

# **TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2016**

### **Town Council Members**

**Rick Miller, Mayor  
Rick Owen  
Paul Piquet  
Wendel Sauer  
Renee Castiglione**

### **Administrative and Financial Staff**

**Ed Evans, Town Manager  
Steve Smith, Finance Officer  
Rebecca Ward, Tax Collector**

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**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Beech Mountain, North Carolina

**Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Beech Mountain, North Carolina, as of and for the year ended June 30, 2016 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 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. The financial statements of the Beech Mountain Tourism Development Authority were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statement presentation of the financial statements.

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

***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Beech Mountain, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Emergency 911 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

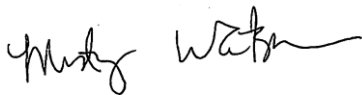
### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Beech Mountain, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of Town of Beech Mountain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Beech Mountain's internal control over financial reporting and compliance.



Boone, NC  
October 28, 2016

## Management's Discussion and Analysis

### Town of Beech Mountain

As management of the Town of Beech Mountain, we offer readers of the Town of Beech Mountain's financial statements this narrative overview and analysis of the financial activities of the Town of Beech Mountain for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Beech Mountain's financial statements, which follow this narrative.

#### **Financial Highlights**

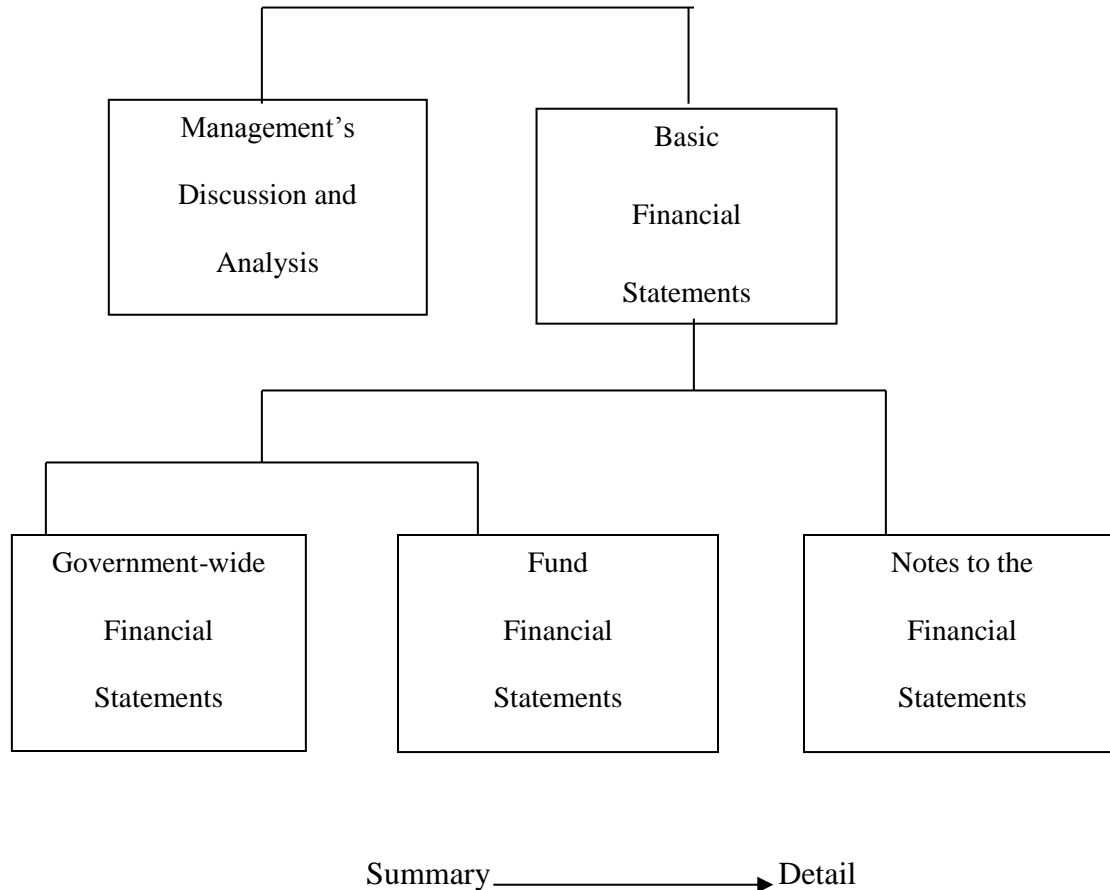
- The assets and deferred outflows of resources of the Town of Beech Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,981,243 (net position).
- The government's total net position increased by \$1,806,468 primarily due to expenses being less than budgeted and the local option sales tax being higher than budgeted.
- As of the close of the current fiscal year, the Town of Beech Mountain's governmental funds reported combined ending fund balances of \$6,249,067, a net change of \$440,655 in fund balance. Approximately 15.2 percent of this total amount, or \$947,487, is nonspendable, assigned or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,301,580, or 88.9 percent of total general fund expenditures for the fiscal year.
- The Town of Beech Mountain's total debt increased by \$3,807,522 during the current fiscal year. The key factors were payments of \$492,478 for installment purchase contracts and new issuance of bond anticipation notes in the amount \$4,300,000.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Beech Mountain's basic financial statements. The Town of Beech Mountain's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of the 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 Beech Mountain.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and sanitation services offered by the Town of Beech Mountain. The final category is the component unit. Although legally separate from the Town, the Beech Mountain Tourism Development Authority is important to the Town because the Town exercises control over the Authority Board by appointing its members and because the Authority operates within the Town's boundaries for the benefit of the Town's residents.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Beech Mountain, 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 Beech Mountain 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 short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Beech Mountain 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.

**Proprietary Funds** – The Town of Beech Mountain has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Beech Mountain uses enterprise funds to account for its water and sewer activity and sanitation operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and 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 are on pages 20-44 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Beech Mountain’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on pages 45 and 46 of this report.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

### The Town of Beech Mountain’s Net Position

**Figure 2**

	Government		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,667,013	6,498,362	8,283,328	5,043,321	14,950,341	11,541,683
Capital assets	5,703,724	4,932,428	9,302,884	7,845,841	15,006,608	12,778,269
Deferred outflows of resources	120,614	119,572	34,082	34,230	154,696	153,802
Total assets and deferred outflows of resources	12,491,351	11,550,362	17,620,294	12,923,392	30,111,645	24,473,754
Long-term liabilities, outstanding	517,897	589,040	1,772,664	2,338,426	2,290,561	2,927,466
Other liabilities	370,710	497,122	5,331,634	310,685	5,702,344	807,807
Deferred inflows of resources	115,223	441,765	22,274	121,941	137,497	563,706
Total liabilities and deferred inflows of resources	1,003,830	1,527,927	7,126,572	2,771,052	8,130,402	4,298,979
Net position:						
Net investment in capital assets	5,310,590	4,343,388	7,261,030	5,507,415	12,571,620	9,850,803
Restricted	746,427	592,759	--	--	746,427	592,759
Unrestricted	5,430,504	5,086,288	3,232,692	4,644,925	8,663,196	9,731,213
Total net position	\$ 11,487,521	10,022,435	10,493,722	10,152,340	21,981,243	20,174,775

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Beech Mountain exceeded liabilities and deferred inflows by \$21,981,243 at June 30, 2016. The Town’s net position increased by \$1,806,468 for the fiscal year ended June 30, 2016. However, the largest portion (57.2%) reflects the Town’s investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Beech Mountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Beech Mountain’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Beech Mountain’s net position, \$746,427, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,663,196 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.14%.
- Actual expenditures were less than budgeted including general government.

