094	\$ 2,818,331	\$ 2,923,978	\$ 2,428,119	\$ 2,235,534	\$ 2,056,654	\$ 1,851,018
Contributions as a percentage of covered payroll	9.08%	7.91%	7.63%	7.39%	6.79%	7.27%	7.11%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



**TOWN OF BLOWING ROCK, NORTH CAROLINA**
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**LAST FOUR FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 300,950	\$ 317,503	\$ 280,786	\$ 277,310
Service cost	10,572	13,048	12,443	11,175
Interest on the total pension liability	10,341	9,791	10,614	9,693
Differences between expected and actual experience				
in the measurement of the total pension liability	18,511	(14,281)	8,872	-
Changes of assumptions or other inputs	7,967	(9,763)	16,392	(5,788)
Benefit payments	(33,719)	(15,348)	(11,604)	(11,604)
Ending balance of the total pension liability	<u>\$ 314,622</u>	<u>\$ 300,950</u>	<u>\$ 317,503</u>	<u>\$ 280,786</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST FOUR FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 314,622	\$ 300,950	\$ 317,503	\$ 280,786
Covered payroll	432,332	450,078	462,909	414,828
Total pension liability as a percentage of covered payroll	72.77%	66.87%	68.59%	67.69%

**Notes to the Schedule:**

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF BLOWING ROCK, NORTH CAROLINA****OTHER POST-EMPLOYMENT BENEFITS****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****LAST THREE FISCAL YEARS**

<b>Other Post-Employment Benefits</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 1,666	\$ 1,752	\$ 1,861
Interest	1,912	1,843	1,653
Differences between expected and actual experience	6,344	(613)	(371)
Changes of assumptions or other inputs	1,986	(1,438)	(2,525)
Benefit payments	(4,473)	(3,795)	(3,725)
Net change in total OPEB liability	7,435	(2,251)	(3,107)
Total OPEB liability - beginning	51,369	53,620	56,727
Total OPEB liability - ending	<u>\$ 58,804</u>	<u>\$ 51,369</u>	<u>\$ 53,620</u>
Covered payroll	\$ 2,585,218	\$ 2,260,517	\$ 2,260,517
Total OPEB liability as a percentage of covered payroll	2.27%	2.27%	2.37%

**Notes to the Required Schedules:**

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

<b>Fiscal Year</b>	<b>Rate</b>
2018	3.59%
2019	3.89%
2020	3.50%

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**SCHEDULE OF THE TOWN OF BLOWING ROCK'S PROPORTIONATE SHARE  
OF NET OPEB LIABILITY - RETIREE HEALTH BENEFIT FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS \***

	<b>Retiree Health Benefit Fund</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Blowing Rock's proportion of the net OPEB liability (asset)	0.01807%	0.01669%	0.01543%	0.01353%
Blowing Rock's proportionate share of the net OPEB liability (asset)	\$ 5,716,124	\$ 4,754,310	\$ 5,058,674	\$ 5,884,069
Blowing Rock's covered payroll*	\$ 2,818,331	\$ 2,729,358	\$ 2,428,119	\$ 2,235,534
Blowing Rock's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	202.82%	174.19%	208.34%	263.21%
Plan fiduciary net position as a percentage of the total OPEB liability**	4.40%	4.40%	3.52%	2.41%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the RHBF plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF BLOWING ROCK, NORTH CAROLINA**
**TOWN OF BLOWING ROCK'S CONTRIBUTIONS TO THE RETIREE HEALTH BENEFIT FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST FOUR FISCAL YEARS \***

<b>Retiree Health Benefit Fund</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 186,208	\$ 176,709	\$ 165,126	\$ 139,509
Contributions in relation to the contractually required contribution	<u>186,208</u>	<u>176,709</u>	<u>165,126</u>	<u>139,509</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Blowing Rock's covered payroll	\$ 2,878,019	\$ 2,818,331	\$ 2,729,358	\$ 2,428,119
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.75%

\* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 4,467,178	\$ 4,460,591	\$ (6,587)
Interest	9,000	6,718	(2,282)
Total ad valorem taxes	<u>4,476,178</u>	<u>4,467,309</u>	<u>(8,869)</u>
<b>Other Taxes and Licenses:</b>			
Occupancy tax	1,494,494	1,377,589	(116,905)
Total other taxes and licenses	<u>1,494,494</u>	<u>1,377,589</u>	<u>(116,905)</u>
<b>Unrestricted Intergovernmental Revenues:</b>			
Local option sales taxes	1,821,591	1,959,926	138,335
Utilities franchise tax	300,000	317,282	17,282
Telecommunications tax	31,500	23,420	(8,080)
Video programming tax	42,900	40,494	(2,406)
Beer and wine tax	6,000	5,794	(206)
ABC profit distribution	80,000	140,004	60,004
Total unrestricted intergovernmental revenues	<u>2,281,991</u>	<u>2,486,920</u>	<u>204,929</u>
<b>Restricted Intergovernmental Revenues:</b>			
Powell Bill	76,000	76,178	178
Snow removal	10,500	-	(10,500)
Solid waste disposal tax	800	1,265	465
ABC revenue for law enforcement	5,000	8,954	3,954
Total restricted intergovernmental revenues	<u>92,300</u>	<u>86,397</u>	<u>(5,903)</u>
<b>Permits and Fees:</b>			
Building permits	50,975	86,957	35,982
Other fees	7,000	7,500	500
Total permits and fees	<u>57,975</u>	<u>94,457</u>	<u>36,482</u>
<b>Sales and Services:</b>			
Recreation department	139,300	86,810	(52,490)
Recycling	91,025	97,277	6,252
Parking fines	-	2,115	2,115
Rental income	19,400	12,098	(7,302)
Total sales and services	<u>249,725</u>	<u>198,300</u>	<u>(51,425)</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Investment Earnings</b>	<u>72,500</u>	<u>62,988</u>	<u>(9,512)</u>
<b>Miscellaneous:</b>			
Cemetery revenues	20,000	27,113	7,113
Solid waste fees	60,000	64,450	4,450
Zoning fees	10,000	10,256	256
Fire department contribution	296,388	258,571	(37,817)
Other	<u>211,672</u>	<u>374,035</u>	<u>162,363</u>
Total other revenues	<u>598,060</u>	<u>734,425</u>	<u>136,365</u>
 Total revenues	 <u>9,323,223</u>	 <u>9,508,385</u>	 <u>185,162</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General Government:</b>			
Other operating expenditures	<u>1,603,250</u>	<u>1,509,721</u>	<u>93,529</u>
Total general government	<u>1,603,250</u>	<u>1,509,721</u>	<u>93,529</u>
 <b>Governing Body:</b>			
Salaries and employee benefits	45,931	41,099	4,832
Operating expenditures	<u>10,250</u>	<u>4,810</u>	<u>5,440</u>
Total governing body	<u>56,181</u>	<u>45,909</u>	<u>10,272</u>
 <b>Finance:</b>			
Salaries and employee benefits	429,222	396,724	32,498
Operating expenditures	<u>878,975</u>	<u>926,579</u>	<u>(47,604)</u>
Total governing body	<u>1,308,197</u>	<u>1,323,303</u>	<u>(15,106)</u>
 <b>Public Buildings:</b>			
Operating expenditures	<u>92,640</u>	<u>85,984</u>	<u>6,656</u>
Total public buildings	<u>92,640</u>	<u>85,984</u>	<u>6,656</u>
 Total general government	 <u>3,060,268</u>	 <u>2,964,917</u>	 <u>95,351</u>

