

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2017

Town Council Members

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

Administrative and Financial Staff

**Tim Holloman, Town Manager
Steve Smith, Finance Officer
Rebecca Ward, Tax Collector**

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

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MISTY D WATSON, CPA, P.A.
CERTIFIED PUBLIC ACCOUNTANT
PO BOX 2122
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, 2017 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, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Emergency 911 Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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.

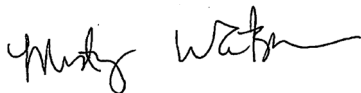
Supplementary and Other Information

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 August 24, 2017, 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
August 24, 2017

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, 2017. 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

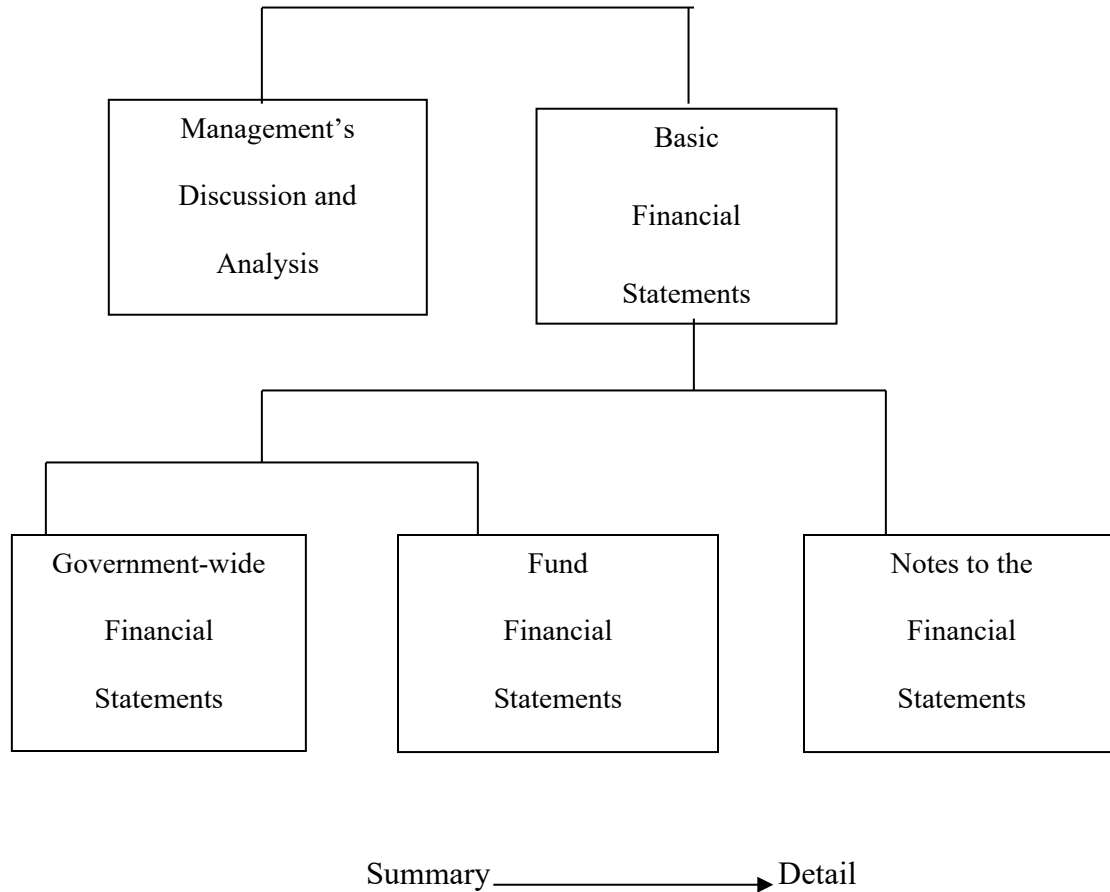
- The assets and deferred outflows of resources of the Town of Beech Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,234,264 (net position).
- The government's total net position increased by \$1,408,844 primarily due to expenses being less than budgeted and the local option sales tax being higher than budgeted.
- As of the close of the current fiscal year, the Town of Beech Mountain's governmental funds reported combined ending fund balances of \$7,471,856, a net change of \$1,222,789 in fund balance. Approximately 15.2 percent of this total amount, or \$1,132,212, is nonspendable, assigned or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,339,644, or 87.8 percent of total general fund expenditures for the fiscal year.
- The Town of Beech Mountain's total debt decreased by \$97,365 during the current fiscal year. The key factors were payments of \$487,365 for installment purchase contracts and new issuance of installment purchase contracts in the amount \$390,000.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Town of Beech Mountain adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-46 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 page 47 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>			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 8,231,430	6,667,013	4,673,234	8,283,328	12,904,664	14,950,341
Capital assets	5,703,575	5,703,724	12,879,817	9,302,884	18,583,392	15,006,608
Deferred outflows of resources	549,919	120,614	159,682	34,082	709,601	154,696
Total assets and deferred outflows of resources	14,484,924	12,491,351	17,712,733	17,620,294	32,197,657	30,111,645
Long-term liabilities, outstanding	1,498,761	517,897	6,304,414	1,772,664	7,803,175	2,290,561
Other liabilities	524,215	370,710	539,186	5,331,634	1,063,401	5,702,344
Deferred inflows of resources	87,503	115,223	9,314	22,274	96,817	137,497
Total liabilities and deferred inflows of resources	2,110,479	1,003,830	6,852,914	7,126,572	8,963,393	8,130,402
Net position:						
Net investment in capital assets	5,146,467	5,310,590	6,799,302	7,261,030	11,945,769	12,571,620
Restricted	729,137	746,427	--	--	729,137	746,427
Unrestricted	6,498,841	5,430,504	4,060,517	3,232,692	10,559,358	8,663,196
Total net position	\$ 12,374,445	11,487,521	10,859,819	10,493,722	23,234,264	21,981,243

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 \$23,234,264 at June 30, 2017. The Town’s net position increased by \$1,408,844 for the fiscal year ended June 30, 2017. However, the largest portion (45.4%) 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, \$729,137, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,559,358 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.12%.
- Actual expenditures were less than budgeted including general government.

