

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2015

Town Council Members

Rick Owen, Mayor
Alan Holcombe
Paul Piquet
Cindy Keller
Rick Miller

Administrative and Financial Staff

Randy Feierabend, Town Manager
Steve Smith, Finance Officer
Rebecca Ward, Tax Collector

Misty D Watson, CPA, PA
PO Box 2122
Boone, NC 28607

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2015

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	
	Management's Discussion and Analysis	
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	1
2	Statement of Activities	2-3
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	4
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Fund	7
6	Statement of Fund Net Position – Proprietary Funds	8
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	9
8	Statement of Cash Flows – Proprietary Funds	10-11
	Notes to the Financial Statements	12-38

	Required Supplemental Financial Data:	<u>Page</u>
	Schedule of Proportionate Share of Net Pension Asset – LGERS	39
	Schedule of Contributions - LGERS	40
<u>Statement</u>	Individual Fund Statements and Schedules:	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	41-44
2	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Emergency Telephone System Fund	45
	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
3	Sanitation Fund	46
4	Water and Sewer Fund	47-48
5	Water and Sewer Capital Projects Fund-Water Treatment Plant	49
6	Water and Sewer Capital Projects Fund – Grassy Gap Creek Sewer Repairs	50
	Other Schedules:	
7	Schedule of Ad Valorem Taxes Receivable	51
8	Analysis of Current Tax Levy – Town-Wide Levy	52
	Compliance Section:	
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	53-54
9	Schedule of Expenditures of Federal and State Awards	55

MISTY D WATSON, CPA, P.A.
CERTIFIED PUBLIC ACCOUNTANT
PO BOX 2122
719-A GREENWAY ROAD, SUITE 208
BOONE, NORTH CAROLINA 28607
TELEPHONE (828) 263-1100

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

Management's Responsibility for the Financial Statements

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

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, 2015, 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 Asset 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.

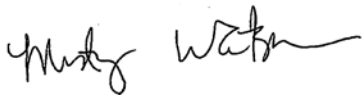
Supplementary and Other Information

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 8, 2015, 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 8, 2015

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, 2015. 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

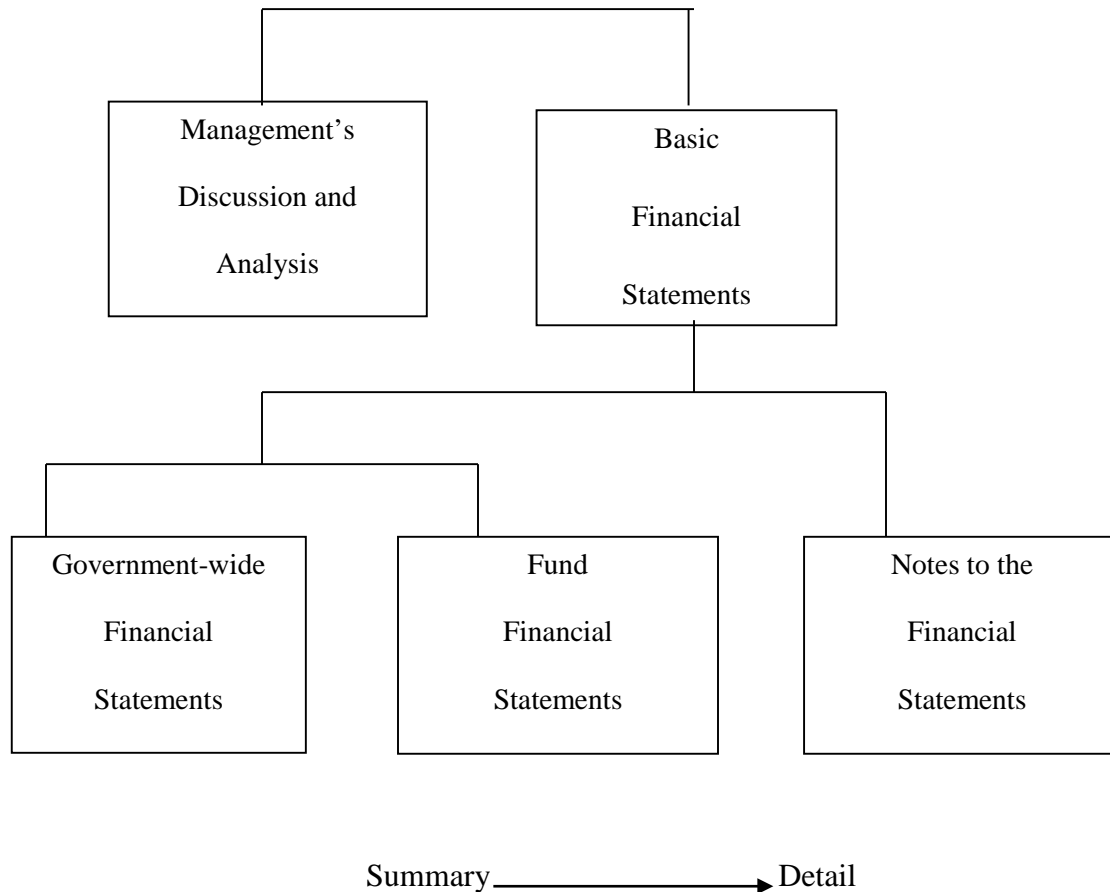
- The assets and deferred outflows of resources of the Town of Beech Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,174,775 (net position).
- The government's total net position increased by \$2,374,390 primarily due to expenses being less than budgeted, the Beech Mountain Volunteer Fire Department transferring liquid assets in the amount \$677,000 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 \$5,808,412, a net change of \$228,905 in fund balance. Approximately 11.20 percent of this total amount, or \$650,378, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,118,034, or 95.7 percent of total general fund expenditures for the fiscal year.
- The Town of Beech Mountain's total debt decreased by \$604,806 (17.12%) during the current fiscal year. The key factor were the payments of \$604,806 for installment purchase contracts and no new issuance of debt.

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.

Management Discussion and Analysis

Town of Beech Mountain

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.