# TOWN OF BLOWING ROCK, NORTH CAROLINA

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	906,743	841,826	64,917
Operating expenditures	301,763	292,363	9,400
Capital outlay	144,500	141,307	3,193
Total police	<u>1,353,006</u>	<u>1,275,496</u>	<u>77,510</u>
<b>Fire:</b>			
Salaries and employee benefits	1,028,164	965,754	62,410
Operating expenditures	32,500	21,609	10,891
Capital outlay	28,000	29,667	(1,667)
Total fire	<u>1,088,664</u>	<u>1,017,030</u>	<u>71,634</u>
<b>Inspections:</b>			
Salaries and employee benefits	247,706	241,562	6,144
Operating expenditures	44,600	37,553	7,047
Total planning and inspections	<u>292,306</u>	<u>279,115</u>	<u>13,191</u>
Total public safety	<u>2,733,976</u>	<u>2,571,641</u>	<u>162,335</u>
<b>Transportation:</b>			
<b>Streets and Highways:</b>			
Salaries and employee benefits	532,724	473,880	58,844
Operating expenditures	478,645	401,271	77,374
Capital outlay	190,000	127,536	62,464
Street Maintenance	17,137	17,137	-
Total transportation	<u>1,218,506</u>	<u>1,019,824</u>	<u>198,682</u>
<b>Environmental Protection:</b>			
<b>Solid Waste:</b>			
Salaries and employee benefits	195,090	191,415	3,675
Operating expenditures	163,975	145,451	18,524
Total environmental protection	<u>359,065</u>	<u>336,866</u>	<u>22,199</u>



# TOWN OF BLOWING ROCK, NORTH CAROLINA

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Cultural and Recreation:</b>			
<b>Parks and Recreation:</b>			
Salaries and employee benefits	590,530	538,391	52,139
Other operating expenditures	268,210	239,714	28,496
Capital outlay	65,800	55,286	10,514
Total cultural and recreational	<u>924,540</u>	<u>833,391</u>	<u>91,149</u>
<b>Debt Service:</b>			
Principal retirement	967,006	967,006	-
Interest and other charges	240,225	321,292	(81,067)
Total debt service	<u>1,207,231</u>	<u>1,288,298</u>	<u>(81,067)</u>
 Total expenditures	 <u>9,503,586</u>	 <u>9,014,937</u>	 <u>488,649</u>
 Revenue over (under) expenditures	 <u>(180,363)</u>	 <u>493,448</u>	 <u>673,811</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from other funds:			
Capital Projects Fund	67,260	127,260	60,000
BRAAC	14,460	14,460	-
Transfers to other funds:			
Capital Projects Fund	(673,849)	(665,256)	8,593
Water Sewer Fund	(4,698)	(4,698)	-
Proceeds from debt issuance	205,300	201,000	(4,300)
Sales of capital assets	10,000	26,027	16,027
Appropriated fund balance	561,890	-	(561,890)
Total other financing sources (uses)	<u>180,363</u>	<u>(301,207)</u>	<u>(481,570)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>192,241</u>	 <u>\$ 192,241</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>5,942,793</u>	
 End of year - June 30		 <u><u>\$ 6,135,034</u></u>	

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**CAPITAL PROJECTS FUND - VARIOUS PROJECTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
Contributions and grants	\$ 5,168,135	\$ 1,039,669	\$ 123,199	\$ 1,162,868	\$ (4,005,267)
Other revenues:					
Miscellaneous	96,225	127,958	-	127,958	31,733
Investment income	56,993	92,906	30,290	123,196	66,203
Total restricted intergovernmental	<u>5,321,353</u>	<u>1,260,533</u>	<u>153,489</u>	<u>1,414,022</u>	<u>(3,907,331)</u>
<b>Expenditures:</b>					
Recreation projects:					
Capital outlay:					
Culture and recreation	830,099	73,396	654,990	728,386	101,713
Total	<u>830,099</u>	<u>73,396</u>	<u>654,990</u>	<u>728,386</u>	<u>101,713</u>
Streets and sidewalks projects:					
Capital outlay:					
Transportation	7,826,536	1,729,434	1,329,047	3,058,481	4,768,055
Total	<u>7,826,536</u>	<u>1,729,434</u>	<u>1,329,047</u>	<u>3,058,481</u>	<u>4,768,055</u>
Public works:					
Capital outlay:					
Public buildings and facilities	4,563	1,221,180	410	1,221,590	(1,217,027)
Total	<u>4,563</u>	<u>1,221,180</u>	<u>410</u>	<u>1,221,590</u>	<u>(1,217,027)</u>
Public safety projects:					
Capital outlay:					
Public safety	38,950	-	5,780	5,780	33,170
Total	<u>38,950</u>	<u>-</u>	<u>5,780</u>	<u>5,780</u>	<u>33,170</u>
General government:					
Capital outlay:					
General government	3,291,868	267,088	78,447	345,535	2,946,333
Total	<u>3,291,868</u>	<u>267,088</u>	<u>78,447</u>	<u>345,535</u>	<u>2,946,333</u>
Total expenditures	<u>11,992,016</u>	<u>3,291,098</u>	<u>2,068,674</u>	<u>5,359,772</u>	<u>6,632,244</u>