### Town of Beech Mountain's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 142,386	158,127	2,435,437	2,452,895	2,577,823	2,611,022
Operating grants and contributions	114,054	791,665	-	-	114,054	791,665
Capital grants and contributions	279,555	58,248	-	-	279,555	58,248
General Revenues:						
Property taxes	3,912,131	3,888,215	-	-	3,912,131	3,888,215
Other taxes	2,157,337	2,149,243	-	-	2,157,337	2,149,243
Component unit reimbursement for salaries	37,597	24,326	-	-	37,597	24,326
Investment earnings	15,221	2,801	9,187	644	24,408	3,445
Other	73,216	-	-	-	73,216	-
Total revenues	6,731,497	7,072,625	2,444,624	2,453,539	9,176,121	9,526,164
Expenses:						
General government	1,691,848	1,514,588	-	-	1,691,848	1,514,588
Public Safety	1,868,810	1,481,088	-	-	1,868,810	1,481,088
Highways/streets	1,113,289	1,324,692	-	-	1,113,289	1,324,692
Sanitation	-	-	363,823	347,723	363,823	347,723
Cultural and recreation	570,931	605,654	-	-	570,931	605,654
Community development	-	256,932	-	-	-	256,932
Interest on long-term debt	21,533	29,258	63,698	73,321	85,231	102,579
Water and sewer	-	-	1,675,721	1,518,518	1,675,721	1,518,518
Total expenses	5,266,411	5,212,212	2,103,242	1,939,562	7,369,653	7,151,774
Increase (decrease) in net position before transfers	1,465,086	1,860,413	341,382	513,977	1,806,468	2,374,390
Transfers	-	(1,400,000)	-	1,400,000	-	-
Increase (decrease) in net position	1,465,086	460,413	341,382	1,913,977	1,806,468	2,374,390
Net position, beginning	10,022,435	9,562,022	10,152,340	8,238,363	20,174,775	17,800,385
Net position, ending	\$ 11,487,521	10,022,435	10,493,722	10,152,340	21,981,243	20,174,775

**Governmental activities** - Governmental activities increased the Town's net position by \$1,465,086. Key elements of this increase are as follows:

- Sales tax collected was higher than previous years.
- Beech Mountain Volunteer Fire Department transferred \$261,019 in capital assets to the Town.
- Expenditures being less than budgeted.

**Business-type activities** - Business-type activities increased the Town of Beech Mountain's net position by \$341,382. Key elements of this are as follows:

- Revenues from charges for service were more than budgeted in both enterprise funds due to preemptive saving for the new Water Treatment Plant Project.
- Actual capital expenditures less than budgeted.

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

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

**Governmental Funds** – The focus of the Town of Beech Mountain's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Beech Mountain's financing requirements.

The general fund is the chief operating fund of the Town of Beech Mountain. At the end of the current fiscal year, the Town of Beech Mountain's fund balance available in the General Fund was \$5,301,580, while total fund balance reached \$6,078,150. The Town currently has an available fund balance of 88.9 percent of general fund expenditures, while total fund balance represents 102 percent of the same amount.

At June 30, 2016, the governmental funds of the Town of Beech Mountain reported a combined fund balance of \$6,249,067, with a net increase in fund balance of \$440,655. Included in this change in fund balance are increases/(decreases) in fund balance in both the General and Special Revenue Funds.

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

There were several reasons the Town revised its budget throughout the year. The Town budgeted for new SCADA equipment in the Special Projects Fund. The Town increased expenditures associated with the interim Town Manager in the General Fund. The Town increased revenues and expenditures associated with the Special Police Revenue Fund. The Town increased expenditures to purchase a fire apparatus in the General Fund. The Town increased the General Fund to account for increased revenues and expenditures associated with local option sales tax.

**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 \$2,802,267 and \$430,425 for the Sanitation Fund. The total growth in net position for both funds was \$315,253 and \$26,129 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

## Capital Asset and Debt Administration

**Capital assets** – The Town of Beech Mountain’s investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$15,006,608 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, infrastructure, water facilities, and sewer facilities.

Major capital asset transactions during the year include the following:

- Purchase of a 2016 Ford 250, Ford expedition, and a fire truck
- Purchased a Carolina Cat backhoe and Motorola car radios
- Road paving
- Continued construction of Water Treatment Plant
- Purchase of computers for E-911

### Town of Beech Mountain’s Capital Assets

**Figure 4**  
**(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 670,526	670,525	765	765	671,291	671,290
Buildings and Systems	2,475,927	2,550,664	79,821	82,340	2,555,748	2,633,004
Improvements Other Than Buildings	464,384	489,320	96,924	99,994	561,308	589,314
Machinery and Equipment	535,467	476,741	53,839	26,188	589,337	502,929
Infrastructure	766,624	504,337	--	--	766,624	504,337
Vehicles and Motorized Equipment	790,797	240,841	93,766	141,700	884,563	382,541
Construction in Progress	--	--	2,179,514	276,550	2,179,514	276,550
Water Facilities	--	--	3,211,818	3,449,290	3,211,818	3,449,290
Sewer Facilities	--	--	3,586,437	3,769,014	3,586,437	3,769,014
Total	\$ <u>5,703,724</u>	<u>4,932,428</u>	<u>9,302,884</u>	<u>7,845,841</u>	<u>15,006,608</u>	<u>12,778,269</u>

Additional information on the Town’s capital assets can be found in note 3 of the Basic Financial Statements.

**Town of Beech Mountain’s Outstanding Debt** – As of June 30, 2016, the Town of Beech Mountain’s total debt increased by \$3,807,522 during the past fiscal year, due to installment loan payments and a new bond anticipation note in the amount \$4,300,000 for the Water and Sewer Fund.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Beech Mountain is \$35,628,732. The Town has \$0 in bonds authorized but unissued at June 30, 2016.

Additional information regarding the Town of Beech Mountain’s long-term debt can be found in note 3 beginning on page 41 of this report.

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

The following key economic indicators reflect the growth and prosperity of the Town.

- The beauty, climate and ski resort of Beech Mountain enhances the thriving tourist industry. Beech Mountain has a permanent population of 350 but swells to approximately 10,000 during peak winter periods and 5,000 during peak summer periods. There are over 2,350 homes. In addition to the Beech Mountain Ski Resort, the Beech Mountain Club offers its members and guests an 18-hole golf course, swimming pool, and tennis courts. The Town of Beech Mountain also offers a sledding hill, tennis courts, playground equipment, a paved walking area, picnic shelter, and an indoor recreation center which opened in the spring of 2006. There are also numerous hiking trails on Beech Mountain.

## **Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Governmental activities** – Total budgeted general fund revenues are expected to increase for 2016/2017.

General fund expenditures are expected to decrease due to a decrease in capital outlay from the previous year. Budgeted expenditures include an ice control material spreader for road maintenance, two new patrol vehicles, cameras, storage serve and weapon upgrades for the police department, and a new back-up center for E-911.

**Business-type activities** – Metered sales for the Water and Sewer fund are expected to remain the same.

The Town is constructing a new Water Treatment Plant with completion scheduled for June 2017. The cost of the project is \$6,020,000. The Town received approval from the LGC of North Carolina for the approval of bonds. The USDA, Rural Development, has agreed to purchase the bonds in the aggregate amount of \$4,300,000. The remaining cost of \$1,720,000 was transferred from the General Fund in the amount \$1,400,000 and the Water/Sewer Fund in the amount \$320,000 during the 2014/2015 year.

The Water and Sewer expenditures are budgeted to increase due to the purchase of capital items including the Spruce Hollow Transmission Line and Ashwood Pump Station.

The Sanitation Fund expenditures are budgeted to decrease due to no significant capital outlay in 2016/17.

## **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, 403 Beech Mountain Parkway, Beech Mountain, NC 28604. The Town Hall telephone number is (828) 387-4236.

**Town of Beech Mountain  
Statement of Net Position  
June 30, 2016**

	Primary Government			Beech Mountain Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,936,398	3,154,367	9,090,765	174,399
Taxes receivables (net)	127,361	-	127,361	-
Accrued interest receivable on taxes	14,500	-	14,500	-
Accounts receivable (net)	13,335	202,391	215,726	14,447
Due from other governments	392,764	7,775	400,539	-
Inventories	30,655	-	30,655	-
Prepaid expenses	27,058	-	27,058	-
Restricted cash and cash equivalents	124,942	4,918,795	5,043,737	-
Total current assets	6,667,013	8,283,328	14,950,341	188,846
Non-current assets:				
Capital assets (Note 3):				
Land, non-depreciable improvements, and construction in progress	670,525	2,180,279	2,850,804	-
Other capital assets, net of depreciation	5,033,199	7,122,605	12,155,804	-
Total capital assets	5,703,724	9,302,884	15,006,608	-
Total assets	12,370,737	17,586,212	29,956,949	188,846
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	120,614	34,082	154,696	-
Total deferred outflows of resources	120,614	34,082	154,696	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	225,241	63,036	288,277	20,210
Due to component unit	14,447	-	14,447	-
Payable from restricted assets	-	617,111	617,111	-
Bond anticipation notes	-	4,300,000	4,300,000	-
Current portion of long-term liabilities	265,942	351,487	617,429	-
Total current liabilities	505,630	5,331,634	5,837,264	20,210
Long-term liabilities:				
Net pension liability	120,865	34,153	155,018	-
Due in more than one year	262,112	1,738,511	2,000,623	-
Total liabilities	888,607	7,104,298	7,992,905	20,210
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	78,826	22,274	101,100	-
Prepaid taxes	36,397	-	36,397	-
Total deferred inflows of resources	115,223	22,274	137,497	-
NET POSITION				
Net investment in capital assets	5,310,590	7,261,030	12,571,620	-
Restricted for:				
Employee benefits	52,826	-	52,826	-
Public safety	295,859	-	295,859	-
Stabilization of State Statute	397,742	-	397,742	14,447
Tourism promotion	-	-	-	154,189
Unrestricted	5,430,504	3,232,692	8,663,196	-
Total net position	\$ 11,487,521	10,493,722	21,981,243	168,636