Management Discussion and Analysis

Town of Beech Mountain

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 12-38 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 39 and 40 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>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 6,498,362	5,966,604	5,043,321	3,388,460	11,541,683	9,355,064
Capital assets	4,932,428	5,072,375	7,845,841	7,935,512	12,778,269	13,007,887
Deferred outflows of resources	119,572	111,087	34,230	31,808	153,802	142,895
Total assets and deferred outflows of resources	11,550,362	11,150,066	12,923,392	11,355,780	24,473,754	22,505,846
Long-term liabilities, outstanding	589,040	848,094	2,338,426	2,684,178	2,922,516	3,532,272
Other liabilities	497,122	372,384	310,685	330,587	812,757	702,971
Deferred inflows of resources	441,765	367,566	121,941	102,652	563,706	470,218
Total liabilities and deferred inflows of resources	1,527,927	1,588,044	2,771,052	3,117,417	4,298,979	4,705,461
Net position:						
Net investment in capital assets	4,343,388	4,224,281	5,507,415	5,251,334	9,850,803	9,475,615
Restricted	592,759	548,461	--	--	592,759	548,461
Unrestricted	5,086,288	4,789,280	4,644,925	2,987,029	9,731,213	7,776,309
Total net position	\$ 10,022,435	9,562,022	10,152,340	8,238,363	20,174,775	17,800,385

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 \$20,174,775 at June 30, 2015. The Town's net position increased by \$2,374,390 for the fiscal year ended June 30, 2015. However, the largest portion (48.82%) 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, \$592,759, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,731,213 is unrestricted. Also, the Town of Beech Mountain implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$319,744. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Beech Mountain's management.

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 97.91%.
- Revenues from several sources were more than anticipated including property taxes, building inspection fees and occupancy taxes.
- Actual expenditures were less than budgeted.

Management Discussion and Analysis
Town of Beech Mountain

Town of Beech Mountain's Changes in Net Position
Figure 3

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 158,127	94,184	2,452,895	2,402,661	2,611,022	2,496,845
Operating grants and contributions	791,665	226,065	--	--	791,665	226,065
Capital grants and contributions	58,248	--	--	--	58,248	--
General Revenues:						
Property taxes	3,888,215	3,882,199	--	--	3,888,215	3,882,199
Other taxes	2,149,243	1,734,858	--	--	2,149,243	1,734,858
Grants and contributions not restricted to specific programs	--	--	--	--	--	--
Investment earnings	2,801	2,478	644	491	3,445	2,969
Component unit reimbursement for salaries	24,326	51,606	--	--	24,326	51,606
Other	--	31,315	--	--	--	31,315
Total revenues	<u>7,072,625</u>	<u>6,022,705</u>	<u>2,453,539</u>	<u>2,403,152</u>	<u>9,526,164</u>	<u>8,425,857</u>
Expenses:						
General government	1,514,588	1,485,097	--	--	1,514,588	1,485,097
Public Safety	1,481,088	1,377,437	--	--	1,481,088	1,377,437
Transportation	1,324,692	1,314,655	--	--	1,324,692	1,314,655
Sanitation	--	--	347,723	346,968	347,723	346,968
Cultural and recreation	605,654	639,993	--	--	605,654	639,993
Community development	256,932	223,913	--	--	256,932	223,913
Interest on long-term debt	29,258	38,356	73,321	93,839	102,579	132,195
Water and sewer	--	--	1,518,518	1,546,528	1,518,518	1,546,528
Total expenses	<u>5,212,212</u>	<u>5,079,451</u>	<u>1,939,562</u>	<u>1,987,335</u>	<u>7,151,774</u>	<u>7,066,786</u>
Increase (decrease) in net position before transfers	1,859,344	943,254	513,977	415,817	2,374,390	1,359,071
Transfers	<u>(1,400,000)</u>	--	<u>1,400,000</u>	--	--	--
Increase (decrease) in net position	460,413	943,254	1,913,977	425,817	2,374,390	1,359,071
Net position, beginning	<u>9,810,922</u>	<u>8,704,549</u>	<u>8,309,207</u>	<u>7,893,390</u>	<u>18,120,129</u>	<u>16,597,939</u>
Prior period adjustment	--	163,119	--	--	--	163,119
Net position, restated	<u>9,562,022</u>	<u>9,810,922</u>	<u>8,238,363</u>	--	<u>17,800,385</u>	<u>18,120,129</u>
Net position, June 30	<u>\$ 10,022,435</u>	<u>9,810,922</u>	<u>10,152,340</u>	<u>8,309,207</u>	<u>20,174,775</u>	<u>18,120,129</u>

Management Discussion and Analysis

Town of Beech Mountain

Governmental activities - Governmental activities increased the Town's net position by \$460,413. Key elements of this increase are as follows:

- Sales tax collected was higher than previous years.
- Beech Mountain Volunteer Fire Department transferred \$677,201 in cash assets to the Town.

Business-type activities - Business-type activities increased the Town of Beech Mountain's net position by \$1,913,977. 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.
- The General Fund transferred \$1,400,000 for the new Water Treatment Plant.

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 \$5,118,034, while total fund balance reached \$5,683,697. The Town currently has an available fund balance of 95.74 percent of general fund expenditures, while total fund balance represents 106.32 percent of the same amount.

At June 30, 2015, the governmental funds of the Town of Beech Mountain reported a combined fund balance of \$5,808,412, with a net increase in fund balance of \$228,905. 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 a new vehicle and motor grader expenses in the General Fund.

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 \$4,268,648, and those for the Sanitation Fund amounted to \$376,277. The total growth in net position for both funds was \$1,873,524 and \$40,453 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Management Discussion and Analysis

Town of Beech Mountain

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, 2015, totals \$12,778,269 (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 an inspection vehicle, a remodel and computers for emergency telephone system, a truck for road maintenance and a police vehicle
- Finished trail work for Recreation
- Purchase of a garbage truck for Sanitation
- Continued construction of Water Treatment Plant
- Purchase of a SCADA system for Water and Sewer

Town of Beech Mountain’s Capital Assets

Figure 4
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 670,525	635,612	765	765	671,290	636,377
Buildings and Systems	2,550,664	2,642,196	82,340	84,859	2,633,004	2,727,055
Improvements Other Than Buildings	489,320	385,451	99,994	103,064	589,314	488,515
Machinery and Equipment	476,741	674,033	26,188	19,543	502,929	693,576
Infrastructure	504,337	554,771	--	--	504,337	554,771
Vehicles and Motorized Equipment	240,841	180,312	141,700	40,068	382,541	220,380
Construction in Progress	--	--	276,550	129,803	276,550	129,803
Water Facilities	--	--	3,449,290	3,603,235	3,449,290	3,603,235
Sewer Facilities	--	--	3,769,014	3,954,175	3,769,014	3,954,175
Total	\$ <u>4,932,428</u>	<u>5,072,375</u>	<u>7,845,841</u>	<u>7,935,512</u>	<u>12,778,269</u>	<u>13,007,887</u>

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

Management Discussion and Analysis

Town of Beech Mountain

Town of Beech Mountain's Outstanding Debt – As of June 30, 2015, the Town of Beech Mountain's total debt decreased by \$604,806 (17.12%) during the past fiscal year, due to installment loan payments. The Town acquired no new financing in the current fiscal year.

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 \$39,436,254. The Town has \$0 in bonds authorized but unissued at June 30, 2015.

Additional information regarding the Town of Beech Mountain's long-term debt can be found in note 3 beginning on page 34 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, 2016

Governmental activities – Total budgeted general fund revenues are expected to increase for 2015/2016.

