

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

## **FINANCIAL STATEMENTS**

**JUNE 30, 2018**

### **Town Council Members**

Renee Castiglione, Mayor  
Weidner Abernethy  
Barry Kaufman  
Carl Marquardt  
Wendel Sauer

### **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, 2018 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, 2018, 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.

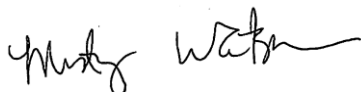
### ***Supplementary and Other Information***

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 October 12, 2018, on our consideration of Town of Beech Mountain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Beech Mountain's internal control over financial reporting and compliance.



Boone, NC  
October 12, 2018

## 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, 2018. 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**

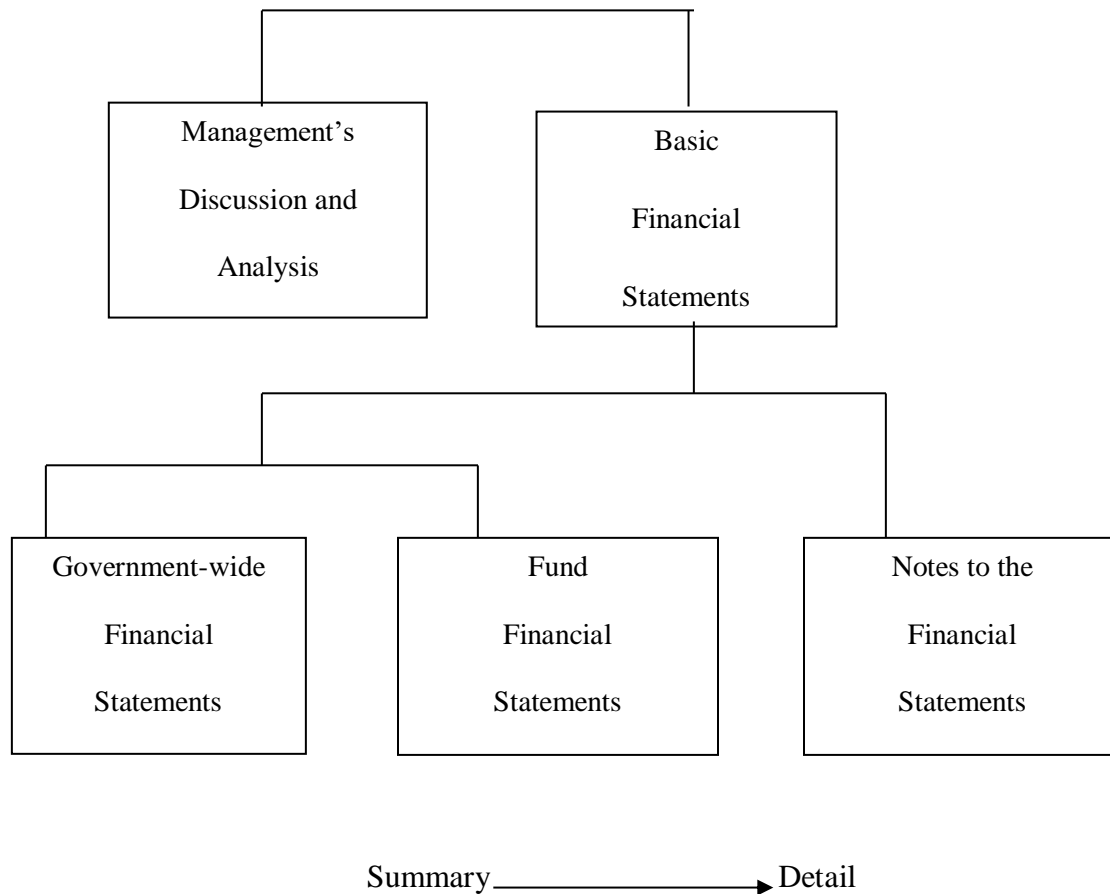
- The assets and deferred outflows of resources of the Town of Beech Mountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,359,807 (net position).
- The government's total net position increased by \$1,125,543 primarily due to expenses being less 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 \$8,232,983, a net change of 761,127 in fund balance. Approximately 60 percent of this total amount, or \$4,936,293, is nonspendable, assigned or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,296,690, or 55 percent of total general fund expenditures for the fiscal year.
- The Town of Beech Mountain's total debt decreased by \$730,579 during the current fiscal year. The key factors were payments of \$570,029 for installment purchase notes.