The accompanying notes are an integral part of these statements

**Town of Beech Mountain**  
**Statement of Activities**  
**For the year ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Beech Mountain Tourism Development Authority
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 1,691,848	56,397	-	-	(1,635,451)	-	(1,635,451)	-
Public safety	1,868,810	24,332	-	279,555	(1,564,923)	-	(1,564,923)	-
Transportation	1,113,289	-	114,054	-	(999,235)	-	(999,235)	-
Cultural and recreation	570,931	61,657	-	-	(509,274)	-	(509,274)	-
Interest on long-term debt	21,533	-	-	-	(21,533)	-	(21,533)	-
Total governmental activities	5,266,411	142,386	114,054	279,555	(4,730,416)	-	(4,730,416)	-
Business-type activities:								
Water and sewer	1,739,419	2,046,356	-	-	-	306,937	306,937	-
Sanitation	363,823	389,081	-	-	-	25,258	25,258	-
Total business-type activities	2,103,242	2,435,437	-	-	-	332,195	332,195	-
Total primary government	\$ 7,369,653	2,577,823	114,054	-	(4,730,416)	332,195	(4,398,221)	-
Component unit:								
Tourism Development Authority	\$ 222,578	-	254,877	-	-	-	-	32,299
Total component unit	\$ 222,578	-	254,877	-	-	-	-	32,299
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,912,131	-	3,912,131	-
Other taxes					2,157,337	-	2,157,337	-
Unrestricted investment earnings					15,221	9,187	24,408	12
Component unit reimbursement for salaries					37,597	-	37,597	-
Gain on sale of fixed assets					20,292	-	20,292	-
Miscellaneous					52,924	-	52,924	665
Total general revenues					6,195,502	9,187	6,204,689	677
Change in net position					1,465,086	341,382	1,806,468	32,976
Net position, beginning					10,022,435	10,152,340	20,174,775	135,660
Net position, ending					11,487,521	10,493,722	21,981,243	168,636

The accompanying notes are an integral part of these statements

**Town of Beech Mountain  
Balance Sheet  
Governmental Funds  
June 30, 2016**

	<b>Major Funds</b>			
	<b>General</b>	<b>Emergency Telephone System</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,773,565	162,735	98	5,936,398
Receivables, net:				
Taxes	127,361	-	-	127,361
Accounts	13,335	-	-	13,335
Due from other governments	384,407	8,357	-	392,764
Prepaid expenses	27,058	-	-	27,058
Inventories	30,655	-	-	30,655
Restricted cash and cash equivalents	124,942	-	-	124,942
Total assets	<u>6,481,323</u>	<u>171,092</u>	<u>98</u>	<u>6,652,513</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	224,968	273	-	225,241
Due to component unit	14,447	-	-	14,447
Total liabilities	<u>239,415</u>	<u>273</u>	<u>-</u>	<u>239,688</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	127,361	-	-	127,361
Prepaid taxes	36,397	-	-	36,397
Total deferred inflows of resources	<u>163,758</u>	<u>-</u>	<u>-</u>	<u>163,758</u>
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	30,655	-	-	30,655
Prepaid expenses	27,058	-	-	27,058
Restricted				
Stabilization of State Statute	397,742	-	-	397,742
Employee benefits	52,826	-	-	52,826
Public safety	124,942	170,819	98	295,859
Assigned				
Uninsured claims	40,000	-	-	40,000
Subsequent years expenditures	103,347	-	-	103,347
Unassigned	5,301,580	-	-	5,301,580
Total fund balances	<u>6,078,150</u>	<u>170,819</u>	<u>98</u>	<u>6,249,067</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,481,323</u>	<u>171,092</u>	<u>98</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:				
Total Fund Balance, Governmental Funds				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				
Gross capital assets at historical cost		11,802,252		
Accumulated depreciation		<u>(6,098,528)</u>		5,703,724
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.				
				14,500
Contributions to pension plan in deferred outflows of resources				120,614
Liabilities for earned revenue considered deferred				127,361
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.				
Net Pension liability				(120,865)
Pension related deferrals				(78,826)
Gross long-term debt				<u>(528,054)</u>
Net position of governmental activities				<u>11,487,521</u>

The accompanying notes are an integral part of these statements



**Town of Beech Mountain**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended June 30, 2016**

	<b>Major Funds</b>		<b>Total</b>	<b>Total</b>
	<b>General</b>	<b>Emergency</b>	<b>Nonmajor</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Telephone</b>	<b>Funds</b>	<b>Funds</b>
		<b>System</b>		
<b>REVENUES</b>				
Ad valorem taxes	\$ 3,902,463	-	-	3,902,463
Other taxes and licenses	118,702	-	-	118,702
Unrestricted intergovernmental	1,930,142	-	-	1,930,142
Restricted intergovernmental	132,591	108,493	-	241,084
Permits and fees	24,332	-	-	24,332
Sales and services	61,657	-	-	61,657
Investment earnings	15,069	152	-	15,221
Component unit reimbursement for salaries	37,597	-	-	37,597
Miscellaneous	109,223	-	98	109,321
Total revenues	6,331,776	108,645	98	6,440,519
<b>EXPENDITURES</b>				
Current:				
General government	1,673,121	-	-	1,673,121
Public safety	2,234,928	62,541	-	2,297,469
Transportation	1,374,677	-	-	1,374,677
Cultural and recreation	465,158	-	-	465,158
Debt service:			-	
Principal retirement	195,906	-	-	195,906
Interest and other charges	21,533	-	-	21,533
Total expenditures	5,965,323	62,541	-	6,027,864
Excess (deficiency) of revenues over expenditures	366,453	46,104	98	412,655
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain (loss) from sale of fixed assets	28,000	-	-	28,000
Total other financing sources (uses)	28,000	-	-	28,000
Net change in fund balance	394,453	46,104	98	440,655
Fund balances, beginning	5,683,697	124,715	-	5,808,412
Fund balances, ending	\$ 6,078,150	170,819	98	6,249,067

The accompanying notes are an integral part of these statements

**Town of Beech Mountain**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of**  
**Activities**  
**Governmental Funds**  
**For the year ended June 30, 2016**

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

Net changes in fund balances - total governmental funds	\$	440,655
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay expenditures which were capitalized	1,175,051	
Capital outlay expenditures which were capitalized - fire department transferred to the Town (net of accumulated depreciation)	261,018	
Depreciation expense for governmental assets	<u>(657,066)</u>	779,003
Cost of capital asset disposed of during the year, not recorded on modified accrual basis		(7,708)
Contributions to the pension plan in the current fiscal year that are not included on the Statement of Activities		120,614

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	8,296
Change in accrued interest receivable on taxes	975
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	195,906

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.