Town of Beech Mountain's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 112,152	142,386	2,514,478	2,435,437	2,626,630	2,577,823
Operating grants and contributions	322,775	114,054	-	-	322,775	114,054
Capital grants and contributions	41,827	279,555	-	-	41,827	279,555
General Revenues:						
Property taxes	3,924,871	3,912,131	-	-	3,924,871	3,912,131
Other taxes	2,044,847	2,157,337	-	-	2,044,847	2,157,337
Component unit reimbursement for salaries	-	37,597	-	-	-	37,597
Investment earnings	21,792	15,221	16,524	9,187	38,316	24,408
Other	122,056	73,216	-	-	122,056	73,216
Total revenues	6,590,320	6,731,497	2,531,002	2,444,624	9,121,322	9,176,121
Expenses:						
General government	1,806,610	1,691,848	-	-	1,806,610	1,691,848
Public Safety	1,921,698	1,868,810	-	-	1,921,698	1,868,810
Highways/streets	1,160,470	113,289	-	-	1,160,470	1,113,289
Sanitation	-	-	364,805	363,823	364,805	363,823
Cultural and recreation	548,879	570,931	-	-	548,879	570,931
Interest on long-term debt	15,683	21,533	141,281	63,698	156,964	85,231
Water and sewer	-	-	1,658,819	1,675,721	1,658,819	1,675,721
Total expenses	5,453,340	5,266,411	2,164,905	2,103,242	7,618,245	7,369,653
Increase (decrease) in net position before special items	1,136,980	1,465,086	366,097	341,382	1,503,077	1,806,468
Special item	(94,233)	-	-	-	(94,233)	-
Increase (decrease) in net position	1,042,747	1,465,086	366,097	341,382	1,408,844	1,806,468
Net position, restated	11,331,698	9,866,612	10,493,722	10,152,340	21,825,420	20,018,952
Net position, ending	\$ 12,374,445	11,331,698	10,859,819	10,493,722	23,234,264	21,825,420

Governmental activities - Governmental activities increased the Town's net position by \$1,042,747. Key elements of this increase are as follows:

- Sales tax collected was higher than previous years.
- Expenditures being less than budgeted.

Business-type activities - Business-type activities increased the Town of Beech Mountain's net position by \$366,097. Key elements of this are as follows:

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

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Beech Mountain. At the end of the current fiscal year, the Town of Beech Mountain's fund balance available in the General Fund was \$6,339,644, while total fund balance reached \$7,219,150. The Town currently has an available fund balance of 114 percent of general fund expenditures, while total fund balance represents 130 percent of the same amount.

At June 30, 2017, the governmental funds of the Town of Beech Mountain reported a combined fund balance of \$7,471,856, with a net increase in fund balance of \$1,222,789. Included in this change in fund balance are increases/(decreases) in fund balance in both the General and Special Revenue Funds.

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

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

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,570,272 and \$490,245 for the Sanitation Fund. The total growth in net position for both funds was \$340,286 and \$25,811 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets – The Town of Beech Mountain's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$18,583,392 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, infrastructure, water facilities, and sewer facilities.

Major capital asset transactions during the year include the following:

- Purchase of a four Vehicles and various equipment for the Police Department
- Remodel of the kitchen for the rec center
- Road paving

- Purchase of an International 7400 with spreader for the Road Maintenance Department
- Pond Creek WWTP improvements
- Continued construction of Water Treatment Plant
- Continued construction for the Spruce Hollow to Parkway Waterline

Town of Beech Mountain's Capital Assets

Figure 4
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 670,526	670,526	765	765	671,291	671,290
Construction in Progress	18,289	-	6,004,195	2,179,514	6,022,484	2,179,514
Buildings and Systems	2,388,485	2,475,927	77,302	79,821	2,465,787	2,633,004
Improvements Other Than Buildings	464,779	464,384	93,854	96,924	558,633	589,314
Machinery and Equipment	452,277	535,467	48,449	53,839	500,726	502,929
Infrastructure	937,147	766,624	--	--	937,147	504,337
Vehicles and Motorized Equipment	772,072	790,797	60,142	93,766	832,214	382,541
Water Facilities	--	--	3,191,303	3,211,818	3,191,303	3,211,818
Sewer Facilities	--	--	3,403,807	3,586,437	3,403,807	3,586,437
Total	\$ 5,703,575	5,703,724	12,879,817	9,302,884	18,583,392	15,006,608

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

Town of Beech Mountain's Outstanding Debt – As of June 30, 2017, the Town of Beech Mountain's total debt decreased by \$97,365 during the past fiscal year. The Town obtained a new installment note for the purchase of a motor grader in the June 30, 2018 fiscal year in the amount \$390,000.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Beech Mountain is \$35,991,844. The Town has \$0 in bonds authorized but unissued at June 30, 2017.

Additional information regarding the Town of Beech Mountain's long-term debt can be found in note 3 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, 2018

Governmental activities – Total budgeted general fund revenues are expected to increase for 2017/2018.

The ad valorem property tax rate will remain the same at .732 cents on each hundred dollars assessed.

Local sales tax hold harmless funds are expected to increase. The Town anticipates a \$200,000 street scape grant.

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 the fiscal year ending 2018. 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 metered sales are expected to increase from the prior year.

The Water and Sewer expenditures are budgeted to increase due to the purchase of capital items including

Requests for Information

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

Town of Beech Mountain
Statement of Net Position
June 30, 2017

	Primary Government			Beech Mountain Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,264,305	2,493,332	9,757,637	208,085
Taxes receivables (net)	169,674	-	169,674	-
Accrued interest receivable on taxes	15,258	-	15,258	-
Accounts receivable (net)	-	236,703	236,703	-
Due from other governments	415,430	42,221	457,651	22,871
Inventories	35,562	-	35,562	-
Prepaid expenses	17,513	7,338	24,851	8,750
Restricted cash and cash equivalents	313,688	1,893,640	2,207,328	-
Total current assets	8,231,430	4,673,234	12,904,664	239,706
Non-current assets:				
Capital assets (Note 3):				
Land, non-depreciable improvements, and construction in progress	688,815	6,004,960	6,693,775	-
Other capital assets, net of depreciation	5,014,760	6,874,857	11,889,617	-
Total capital assets	5,703,575	12,879,817	18,583,392	-
Total assets	13,935,005	17,553,051	31,488,056	239,706
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	549,919	159,682	709,601	-
Total deferred outflows of resources	549,919	159,682	709,601	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	501,344	311,215	812,559	13,819
Due to component unit	22,871	-	22,871	-
Payable from restricted assets	-	227,971	227,971	-
Current portion of long-term liabilities	335,907	425,120	761,027	-
Total current liabilities	860,122	964,306	1,824,428	13,819
Long-term liabilities:				
Net pension liability	625,171	181,316	806,487	-
Total pension liability	168,068	-	168,068	-
Due in more than one year	369,615	5,697,978	6,067,593	-
Total liabilities	2,022,976	6,843,600	8,698,508	13,819
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	37,076	9,314	46,390	-
Prepaid taxes	50,427	-	50,427	-
Total deferred inflows of resources	87,503	9,314	96,817	-
NET POSITION				
Net investment in capital assets	5,146,467	6,799,302	11,945,769	-
Restricted for:				
Employee benefits	52,826	-	52,826	-
Public safety	271,038	-	271,038	-
Stabilization of State Statute	405,633	-	405,633	22,871
Tourism promotion	-	-	-	203,016
Unrestricted	6,498,481	4,060,517	10,558,998	-
Total net position	\$ 12,374,445	10,859,819	23,234,264	225,887