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**CAPITAL PROJECTS FUND - VARIOUS PROJECTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
Revenues over (under) expenditures	<u>(6,670,663)</u>	<u>(2,030,565)</u>	<u>(1,915,185)</u>	<u>(3,945,750)</u>	<u>(2,724,913)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in:					
General Fund	2,074,675	2,010,178	665,256	2,675,434	600,759
BRAAC	11,000	13,000	-	13,000	2,000
Operating transfers out:					
General Fund	(1,129,433)	(1,043,885)	(127,260)	(1,171,145)	(41,712)
Proceeds from long-term debt	5,559,028	1,412,435	3,690,000	5,102,435	(456,593)
Discount of debt issued	-	(3,764)	-	(3,764)	(3,764)
Bond premiums on debt issued	<u>155,393</u>	<u>61,317</u>	<u>360,903</u>	<u>422,220</u>	<u>266,827</u>
Total other financing sources (uses)	<u>6,670,663</u>	<u>2,449,281</u>	<u>4,588,899</u>	<u>7,038,180</u>	<u>367,517</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 418,716</u>	2,673,714	<u>\$ 3,092,430</u>	<u>\$ 3,092,430</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>418,716</u>		
End of year - June 30			<u>\$ 3,092,430</u>		

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**SPECIAL REVENUE FUND - APPEARANCE ADVISORY COMMISSION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Donations	\$ 25,000	\$ 34,160	\$ 9,160
Miscellaneous income	<u>50</u>	<u>-</u>	<u>(50)</u>
Total revenues	<u>25,050</u>	<u>34,160</u>	<u>9,110</u>
<b>Expenditures:</b>			
Cultural and recreational:			
Contracted services	4,000	3,496	504
Beautification	12,900	11,900	1,000
Miscellaneous	<u>5,150</u>	<u>4,657</u>	<u>493</u>
Total expenditures	<u>22,050</u>	<u>20,053</u>	<u>1,997</u>
Revenues over (under) expenditures	<u>3,000</u>	<u>14,107</u>	<u>11,107</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to General Fund	(14,460)	(14,460)	-
Appropriated fund balance	<u>11,460</u>	<u>-</u>	<u>(11,460)</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>(14,460)</u>	<u>(11,460)</u>
Net change in fund balance	<u>\$ -</u>	(353)	<u>\$ (353)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>27,941</u>	
End of year - June 30		<u>\$ 27,588</u>	

**TOWN OF BLOWING ROCK, NORTH CAROLINA**

**ENTERPRISE FUND - WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Water sales:			
Residential	\$ 928,200	\$ 957,674	\$ 29,474
Interconnect charges	13,000	13,579	579
Impact fees	20,000	30,750	10,750
Total	<u>961,200</u>	<u>1,002,003</u>	<u>40,803</u>
Sewer charges:			
Residential	773,680	788,436	14,756
Sewer CIP surcharge	32,000	36,497	4,497
Total	<u>805,680</u>	<u>824,933</u>	<u>19,253</u>
Water and sewer taps	<u>3,000</u>	<u>1,758</u>	<u>(1,242)</u>
Other operating revenues	<u>33,084</u>	<u>16,950</u>	<u>(16,134)</u>
Total operating revenues	<u>1,802,964</u>	<u>1,845,644</u>	<u>42,680</u>
Non-operating revenues:			
Interest earnings	<u>11,000</u>	<u>8,067</u>	<u>(2,933)</u>
Total non-operating revenues	<u>11,000</u>	<u>8,067</u>	<u>(2,933)</u>
Total revenues	<u>1,813,964</u>	<u>1,853,711</u>	<u>39,747</u>
<b>Expenditures:</b>			
Water and sewer administration:			
Salaries and employee benefits	115,952	113,372	2,580
Other operating expenses	269,079	257,250	11,829
Total operating expenses	<u>385,031</u>	<u>370,622</u>	<u>14,409</u>
Water and sewer plant operations:			
Salaries and employee benefits	364,139	407,700	(43,561)
Utilities	131,027	124,080	6,947
Other operating expenditures	138,643	118,088	20,555
Total	<u>633,809</u>	<u>649,868</u>	<u>(16,059)</u>
Water and sewer field operations:			
Salaries and employee benefits	242,727	176,183	66,544
Other operating expenditures	158,911	163,436	(4,525)
Capital outlay	288,823	230,999	57,824
Total	<u>690,461</u>	<u>570,618</u>	<u>119,843</u>