Budgeted expenditures include police vehicles, a backhoe and pick-up truck. Property tax and sales tax revenues are expected to increase.

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.

The Sanitation Fund expenditures are budgeted to decrease due to no significant capital outlay in 2015/16.

Management Discussion and Analysis

Town of Beech Mountain

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.

BASIC FINANCIAL STATEMENTS

**Town of Beech Mountain
Statement of Net Position
June 30, 2015**

	Primary Government			Beech Mountain Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,662,020	4,526,770	10,188,790	120,917
Taxes receivables (net)	118,668	-	118,668	-
Accrued interest receivable on taxes	13,525	-	13,525	-
Accounts receivable (net)	323,470	233,065	556,535	25,787
Due from other governments	27,879	3,600	31,479	-
Inventories	19,726	-	19,726	-
Prepaid expenses	37,893	13,216	51,109	-
Restricted cash and cash equivalents	124,942	217,936	342,878	-
Total current assets	6,328,123	4,994,587	11,322,710	146,704
Non-current assets:				
Net pension asset	170,239	48,734	218,973	-
Capital assets (Note 3):				
Land, non-depreciable improvements, and construction in progress	670,525	277,315	947,840	-
Other capital assets, net of depreciation	4,261,903	7,568,526	11,830,429	-
Total capital assets	4,932,428	7,845,841	12,778,269	-
Total assets	11,430,790	12,889,162	24,319,952	146,704
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year				
	119,572	34,230	153,802	-
Total deferred outflows of resources	119,572	34,230	153,802	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	346,282	55,110	401,392	11,044
Due to component unit	25,432	-	25,432	-
Payable from restricted assets	-	217,936	217,936	-
Current portion of long-term liabilities	321,383	334,211	655,594	-
Total current liabilities	693,097	607,257	1,300,354	11,044
Long-term liabilities:				
Due in more than one year	393,065	2,041,854	2,434,919	-
Total liabilities	1,086,162	2,649,111	3,735,273	11,044
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	425,961	121,941	547,902	-
Prepaid taxes	15,804	-	15,804	-
Total deferred inflows of resources	441,765	121,941	563,706	-
NET POSITION				
Net investment in capital assets	4,343,388	5,507,415	9,850,803	-
Restricted for:				
Public Safety	249,657	-	249,657	-
Stabilization of State Statute	343,102	-	343,102	25,787
Tourism promotion	-	-	-	109,873
Unrestricted	5,086,288	4,644,925	9,731,213	-
Total net position	\$ 10,022,435	10,152,340	20,174,775	135,660

Town of Beech Mountain
Statement of Activities
June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,514,588	96,373	-	-
Public safety	1,481,088	-	677,201	-
Transportation	1,324,692	-	114,464	-
Cultural and recreation	605,654	61,754	-	58,248
Community development	256,932	-	-	-
Interest on long-term debt	29,258	-	-	-
Total governmental activities	5,212,212	158,127	791,665	58,248
Business-type activities:				
Water and sewer	1,591,839	2,064,834	-	-
Sanitation	347,723	388,061	-	-
Total business-type activities	1,939,562	2,452,895	-	-
Total primary government	\$ 7,151,774	2,611,022	791,665	-
Component unit:				
Tourism Development Authority	\$ 210,354	-	256,932	-
Total component unit	\$ 210,354	-	256,932	-

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Component unit reimbursement for salaries

Miscellaneous

Total general revenues not including transfers

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, perviously reported

Restatement

Net position, beginning, restated

Net position, ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Beech Mountain Tourism Development Authority
Governmental Activities	Business-type Activities	Total	
(1,418,215)	-	(1,418,215)	-
(803,887)	-	(803,887)	-
(1,210,228)	-	(1,210,228)	-
(485,652)	-	(485,652)	-
(256,932)	-	(256,932)	-
(29,258)	-	(29,258)	-
(4,204,172)	-	(4,204,172)	-
-	472,995	472,995	-
-	40,338	40,338	-
-	513,333	513,333	-
(4,204,172)	513,333	(3,690,839)	-
-	-	-	46,578
-	-	-	46,578
3,888,215	-	3,888,215	-
2,149,243	-	2,149,243	-
-	-	-	-
2,801	644	3,445	5
24,326	-	24,326	-
-	-	-	3,990
6,064,585	644	6,065,229	3,995
(1,400,000)	1,400,000	-	-
4,664,585	1,400,644	6,065,229	3,995
460,413	1,913,977	2,374,390	50,573
9,810,922	8,309,207	18,120,129	85,087
(248,900)	(70,844)	(319,744)	-
9,562,022	8,238,363	17,800,385	85,087
10,022,435	10,152,340	20,174,775	135,660

**Town of Beech Mountain
Balance Sheet
Governmental Funds
June 30, 2015**

	Major Funds		Total Governmental Funds
	General	Emergency Telephone System	
ASSETS			
Cash and cash equivalents	\$ 5,494,954	167,066	5,662,020
Restricted cash and cash equivalents	124,942	-	124,942
Receivables, net:			
Taxes	118,668	-	118,668
Accounts	323,470	-	323,470
Due from other governments	19,522	8,357	27,879
Prepaid expenses	37,893	-	37,893
Inventories	19,726	-	19,726
Total assets	<u>6,139,175</u>	<u>175,423</u>	<u>6,314,598</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	295,574	50,708	346,282
Due to component unit	25,432	-	25,432
Total liabilities	<u>321,006</u>	<u>50,708</u>	<u>371,714</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	118,668	-	118,668
Prepaid taxes	15,804	-	15,804
Total deferred inflows of resources	<u>134,472</u>	<u>-</u>	<u>134,472</u>
FUND BALANCES			
Nonspendable			
Inventories	19,726	-	19,726
Prepaid expenses	37,893	-	37,893
Restricted			
Stabilization of State Statute	343,102	-	343,102
Public safety	124,942	124,715	249,657
Assigned			
Beautification	-	-	-
Uninsured claims	40,000	-	40,000
Subsequent year's expenditures	-	-	-
Unassigned	<u>5,118,034</u>	<u>-</u>	<u>5,118,034</u>
Total fund balances	<u>5,683,697</u>	<u>124,715</u>	<u>5,808,412</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,139,175</u>	<u>175,423</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	9,253,680	
Accumulated depreciation	<u>(4,321,252)</u>	4,932,428
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.		13,525
Net pension asset		170,239
Contributions to pension plan in deferred outflows of resources		119,572
Liabilities for earned revenue considered deferred		118,668
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Pension related deferrals		(425,961)
Gross long-term debt		<u>(714,448)</u>
Net position of governmental activities		<u>10,022,435</u>