Town of Beech Mountain Statement of Activities For the year ended June 30, 2017				Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Program Revenues			Primary Government		Beech Mountain Tourism Development Authority	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,806,610	14,471	40,203	-	(1,751,936)	-	(1,751,936)
Public safety	1,921,698	39,872	135,054	23,538	(1,723,234)	-	(1,723,234)
Transportation	1,160,470	-	117,986	18,289	(1,024,195)	-	(1,024,195)
Cultural and recreation	548,879	57,809	29,532	-	(461,538)	-	(461,538)
Interest on long-term debt	15,683	-	-	-	(15,683)	-	(15,683)
Total governmental activities	5,453,340	112,152	322,775	41,827	(4,976,586)	-	(4,976,586)
Business-type activities:							
Water and sewer	1,800,100	2,125,409	-	-	-	325,309	325,309
Sanitation	364,805	389,069	-	-	-	24,264	24,264
Total business-type activities	2,164,905	2,514,478	-	-	-	349,573	349,573
Total primary government	\$ 7,618,245	2,626,630	322,775	-	(4,976,586)	349,573	(4,627,013)
Component unit:							
Tourism Development Authority	\$ 249,390	-	300,265	-	-	-	50,875
Total component unit	\$ 249,390	-	300,265	-	-	-	50,875
General revenues:							
Taxes:							
Property taxes, levied for general purpose	3,924,871	-	-	-	-	3,924,871	-
Other taxes	2,044,847	-	-	-	-	2,044,847	-
Unrestricted investment earnings	21,792	-	-	-	16,524	38,316	10
Miscellaneous	122,056	-	-	-	-	122,056	6,366
Total general revenues	6,113,566	-	-	-	16,524	6,130,090	6,376
Special item	(94,233)	-	-	-	-	(94,233)	-
Change in net position	1,042,747	-	-	-	366,097	1,408,844	57,251
Net position, previously restated	11,487,521	-	-	-	10,493,722	21,981,243	168,636
Restatement	(155,823)	-	-	-	-	(155,823)	-
Net position, beginning, restated	11,331,698	-	-	-	10,493,722	21,825,420	168,636
Net position, ending	12,374,445	-	-	-	10,859,819	23,234,264	225,887

**Town of Beech Mountain
Balance Sheet
Governmental Funds
June 30, 2017**

	Major Funds			
	General	Emergency Telephone System	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,021,411	241,270	1,624	7,264,305
Receivables, net:				
Taxes	169,674	-	-	169,674
Accounts	-	-	-	-
Due from other governments	405,633	9,797	-	415,430
Prepaid expenses	17,513	-	-	17,513
Inventories	35,562	-	-	35,562
Restricted cash and cash equivalents	313,688	-	-	313,688
Total assets	<u>7,963,481</u>	<u>251,067</u>	<u>1,624</u>	<u>8,216,172</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	500,999	345	-	501,344
Due to component unit	22,871	-	-	22,871
Total liabilities	<u>523,870</u>	<u>345</u>	<u>-</u>	<u>524,215</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	169,674	-	-	169,674
Prepaid taxes	50,427	-	-	50,427
Total deferred inflows of resources	<u>220,101</u>	<u>-</u>	<u>-</u>	<u>220,101</u>
FUND BALANCES				
Nonspendable				
Inventories	35,562	-	-	35,562
Prepaid expenses	17,513	-	-	17,513
Restricted				
Stabilization of State Statute	405,633	-	-	405,633
Employee benefits	52,826	-	-	52,826
Public safety	18,692	250,722	1,624	271,038
Assigned				
Uninsured claims	100,000	-	-	100,000
Public safety	250,000	-	-	250,000
Unassigned	6,339,284	-	-	6,339,284
Total fund balances	<u>7,219,510</u>	<u>250,722</u>	<u>1,624</u>	<u>7,471,856</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,963,481</u>	<u>251,067</u>	<u>1,624</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	12,390,197	
Accumulated depreciation	<u>(6,686,622)</u>	5,703,575

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.

15,258

Deferred outflows of resources related to pensions are not reported in the funds

549,919

Liabilities for earned revenue considered deferred inflows

169,674

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

 Net Pension liability

(625,171)

 Total Pension liability

(168,068)

 Deferred inflows of resources related to pensions are not reported in the funds

(37,076)

 Gross long-term debt

(705,522)

Net position of governmental activities

12,374,445

Town of Beech Mountain
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2017

	Major Funds		Total	Total
	General	Emergency	Nonmajor	Governmental
	Fund	Telephone	Funds	Funds
		System		
REVENUES				
Ad valorem taxes	\$ 3,881,800	-	-	3,881,800
Other taxes and licenses	55,824	-	-	55,824
Unrestricted intergovernmental	1,989,023	-	-	1,989,023
Restricted intergovernmental	200,016	135,054	-	335,070
Permits and fees	39,872	-	-	39,872
Sales and services	57,809	-	-	57,809
Investment earnings	21,497	295	-	21,792
Miscellaneous	144,628	-	3,028	147,656
Total revenues	6,390,469	135,349	3,028	6,528,846
EXPENDITURES				
Current:				
General government	1,763,238	-	-	1,763,238
Public safety	1,810,566	55,446	1,502	1,867,514
Transportation	1,271,600	-	-	1,271,600
Cultural and recreation	476,166	-	-	476,166
Debt service:				
Principal retirement	131,022	-	-	131,022
Interest and other charges	15,683	-	-	15,683
Total expenditures	5,468,275	55,446	1,502	5,525,223
Excess (deficiency) of revenues over expenditures	922,194	79,903	1,526	1,003,623
OTHER FINANCING SOURCES (USES)				
Gain (loss) from sale of fixed assets	18,403	-	-	18,403
Installment loan proceeds	294,996	-	-	294,996
Total other financing sources (uses)	313,399	-	-	313,399
SPECIAL ITEM				
Lawsuit settlement	(94,233)	-	-	(94,233)
Net change in fund balance	1,141,360	79,903	1,526	1,222,789
Fund balances, beginning	6,078,150	170,819	98	6,248,969
Fund balances, ending	\$ 7,219,510	250,722	1,624	7,471,856

Town of Beech Mountain
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of
Activities
Governmental Funds
For the year ended June 30, 2017

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

Net changes in fund balances - total governmental funds	\$ 1,222,789
<p>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.</p>	
Capital outlay expenditures which were capitalized	636,603
Depreciation expense for governmental assets	(636,753)
	(150)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	136,828
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in unavailable revenue for tax revenues	42,313
Change in accrued interest receivable on taxes	756
<p>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.</p>	
Principal payments on long-term debt	131,022
New long-term debt issued	(294,996)
<p>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.</p>	
Pension expense	(182,321)
Compensated absences	(13,494)
Net position of governmental activities	\$ <u>1,042,747</u>