Pension expense	(63,143)
Compensated absences	<u>(9,512)</u>

Total changes in net position of governmental activities	\$	<u><u>1,465,086</u></u>
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The accompanying notes are an integral part of these statements

**Town of Beech Mountain**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	<b>General Fund</b>					<b>Emergency Telephone System Fund</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>		<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>									
Ad valorem taxes	\$ 3,885,744	3,885,744	3,902,463	16,719	\$	-	-	-	-
Other taxes and licenses	90,000	90,000	118,702	28,702					
Unrestricted intergovernmental	1,669,500	1,809,500	1,930,142	120,642		-	-	-	-
Restricted intergovernmental	326,530	326,530	132,591	(193,939)		110,921	110,921	108,493	(2,428)
Permits and fees	26,500	26,500	24,332	(2,168)		-	-	-	-
Sales and services	53,000	53,000	61,657	8,657		-	-	-	-
Investment earnings	4,000	4,000	15,069	11,069		-	-	152	152
Transfer from component unit	43,989	46,989	37,597	(9,392)		-	-	-	-
Miscellaneous	95,375	95,375	109,223	13,848		-	-	-	-
Total revenues	6,194,638	6,337,638	6,331,776	(5,862)		110,921	110,921	108,645	(2,276)
<b>Expenditures:</b>									
Current:									
General government	2,306,341	2,386,612	1,673,121	713,491		-	-	-	-
Public safety	1,766,571	2,433,513	2,234,928	198,585		178,300	178,300	62,541	115,759
Transportation	1,394,553	1,394,553	1,374,677	19,876		-	-	-	-
Cultural and recreation	564,230	567,230	465,158	102,072		-	-	-	-
Debt service:						-	-	-	-
Principal retirement	195,975	195,975	195,906	69		-	-	-	-
Interest and other charges	21,545	21,545	21,533	12		-	-	-	-
Total expenditures	6,249,215	6,999,428	5,965,323	1,034,105		178,300	178,300	62,541	115,759
Revenues over (under) expenditures	(54,577)	(661,790)	366,453	1,028,243		(67,379)	(67,379)	46,104	113,483
<b>Other financing sources (uses):</b>									
Gain (loss) sale of fixed assets	-	-	28,000	28,000		-	-	-	-
Transfer from reserve	-	-	-	-		67,379	67,379	-	(67,379)
Fund balance appropriated	54,577	661,790	-	(661,790)		-	-	-	-
Total other financing sources (uses)	54,577	661,790	28,000	(633,790)		67,379	67,379	-	(67,379)
Net change in fund balance	\$ -	-	394,453	394,453	\$	-	-	46,104	46,104
Fund balances, beginning			5,683,697					124,715	
Fund balances, ending			6,078,150					170,819	

The accompanying notes are an integral part of these statements

**Town of Beech Mountain  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2016**

	<b>Major Enterprise Funds</b>		
	<b>Sanitation</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 424,309	2,730,058	3,154,367
Restricted cash and cash equivalents	-	4,918,795	4,918,795
Accounts receivable (net)	34,122	168,269	202,391
Due from other governments	228	7,547	7,775
Total current assets	458,659	7,824,669	8,283,328
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	2,180,279	2,180,279
Other capital assets, net of depreciation	192,313	6,930,292	7,122,605
Capital assets	192,313	9,110,571	9,302,884
Total noncurrent assets	192,313	9,110,571	9,302,884
Total assets	650,972	16,935,240	17,586,212
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan	10,477	23,605	34,082
Total deferred outflows of resources	10,477	23,605	34,082
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	8,696	54,340	63,036
Liabilities payable from restricted assets	-	617,111	617,111
Installment purchases payable - current	-	303,343	303,343
Bond anticipation notes	-	4,300,000	4,300,000
Compensated absences - current	12,669	35,475	48,144
Total current liabilities	21,365	5,310,269	5,331,634
Noncurrent liabilities:			
Net pension liability	10,499	23,654	34,153
Installment purchases payable - noncurrent	-	1,738,511	1,738,511
Total noncurrent liabilities	10,499	1,762,165	1,772,664
Total liabilities	31,864	7,072,434	7,104,298
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	6,847	15,427	22,274
<b>NET POSITION</b>			
Net investment in capital assets	192,313	7,068,717	7,261,030
Unrestricted	430,425	2,802,267	3,232,692
Total net position	\$ 622,738	9,870,984	10,493,722

The accompanying notes are an integral part of these statements

**Town of Beech Mountain**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Major Enterprise Funds</b>		
	<b>Sanitation Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 346,511	2,015,766	2,362,277
Water and sewer tap fees	-	5,000	5,000
Availability fees	-	12,746	12,746
Other operating revenues	42,570	12,844	55,414
Total operating revenues	389,081	2,046,356	2,435,437
<b>OPERATING EXPENSES</b>			
Administration	-	215,863	215,863
Water treatment and distribution	-	605,998	605,998
Waste collection and treatment	-	233,112	233,112
Taps and systems maintenance	-	166,949	166,949
Sanitation	329,814	-	329,814
Depreciation	34,009	453,799	487,808
Total operating expenses	363,823	1,675,721	2,039,544
<b>Operating income (loss)</b>	25,258	370,635	395,893
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	871	8,316	9,187
Interest and other charges	-	(63,698)	(63,698)
Total nonoperating revenues (expenses)	871	(55,382)	(54,511)
Change in net position	26,129	315,253	341,382
Total net position, beginning	596,609	9,555,731	10,152,340
Total net position, ending	\$ 622,738	9,870,984	10,493,722

The accompanying notes are an integral part of these statements

**Town of Beech Mountain**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Major Enterprise Funds</b>		
	<b>Sanitation Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 389,385	2,076,726	2,466,111
Cash paid for goods and services	(78,129)	(664,805)	(742,934)
Cash paid to or on behalf of employees for services	(246,309)	(551,653)	(797,962)
Customer deposits received	-	12,335	12,335
Customer deposits returned	-	(7,750)	(7,750)
Net cash provided (used) by operating activities	64,947	864,853	929,800
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(5,990)	(1,544,271)	(1,550,261)
Bond anticipation notes issued	-	4,300,000	4,300,000
Principal paid on bonds and notes	-	(296,572)	(296,572)
Interest paid on bonds and notes	-	(63,698)	(63,698)
Net cash provided (used) by capital and related financing activities	(5,990)	2,395,459	2,389,469
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	871	8,316	9,187
Net cash provided (used) by investing activities	871	8,316	9,187
Net increase (decrease) in cash and cash equivalents	59,828	3,268,628	3,328,456
Balances, beginning	364,481	4,380,225	4,744,706
Balances, ending	\$ 424,309	7,648,853	8,073,162
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 25,258	370,635	395,893
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	34,009	453,799	487,808
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	304	30,370	30,674
(Increase) decrease in prepaid insurance	1,179	4,111	5,290
(Increase) decrease in due from other governments	-	(4,175)	(4,175)
(Increase) decrease in net pension asset	15,053	33,681	48,734
Increase (decrease) in accounts payable and accrued liabilities	3,021	4,905	7,926
Increase (decrease) in customer deposits	-	4,585	4,585
Increase (decrease) in deferred outflows of resources for pensions	96	52	148
Increase (decrease) in net pension liability	10,499	23,654	34,153
Increase (decrease) in deferred inflows of resources for pensions	(30,818)	(68,849)	(99,667)
Increase (decrease) in compensated absences	3,325	7,180	10,505
Total adjustments	39,689	494,218	533,907
Net cash provided by operating activities	\$ 64,947	864,853	929,800

The accompanying notes are an integral part of these statements

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**Note I- Summary of Significant Accounting Policies**

The accounting policies of the Town of Beech Mountain and its discretely presented component unit 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 Beech Mountain is a municipal corporation that is governed by a five-member council, one of whom is appointed as mayor. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

**Beech Mountain Tourism Development Authority / (Authority)**

The members of the Authority's governing board are appointed by the Town. The Authority which has a June 30 year-end is presented as if it were a government fund (discrete presentation). Complete financial statements for the Authority may be obtained from the entity's administrative offices at Beech Mountain Tourism Development Authority, 403 Beech Mountain Parkway, Beech Mountain, NC 28604.

**B. Basis of Presentation**

Government-wide Statements: The statements of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of 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 reports the following major governmental funds:

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

**Emergency Telephone System Special Revenue Fund:** This fund is used to account for 911 revenues received by the State 911 Board to enhance the State's 911 system.

The Town reports the following non-major governmental funds:

**Special Police Revenue Fund:** This fund is used to account for police revenues for special projects.

The Town reports the following major enterprise funds:

**Sanitation Fund:** This fund is used to account for the Town's sanitation operations.

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

C. Measurement Focus and Basis of Accounting

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

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

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



**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to cover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes 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 Beech Mountain because the tax is levied by Watauga and Avery County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net positions 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.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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**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, the Emergency Telephone Special Revenue Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Funds. The enterprise fund capital projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. 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. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

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

**2. Cash and Cash Equivalents**

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

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

<u>Town of Beech Mountain Restricted Cash</u>	
General Fund	
Public Safety	\$ 124,942
Total Governmental Activities	\$ <u>124,942</u>
Water and Sewer Fund	
Water Treatment Plant	\$ 4,696,274
Customer deposits	<u>222,521</u>
Total Business-type Activities	\$ <u>4,918,795</u>
 Total Restricted Cash	 \$ <u>5,043,737</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of gasoline and diesel fuel that are recorded as expenditures as used 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.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1; buildings, improvements, infrastructure, furniture, equipment, vehicles and motorized equipment, and computer software, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	40
Improvements	40
Vehicles	5
Furniture and equipment	7
Computer equipment	5
Computer software	5

**8. Deferred Outflows/Inflows of Resources**

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

**9. Long-Term Obligations**

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

The governmental fund types classify fund balances as follows:

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

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

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

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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Restricted Fund Balance: This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Restricted for Employee benefits – portion of fund balance that is restricted by revenue source for certain future employee benefits.