#### **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 20-47 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 48 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>			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 8,887,656	8,231,430	3,544,051	4,673,234	12,431,707	12,904,664
Capital assets	5,907,051	5,703,575	13,534,835	12,879,817	19,441,886	18,583,392
Deferred outflows of resources	356,011	549,919	122,980	159,682	478,991	709,601
Total assets and deferred outflows of resources	15,150,718	14,484,924	17,201,866	17,712,733	32,352,584	32,197,657
Long-term liabilities, outstanding	1,186,927	1,498,761	5,897,758	6,304,414	7,084,685	7,803,175
Other liabilities	399,202	524,215	431,892	539,186	831,094	1,063,401
Deferred inflows of resources	70,266	87,503	6,732	9,314	76,998	96,817
Total liabilities and deferred inflows of resources	1,656,395	2,110,479	6,336,382	6,852,914	7,992,777	8,963,393
Net position:						
Net investment in capital assets	5,537,526	5,146,467	7,838,535	6,799,302	13,376,061	11,945,769
Restricted	794,041	729,497	--	--	794,041	729,497
Unrestricted	7,162,756	6,498,481	3,026,949	4,060,517	10,189,705	10,558,998
Total net position	\$ 13,494,323	12,374,445	10,865,484	10,859,819	24,359,807	23,234,264

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 \$24,359,807 at June 30, 2018. The Town’s net position increased by \$1,125,543 for

the fiscal year ended June 30, 2018. However, the largest portion (54.9%) 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, \$794,041, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,189,705 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 97.6%.
- 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 157,041	112,152	2,550,033	2,514,478	2,707,074	2,626,630
Operating grants and contributions	196,900	322,775	-	-	196,900	322,775
Capital grants and contributions	55,686	41,827	-	-	55,686	41,827
General Revenues:						
Property taxes	3,967,176	3,924,871	-	-	3,967,176	3,924,871
Other taxes	2,122,274	2,044,847	-	-	2,122,274	2,044,847
Investment earnings	70,028	21,792	38,506	16,524	108,534	38,316
Other	272,211	122,056	5,526	-	277,737	122,056
Total revenues	6,841,316	6,590,320	2,594,065	2,531,002	9,435,381	9,121,322
Expenses:						
General government	1,842,714	1,806,610	-	-	1,842,714	1,806,610
Public Safety	1,944,734	1,921,698	-	-	1,944,734	1,921,698
Highways/streets	1,203,535	1,160,470	-	-	1,203,535	1,160,470
Sanitation	-	-	398,169	364,805	398,169	364,805
Cultural and recreation	674,878	548,879	-	-	674,878	548,879
Special projects	40,001	-	-	-	40,001	-
Interest on long-term debt	15,576	15,683	190,395	141,281	205,971	156,964
Water and sewer	-	-	1,999,836	1,658,819	1,999,836	1,658,819
Total expenses	5,721,438	5,453,340	2,588,400	2,164,905	8,309,838	7,618,245
Increase (decrease) in net position	1,119,878	1,042,747	5,665	366,097	1,125,543	1,408,844
Net position, beginning	12,374,445	11,331,698	10,859,819	10,493,722	23,234,264	21,825,420
Net position, ending	\$ 13,494,323	12,374,445	10,865,484	10,859,819	24,359,807	23,234,264

**Governmental activities** - Governmental activities increased the Town's net position by \$1,119,878. 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 \$5,526. 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 \$3,296,690, while total fund balance reached \$7,950,881. The Town currently has an available fund balance of 55 percent of general fund expenditures, while total fund balance represents 133 percent of the same amount.

At June 30, 2018, the governmental funds of the Town of Beech Mountain reported a combined fund balance of \$8,232,983, with a net increase in fund balance of \$761,127. 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.