Town of Beech Mountain
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2017

	General Fund			Emergency Telephone System Fund				
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:								
Ad valorem taxes	\$ 3,842,304	3,872,304	3,881,800	9,496 (13,176)	\$ -	-	-	-
Other taxes and licenses	69,000	69,000	55,824	247,523	-	-	-	-
Unrestricted intergovernmental	1,741,500	1,741,500	1,989,023	(40,114)	117,877	117,877	135,054	17,177
Restricted intergovernmental	142,400	240,130	200,016	15,372	-	-	-	-
Permits and fees	24,500	24,500	39,872	(191)	-	-	-	-
Sales and services	58,000	58,000	57,809	(503)	-	-	295	295
Investment earnings	7,000	22,000	21,497	(12,055)	-	-	-	-
Transfer from component unit	45,000	45,000	32,945	45,446	-	-	-	-
Miscellaneous	81,000	66,237	111,683	251,798	-	-	-	-
Total revenues	6,010,704	6,138,671	6,390,469		117,877	117,877	135,349	17,472
Expenditures:								
Current:								
General government	2,107,599	1,845,156	1,763,238	81,918	-	-	-	-
Public safety	1,919,584	2,119,791	1,810,566	309,225	117,877	177,600	55,446	122,154
Transportation	1,381,734	1,381,734	1,271,600	110,134	-	-	-	-
Cultural and recreation	558,429	585,507	476,166	109,341	-	-	-	-
Debt service:					-	-	-	-
Principal retirement	131,022	131,022	131,022	-	-	-	-	-
Interest and other charges	15,683	15,683	15,683	-	-	-	-	-
Total expenditures	6,114,051	6,078,893	5,468,275	610,618	-	-	-	-
Revenues over (under) expenditures	(103,347)	59,778	922,194	862,416	-	(59,723)	79,903	139,626
Other financing sources (uses):								
Gain (loss) sale of fixed assets	-	500	18,403	17,903	-	-	-	-
Transfer from reserve	-	-	-	-	-	60,000	-	(60,000)
Transfer to other funds	-	-	-	-	-	(277)	-	277
Installment loan proceeds	-	-	294,996	294,996	-	-	-	-
Transfer to fund balance	-	(487,800)	-	487,800	-	-	-	-
Fund balance appropriated	103,347	427,522	-	(427,522)	-	-	-	-
Total other financing sources (uses)	103,347	(59,778)	313,399	373,177	-	59,723	-	(59,723)
Special items:								
Lawsuit settlement	-	-	(94,233)	94,233	-	-	-	-
Net change in fund balance	\$ -	-	1,141,360	1,141,360	-	-	79,903	79,903
Fund balances, beginning			6,078,150					170,819
Fund balances, ending			7,219,510					250,722

**Town of Beech Mountain
Statement of Fund Net Position
Proprietary Funds
June 30, 2017**

	Major Enterprise Funds		
	Sanitation	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 483,802	2,009,530	2,493,332
Restricted cash and cash equivalents	-	1,893,640	1,893,640
Accounts receivable (net)	34,169	202,534	236,703
Prepaid expenses	2,173	5,165	7,338
Due from other governments	-	42,221	42,221
Total current assets	520,144	4,153,090	4,673,234
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	6,004,960	6,004,960
Other capital assets, net of depreciation	158,304	6,716,553	6,874,857
Capital assets	158,304	12,721,513	12,879,817
Total noncurrent assets	158,304	12,721,513	12,879,817
Total assets	678,448	16,874,603	17,553,051
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	44,711	114,971	159,682
Total deferred outflows of resources	44,711	114,971	159,682
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	11,069	300,146	311,215
Liabilities payable from restricted assets	-	227,971	227,971
Installment purchases payable - current	-	382,536	382,536
Compensated absences - current	9,985	32,599	42,584
Total current liabilities	21,054	943,252	964,306
Noncurrent liabilities:			
Net pension liability	50,768	130,548	181,316
Installment purchases payable - noncurrent	-	5,697,978	5,697,978
Total noncurrent liabilities	50,768	5,828,526	5,879,294
Total liabilities	71,822	6,771,778	6,843,600
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,788	6,526	9,314
NET POSITION			
Net investment in capital assets	158,304	6,640,998	6,799,302
Unrestricted	490,245	3,570,272	4,060,517
Total net position	\$ 648,549	10,211,270	10,859,819

Town of Beech Mountain
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Major Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 346,502	2,049,576	2,396,078
Water and sewer tap fees	-	12,922	12,922
Availability fees	-	43,539	43,539
Other operating revenues	42,567	19,372	61,939
Total operating revenues	389,069	2,125,409	2,514,478
OPERATING EXPENSES			
Administration	-	173,508	173,508
Water treatment and distribution	-	632,788	632,788
Waste collection and treatment	-	230,184	230,184
Taps and systems maintenance	-	180,447	180,447
Sanitation	330,796	-	330,796
Depreciation	34,009	441,892	475,901
Total operating expenses	364,805	1,658,819	2,023,624
Operating income (loss)	24,264	466,590	490,854
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	1,547	14,977	16,524
Interest and other charges	-	(141,281)	(141,281)
Total nonoperating revenues (expenses)	1,547	(126,304)	(124,757)
Change in net position	25,811	340,286	366,097
Total net position, beginning	622,738	9,870,984	10,493,722
Total net position, ending	\$ 648,549	10,211,270	10,859,819

**Town of Beech Mountain
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017**

	Major Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 389,250	2,056,470	2,445,720
Cash paid for goods and services	(82,886)	(787,030)	(869,916)
Cash paid to or on behalf of employees for services	(248,418)	(580,096)	(828,514)
Customer deposits received	-	5,450	5,450
Customer deposits returned	-	-	-
Net cash provided (used) by operating activities	57,946	694,794	752,740
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(4,052,834)	(4,052,834)
Installment proceeds	-	95,004	95,004
Principal paid on bonds and notes	-	(356,343)	(356,343)
Interest paid on bonds and notes	-	(141,281)	(141,281)
Net cash provided (used) by capital and related financing activities	-	(4,455,454)	(4,455,454)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,547	14,977	16,524
Net cash provided (used) by investing activities	1,547	14,977	16,524
Net increase (decrease) in cash and cash equivalents	59,493	(3,745,683)	(3,686,190)
Balances, beginning	424,309	7,648,853	8,073,162
Balances, ending	\$ 483,802	3,903,170	4,386,972
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 24,264	466,590	490,854
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	34,009	441,892	475,901
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(47)	(34,265)	(34,312)
(Increase) decrease in prepaid expenses	(2,173)	(5,165)	(7,338)
(Increase) decrease in due from other governments	228	(34,674)	(34,446)
Increase (decrease) in accounts payable and accrued liabilities	(648)	240,900	240,252
Increase (decrease) in liabilities payable from restricted assets	-	(389,140)	(389,140)
Increase (decrease) in customer deposits	-	-	-
Increase (decrease) in deferred outflows of resources - pension deferrals	(34,234)	(91,366)	
Increase (decrease) in net pension liability	40,269	106,894	147,163
Increase (decrease) in deferred inflows of resources - pension deferrals	(4,059)	(8,901)	(12,960)
Increase (decrease) in compensated absences	(2,684)	(2,876)	(5,560)
Total adjustments	33,682	228,204	261,886
Net cash provided by operating activities	\$ 57,946	694,794	752,740

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017

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

The Town reports the following major governmental funds:

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

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

The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone Special Revenue Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Funds. The enterprise fund capital projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

3. Restricted Assets

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

<u>Town of Beech Mountain Restricted Cash</u>	
General Fund	
Transportation	\$ 294,996
Public Safety	<u>18,692</u>
Total Governmental Activities	\$ <u>313,688</u>
Water and Sewer Fund	
Water Treatment Plant	\$ 1,570,665
Water and Sewer	95,004
Customer deposits	<u>227,971</u>
Total Business-type Activities	\$ <u><u>1,893,640</u></u>
Total Restricted Cash	\$ <u><u>2,207,328</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016.