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

Assigned Fund Balance: portion of fund balance that Town of Beech Mountain intends to use for specific purposes.

Uninsured claims – portion of fund balances that is assigned to cover uninsured claims of employees.

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.

Unassigned Fund Balance: portion of fund balance that has not been 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 hierarchy: bond proceeds, federal funds, State funds, local non-town funds, and county 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's in the best interest of the Town.

The Town of Beech Mountain has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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**Note II– Stewardship, Compliance, and Accountability**

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

A fidelity bond was not in effect for the Authority's finance officer as of June 30, 2016. State law [G.S. 159-29(a)] states the finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing board, not less than \$50,000. Since the finance officer of the Town is also the finance officer of the Authority, there should be two separate fidelity bonds of at least \$50,000.

**Note III– Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the Authority's agents in these units' names. 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 and the Authority, these deposits are considered to be held by the Town's and the Authority'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 Authority, or the escrow agent. Because of the inability to measure the exact amounts of the collateral pledged for the Town and the Authority under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Authority has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the Town's deposits had a carrying amount of \$8,582,139 and a bank balance of \$8,632,145. Of the bank balance, \$850,000 was covered by the federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2016, the Town's petty cash fund totaled \$150.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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At June 30, 2016, the Authority's deposits had a carrying amount of \$172,303 and a bank balance of \$189,990. All of the bank balance was covered by federal depository insurance.

2. Investments

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/16</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$ 4,345,280	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	1,206,933	.14 years	Unrated
Total:		<u>\$ 5,552,213</u>		

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 the directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* The Town does not have a formal investment policy regarding interest rate risk.

*Credit risk.* The Town has no formal policy regarding credit risk, but has internal management procedures that limit 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 Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2015. 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.

At June 30, 2016, the Authority had \$2,096 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Authority has no formal policy regarding credit risk of its investments.

3. Receivables-Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 13,997
Enterprise Fund:	
Water and Sewer Fund-accounts receivable	<u>16,850</u>
Total	\$ <u>30,847</u>



**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 670,525	1	--	670,526
Total capital assets not being depreciated	670,525	1	--	670,526
<b>Capital assets being depreciated:</b>				
Buildings	3,661,265	124,479	--	3,785,744
Other improvements	804,224	--	--	804,224
Equipment	2,043,154	932,195	92,492	2,882,857
Vehicles and motorized equipment	1,065,837	1,255,210	--	2,321,047
Infrastructure	1,008,675	329,180	--	1,337,855
Total capital assets being depreciated	8,583,155	2,641,064	92,492	11,131,727
<b>Less accumulated depreciation for:</b>				
Buildings	1,110,601	199,217	--	1,309,817
Other Improvements	314,904	24,936	--	339,840
Equipment	1,566,413	865,761	84,784	2,347,390
Vehicles and motorized equipment	824,996	705,254	--	1,530,250
Infrastructure	504,338	66,893	--	571,231
Total accumulated depreciation	4,321,252	1,862,061	84,784	6,098,528
Total capital assets being depreciated, net	4,261,903			5,033,199
<b>Governmental activity capital assets, net</b>	<b>\$ 4,932,428</b>			<b>5,703,724</b>

The Beech Mountain Volunteer Fire Department transferred capital assets totaling \$1,466,013 and accumulated depreciation totaling \$1,204,995 during the fiscal year to the Town of Beech Mountain.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2016**

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

General government	\$ 33,596
Public Safety	280,315
Cultural and recreational	107,384
Transportation	<u>235,771</u>
Total depreciation expense	\$ <u>657,066</u>

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Business-type activities:</b>				
<b>Sanitation Fund</b>				
<b>Capital assets being depreciated:</b>				
Land improvements	\$ 122,888	--	--	122,888
Equipment	22,889	5,990	--	28,879
Vehicles	454,351	--	--	454,351
Total capital assets being depreciated	<u>600,128</u>	<u>5,990</u>	<u>--</u>	<u>606,118</u>
<b>Less accumulated depreciation for:</b>				
Land Improvements	22,894	3,070	--	25,964
Equipment	22,889	856	--	23,715
Vehicles	334,013	30,083	--	364,096
Total accumulated depreciation	<u>379,796</u>	<u>34,009</u>	<u>--</u>	<u>413,805</u>
Total capital assets being depreciated, net	<u>220,332</u>			<u>192,313</u>
Sanitation fund capital assets, net	<u>220,332</u>			<u>192,313</u>

**Water and Sewer Fund**

**Capital assets not being depreciated**

Land	765	--	--	765
Construction in progress	276,550	1,902,964	--	2,179,514
Total capital assets not being depreciated	<u>\$ 277,315</u>	<u>1,902,964</u>	<u>--</u>	<u>2,180,279</u>

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Buildings and land improvements	\$ 95,712	--	--	95,712
Water facilities	6,578,174	7,799	--	6,585,973
Sewer facilities	6,326,289	--	--	6,326,289
Furniture and equipment	127,066	28,098	--	155,164
Vehicles	163,766	--	--	163,766
Total capital assets being depreciated	13,291,007	35,897	--	13,326,904
<b>Less accumulated depreciation for:</b>				
Buildings and land improvements	13,372	2,519	--	15,891
Water facilities	3,128,884	245,271	--	3,374,155
Sewer facilities	2,557,275	182,577	--	2,739,852
Furniture and equipment	100,878	5,581	--	106,459
Vehicles	142,404	17,851	--	160,255
Total accumulated depreciation	5,942,813	453,799	--	6,396,612
Total capital assets being depreciated, net	7,348,194			6,930,292
Water and Sewer fund capital assets, net	7,625,509			9,110,571
<b>Business-type activities capital assets, net</b>	<b>\$ 7,845,841</b>			<b>9,302,884</b>

Construction commitments

The government has active construction projects as of June 30, 2016. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water Treatment Plant	\$ 1,697,442	3,043,540
	<u>\$ 1,697,442</u>	<u>3,043,540</u>

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Government Employees' Retirement System**

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Beech Mountain 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 Beech Mountain's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% 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 Beech Mountain were \$154,696 for the year ended June 30, 2016.

*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, 2016, the Town reported a liability of \$155,018 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.03454%, which was a decrease of 0.003% from its proportion measured as of June 30, 2014.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

For the year ended June 30, 2016, the Town recognized pension expense of \$80,984. At June 30, 2016, 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	\$ -	36,437
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	44,132
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	20,531
Town contributions subsequent to the measurement date	154,696	-
<b>Total</b>	<b>\$ 154,696</b>	<b>101,100</b>

\$154,696 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (57,570)
2018	(57,570)
2019	(57,478)
2020	71,519
2021	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability (asset)	1,080,927	155,013	(625,049)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
Total	<u>10</u>

A separate report was not issued for the plan.



**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

2. Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

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

Method Used to Value Investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. No actuarial valuation study was performed because the liability at June 30, 2016 was deemed immaterial.

3. Contributions

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

The Town did not have an actuarial valuation completed in the current year.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$30,967, which consisted of \$23,117 from the Town and \$7,850 from the law enforcement officers.

d. Supplemental Retirement Income Plan for General Employees

Employees, other than law enforcement, participate in a 401 (k) plan. The Town contributes 5.0 percent of each employee's salary to the plan, and employees may make elective deferrals also. Contributions for the year ended June 30, 2016 to the plan were \$122,109, which consisted of \$88,359 from the Town and \$33,750 from the employees.

2. Other Employment Benefits

The Town has elected to provide death benefits to Law Enforcement employees through the Death Benefit Plan for members of the Local Government Employee's 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 Law Enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the Law Enforcement 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 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. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ <u>154,696</u>

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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

Source		
Prepaid taxes (General Fund)	\$	36,397
Pension deferrals		101,100
Taxes receivable (General Fund), less penalties		<u>127,361</u>
Total	\$	<u><u>264,858</u></u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by Town Council each year. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Town Council can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 has no flood insurance due to lack of feasibility.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer for the Town and tax collector are individually bonded for \$50,000. The finance office for the Authority did not have an individual bond as required by G.S. 159-29. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2016, the Town was a defendant in one lawsuit. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

6. Long-term Obligations

a. Installment Purchases

On March 10, 2004, the Town entered into an installment purchase contract to finance the construction of the Indoor Rec Center, and is serviced by the General Fund. The financing contract requires 15 annual principal payments of \$131,022 plus interest at 3.99 percent, beginning on March 10, 2005.