**Proprietary Funds** - The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,501,409 and \$525,540 for the Sanitation Fund. The total growth in net position for both funds was \$4,379 and \$1,286 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, 2018, totals \$19,441,886 (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 multiple Vehicles for the General Fund and Water and Sewer Fund
- Road paving
- Purchase of equipment including a Skid Steer, Motorgrader and a Backhoe
- Continued construction of Water Treatment Plant
- Completed construction for the Spruce Hollow to Parkway Waterline

## Town of Beech Mountain's Capital Assets

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>208</u>	<u>2017</u>
Land	\$ 670,346	670,526	765	765	671,111	671,291
Construction in Progress	-	18,289	5,485,231	6,004,195	5,485,231	6,022,484
Buildings and Systems	2,295,847	2,388,485	76,850	77,302	2,372,697	2,465,787
Improvements Other Than Buildings	505,285	464,779	90,784	93,854	596,069	558,633
Machinery and Equipment	601,755	452,277	208,224	48,449	809,979	809,999
Infrastructure	1,111,275	937,147	--	--	1,111,275	937,147
Vehicles and Motorized Equipment	722,543	772,072	30,059	60,142	752,602	832,214
Water Facilities	--	--	4,420,832	3,191,303	4,420,832	3,191,303
Sewer Facilities	--	--	3,222,090	3,403,807	3,222,090	3,403,807
<b>Total</b>	<b>\$ 5,907,051</b>	<b>5,703,575</b>	<b>13,534,835</b>	<b>12,879,817</b>	<b>19,441,886</b>	<b>18,583,392</b>

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, 2018, the Town of Beech Mountain's total debt decreased by \$730,579 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Beech Mountain is \$36,921,670. The Town has \$0 in bonds authorized but unissued at June 30, 2018.

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, 2019**

**Governmental activities** – Total budgeted general fund revenues are expected to increase for 2018/2019.

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

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

**Business-type activities** – The budgeted expenditures for the water and sewer fund are expected to decrease for 2018/2019.

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 purchased 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 decrease.

## **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**  
**6/30/2018**

	Primary Government			Beech Mountain
	Governmental	Business-type	Total	Tourism Development
	Activities	Activities		Authority
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 8,142,327	2,289,843	10,432,170	211,392
Taxes receivables (net)	195,125	-	195,125	-
Accrued interest receivable on taxes	16,450	-	16,450	-
Accounts receivable (net)	3,093	227,282	230,375	-
Due from other governments	441,690	19	441,709	19,130
Inventories	31,270	-	31,270	-
Prepaid expenses	10,982	3,936	14,918	-
Restricted cash and cash equivalents	46,719	1,022,971	1,069,690	-
Total current assets	8,887,656	3,544,051	12,431,707	230,522
Non-current assets:				
Capital assets (Note 3):				
Land, non-depreciable improvements, and construction in progress	670,346	5,485,996	6,156,342	-
Other capital assets, net of depreciation	5,236,705	8,048,839	13,285,544	-
Total capital assets	5,907,051	13,534,835	19,441,886	-
Total assets	14,794,707	17,078,886	31,873,593	230,522
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	356,011	122,980	478,991	-
Total deferred outflows of resources	356,011	122,980	478,991	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	380,072	201,958	582,030	10,117
Due to component unit	19,130	-	19,130	-
Payable from restricted assets	-	229,934	229,934	-
Current portion of long-term liabilities	371,672	433,089	804,761	-
Total current liabilities	770,874	864,981	1,635,855	10,117
Long-term liabilities:				
Net pension liability	443,817	160,550	604,367	-
Total pension liability	190,621	-	190,621	-
Due in more than one year	180,817	5,304,119	5,484,936	-
Total liabilities	1,586,129	6,329,650	7,915,779	10,117
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	26,370	6,732	33,102	-
Prepaid taxes	43,896	-	43,896	-
Total deferred inflows of resources	70,266	6,732	76,998	-
<b>NET POSITION</b>				
Net investment in capital assets	5,537,526	7,838,535	13,376,061	-
Restricted for:				
Employee benefits	55,425	-	55,425	-
Public safety	300,794	-	300,794	-
Stabilization of State Statute	437,822	-	437,822	19,130
Tourism promotion	-	-	-	201,275
Unrestricted	7,162,756	3,026,949	10,189,705	-
Total net position	\$ 13,494,323	10,865,484	24,359,807	220,405