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, 2017

7. Capital Assets

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals made in the 2017 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 pension deferrals.

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, 2017

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

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

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

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

Public safety – portion of fund balance that is assigned to cover public safety expenditures for the Town.

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, 2017

Note II– 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 two of three 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, 2017, the Town's deposits had a carrying amount of \$4,276,604 and a bank balance of \$4,290,271. Of the bank balance, \$606,200 was covered by the federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2017, the Town's petty cash fund totaled \$150.

At June 30, 2017, the Authority's deposits had a carrying amount of \$205,980 and a bank balance of \$228,110. All of the bank balance was covered by federal depository insurance.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

2. Investments

Investment Type	Valuation Measurement Method	Book Value at 6/30/17	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	<u>\$ 6,471,807</u>	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	<u>1,216,404</u>	.09 years	Unrated
Total:		<u>\$ 7,688,211</u>		

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

Level of fair value hierarchy: Level 1: Debt securities valued using the directly observable, quoted prices (unadjusted) in active markets for identical assets.

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

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. 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, 2017, the Authority had \$2,105 invested with the North Carolina Capital Management Trust's Government 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, 2017 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 7,338
Enterprise Fund:	
Water and Sewer Fund-accounts receivable	<u>10,160</u>
Total	\$ <u>17,498</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 670,526	-	-	670,526
Construction in progress	-	18,289	-	18,289
Total capital assets not being depreciated	670,526	18,289	-	688,815
Capital assets being depreciated:				
Buildings	3,785,744	6,172	-	3,791,916
Other improvements	804,224	26,665	-	830,889
Equipment	2,882,857	177,871	-	3,060,728
Vehicles and motorized equipment	2,321,047	157,696	48,659	2,430,084
Infrastructure	1,337,855	249,910	-	1,587,765
Total capital assets being depreciated	11,131,727	618,314	48,659	11,701,382
Less accumulated depreciation for:				
Buildings	1,309,817	93,614	-	1,403,431
Other Improvements	339,840	26,270	-	366,110
Equipment	2,347,390	261,061	-	2,608,451
Vehicles and motorized equipment	1,530,250	176,420	48,659	1,658,011
Infrastructure	571,231	79,388	-	650,619
Total accumulated depreciation	6,098,528	636,753	48,659	6,686,622
Total capital assets being depreciated, net	5,033,199			5,014,760
Governmental activity capital assets, net	\$ 5,703,724			5,703,575

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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

General government	\$ 31,693
Public Safety	257,385
Cultural and recreational	108,601
Transportation	<u>239,074</u>
Total depreciation expense	\$ <u>636,753</u>

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Business-type activities:				
Sanitation Fund				

Capital assets being depreciated:

Land improvements	\$ 122,888	-	-	122,888
Equipment	28,879	-	-	28,879
Vehicles	454,351	-	-	454,351
Total capital assets being depreciated	<u>606,118</u>	-	-	<u>606,118</u>

Less accumulated depreciation for:

Land Improvements	25,964	3,070	-	29,034
Equipment	23,715	856	-	24,571
Vehicles	364,126	30,083	-	394,209
Total accumulated depreciation	<u>413,805</u>	<u>34,009</u>	-	<u>447,814</u>
Total capital assets being depreciated, net	<u>192,313</u>			<u>158,304</u>
Sanitation fund capital assets, net	<u>192,313</u>			<u>158,304</u>

Water and Sewer Fund

Capital assets not being depreciated

Land	765	-	-	765
Construction in progress	2,179,514	3,824,681	-	6,004,195
Total capital assets not being depreciated	<u>\$ 2,180,279</u>	<u>3,824,681</u>	-	<u>6,004,960</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and land improvements	\$ 95,712	-	-	95,712
Water facilities	6,585,973	228,153	-	6,814,126
Sewer facilities	6,326,289	-	-	6,326,289
Furniture and equipment	155,164	-	-	155,164
Vehicles	163,766	-	-	163,766
Total capital assets being depreciated	13,326,904	228,153	-	13,555,057
Less accumulated depreciation for:				
Buildings and land improvements	15,891	2,519	-	18,410
Water facilities	3,374,155	248,668	-	3,622,823
Sewer facilities	2,739,852	182,630	-	2,922,482
Furniture and equipment	106,459	4,564	-	111,023
Vehicles	160,255	3,511	-	163,766
Total accumulated depreciation	6,396,612	441,892	-	6,838,504
Total capital assets being depreciated, net	6,930,292			6,716,553
Water and Sewer fund capital assets, net	9,110,571			12,721,513
Business-type activities capital assets, net	\$ 9,302,884			12,879,817

Construction commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Waterline	\$ 1,249,669	296,853
Water Treatment Plant	4,754,526	1,420,474
	<u>\$ 6,004,195</u>	<u>1,717,327</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Beech Mountain employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Beech Mountain's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Beech Mountain were \$176,758 for the year ended June 30, 2017.

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, 2017, the Town reported a liability of \$806,487 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Town's proportion was 0.038%, which was an increase of 0.00346% from its proportion measured as of June 30, 2015.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

For the year ended June 30, 2017, the Town recognized pension expense of \$213,706. At June 30, 2017, 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	\$ 15,153	28,260
Changes of assumptions	55,237	-
Net difference between projected and actual earnings on pension plan investments	445,886	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,567	14,381
Town contributions subsequent to the measurement date	176,758	-
Total	\$ 709,601	42,641

\$176,758 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 72,320
2019	72,327
2020	213,846
2021	131,797
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2017

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability (asset)	1,914,171	806,487	(118,732)

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

b. Law Enforcement Officers Special Separation Allowance

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Active plan members	<u>10</u>
Total	<u>10</u>

Summary of Significant Accounting Policies.

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

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

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$168,068. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$15,991.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions and other inputs	-	3,749
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>3,749</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	701
2019		701
2020		701
2021		701
2022		701
Thereafter		244

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total Pension Liability	183,849	168,068	153,496

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

Beginning balance	\$ 155,826
Service Cost	11,129
Interest on the total pension liability	5,563
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(4,450)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 168,068</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. The Town made contributions of \$30,282 for the reporting year. No amounts were forfeited.