The Town has also entered into three promissory notes to finance the construction of three separate sewer projects. The proceeds of these loans were made available by the U.S. Environment Protection Agency, and the loans are administered by the N.C. Department of Environment, Health, and Natural Resources. The first note requires annual principal payments of \$11,250 plus interest at a rate of 3.37 percent. The second note requires annual principal payments of \$18,575 plus interest at a rate of 2.95 percent. The third note requires annual principal payments of \$102,450 plus interest at a rate of 2.265 percent. The total loan amount for the third promissory note is \$1,992,046.

On October 2, 2008, the Town entered into an installment purchase contract with BB&T to finance the construction of new water mains for the Town. The financing service contract is being serviced by the Water and Sewer Fund and requires annual principal and interest payments of \$120,073, with an interest rate of 3.71 percent.

On April 15, 2011, the Town entered into an installment purchase contract with BB&T to purchase radio read water meters. The financing service contract is being serviced by the Water & Sewer Fund and requires semi-annual principal and interest payments of \$55,634, with an interest rate of 3.11 percent.

The future minimum payments of installment purchases as of June 30, 2016 including interest of \$277,251 are as follows:

<u>Year Ending June 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 131,022	15,683	303,343	54,671
2018	131,022	10,456	310,349	45,409
2019	131,090	5,218	317,596	35,905
2020	--	--	313,750	28,693
2021	--	--	99,602	18,048
2022-2026	--	--	498,010	56,400
2027-2031	--	--	199,204	6,768
Total	<u>\$ 393,134</u>	<u>31,357</u>	<u>2,041,854</u>	<u>245,894</u>

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

b. General Obligation Indebtedness

Bond Anticipation Notes

\$4,300,000 Water and Sewer Revenue Bond Anticipation Notes issued on August 18, 2015; interest rate at 1.07%. The notes will be repaid from a \$4,300,000 bond issue expected to be sold in the next fiscal year.

Year Ending June 30	Business-type activities	
	Principal	Interest
2017	\$ 4,300,000	--

At June 30, 2016, the Town of Beech Mountain had a legal debt margin of \$35,628,732.

c. Changes in Long-term Liabilities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 589,040	--	195,906	393,134	131,022
Compensated absences	125,408	244,666	235,154	134,920	134,920
Net pension liability (LGRS)	--	120,865	--	120,865	--
Governmental activity Long-term liabilities	\$ 714,448	365,531	431,061	648,919	265,942
Business-type activities:					
Installment purchase	\$ 2,338,426	--	296,572	2,041,854	303,343
Bond anticipation notes	--	4,300,000	--	4,300,000	4,300,000
Compensated absences	37,639	149,250	138,745	48,144	48,144
Net pension liability (LGRS)	--	34,153	--	34,153	--
Business-type activities Long-term liabilities	\$ 2,376,065	4,483,403	435,317	6,424,151	4,651,487

d. Interfund Balances and Activity

Transfers to/from Other Funds at June 30, 2016 consist of the following:

The Water and Sewer Capital Projects Fund – Grassy Gap Creek transferred \$73,740 to the Water and Sewer Fund.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

e. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 5,703,724	\$ 9,302,884
less: long-term debt	393,134	6,341,854
add: unexpended debt proceeds	-	4,300,000
Net investment in capital asset	<u>\$ 5,310,590</u>	<u>\$ 7,261,030</u>

f. Fund Balance

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

Total fund balance-General Fund	<u>\$ 6,078,150</u>
Less:	
Inventories	30,655
Prepaid expenses	27,058
Stabilization by State Statute	397,742
Public safety	124,942
Uninsured claims	40,000
Appropriated Fund Balance in 2017 budget	103,347
Employee benefits	52,826
Remaining Fund Balance	\$ 5,301,580

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

**Note IV- Related Party Transactions and Commitments**

On July 9, 1996, the Town entered into a contractual agreement with the Beech Mountain Volunteer Fire Department which expresses the intent of the Town to support the Fire Department financially in return for adequate fire protection for all property located within the Beech Mountain Fire District. The agreement requires the Town to pay at least \$25,210 to the Fire Department annually as of January 1 each year beginning with 1997 and ending in the year 2005. The agreement is automatically renewable each year unless terminated in writing by either party. During the year ended June 30, 2016, the Town paid \$26,000 to the Fire Department in accordance with the terms of this agreement.

The Town entered into an agreement with the Beech Mountain Volunteer Fire Department in October 2014 to provide fire and emergency services within the corporate limits of the Town beginning July 1, 2014 and ending June 30, 2019. The Town did not assume responsibility for the obligations of the outstanding loans; however, paid \$63,000 to the Beech Mountain Volunteer Fire Department to pay principal and interest.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**Note V- Subsequent Events**

The Town has evaluated all subsequent events for potential recognition and disclosure through October 28, 2016, the date these financial statements were available to be issued.

**Note VI -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.

**Note VII -Stewardship, Compliance and Accountability**

**A. Significant Violations of Finance-Related Legal Provisions**

Noncompliance with North Carolina General Statutes

A fidelity bond was not in effect for the Authority's finance officer as of June 30, 2016. State law [G.S. 159-29(a)] states the finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing board, not less \$50,000. Since the finance officer of the Town is also the finance officer of the Authority, there should be two separate fidelity bonds of at least \$50,000.

**TOWN OF BEECH MOUNTAIN**  
**TOWN OF BEECH MOUNTAIN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST THREE FISCAL YEARS \***

**Local Government Employees' Retirement System**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Beech Mountain's proportion of the net pension liability (asset) (%)	0.03454%	0.03713%	0.03830%
Beech Mountain's proportion of the net pension liability (asset) (\$)	\$ 155,018	\$ (218,973)	\$ 461,662
Beech Mountain's covered-employee payroll	\$ 2,436,264	\$ 2,140,659	\$ 2,010,980
Beech Mountain's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.36%	( 10.23%)	22.96%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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



**TOWN OF BEECH MOUNTAIN**  
**TOWN OF BEECH MOUNTAIN'S SCHEDULE OF CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST THREE FISCAL YEARS**

**Local Government Employees' Retirement System**

	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 154,696	\$ 153,802	\$ 142,896
Contributions in relation to the contractually required contribution	154,696	153,802	142,896
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beech Mountain's covered-employee payroll	\$ 2,436,264	\$ 2,140,659	\$ 2,010,980
Contributions as a percentage of covered-employee payroll	6.35%	7.18%	7.11%

**TOWN OF BEECH MOUNTAIN**  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	3,875,899	
Penalties and interest		26,564	
Total	<u>3,885,744</u>	<u>3,902,463</u>	<u>16,719</u>
Other taxes and licenses			
Fire district		118,702	
	<u>90,000</u>	<u>118,702</u>	<u>28,702</u>
Unrestricted intergovernmental revenues			
Utility franchise tax		296,847	
Hold harmless funds		239,254	
Beer and wine tax		1,424	
Local option sales tax		1,360,925	
Cable tv franchise sales tax		31,692	
Total	<u>1,809,500</u>	<u>1,930,142</u>	<u>120,642</u>
Restricted intergovernmental revenues			
Powell Bill allocation		114,054	
Other grants - federal & state		18,537	
Total	<u>326,530</u>	<u>132,591</u>	<u>(193,939)</u>
Permits, fees and fines			
Building inspection fees		21,407	
Planning and zoning fees		2,925	
Total	<u>26,500</u>	<u>24,332</u>	<u>(2,168)</u>
Sales and services:			
Recreation department fees	<u>53,000</u>	<u>61,657</u>	<u>8,657</u>
Investment earnings	<u>4,000</u>	<u>15,069</u>	<u>11,069</u>
Other revenues			
Component unit reimbursement for salaries		37,597	
Rental income		6,000	
Miscellaneous		102,283	
Special events		940	
Total	<u>142,364</u>	<u>146,820</u>	<u>4,456</u>
<b>Total Revenues</b>	<u>6,337,638</u>	<u>6,331,776</u>	<u>(5,862)</u>