Town of Beech Mountain
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2015

	Major Funds		
	General Fund	Emergency Telephone System	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 3,908,030		3,908,030
Unrestricted intergovernmental	2,044,704	-	2,044,704
Restricted intergovernmental	172,712	104,539	277,251
Permits and fees	30,338	-	30,338
Sales and services	54,212	-	54,212
Investment earnings	2,789	12	2,801
Component unit reimbursement for salaries	24,326	-	24,326
Miscellaneous	750,778	-	750,778
Total revenues	6,987,889	104,551	7,092,440
EXPENDITURES			
Current:			
General government	1,568,426	-	1,568,426
Public safety	1,391,229	118,026	1,509,255
Transportation	1,248,336	-	1,248,336
Cultural and recreation	592,254	-	592,254
Community development	256,932		256,932
Debt service:			
Principal retirement	259,074	-	259,074
Interest and other charges	29,258	-	29,258
Total expenditures	5,345,509	118,026	5,463,535
Excess (deficiency) of revenues over expenditures	1,642,380	(13,475)	1,628,905
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(1,400,000)	-	(1,400,000)
Total other financing sources (uses)	(1,400,000)	-	(1,400,000)
Net change in fund balance	242,380	(13,475)	228,905
Fund balances, beginning as previously reported	4,311,092	138,190	4,449,282
Fund balances, beginning as restated	5,441,317	138,190	5,579,507
Fund balances, ending	\$ 5,683,697	124,715	5,808,412

Town of Beech Mountain
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2015

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

Net changes in fund balances - total governmental funds	\$	228,905
---	----	---------

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	353,233	
Depreciation expense for governmental assets	<u>(493,180)</u>	(139,947)

Contributions to the pension plan in the current fiscal year that are not included on the Statement of Activities		119,572
---	--	---------

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		(19,795)
Change in accrued interest receivable on taxes		1,061

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		259,054
--------------------------------------	--	---------

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		(7,903)
Compensated absences		<u>19,466</u>

Total changes in net position of governmental activities	\$	<u><u>460,413</u></u>
--	----	-----------------------

Town of Beech Mountain
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,717,977	3,717,977	3,908,030	190,053
Unrestricted intergovernmental	1,492,000	1,492,000	2,044,704	552,704
Restricted intergovernmental	186,980	186,980	172,712	(14,268)
Permits and fees	17,600	17,600	30,338	12,738
Sales and services	53,000	53,000	54,212	1,212
Investment earnings	4,000	4,000	2,789	(1,211)
Transfer from component unit	25,000	25,000	24,326	(674)
Miscellaneous	128,280	128,280	750,778	622,498
Total revenues	5,624,837	5,624,837	6,987,889	1,363,052
Expenditures:				
Current:				
General government	1,525,527	1,501,224	1,568,426	(67,202)
Public safety	1,602,262	1,626,527	1,391,229	235,298
Transportation	1,332,026	1,332,026	1,248,336	83,690
Cultural and recreation	612,313	646,923	592,254	54,669
Community development	197,000	197,000	256,932	(59,932)
Debt service:				
Principal retirement	260,022	260,022	259,074	948
Interest and other charges	34,511	34,511	29,258	5,253
Total expenditures	5,563,661	5,598,233	5,345,509	252,724
Revenues over (under) expenditures	61,176	26,604	1,642,380	1,615,776
Other financing sources (uses):				
Transfer to other funds	(1,400,000)	(1,400,000)	(1,400,000)	-
Transfer from reserve	-	-	-	-
Fund balance appropriated	1,338,824	1,373,396	-	(1,373,396)
Total other financing sources (uses)	(61,176)	(26,604)	(1,400,000)	(1,373,396)
Net change in fund balance	\$ -	-	242,380	242,380
Fund balances, beginning			5,441,317	
Fund balances, ending			5,683,697	

Town of Beech Mountain
Statement of Fund Net Position
Proprietary Funds
June 30, 2015

	Major Enterprise Funds		
	Sanitation	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 364,481	4,162,289	4,526,770
Restricted cash and cash equivalents	-	217,936	217,936
Accounts receivable (net)	34,426	198,639	233,065
Prepaid insurance	4,200	9,016	13,216
Due from other governments	228	3,372	3,600
Total current assets	403,335	4,591,252	4,994,587
Noncurrent assets:			
Net pension asset	15,053	33,681	48,734
Capital assets:			
Land and construction in progress	-	277,315	277,315
Other capital assets, net of depreciation	220,332	7,348,194	7,568,526
Capital assets	220,332	7,625,509	7,845,841
Total noncurrent assets	235,385	7,659,190	7,894,575
Total assets	638,720	12,250,442	12,889,162
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan	10,573	23,657	34,230
Total deferred outflows of resources	10,573	23,657	34,230
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	5,675	49,435	55,110
Liabilities payable from restricted assets	-	217,936	217,936
Installment purchases payable - current	-	296,572	296,572
Compensated absences - current	9,344	28,295	37,639
Total current liabilities	15,019	592,238	607,257
Noncurrent liabilities:			
Installment purchases payable - noncurrent	-	2,041,854	2,041,854
Total noncurrent liabilities	-	2,041,854	2,041,854
Total liabilities	15,019	2,634,092	2,649,111
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	37,665	84,276	121,941
NET POSITION			
Net investment in capital assets	220,332	5,287,083	5,507,415
Unrestricted	376,277	4,268,648	4,644,925
Total net position	\$ 596,609	9,555,731	10,152,340

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

	Major Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 344,686	2,031,107	2,375,793
Water and sewer tap fees	-	2,000	2,000
Availability fees	-	18,226	18,226
Other operating revenues	43,375	13,501	56,876
Total operating revenues	<u>388,061</u>	<u>2,064,834</u>	<u>2,452,895</u>
OPERATING EXPENSES			
Administration	-	143,431	143,431
Water treatment and distribution	-	553,208	553,208
Waste collection and treatment	-	219,554	219,554
Taps and systems maintenance	-	134,076	134,076
Sanitation	314,570	-	314,570
Depreciation	33,153	468,249	501,402
Total operating expenses	<u>347,723</u>	<u>1,518,518</u>	<u>1,866,241</u>
Operating income (loss)	<u>40,338</u>	<u>546,316</u>	<u>586,654</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	115	529	644
Interest and other charges	-	(73,321)	(73,321)
Total nonoperating revenues (expenses)	<u>115</u>	<u>(72,792)</u>	<u>(72,677)</u>
Income (loss) before contributions and transfers	40,453	473,524	513,977
Transfer from other funds	<u>-</u>	<u>1,400,000</u>	<u>1,400,000</u>
Change in net position	40,453	1,873,524	1,913,977
Total net position, previously reported	578,069	7,731,138	8,309,207
Restatement	(21,913)	(48,931)	(70,844)
Total net position, restated	556,156	7,682,207	8,238,363
Total net position, ending	<u>\$ 596,609</u>	<u>9,555,731</u>	<u>10,152,340</u>