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. The Town made contributions of \$87,760 for the reporting year.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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	\$ 176,758
Benefits payments made and administrative costs for LEOSA	-
Differences between expected and actual experience	15,153
Changes of assumptions	55,237
Net difference between projected and actual	445,886
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,567
	<u>709,601</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 50,427	\$ 50,427
Differences between expected and actual experience	28,260	-
Changes of assumptions and other inputs	3,749	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,381	-
Taxes receivable (General Fund), less penalties	-	169,674
Total	\$ <u>96,817</u>	\$ <u>220,101</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

4. Risk Management

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

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

The Town has no flood insurance due to lack of feasibility.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer for the Town and tax collector are individually bonded for \$220,000 and \$50,000, respectively. 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, 2017, the Town was a defendant in one lawsuit. In the aggregate the claims seek monetary damages in significant amounts. The claim was settled in August 2017 totaling \$94,233, resulting in an accrual as of June 30, 2017 for the full amount.

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.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

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

On May 25, 2017, The Town entered into an installment purchase contract with BB&T to purchase a motor grader and maintenance equipment. The financing service contract is being serviced by the Water and Sewer Fund and the General Fund and requires annual principal and interest payments of \$83,199, with an interest rate of 2.19%.

The future minimum payments of installment purchases as of June 30, 2017 are as follows:

Year Ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2018	\$ 187,493	16,916	328,536	47,490
2019	188,798	10,452	336,181	37,587
2020	58,972	3,960	332,742	29,968
2021	60,263	2,668	119,010	18,907
2022	61,582	1,349	119,434	16,226
2023-2027	-	-	498,010	45,120
2028-2032	-	-	99,602	2,256
Total	\$ 557,108	35,435	1,833,515	197,554

b. Revenue Bond

\$4,300,000 Water and Sewer Revenue Bonds, Series 2017, issued for water and sewer system improvements. Principal installments are due annually on June 1st at an annual interest rate of 3.375%.

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

The future payments of the revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 54,000	143,336
2019	56,000	141,514
2020	58,000	139,624
2021	60,000	137,666
2022	62,000	135,641
2023-2027	342,000	645,435
2028-2032	403,000	583,739
2033-2037	476,000	510,975
2038-2042	562,000	425,014
2043-2047	664,000	323,562
2048-2052	784,000	203,614
2053-2057	726,000	62,168
Total	<u>\$ 4,247,000</u>	<u>3,452,288</u>

At June 30, 2017, the Town of Beech Mountain had a legal debt margin of \$35,991,844.

c. Changes in Long-term Liabilities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 393,134	294,996	131,022	557,108	187,493
Compensated absences	134,920	98,347	84,853	148,414	148,414
Net pension liability (LGERS)	120,865	504,306	-	625,171	-
Total pension liability (LEO)	-	168,068	-	168,068	-
Governmental activity Long-term liabilities	<u>\$ 648,919</u>	<u>1,065,717</u>	<u>215,875</u>	<u>1,498,761</u>	<u>335,907</u>
Business-type activities:					
Installment purchase	\$ 2,041,854	95,004	303,343	1,833,515	328,536
Bond anticipation notes	4,300,000	-	4,300,000	-	-
Revenue bonds	-	4,300,000	53,000	4,247,000	54,000
Compensated absences	48,144	30,299	35,859	42,584	42,584
Net pension liability (LGERS)	34,153	147,163	-	181,316	-
Business-type activities Long-term liabilities	<u>\$ 6,424,151</u>	<u>4,572,446</u>	<u>4,692,202</u>	<u>6,304,415</u>	<u>425,120</u>

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Interfund Balances and Activity

There were no transfers between funds.

e. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 5,703,575	\$ 12,879,817
less: long-term debt	557,108	6,080,515
Net investment in capital asset	<u>\$ 5,146,467</u>	<u>\$ 6,799,302</u>

f. Fund Balance

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

Total fund balance-General Fund	<u>\$ 7,219,510</u>
Less:	
Inventories	35,562
Prepaid expenses	17,513
Stabilization by State Statute	405,633
Uninsured claims	100,000
Public safety	268,692
Employee benefits	52,826
Remaining Fund Balance	\$ 6,339,284

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, 2017, the Town paid \$26,000 to the Fire Department in accordance with the terms of this agreement.

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

TOWN OF BEECH MOUNTAIN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Note V- Subsequent Events

The Town has evaluated all subsequent events for potential recognition and disclosure through August 24, 2017, the date these financial statements were available to be issued.

Note VI -Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note VII - Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$155,823.

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

Local Government Employees' Retirement System

	2017	2016	2015	2014
Beech Mountain's proportion of the net pension liability (asset) (%)	0.03800%	0.03454%	0.03713%	0.03830%
Beech Mountain's proportion of the net pension liability (asset) (\$)	\$ 806,487	\$ 155,018	\$ (218,973)	\$ 461,662
Beech Mountain's covered-employee payroll	\$ 2,436,264	\$ 2,436,264	\$ 2,140,659	\$ 2,010,980
Beech Mountain's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.10%	6.36%	(10.23%)	22.96%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 176,758	\$ 154,696	\$ 153,802	\$ 142,896
Contributions in relation to the contractually required contribution	176,758	154,696	153,802	142,896
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beech Mountain's covered-employee payroll	\$ 2,432,357	\$ 2,436,264	\$ 2,140,659	\$ 2,010,980
Contributions as a percentage of covered- employee payroll	7.27%	6.35%	7.18%	7.11%

TOWN OF BEECH MOUNTAIN
Schedule of changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Beginning balance	\$ 155,826
Service cost	11,129
Interest on the total pension liability	5,563
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(4,450)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u><u>\$168,068</u></u>

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

TOWN OF BEECH MOUNTAIN
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Total pension liability	\$ 168,068
Covered payroll	436,781
Total pension liability as a percentage of covered payroll	38.48%

Notes to the Schedules:

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

TOWN OF BEECH MOUNTAIN
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	3,863,756	
Penalties and interest		18,044	
Total	<u>3,872,304</u>	<u>3,881,800</u>	<u>9,496</u>
Other taxes and licenses			
Fire district		55,824	
	<u>69,000</u>	<u>55,824</u>	<u>(13,176)</u>
Unrestricted intergovernmental revenues			
Utility franchise tax		280,422	
Hold harmless funds		256,020	
Beer and wine tax		1,480	
Local option sales tax		1,419,201	
Cable tv franchise sales tax		31,900	
Total	<u>1,741,500</u>	<u>1,989,023</u>	<u>247,523</u>
Restricted intergovernmental revenues			
Powell Bill allocation		113,020	
Other grants - federal & state		86,996	
Total	<u>240,130</u>	<u>200,016</u>	<u>(40,114)</u>
Permits, fees and fines			
Building inspection fees		35,877	
Planning and zoning fees		3,995	
Total	<u>24,500</u>	<u>39,872</u>	<u>15,372</u>
Sales and services:			
Recreation department fees	<u>58,000</u>	<u>57,809</u>	<u>(191)</u>
Investment earnings	<u>22,000</u>	<u>21,497</u>	<u>(503)</u>
Other revenues			
Component unit reimbursement for salaries		32,945	
Rental income		5,500	
Miscellaneous		105,188	
Special events		995	
Total	<u>111,237</u>	<u>144,628</u>	<u>33,391</u>
Total Revenues	<u>6,138,671</u>	<u>6,390,469</u>	<u>251,798</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration			
Salaries and employee benefits	\$	469,263	
Professional services		156,030	
Sales tax reimbursement		826,446	
Other operating expenditures		250,567	
Total		<u>1,702,306</u>	
Tax collection			
Salaries and employee benefits		55,458	
Professional services		1,153	
Other operating expenditures		4,321	
Total		<u>60,932</u>	
Total general government	<u>1,845,156</u>	<u>1,763,238</u>	<u>81,918</u>
Public safety			
Police			
Salaries and employee benefits		910,542	
Vehicle maintenance		25,285	
Other operating expenditures		86,015	
Capital outlay		274,715	
Total		<u>1,296,557</u>	
Fire			
Salaries and employee benefits		102,104	
Other operating expenditures		214,300	
Capital outlay		2,006	
Total		<u>318,410</u>	
Inspections			
Salaries and employee benefits		75,281	
Professional services		4,106	
Other operating expenditures		533	
Total		<u>79,920</u>	
Planning			
Salaries and employee benefits		88,350	
Other operating expenditures		6,146	
Capital outlay		21,183	
Total		<u>115,679</u>	
Total public safety	<u>2,119,791</u>	<u>1,810,566</u>	<u>309,225</u>

Statement 1

TOWN OF BEECH MOUNTAIN
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Transportation			
Vehicle maintenance			
Salaries and employee benefits	\$	128,467	
Other operating expenditures		10,099	
Total		138,566	
Road maintenance			
Salaries and employee benefits		562,335	
Other operating expenditures		126,654	
Capital outlay		444,045	
Total		1,133,034	
Total transportation	1,381,734	1,271,600	110,134
Cultural and recreation			
Recreation			
Salaries and employee benefits		324,382	
Professional services		15,825	
Other operating expenditures		119,845	
Capital outlay		16,114	
Total		476,166	
Total culture and recreation	585,507	476,166	109,341
Debt service			
Principal retirement	131,022	131,022	-
Interest expense	15,683	15,683	-
Total debt service	146,705	146,705	-
Total Expenditures	6,078,893	5,468,275	610,618
Revenues over (under) expenditures	59,778	922,194	862,416
Other financing sources (uses):			
Transfer to fund balance	(487,800)	-	487,800
Installment loan proceeds	-	294,996	294,996
Gain (loss) on sale of fixed assets	500	18,403	17,903
Total	(487,300)	313,399	800,699
Special items			
Lawsuit	-	(94,233)	(94,233)
Fund balance appropriated	\$ 427,522	-	(427,522)
Net change in fund balance	-	1,141,360	1,235,593
Fund balances, beginning		6,078,150	
Fund balances, ending		\$ 7,219,510	

Statement 2

TOWN OF BEECH MOUNTAIN
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenues	\$ 117,877	\$ 135,054	\$ 17,177
Investment earnings	<u>-</u>	<u>295</u>	<u>295</u>
Total Revenues	<u>117,877</u>	<u>135,349</u>	<u>17,472</u>
Expenditures:			
Telephone	19,000	13,888	5,112
Training	4,000	1,177	2,823
Repairs and maintenance	9,500	2,870	6,630
Contract services	40,000	37,511	2,489
Supplies and materials	5,100	-	5,100
Capital outlay	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenditures	<u>177,600</u>	<u>55,446</u>	<u>122,154</u>
Revenues over (under) expenditures	(59,723)	79,903	139,626
Other financing sources (uses):			
Transfer to other funds	(277)	-	277
Transfer from reserve	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	79,903	<u>\$ 79,903</u>
Fund balance, beginning		<u>170,819</u>	
Fund balance, ending		<u>\$ 250,722</u>	

TOWN OF BEECH MOUNTAIN
Special Police Revenue Fund - Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental revenues	\$ -	\$ -	\$ -
Unrestricted intergovernmental revenues	-	-	-
Other revenues	3,500	3,028	(472)
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>3,500</u>	<u>3,028</u>	<u>(472)</u>
Expenditures:			
Other	<u>3,500</u>	<u>1,502</u>	<u>1,998</u>
Total Expenditures	<u>3,500</u>	<u>1,502</u>	<u>1,998</u>
Revenues over (under) expenditures	\$ <u>-</u>	<u>1,526</u>	\$ <u>1,526</u>
Fund balance, beginning		<u>98</u>	
Fund balance, ending		<u>\$ <u>1,624</u></u>	

TOWN OF BEECH MOUNTAIN
Sanitation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAPP)
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES :			
Charges for services	\$	346,502	
Solid waste disposal tax		167	
Recycling revenue		42,400	
Total operating revenues	<u>368,600</u>	<u>389,069</u>	<u>20,469</u>
Nonoperating revenues:			
Interest earnings	<u>-</u>	<u>1,547</u>	<u>1,547</u>
Total revenues	<u>368,600</u>	<u>390,616</u>	<u>22,016</u>
EXPENDITURES :			
Sanitation:			
Salaries and employee benefits		248,420	
Vehicle maintenance		8,429	
Other operating expenditures		74,655	
Total sanitation	<u>368,600</u>	<u>331,504</u>	<u>37,096</u>
Total expenditures	<u>368,600</u>	<u>331,504</u>	<u>37,096</u>
Revenues over (under) expenditures	<u>-</u>	<u>59,112</u>	<u>59,112</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>59,112</u>	<u>59,112</u>