## Statement 1

**TOWN OF BEECH MOUNTAIN**  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Administration			
Salaries and employee benefits	\$	482,675	
Professional services		146,458	
Sales tax reimbursement		768,105	
Other operating expenditures		212,445	
Total		<u>1,609,683</u>	
Tax collection			
Salaries and employee benefits		56,220	
Professional services		4,294	
Other operating expenditures		2,924	
Total		<u>63,438</u>	
Total general government	<u>2,386,612</u>	<u>1,673,121</u>	<u>713,491</u>
Public safety			
Police			
Salaries and employee benefits		886,294	
Vehicle maintenance		36,972	
Other operating expenditures		118,641	
Capital outlay		42,953	
Total		<u>1,084,860</u>	
Fire			
Salaries and employee benefits		86,405	
Other operating expenditures		240,941	
Capital outlay		649,619	
Total		<u>976,965</u>	
Inspections			
Salaries and employee benefits		67,623	
Professional services		1,724	
Other operating expenditures		2,375	
Total		<u>71,722</u>	
Planning			
Salaries and employee benefits		91,590	
Other operating expenditures		9,791	
Total		<u>101,381</u>	
Total public safety	<u>2,433,513</u>	<u>2,234,928</u>	<u>198,585</u>

## Statement 1

**TOWN OF BEECH MOUNTAIN**  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Transportation			
Vehicle maintenance			
Salaries and employee benefits	\$	111,662	
Other operating expenditures		8,849	
Total		<u>120,511</u>	
Road maintenance			
Salaries and employee benefits		617,137	
Vehicle expenses		48,428	
Other operating expenditures		105,263	
Capital outlay		483,338	
Total		<u>1,254,166</u>	
Total transportation	<u>1,394,553</u>	<u>1,374,677</u>	<u>19,876</u>
Cultural and recreation			
Recreation			
Salaries and employee benefits		319,050	
Professional services		29,675	
Vehicle expenses		7,466	
Other operating expenditures		108,967	
Total		<u>465,158</u>	
Total culture and recreation	<u>567,230</u>	<u>465,158</u>	<u>102,072</u>
Debt service			
Principal retirement	195,975	195,906	69
Interest expense	21,545	21,533	12
Total debt service	<u>217,520</u>	<u>217,439</u>	<u>81</u>
<b>Total Expenditures</b>	<u>6,999,428</u>	<u>5,965,323</u>	<u>1,034,105</u>
Revenues over (under) expenditures	<u>(661,790)</u>	<u>366,453</u>	<u>1,028,243</u>
Other financing sources (uses):			
Gain (loss) on sale of fixed assets	-	28,000	(28,000)
Total	<u>-</u>	<u>28,000</u>	<u>(28,000)</u>
Fund balance appropriated	\$ 661,790	-	661,790
Net change in fund balance	<u>-</u>	<u>394,453</u>	<u>394,453</u>
Fund balances, beginning		5,683,697	
Fund balances, ending		<u>\$ 6,078,150</u>	

## Statement 2

**TOWN OF BEECH MOUNTAIN**  
Emergency Telephone System Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 110,921	\$ 108,493	\$ (2,428)
Investment earnings	<u>-</u>	<u>152</u>	<u>152</u>
<b>Total Revenues</b>	<u>110,921</u>	<u>108,645</u>	<u>(2,276)</u>
<b>Expenditures:</b>			
Telephone	19,000	15,768	3,232
Training	3,000	2,271	729
Repairs and maintenance	10,000	2,180	7,820
Contract services	49,000	35,789	13,211
Supplies and materials	7,000	6,533	467
Insurance	300	-	300
Capital outlay	<u>90,000</u>	<u>-</u>	<u>90,000</u>
<b>Total Expenditures</b>	<u>178,300</u>	<u>62,541</u>	<u>115,759</u>
Revenues over (under) expenditures	(67,379)	46,104	113,483
Other financing sources:			
Transfer from reserve	<u>67,379</u>	<u>-</u>	<u>(67,379)</u>
Revenues over (under) expenditures	<u>\$ -</u>	46,104	<u>\$ 46,104</u>
Fund balance, beginning		<u>124,715</u>	
Fund balance, ending		<u>\$ 170,819</u>	

**TOWN OF BEECH MOUNTAIN**  
Special Police Revenue Fund - Nonmajor Special Revenue Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 500	\$ -	\$ (500)
Unrestricted intergovernmental revenues	500	-	(500)
Other revenues	500	98	(402)
Investment earnings	3	-	(3)
	<u>1,503</u>	<u>98</u>	<u>(1,405)</u>
<b>Total Revenues</b>	<u>1,503</u>	<u>98</u>	<u>(1,405)</u>
<b>Expenditures:</b>			
Other	1,503	-	1,503
	<u>1,503</u>	<u>-</u>	<u>1,503</u>
<b>Total Expenditures</b>	<u>1,503</u>	<u>-</u>	<u>1,503</u>
Revenues over (under) expenditures	-	98	98
Revenues over (under) expenditures	\$ <u>-</u>	98	\$ <u>98</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ 98</u>	

**TOWN OF BEECH MOUNTAIN**  
**Sanitation Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAPP)**  
**For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES :</b>			
Charges for services	\$	346,511	
Solid waste disposal tax		105	
Recycling revenue		42,465	
Total operating revenues	<u>365,602</u>	<u>389,081</u>	<u>23,479</u>
Nonoperating revenues:			
Interest earnings	<u>-</u>	<u>871</u>	<u>871</u>
Total revenues	<u>365,602</u>	<u>389,952</u>	<u>24,350</u>
<b>EXPENDITURES :</b>			
Sanitation:			
Salaries and employee benefits		241,139	
Vehicle maintenance		23,028	
Other operating expenditures		73,482	
Total sanitation	<u>365,602</u>	<u>337,649</u>	<u>27,953</u>
Total expenditures	<u>365,602</u>	<u>337,649</u>	<u>27,953</u>
Revenues over (under) expenditures	<u>-</u>	<u>52,303</u>	<u>52,303</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>52,303</u>	<u>52,303</u>

**Reconciliation from budgetary basis  
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	52,303
Reconciling items:	
Depreciation	(34,009)
Decrease in deferred inflows of resources - pensions	30,818
Decrease in deferred outflows of resources - pensions	(96)
Decrease in net pension asset	(15,053)
Increase in net pension liability	(10,499)
Capital outlay	5,990
Increase in accrued vacation pay	<u>(3,325)</u>
Total reconciling items	<u>(26,174)</u>
Change in net position	<u>\$ 26,129</u>

## Statement 5

**TOWN OF BEECH MOUNTAIN**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$	2,015,766	
Availability fee		12,746	
Water and sewer tap fees		5,000	
Miscellaneous		12,844	
Total operating revenues	<u>1,995,800</u>	<u>2,046,356</u>	<u>50,556</u>
Nonoperating revenues:			
Interest earnings	<u>350</u>	<u>4,022</u>	<u>3,672</u>
Total nonoperating revenues	<u>350</u>	<u>4,022</u>	<u>3,672</u>
Total Revenues	<u>1,996,150</u>	<u>2,050,378</u>	<u>54,228</u>
Expenditures:			
Water and sewer administration:			
Salaries		85,445	
Insurance		36,683	
Other operating expenditures		97,161	
Total water and sewer administration	<u>231,283</u>	<u>219,289</u>	<u>11,994</u>
Water treatment:			
Salaries and employee benefits		253,882	
Utilities		230,706	
Other operating expenditures		124,154	
Total water treatment	<u>663,886</u>	<u>608,742</u>	<u>55,144</u>
Waste collection and treatment:			
Salaries and employee benefits		117,364	
Utilities		57,304	
Other operating expenses		61,302	
Total wastewater treatment	<u>\$ 262,234</u>	<u>235,970</u>	<u>26,264</u>
Taps and system maintenance:			
Salaries and employee benefits	\$	94,962	
Other operating expenses		67,345	
Total taps and system maintenance	<u>221,194</u>	<u>162,307</u>	<u>58,887</u>



**TOWN OF BEECH MOUNTAIN**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Debt Service:			
Interest and other charges	60,944	63,698	(2,754)
Principal retirement	318,998	296,573	22,425
Total debt service	<u>379,942</u>	<u>360,271</u>	<u>19,671</u>
Capital outlay:			
Taps and system maintenance	8,000	7,799	201
Water treatment	719,611	28,098	691,513
Total capital outlay	<u>727,611</u>	<u>35,897</u>	<u>691,714</u>
Total expenditures	<u>2,486,150</u>	<u>1,622,476</u>	<u>863,674</u>
Revenues over (under) expenditures	<u>(490,000)</u>	<u>427,902</u>	<u>917,902</u>
Other financing sources (uses):			
Transfer from Water and Sewer Capital Project Fund - Grassy Gap Creek	73,740	73,740	-
Transfer to water and sewer capital project fund - water treatment plant	(155,000)	-	(155,000)
Fund balance appropriated	571,260	-	571,260
Total other sources	<u>490,000</u>	<u>73,740</u>	<u>416,260</u>
Revenues and other sources over expenditures and other sources	\$ <u>-</u>	<u>501,642</u>	<u>501,642</u>