Town of Beech Mountain
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Major Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 389,096	2,062,368	2,451,464
Cash paid for goods and services	(122,282)	(553,883)	(676,165)
Cash paid to or on behalf of employees for services	(232,872)	(518,108)	(750,980)
Customer deposits received	-	8,840	8,840
Customer deposits returned	-	(4,650)	(4,650)
Net cash provided (used) by operating activities	33,942	994,567	1,028,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	1,400,000	1,400,000
Net cash provided (used) by noncapital financing activities	-	1,400,000	1,400,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(150,420)	(261,311)	(411,731)
Principal paid on bonds and notes	-	(345,752)	(345,752)
Interest paid on bonds and notes	-	(73,321)	(73,321)
Net cash provided (used) by capital and related financing activities	(150,420)	(680,384)	(830,804)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	115	529	644
Net cash provided (used) by investing activities	115	529	644
Net increase (decrease) in cash and cash equivalents	(116,363)	1,714,712	1,598,349
Balances, beginning	480,844	2,665,513	3,146,357
Balances, ending	\$ 364,481	4,380,225	4,744,706

**Town of Beech Mountain
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015**

	Major Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 40,338	546,316	586,654
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	33,153	468,249	501,402
Pension expense	699	1,564	2,263
Changes in net assets and liabilities			
(Increase) decrease in accounts receivable	685	(2,466)	(1,781)
(Increase) decrease in prepaid insurance	(4,200)	(9,016)	(13,216)
(Increase) decrease in due from other governments	350	6,899	7,249
Increase (decrease) in accounts payable and accrued liabilities	(27,500)	4,422	(23,078)
Increase (decrease) in customer deposits	-	4,190	4,190
Increase (decrease) in deferred outflows of resources for pensions	(10,573)	(23,657)	(34,230)
Increase (decrease) in accrued vacation pay	990	(1,934)	(944)
Total adjustments	(6,396)	448,251	441,855
Net cash provided by operating activities	\$ 33,942	994,567	1,028,509

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015

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 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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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 as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is 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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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>	
Governmental Activities	
General Fund	
Public safety	\$ 124,942
Total governmental activities	\$ 124,942
 Water and Sewer Fund	
Customer deposits	\$ 217,936
Total Business-type Activities	\$ 217,936
 Total Restricted Cash	\$ 342,878

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, 2014.

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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 are recorded at their estimated fair value at the date of the donation. 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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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.

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Beech Mountain's employer contributions are recognized when due and the Town of Beech Mountain has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note II– Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

There were no instances of noncompliance with North Carolina General Statutes.

B. Excess of Expenditures over Appropriations

For the fiscal year ending June 30, 2015, the expenditures for general government and community development in the Town's General Fund exceeded authorized appropriations by \$67,202 and \$59,932, respectively. The over expenditure for general government occurred because the Town collected more sales tax which caused the sales tax reimbursement to Watauga county to exceed budget. The over expenditure for community development occurred because the Town collected more occupancy tax which is passed on to the component unit. Management will monitor the occupancy income and sales tax more closely so that any necessary adjustments to the budget are made in a timely manner.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015, the Town's deposits had a carrying amount of \$1,532,232 and a bank balance of \$1,839,729. Of the bank balance, \$250,000 was covered by the federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2015, the Town's petty cash fund totaled \$150.

At June 30, 2015, the Authority's deposits had a carrying amount of \$118,825 and a bank balance of \$139,846. All of the bank balance was covered by federal depository insurance.

2. Investments

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$ 7,796,098	N/A	AAAm
NC Capital Management Trust – Term Portfolio	1,203,188	.19 years	Unrated
Total:	<u>\$ 8,999,286</u>		

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015, the Authority had \$2,092 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, 2015 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 13,997
Enterprise Fund:	
Water and Sewer Fund-accounts receivable	<u>8,935</u>
Total	\$ <u>22,932</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 635,612	34,913	--	670,525
Construction in progress	--	--	--	--
Total capital assets not being depreciated	635,612	34,913	--	670,525
Capital assets being depreciated:				
Buildings	3,661,265	--	--	3,661,265
Other improvements	675,419	128,805	--	804,224
Equipment	2,025,301	23,518	5,665	2,043,154
Vehicles and motorized equipment	950,637	165,997	50,797	1,065,837
Infrastructure	1,008,675	--	--	1,008,675
Total capital assets being depreciated	8,321,297	318,320	56,462	8,583,155
Less accumulated depreciation for:				
Buildings	1,019,069	91,532	--	1,110,601
Other Improvements	289,968	24,936	--	314,904
Equipment	1,351,268	220,810	5,665	1,566,413
Vehicles and motorized equipment	770,325	105,468	50,797	824,996
Infrastructure	453,904	50,434	--	504,338
Total accumulated depreciation	3,884,534	493,180	56,462	4,321,252
Total capital assets being depreciated, net	4,436,763			4,261,903
Governmental activity capital assets, net	\$ 5,072,375			4,932,428

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2015

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

General government	\$ 35,790
Public Safety	126,376
Cultural and recreational	108,261
Transportation	<u>222,753</u>
Total depreciation expense	\$ <u>493,180</u>

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type activities:				
Sanitation Fund				
Capital assets being depreciated:				
Land improvements	\$ 122,888	--	--	122,888
Equipment	22,889	--	--	22,889
Vehicles	303,931	150,420	--	454,351
Total capital assets being depreciated	<u>449,708</u>	<u>150,420</u>	--	<u>600,128</u>
Less accumulated depreciation for:				
Land Improvements	19,824	3,070	--	22,894
Equipment	22,889	--	--	22,889
Vehicles	303,930	30,083	--	334,013
Total accumulated depreciation	<u>346,643</u>	<u>33,153</u>	--	<u>379,796</u>
Total capital assets being depreciated, net	<u>103,065</u>			<u>220,332</u>
Sanitation fund capital assets, net	<u>103,065</u>			<u>220,332</u>

Water and Sewer Fund

Capital assets not being depreciated

Land	765	--	--	765
Construction in progress	129,803	146,747	--	276,550
Total capital assets not being depreciated	\$ <u>130,568</u>	<u>146,747</u>	--	<u>277,315</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and land improvements	\$ 95,712	--	--	95,712
Water facilities	6,576,750	89,767	88,343	6,578,174
Sewer facilities	6,326,289	--	--	6,326,289
Furniture and equipment	102,269	24,797	--	127,066
Vehicles	163,766	--	--	163,766
Total capital assets being depreciated	13,264,786	114,564	88,343	13,291,007
Less accumulated depreciation for:				
Buildings and land improvements	10,853	2,519	--	13,372
Water facilities	2,973,515	243,712	88,343	3,128,884
Sewer facilities	2,372,114	185,161	--	2,557,275
Furniture and equipment	82,726	18,152	--	100,878
Vehicles	123,699	18,705	--	142,404
Total accumulated depreciation	5,562,907	468,249	88,343	5,942,813
Total capital assets being depreciated, net	7,701,879			7,348,194
Water and Sewer fund capital assets, net	7,832,447			7,625,509
Business-type activities capital assets, net	\$ 7,935,512			7,845,841

Construction commitments

The government has active construction projects as of June 30, 2015. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water Treatment Plant	\$ 243,346	79,204
	<u>\$ 243,346</u>	<u>79,204</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015, was 7.55% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Beech Mountain were \$153,802 for the year ended June 30, 2015.