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

Revenues and other sources over expenditures and other uses	59,112
Reconciling items:	
Depreciation	(34,009)
Decrease in deferred inflows of resources - pensions	4,059
Increase in deferred outflows of resources - pensions	34,234
Increase in net pension liability	(40,269)
Decrease in accrued vacation pay	<u>2,684</u>
Total reconciling items	<u>(33,301)</u>
Change in net position	<u>\$ 25,811</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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$	2,049,576	
Availability fee		43,539	
Water and sewer tap fees		12,922	
Miscellaneous		8,509	
Total operating revenues	<u>1,996,500</u>	<u>2,114,546</u>	<u>118,046</u>
Nonoperating revenues:			
Interest earnings	<u>3,000</u>	<u>8,349</u>	<u>5,349</u>
Total nonoperating revenues	<u>3,000</u>	<u>8,349</u>	<u>5,349</u>
Total Revenues	<u>1,999,500</u>	<u>2,122,895</u>	<u>123,395</u>
Expenditures:			
Water and sewer administration:			
Salaries		75,007	
Insurance		44,834	
Other operating expenditures		55,955	
Total water and sewer administration	<u>229,445</u>	<u>175,796</u>	<u>53,649</u>
Water treatment:			
Salaries and employee benefits		277,977	
Utilities		168,698	
Other operating expenditures		182,722	
Total water treatment	<u>692,367</u>	<u>629,397</u>	<u>62,970</u>
Waste collection and treatment:			
Salaries and employee benefits		112,106	
Utilities		45,913	
Other operating expenses		70,770	
Total wastewater treatment	<u>\$ 255,603</u>	<u>228,789</u>	<u>26,814</u>
Taps and system maintenance:			
Salaries and employee benefits	\$	114,826	
Other operating expenses		64,186	
Total taps and system maintenance	<u>187,402</u>	<u>179,012</u>	<u>8,390</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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Debt Service:			
Interest and other charges		141,281	
Principal retirement		356,343	
Total debt service	<u>498,015</u>	<u>497,624</u>	<u>391</u>
Capital outlay:			
Waste collection		228,153	
Water treatment		1,249,669	
Total capital outlay	<u>1,538,836</u>	<u>1,477,822</u>	<u>61,014</u>
Total expenditures	<u>3,401,668</u>	<u>3,188,440</u>	<u>213,228</u>
Revenues over (under) expenditures	<u>(1,402,168)</u>	<u>(1,065,545)</u>	<u>336,623</u>
Other financing sources (uses):			
Transfer from Water and Sewer Capital Project Fund -			
Grassy Gap Creek	-	-	-
Transfer to water and sewer capital project fund -			
water treatment plant	(29,342)	-	(29,342)
Installment loan proceeds	-	95,004	(95,004)
Fund balance appropriated	<u>1,431,510</u>	<u>-</u>	<u>1,431,510</u>
Total other sources	<u>1,402,168</u>	<u>95,004</u>	<u>1,307,164</u>
Revenues and other sources over expenditures and other sources	<u>\$ -</u>	<u>(970,541)</u>	<u>(970,541)</u>

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

Revenues and other sources over expenditures and other sources	(970,541)
Reconciling items:	
Issuance of long-term debt	(95,004)
Principal retirement	356,343
Capital outlay	1,477,822
Increase in accrued vacation pay	2,874
Decrease in deferred inflows of resources - pensions	8,721
Increase in deferred outflows of resources - pensions	91,366
Increase in net pension liability	(106,894)
Other income from Water and Sewer Capital Projects Fund - water treatment plant	10,863
Interest Water and Sewer Capital Projects Fund - water treatment plan	6,628
Depreciation	(441,892)
Total reconciling items	<u>1,310,827</u>
Change in net position	<u>\$ 340,286</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, 2017

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues					
Miscellaneous revenues	\$ -	-	10,863	10,863	(10,863)
Investment earnings	-	4,294	6,628	10,922	(10,922)
Total	-	4,294	17,491	21,785	(21,785)
Expenditures					
Construction costs	\$ 6,175,000	2,179,514	2,575,012	4,754,526	1,420,474
Total	6,175,000	2,179,514	2,575,012	4,754,526	1,420,474
Revenues under expenditures	(6,175,000)	(2,179,514)	(2,557,521)	(4,754,526)	(1,420,474)
Other financing sources (uses):					
Transfers from other funds:					
Loan proceeds	4,300,000	4,300,000	-	4,300,000	-
From General Fund	1,400,000	1,400,000	-	1,400,000	-
From Water and Sewer Fund	475,000	320,000	-	320,000	155,000
Total other sources	6,175,000	6,020,000	-	6,020,000	155,000
Revenues and other sources over (under) expenditures	\$ -	3,840,486	(2,557,521)	1,265,474	(1,265,474)

Statement 7

TOWN OF BEECH MOUNTAIN
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016 - 2017	\$ -	3,900,536	3,827,249	73,287
2015 - 2016	72,095	-	24,271	47,824
2014 - 2015	30,511	-	5,266	25,245
2013 - 2014	13,617	-	2,286	11,331
2012 - 2013	8,413	-	488	7,925
2011 - 2012	7,294	-	1,418	5,876
2010 - 2011	2,386	-	-	2,386
2009 - 2010	2,820	-	1,036	1,784
2008 - 2009	2,223	-	1,139	1,084
2007 - 2008	1,173	-	603	570
2006 - 2007	826	-	826	-
	<u>\$ 141,358</u>	<u>3,900,536</u>	<u>3,864,582</u>	<u>177,312</u>

Less: allowance for uncollectible accounts:
 General Fund

(7,338)

Ad valorem taxes receivable - net

169,974

Reconcilement with revenues:

Ad valorem taxes - General Fund	3,881,800
Reconciling items:	
Interest collected	(18,044)
Taxes written off	826
Total collections and credits	<u>3,864,582</u>

TOWN OF BEECH MOUNTAIN

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2017

	Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 523,179,918	0.732	3,829,677	3,829,677	-
Registered motor vehicles at current year's rate	<u>7,530,328</u>	0.732	<u>55,122</u>	<u>-</u>	<u>55,122</u>
Total	530,710,246		3,884,799	3,829,677	55,122
Discoveries:					
Current year taxes	3,011,370		21,983	21,983	-
Abatements	<u>(853,279)</u>		<u>(6,246)</u>	<u>(6,246)</u>	<u>-</u>
Total property valuation:	<u><u>\$ 532,868,337</u></u>				
Net levy			3,900,536	3,845,414	55,122
Uncollected taxes at June 30, 2017			<u>(73,287)</u>	<u>(73,287)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,827,249</u>	<u>3,772,127</u>	<u>55,122</u>
Current levy collection percentage			<u>98.12%</u>	<u>98.09%</u>	<u>100.00%</u>

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

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based
On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Beech Mountain, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Beech Mountain's basic financial statements, and have issued our report thereon dated August 24, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2017-1 and 2017-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

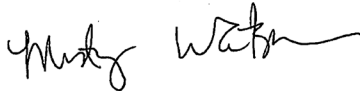
As part of obtaining reasonable assurance about whether the Town of Beech Mountain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Town of Beech Mountain's Response to Findings

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

Purpose of this Report

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

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

Misty D Watson, CPA, PA
Boone, NC
August 24, 2017

**TOWN OF BEECH MOUNTAIN,
NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
---------------------------------	------------

Internal control over financial reporting:

- | | |
|--|------------|
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None noted |

Non-compliance material to financial statements noted?	No
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**TOWN OF BEECH MOUNTAIN,
NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. Financial Statement Findings

Finding 2017-1:

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

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

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

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

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

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

Name of Contact Person: Steve Smith, Finance Officer

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

Finding 2017-2:

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

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

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

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

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

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

Name of Contact Person: Steve Smith, Finance Officer

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

TOWN OF BEECH MOUNTAIN
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Federal Grants:			
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant	14.228	40,202	-
Total assistance - State programs		40,202	
State Grants:			
<u>NC Department of Public Safety</u>			
Byrne Justice Assistance Grants	16.738	-	23,538
<u>NC Department of Transportation:</u>			
Powell Bill		-	113,020
Sidepath Project	Project # 31730-02		4,966
Total assistance - State programs		-	136,558
Total assistance		\$ 80,404	278,082