**Reconciliation from budgetary basis  
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other sources	501,642
Reconciling items:	
Principal retirement	296,573
Capital outlay	35,897
Increase in accrued vacation pay	(7,180)
Decrease in deferred inflows of resources - pensions	68,849
Decrease in deferred outflows of resources - pensions	52
Decrease in net pension asset	(33,681)
Increase in net pension liability	(23,654)
Transfer from Water and Sewer Capital Project Fund - Grassy Gap Creek	(73,740)
Interest Water and Sewer Capital Projects Fund - water treatment plan	4,294
Depreciation	(453,799)
Total reconciling items	<u>(186,389)</u>
Change in net position	\$ <u>315,253</u>

**TOWN OF BEECH MOUNTAIN**  
**Water Treatment Plant**  
**Water and Sewer Capital Projects Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2016**

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
<b>Revenues</b>					
Investment earnings	-	-	4,294	4,294	(4,294)
Total	-	-	4,294	4,294	(4,294)
<b>Expenditures</b>					
Construction costs	\$ 6,175,000	276,550	1,902,964	2,179,514	3,995,486
Total	6,175,000	276,550	1,902,964	2,179,514	3,995,486
Revenues under expenditures	(6,175,000)	(276,550)	(1,898,670)	(2,179,514)	(3,995,486)
Other financing sources (uses):					
Transfers from other funds:					
Loan proceeds	4,300,000	-	4,300,000	4,300,000	-
From General Fund	1,400,000	1,400,000	-	1,400,000	-
From Water and Sewer Fund	475,000	320,000	-	320,000	155,000
Total other sources	6,175,000	1,720,000	4,300,000	6,020,000	155,000
Revenues and other sources over (under) expenditures	\$ -	1,443,450	2,401,330	3,840,486	(3,840,486)

**TOWN OF BEECH MOUNTAIN**  
**Grassy Gap Creek Sewer Repairs**  
**Water and Sewer Capital Projects Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2016**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Expenditures</b>					
Repairs and maintenance	525,000	393,380	-	393,380	131,620
Life station repairs	225,000	287,820	-	287,820	(62,820)
Total	<u>750,000</u>	<u>681,200</u>	<u>-</u>	<u>681,200</u>	<u>68,800</u>
Revenues under expenditures	<u>(750,000)</u>	<u>(681,200)</u>	<u>-</u>	<u>(681,200)</u>	<u>68,800</u>
Other financing sources (uses):					
Appropriated fund balance	(73,740)	-	(73,740)	(73,740)	-
Transfers from other funds:					-
Transfer to Water and Sewer Fund	73,740	-	73,740	73,740	-
From Water and Sewer Fund	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>
Total other sources	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>68,800</u>	<u>-</u>	<u>68,800</u>	<u>68,800</u>

**TOWN OF BEECH MOUNTAIN**  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2016

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015 - 2016	\$ -	3,885,066	3,812,971	72,095
2014 - 2015	80,919	-	50,408	30,511
2013 - 2014	20,651	-	7,034	13,617
2012 - 2013	10,601	-	2,188	8,413
2011 - 2012	8,210	-	916	7,294
2010 - 2011	4,385	-	1,999	2,386
2009 - 2010	2,943	-	123	2,820
2008 - 2009	2,346	-	123	2,223
2007 - 2008	1,202	-	29	1,173
2006 - 2007	849	-	23	826
2005 - 2006	559	-	559	-
	<u>\$ 132,665</u>	<u>3,885,066</u>	<u>3,876,373</u>	<u>141,358</u>

Less: allowance for uncollectible accounts:  
General Fund

(13,997)

Ad valorem taxes receivable - net

127,361

Reconcilement with revenues:

Ad valorem taxes - General Fund	3,902,463
Reconciling items:	
Interest collected	(26,564)
Taxes written off	474
Total collections and credits	<u>3,876,373</u>

**TOWN OF BEECH MOUNTAIN**  
 Analysis of Current Tax Levy  
 Town-Wide Levy  
 June 30, 2016

	Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 523,998,497	0.732	3,835,669	3,835,669	-
Registered motor vehicles at current year's rate	<u>6,982,377</u>	0.732	<u>51,111</u>	<u>-</u>	<u>51,111</u>
Total	530,980,874		3,886,780	3,835,669	51,111
Discoveries:					
Current year taxes	-		-	-	-
Abatements	<u>(234,153)</u>		<u>(1,714)</u>	<u>(1,714)</u>	<u>-</u>
Total property valuation:	<u>\$ 530,746,721</u>				
Net levy			3,885,066	3,833,955	51,111
Uncollected taxes at June 30, 2016			<u>(72,095)</u>	<u>(72,095)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,812,971</u>	<u>3,761,860</u>	<u>51,111</u>
Current levy collection percentage			<u>98.14%</u>	<u>98.12%</u>	<u>100.00%</u>

**MISTY D WATSON, CPA, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANT**  
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**TELEPHONE (828) 263-1100**

**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 Beech Mountain, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Beech Mountain, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Beech Mountain's basic financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies 2016-1 and 2016-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

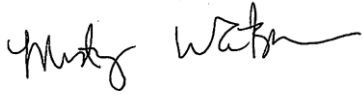
As part of obtaining reasonable assurance about whether the Town of Beech Mountain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Town of Beech Mountain's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Misty Watson", with a stylized, cursive script.

Misty D Watson, CPA, PA  
Boone, NC  
October 28, 2016

**TOWN OF BEECH MOUNTAIN,  
NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**Financial Statements**

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



**TOWN OF BEECH MOUNTAIN,  
NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**2. Financial Statement Findings**

**Finding 2016-1:**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting. This includes identifying all necessary adjustments to the Town's general ledger to conform to accounting principles generally accepted in the United States of America and generally accepted governmental accounting standards.

**Condition:** A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors. Management relies on its external auditor to identify and propose entries to convert the modified accrual records to a basis of accounting consistent with generally accepted accounting principles.

**Cause:** Due to the relatively small size of the Town's Accounting Department, as well as the operational nature of the Town, the main focus of management is to account, monitor, and report financial resources and activities on the modified accrual or budgetary basis. Thus, use of full accrual financial statements and related disclosures is not utilized in the normal course of business.

**Effect:** There is a risk that financial statements might be inaccurate, incomplete, or lack proper disclosure.

**Context:** Significant audit adjustments were made with regards to accrual adjustments required by GAAP.

**Recommendation:** Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the Town's available financial and intellectual resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly.

**Name of Contact Person:** Steve Smith, Finance Officer

**Corrective Action/Management's Response:** Management is aware of the weakness, but due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The Town will exercise due care in reviewing the financial statements drafted by the external auditor. The Town acknowledges and accepts responsibility for the accuracy of the audited financial statements.

**Finding 2016-2:**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure financial statements.

**Cause:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

**Effect:** The Town requires assistance from the external auditor in drafting the financial statements.

**Context:** The Town personnel cannot draft full disclosure GAAP financial statements.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

**Name of Contact Person:** Steve Smith, Finance Officer

**Corrective Action/Management's Response:** Management is aware of the weakness, but due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The Town will exercise due care in reviewing the financial statements drafted by the external auditor. The Town acknowledges and accepts responsibility for the accuracy of the audited financial statements.

**Find 2016-3:**

**Criteria:** Per North Carolina General Statute 159-29, the finance officer is required to be bonded individually under a surety bond for at least \$50,000.

**Condition:** In the current year, there was a violation of N.C. General Statute with regards to the Authority's Finance Officer not being bonded accordingly.

**Cause:** The Town was not aware that a separate bond was needed for the Finance Officer of the Tourism Development Authority.

**Effect:** The Authority's Finance Officer was not bonded according to State Statute.

**Context:** The Finance Officer must be bonded for the Town and the Authority.

**Recommendation:** The Authority's Finance Officer should be bonded according to State Statute.

**Name of Contact Person:** Steve Smith, Finance Officer

**Correction Action:** Management concurs. The Board will submit this for approval immediately and make other arrangements if approval is not granted.

**TOWN OF BEECH MOUNTAIN**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>State Grants:</b>			
<b>Cash Assistance:</b>			
<u>US Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607	4,299	-
<u>NC Department of Transportation:</u>			
Powell Bill		-	114,054
Total assistance - State programs		4,299	114,054
Total assistance		\$ 4,299	114,054