Town of Beech Mountain Statement of Activities For the year ended June 30, 2018				Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Program Revenues			Primary Government	Beech Mountain	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental Activities:						
General government	\$ 1,842,714	57,349	-	-	(1,785,365)	(1,785,365)
Public safety	1,944,734	33,264	83,531	29,712	(1,798,227)	(1,798,227)
Transportation	1,203,535	-	113,369	25,974	(1,064,192)	(1,064,192)
Cultural and recreation	674,878	66,428	-	-	(608,450)	(608,450)
Special projects	40,001	-	-	-	(40,001)	-
Interest on long-term debt	15,576	-	-	-	(15,576)	-
Total governmental activities	5,721,438	157,041	196,900	55,686	(5,311,811)	(5,271,810)
Business-type activities:						
Water and sewer	2,190,231	2,154,941	-	-	(35,290)	(35,290)
Sanitation	398,169	395,092	-	-	(3,077)	(3,077)
Total business-type activities	2,588,400	2,550,033	-	-	(38,367)	(38,367)
Total primary government	\$ 8,309,838	2,707,074	196,900	-	(5,311,811)	(5,310,177)
Component unit:						
Tourism Development Authority	\$ 329,708	-	323,694	-	-	(6,014)
Total component unit	\$ 329,708	-	323,694	-	-	(6,014)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					3,967,176	-
Other taxes					2,122,274	-
Unrestricted investment earnings					38,506	25
Gain (loss) on sale of fixed assets					5,526	-
Miscellaneous					235,811	507
Total general revenues					6,431,689	532
Change in net position					1,119,878	(5,482)
Net position, beginning					12,374,445	225,887
Net position, ending					13,494,323	220,405

**Town of Beech Mountain  
Balance Sheet  
Governmental Funds  
June 30, 2018**

	<b>Major Funds</b>		<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>Emergency Telephone System</b>		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,867,173	270,985	4,169	8,142,327
Receivables, net:				
Taxes	195,125	-	-	195,125
Accounts	3,093	-	-	3,093
Due from other governments	434,729	6,961	-	441,690
Prepaid expenses	10,982	-	-	10,982
Inventories	31,270	-	-	31,270
Restricted cash and cash equivalents	46,719	-	-	46,719
Total assets	<u>8,589,091</u>	<u>277,946</u>	<u>4,169</u>	<u>8,871,206</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued liabilities	380,059	13	-	380,072
Due to component unit	19,130	-	-	19,130
Total liabilities	<u>399,189</u>	<u>13</u>	<u>-</u>	<u>399,202</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	195,125	-	-	195,125
Prepaid taxes	43,896	-	-	43,896
Total deferred inflows of resources	<u>239,021</u>	<u>-</u>	<u>-</u>	<u>239,021</u>
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	31,270	-	-	31,270
Prepaid expenses	10,982	-	-	10,982
Restricted				
Stabilization of State Statute	437,822	-	-	437,822
Employee benefits	55,425	-	-	55,425
Public safety	18,692	277,933	4,169	300,794
Committed				
Public safety	500,000	-	-	500,000
Watauga Intake	2,000,000	-	-	2,000,000
Shane Park project	200,000	-	-	200,000
Public Works building	200,000	-	-	200,000
Public Safety building	200,000	-	-	200,000
Lake Coffey building and bathrooms	200,000	-	-	200,000
Hill stabilization at Buckeye Lake	200,000	-	-	200,000
Assigned				
Uninsured claims	100,000	-	-	100,000
Public safety	500,000	-	-	500,000
Unassigned	3,296,690	-	-	3,296,690
Total fund balances	<u>7,950,881</u>	<u>277,933</u>	<u>4,169</u>	<u>8,232,983</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>8,589,091</u>	<u>277,946</u>	<u>4,169</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		12,959,466		
Accumulated depreciation		<u>(7,052,415)</u>		5,907,051
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.				16,450
Deferred outflows of resources related to pensions are not reported in the funds				356,011
Liabilities for earned revenue considered deferred inflows				195,125
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.				
Net Pension liability				(443,817)
Total Pension liability				(190,621)
Deferred inflows of resources related to pensions are not reported in the funds				(26,370)
Gross long-term debt				<u>(552,489)</u>
Net position of governmental activities				<u>13,494,323</u>