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, 2015, the Town reported an asset of \$218,973 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.037%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

For the year ended June 30, 2015, the Town recognized pension expense of \$10,166. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	23,927
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	509,764
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	14,214
Town contributions subsequent to the measurement date	153,802	-
Total	\$ 153,802	547,905

\$153,802 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	\$
2016	(137,000)
2017	(137,000)
2018	(137,000)
2019	(136,904)
2020	-
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, 2015

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability (asset)	743,288	(218,973)	(1,029,166)

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.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2014, 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.

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.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015 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.

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, 2015 were \$20,731, which consisted of \$17,588 from the Town and \$3,143 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, 2015 to the plan were \$107,739, which consisted of \$85,824 from the Town and \$21,915 from the employees.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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>153,802</u>

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

Source	
Prepaid taxes (General Fund)	\$ 15,804
Pension deferrals	547,902
Taxes receivable (General Fund), less penalties	<u>118,668</u>
Total	\$ <u>682,374</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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 and tax collector are individually bonded for \$50,000. 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, 2015, 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.

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.

On November 13, 2008, the Town entered into an installment purchase contract with RBC Centura to finance the purchase of a motor grader and backhoe. The loan is being serviced by both the General Fund and the Water and Sewer Fund and requires annual principal and interest payments of \$62,897, with an interest rate of 3.38 percent.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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 July 26, 2011, the Town entered into an installment purchase contract with RBC Bank (USA) to finance the purchase of equipment. The loan is being serviced by the General Fund and requires semi-annual principal and interest payments of \$65,587, with an interest rate of 1.95 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, 2015 including interest of \$362,503 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>
2016	\$ 195,975	21,544	296,572	63,698
2017	131,022	15,683	303,343	54,671
2018	131,022	10,456	310,349	45,409
2019	131,021	5,228	317,596	35,905
2020	--	--	313,750	28,693
2021-2025	--	--	498,010	67,680
2026-2030	--	--	298,806	13,536
Total	<u>\$ 589,040</u>	<u>52,911</u>	<u>2,338,426</u>	<u>309,592</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

b. General Obligation Indebtedness

At June 30, 2015, the Town of Beech Mountain had a legal debt margin of \$39,436,254.

c. Changes in Long-term Liabilities

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 848,094	--	259,054	589,040	195,975
Compensated absences	144,874	89,622	109,088	125,408	125,408
Net pension liability (LGERS)	358,915	--	358,915	--	--
Governmental activity Long-term liabilities	<u>\$ 1,351,883</u>	<u>89,622</u>	<u>727,057</u>	<u>714,448</u>	<u>321,383</u>
Business-type activities:					
Installment purchase	\$ 2,684,178	--	345,752	2,338,426	296,572
Compensated absences	38,653	44,036	45,050	37,639	37,639
Net pension liability (LGERS)	102,747	--	102,747	--	--
Business-type activities Long-term liabilities	<u>\$ 2,825,578</u>	<u>44,036</u>	<u>493,549</u>	<u>2,376,065</u>	<u>334,211</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

d. Interfund Balances and Activity

Transfers to/from Other Funds at June 30, 2015 consist of the following:

The General Fund transferred \$1,400,000 to the Water and Sewer Capital Projects Fund. The Water and Sewer Fund transferred \$320,000 to the Water and Sewer Capital Projects Fund.

e. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 4,932,428	\$ 7,845,841
less: long-term debt	589,040	2,338,426
add: unexpended debt proceeds	-	-
Net investment in capital asset	<u>\$ 4,343,388</u>	<u>\$ 5,507,415</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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>\$ 5,683,697</u>
Less:	
Inventories	19,726
Prepaid expenses	37,893
Stabilization by State Statute	343,102
Appropriated Fund Balance in 2015 budget	1,373,396
Public Safety	124,942
Remaining Fund Balance	\$ 3,784,638

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, 2015, the Town paid \$26,000 to the Fire Department in accordance with the terms of this agreement.

Note V- Subsequent Events

The Town has evaluated all subsequent events for potential recognition and disclosure through October 8, 2015, 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.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2015

Note VII - Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$248,900 and \$70,844, respectively.

Note VIII – Significant Effects of Subsequent Events

The Town received approval in August 2015 from the Local Government Commission of North Carolina for the approval of Bonds as required by Section 159-85 of the General Statutes of North Carolina. The USDA, Rural Development, has agreed to purchase the Bonds in the aggregate principal amount of \$4,300,000 to evidence a loan to the Town. The Bonds are to be used for improvements to the water and sewer system of the Town.

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

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Beech Mountain's proportion of the net pension liability (asset) (%)	0.03713%	0.03830%
Beech Mountain's proportion of the net pension liability (asset) (\$)	\$ (218,973)	\$ 461,662
Beech Mountain's covered-employee payroll	\$ 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	(10.23%)	22.96%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	3,896,243	
Penalties and interest		11,787	
Total	<u>3,717,977</u>	<u>3,908,030</u>	<u>190,053</u>
Unrestricted intergovernmental revenues			
Utility franchise tax		275,395	
Occupancy tax		256,932	
Hold harmless funds		221,343	
Beer and wine tax		1,545	
Local option sales tax		1,255,973	
Cable tv franchise sales tax		33,516	
Total	<u>1,492,000</u>	<u>2,044,704</u>	<u>552,704</u>
Restricted intergovernmental revenues			
Powell Bill allocation		114,464	
ABC revenues		-	
Other grants - federal & state		58,248	
Total	<u>186,980</u>	<u>172,712</u>	<u>(14,268)</u>
Permits, fees and fines			
Building inspection fees		26,768	
Planning and zoning fees		3,570	
Total	<u>17,600</u>	<u>30,338</u>	<u>12,738</u>
Sales and services:			
Recreation department fees	<u>53,000</u>	<u>54,212</u>	<u>1,212</u>
Investment earnings	<u>4,000</u>	<u>2,789</u>	<u>(1,211)</u>
Other revenues			
Component unit reimbursement for salaries		24,326	
Rental income		2,700	
Miscellaneous		56,337	
Special events		7,542	
Transfer from fire department		677,201	
Watauga County - recreation funds		6,998	
Total	<u>153,280</u>	<u>775,104</u>	<u>621,824</u>
Total Revenues	<u>5,624,837</u>	<u>6,987,889</u>	<u>1,363,052</u>

