

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)

**Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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**Authority Members**

Brian Barnes  
Judy Decker  
Calder Smoot  
Candi Catoe  
Carl Marquardt

**Beech Mountain Tourism Development Authority**  
**(A Component Unit of the Town of Beech Mountain, North Carolina)**  
**June 30, 2014**

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**Independent Auditor's Report**

Authority Members  
Beech Mountain Tourism Development Authority  
Beech Mountain, North Carolina

We have audited the accompanying financial statements of Beech Mountain Tourism Development Authority, a component unit of the Town of Beech Mountain, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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. 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 presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Beech Mountain Tourism Development Authority, as of June 30, 2014, and the changes in financial position and budgetary comparison for the General Fund for the years 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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.

A handwritten signature in dark ink, consisting of a stylized, cursive 'M' followed by a horizontal line that tapers off to the right.

Boone, North Carolina  
September 25, 2014



## **Management's Discussion and Analysis**

As management of Beech Mountain Tourism Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the period July 1, 2013 through June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements which follow this narrative.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the period ended June 30, 2014 by \$85,087 (*Net Position*).
- The Authority's total Net Position increased by \$7,108.
- The Authority's available fund balance at the end of the year represented 15 percent of total General Fund expenditures.

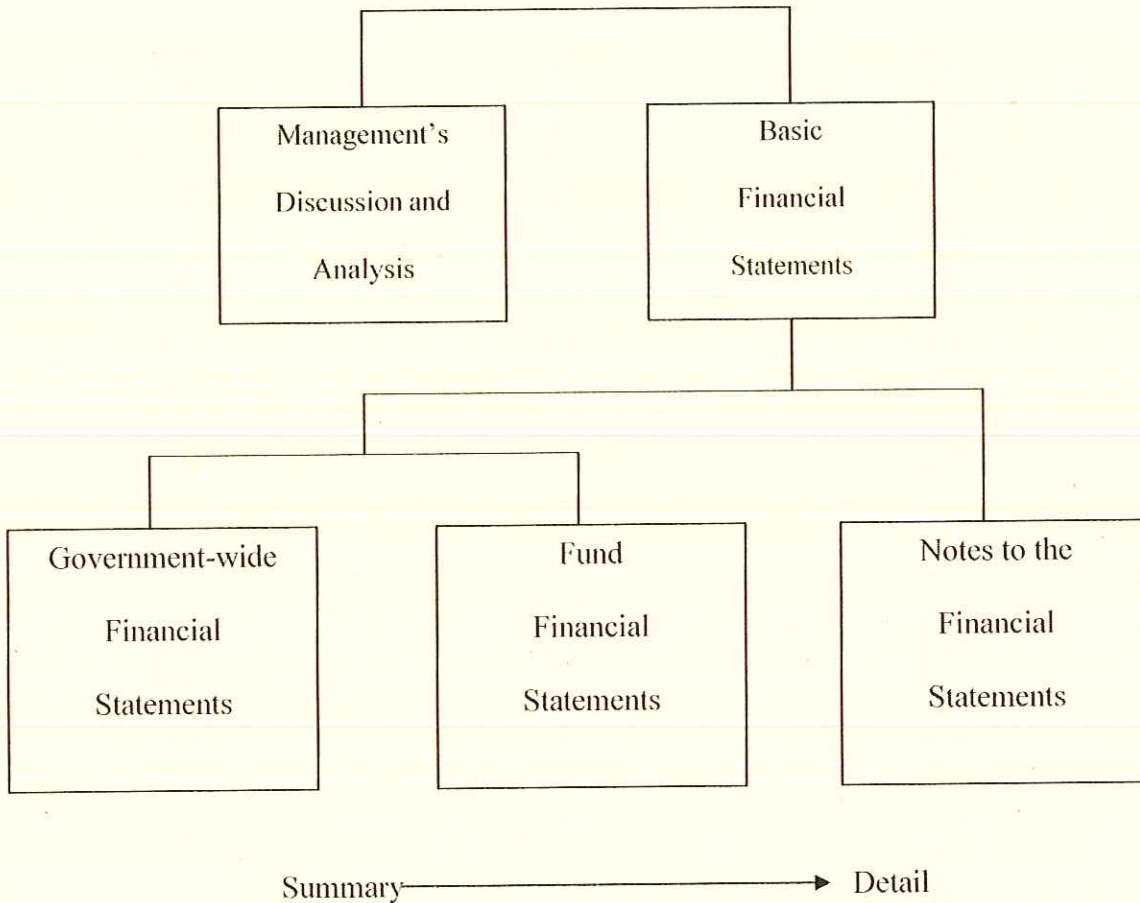
### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Authority is considered a special purpose government rather than a general government. In addition, the Authority engages only in governmental activities and operates only one program.