## TOWN OF BLOWING ROCK, NORTH CAROLINA

### ENTERPRISE FUND - WATER AND SEWER FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Debt Service:</b>			
Interest and other charges	79,555	110,482	(30,927)
Principal retirement	264,141	264,141	-
Total debt service	<u>343,696</u>	<u>374,623</u>	<u>(30,927)</u>
Contingency	<u>72,942</u>	<u>-</u>	<u>72,942</u>
Total expenditures	<u>2,125,939</u>	<u>1,965,731</u>	<u>160,208</u>
Revenues over (under) expenditures	<u>(311,975)</u>	<u>(112,020)</u>	<u>199,955</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	65,523	65,522	(1)
Transfer out	(38,573)	(38,573)	-
Debt issued	101,000	99,000	(2,000)
Sale of capital asset	144,025	592	(143,433)
Appropriated fund balance	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Total other financing sources (uses)	<u>311,975</u>	<u>126,541</u>	<u>(185,434)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>14,521</u>	<u>\$ 14,521</u>

### Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:

Reconciling items:	
Principal retirement	264,141
Capital outlay	230,999
Debt proceeds	(99,000)
Change in accrued vacation pay	(2,983)
Change in accrued interest	2,558
Change in deferred outflows of resources - pensions and OPEB	61,934
Change in pension liability	(22,074)
Change in OPEB liability	(155,080)
Change in deferred inflows of resources - pensions and OPEB	56,198
Depreciation	(509,138)
Gain (loss) on sale of assets	(592)
Interest income from Water and Sewer Capital Projects Fund	58,202
Transfer in/out from Water and Sewer Capital Projects Fund	<u>(22,251)</u>
Total reconciling items	<u>(137,086)</u>
Change in net position	<u>\$ (122,565)</u>

## TOWN OF BLOWING ROCK, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ 57,750	\$ 93,753	\$ 58,202	\$ 151,955	\$ 94,205
Contributions and grant proceeds	51,000	65,444	-	65,444	14,444
Miscellaneous income	15,390	533	-	533	(14,857)
Total revenues	124,140	159,730	58,202	217,932	93,792
Expenditures:					
Construction	3,455,472	937,354	1,142,270	2,079,624	1,375,848
Engineering and permitting	32,640	36,048	26,856	62,904	(30,264)
Total	3,488,112	973,402	1,169,126	2,142,528	1,345,584
Debt service:					
Bond issuance costs on debt issued	12,430	19,716	779	20,495	(8,065)
Contingency	43,383	-	-	-	43,383
Total expenditures	3,543,925	993,118	1,169,905	2,163,023	1,380,902
Revenues over (under) expenditures	(3,419,785)	(833,388)	(1,111,703)	(1,945,091)	1,474,694
Other Financing Sources (Uses):					
Transfer from Water and Sewer Fund	1,114,145	1,238,899	-	1,238,899	124,754
Transfer from General Fund	326,430	323,785	38,573	362,358	35,928
Transfer to Water and Sewer Fund	(298,485)	(263,256)	(60,824)	(324,080)	(25,595)
Proceeds from long-term debt	2,253,495	1,677,500	680,000	2,357,500	104,005
Bond premiums on debt issued	-	14,930	30,075	45,005	45,005
Unexpended loan proceeds returned	-	(425,500)	-	(425,500)	(425,500)
Appropriated fund balance	24,200	-	-	-	(24,200)
Total other financing sources (uses)	3,419,785	2,566,358	687,824	3,254,182	(165,603)
Revenues and other financing sources over					
(under) expenditures and other financing uses	\$ -	\$ 1,732,970	\$ (423,879)	\$ 1,309,091	\$ 1,309,091