TOWN OF BEECH MOUNTAIN
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General government:			
Administration			
Salaries and employee benefits	\$	443,903	
Professional services		174,696	
Sales tax reimbursement		707,820	
Other operating expenditures		171,195	
Capital outlay		-	
Total		<u>1,497,614</u>	
Tax collection			
Salaries and employee benefits		50,370	
Professional services		13,155	
Other operating expenditures		7,287	
Total		<u>70,812</u>	
Total general government	<u>1,501,224</u>	<u>1,568,426</u>	<u>(67,202)</u>
Public safety			
Police			
Salaries and employee benefits		801,581	
Vehicle maintenance		34,406	
Other operating expenditures		79,599	
Capital outlay		42,882	
Total		<u>958,468</u>	
Fire			
Salaries and employee benefits		81,236	
Other operating expenditures		172,411	
Capital outlay		7,873	
Total		<u>261,520</u>	
Inspections			
Salaries and employee benefits		61,113	
Professional services		4,999	
Other operating expenditures		4,246	
Capital outlay		21,937	
Total		<u>92,295</u>	
Planning			
Salaries and employee benefits		70,870	
Other operating expenditures		8,076	
Total		<u>78,946</u>	
Total public safety	<u>1,626,527</u>	<u>1,391,229</u>	<u>235,298</u>

TOWN OF BEECH MOUNTAIN
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation			
Vehicle maintenance			
Salaries and employee benefits	\$	107,413	
Other operating expenditures		103,610	
Capital outlay		-	
Less interfund revenue		(110,984)	
Total		<u>100,039</u>	
Road maintenance			
Salaries and employee benefits		594,042	
Vehicle expenses		68,826	
Other operating expenditures		129,729	
Capital outlay		355,700	
Total		<u>1,148,297</u>	
Total transportation	<u>1,332,026</u>	<u>1,248,336</u>	<u>83,690</u>
Cultural and recreation			
Recreation			
Salaries and employee benefits		351,914	
Professional services		36,761	
Vehicle expenses		9,117	
Other operating expenditures		116,365	
Capital outlay		78,097	
Total		<u>592,254</u>	
Total culture and recreation	<u>646,923</u>	<u>592,254</u>	<u>54,669</u>
Community development			
Contribution to Tourism Development Authority		256,932	
Total community development	<u>197,000</u>	<u>256,932</u>	<u>(59,932)</u>
Debt service			
Principal retirement	260,022	259,074	948
Interest expense	<u>34,511</u>	<u>29,258</u>	<u>5,253</u>
Total debt service	<u>294,533</u>	<u>288,332</u>	<u>6,201</u>
Total Expenditures	<u>5,598,233</u>	<u>5,345,509</u>	<u>252,724</u>
Revenues over (under) expenditures	<u>26,604</u>	<u>1,642,380</u>	<u>1,615,776</u>

TOWN OF BEECH MOUNTAIN
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer to other funds	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>
Total	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>
Fund balance appropriated	\$ 1,373,396	-	1,373,396
Net change in fund balance	<u>-</u>	<u>242,380</u>	<u>242,380</u>
Fund balances, beginning as previously reported		5,441,317	
Prior period adjustments		<u>5,441,317</u>	
Fund balances, beginning as restated		5,441,317	
Fund balances, ending		<u>\$ 5,683,697</u>	

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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenues	\$ 114,000	\$ 104,539	\$ (9,461)
Investment earnings	<u>-</u>	<u>12</u>	<u>12</u>
Total Revenues	<u>114,000</u>	<u>104,551</u>	<u>(9,449)</u>
Expenditures:			
Telephone	19,000	15,646	3,354
Training	2,000	654	1,346
Repairs and maintenance	10,000	4,087	5,913
Contract services	40,000	35,465	4,535
Supplies and materials	9,000	2,255	6,745
Insurance	200	-	200
Capital outlay	<u>85,000</u>	<u>59,919</u>	<u>25,081</u>
Total Expenditures	<u>165,200</u>	<u>118,026</u>	<u>47,174</u>
Revenues over (under) expenditures	(51,200)	(13,475)	37,725
Other financing sources:			
Transfer from reserve	<u>51,200</u>	<u>-</u>	<u>(51,200)</u>
Revenues over (under) expenditures	<u>\$ -</u>	(13,475)	<u>\$ (13,475)</u>
Fund balance, beginning		<u>138,190</u>	
Fund balance, ending		<u>\$ 124,715</u>	

TOWN OF BEECH MOUNTAIN
Sanitation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAPP)
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
REVENUES :			
Charges for services	\$	344,686	
Solid waste disposal tax		109	
Recycling revenue		43,266	
Total operating revenues	<u>360,220</u>	<u>388,061</u>	<u>27,841</u>
Nonoperating revenues:			
Interest earnings	<u>-</u>	<u>115</u>	<u>115</u>
Total revenues	<u>360,220</u>	<u>388,176</u>	<u>27,956</u>
EXPENDITURES :			
Sanitation:			
Salaries and employee benefits		232,872	
Vehicle maintenance		31,009	
Other operating expenditures		209,993	
Total sanitation	<u>488,444</u>	<u>473,874</u>	<u>14,570</u>
Debt service:			
Interest Paid	-	-	-
Debt principal	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>488,444</u>	<u>473,874</u>	<u>14,570</u>
Revenues over (under) expenditures	<u>(128,224)</u>	<u>(85,698)</u>	<u>42,526</u>
Fund balance appropriated	<u>128,224</u>	<u>-</u>	<u>128,224</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>(85,698)</u>	<u>(85,698)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		(85,698)	
Reconciling items:			
Depreciation		(33,153)	
Pension expense		(699)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		10,573	
Capital outlay		150,420	
Increase in accrued vacation pay		(990)	
Total reconciling items		<u>126,151</u>	
Change in net position		<u>\$ 40,453</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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$	2,031,107	
Availability fee		18,226	
Water and sewer tap fees		2,000	
Miscellaneous		13,501	
Total operating revenues	<u>1,848,500</u>	<u>2,064,834</u>	<u>216,334</u>
Nonoperating revenues:			
Interest earnings	<u>950</u>	<u>529</u>	<u>(421)</u>
Total nonoperating revenues	<u>950</u>	<u>529</u>	<u>(421)</u>
Total Revenues	<u>1,849,450</u>	<u>2,065,363</u>	<u>215,913</u>
Expenditures:			
Water and sewer administration:			
Salaries		73,738	
Insurance		35,300	
Other operating expenditures		38,588	
Total water and sewer administration	<u>220,820</u>	<u>147,626</u>	<u>73,194</u>
Water treatment:			
Salaries and employee benefits		244,815	
Utilities		225,413	
Other operating expenditures		91,272	
Total water treatment	<u>692,416</u>	<u>561,500</u>	<u>130,916</u>
Waste collection and treatment:			
Salaries and employee benefits		119,332	
Utilities		54,680	
Other operating expenses		53,107	
Total wastewater treatment	<u>\$ 270,892</u>	<u>227,119</u>	<u>43,773</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, 2015