## Management's Discussion and Analysis

### 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 Authority's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statement.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The Notes explain in detail some of the data contained in those statements.

## Management's Discussion and Analysis

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Authority'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 Authority's financial status as a whole.

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

The government-wide statements are comprised of a single category – governmental activities. The government-wide financial statements are on Exhibits 1 and 2 of this report.

### Fund Financial Statements

The fund financial statements provide a more detailed look at the Authority'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 Authority, 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 of North Carolina or the Authority's budget ordinance. All of the funds of the Authority belong in one category, governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's activities 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 the current financial resources focus and the modified accrual basis of accounting. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Authority's programs.

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document. The budget authorizes the Authority to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance.

**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 6 through 12 of this report.



## Management's Discussion and Analysis

### Government-Wide Financial Analysis

#### Beech Mountain Tourism Development Authority's Net Position

Figure 2

	Governmental Activities	
	2014	2013
Assets:		
Total current assets	\$ 85,087	84,445
Total assets	<u>85,087</u>	<u>84,445</u>
Liabilities:		
Total current liabilities	--	6,466
Total liabilities	<u>--</u>	<u>6,466</u>
Net Position:		
Restricted	50,537	--
Unrestricted	34,550	77,979
Total net position	<u>\$ 85,087</u>	<u>77,979</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$85,087 as of June 30, 2014. The Authority's net position increased by \$7,108 during the fiscal year ended June 30, 2014.

#### Beech Mountain Tourism Development Authority's

#### Changes in Net Position

Figure 3

	Governmental Activities	
	2014	2013
Revenues:		
Occupancy tax	\$ 223,913	114,538
Investment earnings	6	21
Event income	11,325	10,910
Miscellaneous	2,226	4,604
Total revenues	<u>237,470</u>	<u>130,073</u>
Expenses:		
Advertising and promoting travel and tourism	230,362	119,512
Total expenses	<u>230,362</u>	<u>119,512</u>
Change in net position	7,108	10,561
Net Position – beginning	77,979	67,418
Net Position – ending	<u>\$ 85,087</u>	<u>77,979</u>



## **Management's Discussion and Analysis**

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

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

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

The General Fund is the only operating fund of the Authority. At the end of the fiscal year, available fund balance of the General Fund was \$34,550, and the restricted fund balance was \$50,537. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 15 percent of total General Fund expenditures, while total fund balance also represents 37 percent of that same amount.

#### **General Fund Budgetary Highlights.**

During the fiscal year, occupancy collections increased from the prior year. Occupancy taxes were 20.38 percent higher than projected. Beech Mountain enjoys a favorable economic environment. The Town's economic basis is tourism.

### **Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2015**

The Authority expects occupancy tax collections to decrease by 12.02 percent in the next fiscal year. The Authority works actively to promote Beech Mountain as a tourist destination resulting in filled motels and rental homes. Beech Mountain is a destination for all seasons and is promoted to keep the tourism industry active throughout the year.

#### **Requests for Information**

This report is designed to provide an overview of the Authority'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 Beech Mountain Town Hall phone number is (828) 387-4236.

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE TOWN OF BEECH MOUNTAIN**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 34,550
Restricted cash and cash equivalents	37,105
Due from Town of Beech Mountain	<u>13,432</u>
Total Assets	<u>85,087</u>
Net Position:	
Restricted	
Stabilization by State Statute	13,432
Capital outlay	37,105
Unrestricted	<u>34,550</u>
Total Net Position	\$ <u><u>85,087</u></u>

The accompanying notes are an integral part of these financial statements

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE TOWN OF BEECH MOUNTAIN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Advertising and promoting travel and tourism	\$ 230,362	-	\$ (230,362)
Total	<u>\$ 230,362</u>	<u>-</u>	<u>\$ (230,362)</u>
General revenues:			
Occupancy tax			223,913
Investment earnings			6
Event revenue			11,325
Miscellaneous revenue			<u>2,226</u>
Total general revenues			237,470
Revenues over (under) expenditures			7,108
Net position-beginning			<u>77,979</u>
Net position-ending			<u>\$ 85,087</u>