**TOWN OF BLOWING ROCK, NORTH CAROLINA****SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2020**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2019</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019-2020	\$ -	\$ 4,492,601	\$ 4,431,355	\$ 61,246
2018-2019	56,985	-	33,646	23,339
2017-2018	23,557	-	3,366	20,191
2016-2017	12,340	-	473	11,867
2015-2016	3,122	-	566	2,556
2014-2015	2,992	-	12	2,980
2013-2014	3,873	-	20	3,853
2012-2013	2,628	-	1	2,627
2011-2012	6,515	-	1	6,514
2010-2011	11,513	-	-	11,513
2009-2010	1,997	-	1,997	-
Total	<u>\$ 125,522</u>	<u>\$ 4,492,601</u>	<u>\$ 4,471,437</u>	146,686

Less allowance for uncollectible ad valorem taxes receivable:

General Fund (23,292)Ad valorem taxes receivable, net \$ 123,394**Reconciliation with Revenues:**

Taxes, ad valorem, General Fund \$ 4,467,309

Reconciling items:

Miscellaneous 8,849

Amounts written off per Statute of Limitations 1,997

Penalties and interest (6,718)Total collections and credits \$ 4,471,437



## TOWN OF BLOWING ROCK, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY - TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current rate	\$ 1,158,479,737	0.38	\$ 4,402,223	\$ 4,402,223	\$ -
Registered motor vehicles taxed	<u>24,182,895</u>	0.38	<u>91,895</u>	<u>-</u>	<u>91,895</u>
Total	<u>1,182,662,632</u>		<u>4,494,118</u>	<u>4,402,223</u>	<u>91,895</u>
<b>Abatements</b>	<u>(399,211)</u>	0.38	<u>(1,517)</u>	<u>(1,517)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,182,263,421</u></u>				
<b>Net Levy</b>			4,492,601	4,400,706	91,895
Less uncollected taxes at June 30, 2020			<u>(61,246)</u>	<u>(61,246)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 4,431,355</u>	<u>\$ 4,339,460</u>	<u>\$ 91,895</u>
<b>Current Levy Collection Percentage</b>			<u>98.64%</u>	<u>98.61%</u>	<u>100.00%</u>

**TOWN OF BLOWING ROCK, NORTH CAROLINA****ANALYSIS OF CURRENT YEAR LEVY - TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2020****Secondary Market Disclosures:****Assessed Valuation:**

Assessment ratio	<u>100.00%</u>
Real property	\$1,171,228,449
Personal property	11,003,002
Public service companies	<u>31,970</u>
Total assessed valuation	<u>\$ 1,182,263,421</u>
Tax rate per \$100	0.3800
Levy (includes discoveries, releases, and abatements, excludes penalties)	<u>\$ 4,492,601</u>

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

### **Independent Auditor's Report**

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

We have audited, in accordance with 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 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 18, 2021. Our report includes a reference to other auditors who audited the financial statements of the Town of Blowing Rock ABC Board and the Town of Blowing Rock Tourism Development Authority. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Town of Blowing Rock ABC Board and the Town of Blowing Rock Tourism Development Authority.

### **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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Blowing Rock's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
January 18, 2021

# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020**

### **1. Summary of Auditor's Results**

#### **Financial Statements**

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

No

- Significant deficiency identified?

None reported

Non-compliance material to financial statements noted?

No

### **2. Financial Statements Findings**

None reported.

# **TOWN OF BLOWING ROCK, NORTH CAROLINA**

## **SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020**

**Finding: 2019-001**

**Status:** Corrected.

**Finding: 2019-002**

**Status:** Corrected.