	Budget	Actual	Variance Positive (Negative)
Taps and system maintenance:			
Salaries and employee benefits	\$	80,257	
Other operating expenses		57,864	
Total taps and system maintenance	<u>169,553</u>	<u>138,121</u>	<u>31,432</u>
Debt Service:			
Interest and other charges	73,322	73,321	1
Principal retirement	345,753	345,752	1
Total debt service	<u>419,075</u>	<u>419,073</u>	<u>2</u>
Capital outlay:			
Generator	388,000	114,564	273,436
Total capital outlay	<u>388,000</u>	<u>114,564</u>	<u>273,436</u>
Total expenditures	<u>2,160,756</u>	<u>1,608,003</u>	<u>552,753</u>
Revenues over (under) expenditures	<u>(311,306)</u>	<u>457,360</u>	<u>768,666</u>
Other financing sources (uses):			
Transfer to water and sewer capital projects fund	(320,000)	(320,000)	-
Fund balance appropriated	631,306	-	631,306
Total other sources	<u>311,306</u>	<u>(320,000)</u>	<u>631,306</u>
Revenues and other sources over expenditures and other sources	\$ <u>-</u>	<u>137,360</u>	<u>137,360</u>

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

Revenues and other sources over expenditures and other sources	137,360
Reconciling items:	
Principal retirement	345,752
Capital outlay	114,564
Decrease in accrued vacation pay	2,004
Pension expense	(1,564)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	23,657
Transfer in from General Fund to Water and Sewer Capital Projects Fund	1,400,000
Transfer in from Water and Sewer Fund to Water and Sewer Capital Projects Fund	320,000
Depreciation	(468,249)
Total reconciling items	<u>1,736,164</u>
Change in net position	\$ <u>1,873,524</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, 2015

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
Expenditures					
Construction costs	\$ 6,020,000	129,803	146,747	276,550	5,743,450
Total	<u>6,020,000</u>	<u>129,803</u>	<u>146,747</u>	<u>276,550</u>	<u>5,743,450</u>
Revenues under expenditures	<u>(6,020,000)</u>	<u>(129,803)</u>	<u>(146,747)</u>	<u>(276,550)</u>	<u>(5,743,450)</u>
Other financing sources (uses):					
Transfers from other funds:					
Loan proceeds	4,300,000	-	-	-	4,300,000
From General Fund	1,400,000	-	1,400,000	1,400,000	-
From Water and Sewer Fund	<u>320,000</u>	<u>129,803</u>	<u>190,197</u>	<u>320,000</u>	<u>-</u>
Total other sources	<u>6,020,000</u>	<u>129,803</u>	<u>1,590,197</u>	<u>1,720,000</u>	<u>4,300,000</u>
Revenues and other sources over (under) expenditures	\$ <u>-</u>	<u>-</u>	<u>1,443,450</u>	<u>1,443,450</u>	<u>(1,443,450)</u>

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, 2015

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

TOWN OF BEECH MOUNTAIN
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014 - 2015	\$ -	3,876,280	3,795,361	80,919
2013 - 2014	86,319	-	65,668	20,651
2012 - 2013	35,403	-	24,802	10,601
2011 - 2012	16,477	-	8,267	8,210
2010 - 2011	4,933	-	548	4,385
2009 - 2010	3,428	-	485	2,943
2008 - 2009	2,346	-	-	2,346
2007 - 2008	1,963	-	761	1,202
2006 - 2007	1,276	-	427	849
2005 - 2006	629	-	70	559
2004 - 2005	775	-	775	-
	<u>\$ 153,549</u>	<u>3,876,280</u>	<u>3,897,164</u>	<u>132,665</u>

Less: allowance for uncollectible accounts:
General Fund

(13,997)

Ad valorem taxes receivable - net

118,668

Reconciliation with revenues:

Ad valorem taxes - General Fund	3,908,030
Reconciling items:	
Interest collected	(11,787)
Releases	146
Taxes written off	775
Total collections and credits	<u>3,897,164</u>

TOWN OF BEECH MOUNTAIN
 Analysis of Current Tax Levy
 Town-Wide Levy
 June 30, 2015

				Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 521,593,306	0.732	3,818,063	3,818,063	-
Registered motor vehicles at current year's rate	<u>7,165,710</u>	0.732	<u>52,453</u>	<u>-</u>	<u>52,453</u>
Total	528,759,016		3,870,516	3,818,063	52,453
Discoveries:					
Current year taxes	807,429		5,910	5,910	-
Abatements					
	<u>(19,945)</u>		<u>(146)</u>	<u>(146)</u>	<u>-</u>
Total property valuation:	<u>\$ 529,546,500</u>				
Net levy			3,876,280	3,823,827	52,453
Uncollected taxes at June 30, 2015			<u>(80,919)</u>	<u>(80,919)</u>	<u>-</u>
Current year's taxes collected		\$	<u>3,795,361</u>	<u>3,742,908</u>	<u>52,453</u>
Current levy collection percentage			<u>97.91%</u>	<u>97.88%</u>	<u>100.00%</u>

MISTY D WATSON, CPA, P.A.
CERTIFIED PUBLIC ACCOUNTANT
PO BOX 2122
719-A GREENWAY ROAD, SUITE 208
BOONE, NORTH CAROLINA 28607
TELEPHONE (828) 263-1100

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2015, and the related notes to the financial statements, which collectively comprise the Town of Beech Mountain, North Carolina's basic financial statements and have issued our report thereon dated October 8, 2015. The financial statements of the Beech Mountain Tourism Development Authority were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Beech Mountain, North Carolina'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, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Beech Mountain, North Carolina's internal control.

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

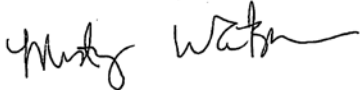
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Judy Watson". The signature is fluid and cursive, with the first name "Judy" and last name "Watson" clearly distinguishable.

Boone, NC
October 8, 2015

TOWN OF BEECH MOUNTAIN
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
State Grants:			
Cash Assistance:			
<u>NC Department of Environment and Natural Resources:</u>			
Parks and Recreation Recreational Trails Program			58,248
<u>NC Department of Transportation:</u>			
Powell Bill		-	114,464
Total assistance - State programs		-	172,712
Total assistance		\$ -	172,712