The accompanying notes are an integral part of these financial statements



**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE TOWN OF BEECH MOUNTAIN**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<u>General Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	34,550
Restricted cash and cash equivalents	37,105
Due from Town of Beech Mountain	<u>13,432</u>
Total current assets	<u><u>85,087</u></u>
Fund balances:	
Restricted	
Stabilization by State Statute	13,432
Capital outlay	37,105
Unassigned	<u>34,550</u>
Total fund balance	<u><u>85,087</u></u>

The accompanying notes are an integral part of these financial statements

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE TOWN OF BEECH MOUNTAIN**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<u>General Fund</u>
<b>Revenues:</b>	
Occupancy revenue	\$ 223,913
Interest earned	6
Event revenue	11,325
Miscellaneous revenue	<u>2,226</u>
Total revenues	237,470
 <b>Expenditures:</b>	
Advertising and promoting travel and tourism	<u>230,362</u>
 Revenues over expenditures	7,108
 <b>Fund Balances:</b>	
Fund balance - beginning	77,979
Fund balance - ending	\$ <u><u>85,087</u></u>

The accompanying notes are an integral part of these financial statements

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
A COMPONENT UNIT OF THE TOWN OF BEECH MOUNTAIN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND  
ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Positive- (Negative)
	Original	Final		
<b>Revenues:</b>				
Occupancy tax	\$ 197,000	\$ 186,000	\$ 223,913	\$ 37,913
Event revenue	-	30,970	11,325	(19,645)
Miscellaneous revenue	1,500	1,800	2,226	426
Investment earnings	-	-	6	6
Total revenues	198,500	218,770	237,470	18,700
<b>Expenditures:</b>				
Salaries and benefits	40,000	49,265	51,606	(2,341)
Public relations and marketing	63,945	74,050	86,460	(12,410)
Event expense	2,500	27,240	27,019	221
Capital outlay	98,900	61,380	37,042	24,338
Facilities	9,000	8,800	8,575	225
Administration	18,045	18,035	19,660	(1,625)
Total expenditures	232,390	238,770	230,362	8,408
Revenues over (under) expenditures	(33,890)	(20,000)	7,108	27,108
<b>Other financing sources:</b>				
Appropriated fund balance	33,890	20,000	-	(20,000)
Net change in fund balance	\$ -	\$ -	7,108	\$ (7,108)
Fund balance-beginning			77,979	
Fund balance-ending			\$ 85,087	

The accompanying notes are an integral part of these financial statements



**Beech Mountain Tourism Development Authority**  
A Component Unit of the Town of Beech Mountain, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Note 1 - Summary of Significant Accounting Policies:**

The accounting policies of Beech Mountain Tourism Development Authority conform to generally accepted accounting principles as they apply to governments. The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The North Carolina General Legislature enacted a law which authorized the Town of Beech Mountain to levy a room occupancy and tourism development tax; and the Town Council adopted a resolution levying this tax on October 1, 1987. The Town Council created Beech Mountain Tourism Development Authority on February 1, 2002 as a public authority under the Local Government Budget and Fiscal Control Act. The Authority is composed of five voting members, serving without compensation and appointed by the Town Council. Quarterly reports are to be made to the Town Council. The Authority may contract with any person, firm, or organization to advise and assist in carrying out its duty to promote travel, tourism, and conventions for the Town of Beech Mountain.

Government Accounting Standards Board Statement Number 14, "*The Financial Reporting Entity*", was used to determine that the Authority is a component unit of the Town of Beech Mountain. The Town of Beech Mountain appoints the governing board of the Authority and the Authority operates within the Town's boundaries for the benefit of the Town's residents. The Town is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget, designate its own management, and maintain its own accounting system.

**B. Basis of Presentation**

*Government -- Wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority'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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs. 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 Authority's fund.

**Beech Mountain Tourism Development Authority**  
A Component Unit of the Town of Beech Mountain, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued):**

**B. Basis of Presentation – (continued)**

The Authority has the following major governmental fund:

The General Fund is the general operating fund of the Authority and is used to account for all financial resources. The fund is used to account for the proceeds of the room occupancy tax that are legally restricted to expenditures for specified purposes.

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, the fund is maintained during the year using the modified accrual basis of accounting.

*Government – Wide Financial Statements:* The government – wide financial statements are reported using the economic resources measurement focus and 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.

*Government 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 related fund liability is incurred.

The Authority recognizes assets of non-exchange transactions in the period the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The Authority considers all revenues available if they are collected within 90 days after year-end.

**D. Budgetary Data**

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. 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 project 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.



**Beech Mountain Tourism Development Authority**  
A Component Unit of the Town of Beech Mountain, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued):**

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

**1. Deposits and Investments**

All deposits of the Authority are made in board-designated official depositories and are collateralized as required by G.S. 159-31. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, 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 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 securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

**2. Cash and cash equivalents**

All bank deposits are demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Capital outlay designated by the Authority is classified as restricted cash because they can be expended only for the purposes of capital outlay as described in the bylaws of the Authority.

Beech Mountain Tourism Development Authority Restricted Cash

Governmental Activities	
General Fund	
Capital outlay	\$ 37,105
Total restricted cash	\$ <u>37,105</u>



**Beech Mountain Tourism Development Authority**  
A Component Unit of the Town of Beech Mountain, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued):**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (continued):**

**4. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meets this criterion. 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 Authority has no items that meet this criterion.

**5. Net Position/Fund Balance**

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

**Beech Mountain Tourism Development Authority**  
A Component Unit of the Town of Beech Mountain, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Note 1 - Summary of Significant Accounting Policies (continued):**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity (continued):**

**5. Net Position/Fund Balance (continued)**

Restricted for Capital Outlay – Portion of fund balance that is restricted by the bylaws of the Authority to build and maintain recreational facilities to be used by Beech Mountain visitors and residents.

*Committed Fund Balance* – Portion of fund balance that can only be used for specific purpose by a majority vote of the Authority's governing body (highest level of decision making authority). Any change or removal of specific purposes requires majority action by the governing body.

*Assigned Fund Balance* – Portion of fund balance that the Authority intends to use for specific purposes.

*Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds.

The Authority 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-city 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 is in the best interest of the Authority.



**Beech Mountain Tourism Development Authority**  
A Component Unit of the Town of Beech Mountain, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Note 2 - Detail Notes on all Funds:**

**A. Assets**

**1. Deposits**

All the deposits of 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 Authority's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest 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 Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal policy regarding custodial credit risks 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 Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying the deposits are properly secured.

At June 30, 2014, the Authority's deposits had a carrying amount of \$25,866 and a bank balance of \$32,193. All of the bank balance was covered by the federal depository insurance.

**2. Investments**

At June 30, 2014, the Authority's investment balances were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Cash Portfolio	\$ 45,789	N/A	AAAm
Total:	<u>\$ 45,789</u>		

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



**Beech Mountain Tourism Development Authority**  
A Component Unit of the Town of Beech Mountain, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Note 2 - Detail Notes on all Funds (continued):**

**2. Investments (continued)**

*Credit risk.* The Authority has no formal policy regarding credit risk, but has internal management procedures that limits the Authority'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 Authority's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014.

**B. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The risks of loss are handled through commercial insurance coverage.

In accordance with G.S. 159-29, the Authority's finance officer is performance bonded through a commercial surety bond in the amount of \$50,000.

**C. Occupancy Taxes**

The Town of Beech Mountain collected all of the room occupancy taxes for the year ended June 30, 2014. During the year ended June 30, 2014, the Town of Beech Mountain directly collected \$224,211 of room occupancy taxes. The Town of Beech Mountain distributed \$223,913 of the total collected to the Authority during the fiscal year.

The occupancy tax collected by the Authority represents 94 percent of total revenues and other financing sources of the Authority.

**Note 3 - Subsequent Events:**

In the preparation of these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 25, 2014, the date the financial statements were available to be issued.

**Note 4 - Related Party Transactions:**

The Authority paid the Town of Beech Mountain an administrative fee equal to 3 percent of collected occupancy taxes. The administrative fee totaled \$6,717 for the year ended June 30, 2014. The Authority paid the Town of Beech Mountain rent for space located in Beech Mountain, North Carolina, totaling \$2,700 for the year ended June 30, 2014.