**Town of Beech Mountain**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended June 30, 2018**

	<b>Major Funds</b>		<b>Total</b>	<b>Total</b>
	<b>General</b>	<b>Emergency</b>	<b>Nonmajor</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Telephone</b>	<b>Funds</b>	<b>Funds</b>
		<b>System</b>		
<b>REVENUES</b>				
Ad valorem taxes	\$ 3,940,533	-	-	3,940,533
Other taxes and licenses	92,969	-	-	92,969
Unrestricted intergovernmental	2,029,305	-	-	2,029,305
Restricted intergovernmental	169,055	83,531	-	252,586
Permits and fees	33,264	-	-	33,264
Sales and services	66,428	-	-	66,428
Investment earnings	69,201	827	-	70,028
Miscellaneous	286,035	-	7,219	293,254
Total revenues	6,686,790	84,358	7,219	6,778,367
<b>EXPENDITURES</b>				
Current:				
General government	1,848,658	-	-	1,848,658
Public safety	1,697,846	57,147	4,674	1,759,667
Transportation	1,574,315	-	-	1,574,315
Cultural and recreation	628,153	-	-	628,153
Special projects	39,685	-	-	-
Debt service:				
Principal retirement	187,586	-	-	187,586
Interest and other charges	15,576	-	-	15,576
Total expenditures	5,991,819	57,147	4,674	6,053,640
Excess (deficiency) of revenues over expenditures	694,971	27,211	2,545	724,727
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain (loss) from sale of fixed assets	36,400	-	-	36,400
Installment loan proceeds	-	-	-	-
Total other financing sources (uses)	36,400	-	-	36,400
<b>SPECIAL ITEM</b>				
Lawsuit settlement	-	-	-	-
Net change in fund balance	731,371	27,211	2,545	761,127
Fund balances, beginning	7,219,510	250,722	1,624	7,470,232
Fund balances, ending	\$ 7,950,881	277,933	4,169	8,232,983

**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, 2018**

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

Net changes in fund balances - total governmental funds	\$	761,127
<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	853,118	
Depreciation expense for governmental assets	<u>(649,462)</u>	203,656
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		133,785
<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		25,451
Change in accrued interest receivable on taxes		1,192
<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		187,493
New long-term debt issued		
<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		(158,365)
Compensated absences		<u>(34,461)</u>
Net position of governmental activities	\$	<u><u>1,119,878</u></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, 2018**

	<b>General Fund</b>			<b>Emergency Telephone System Fund</b>		
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>
						<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>						
Ad valorem taxes	\$ 3,892,304	3,917,154	3,940,533	\$ -	-	-
Other taxes and licenses	69,000	69,000	92,969			23,969
Unrestricted intergovernmental	1,983,071	2,025,311	2,029,305	-	-	3,994
Restricted intergovernmental	313,020	364,520	169,055	83,531	83,531	(195,465)
Permits and fees	34,500	20,500	33,264	-	-	12,764
Sales and services	52,000	52,000	66,428	-	-	14,428
Investment earnings	10,500	38,060	69,201	-	-	31,141
Miscellaneous	173,952	196,271	286,035	-	-	89,764
Total revenues	6,528,347	6,682,816	6,686,790	83,531	83,531	84,358
						827
<b>Expenditures:</b>						
Current:						
General government	2,341,923	2,122,366	1,848,658	-	-	273,708
Public safety	1,955,966	2,006,001	1,697,846	203,000	230,000	308,155
Transportation	1,641,252	1,800,238	1,574,315	-	-	225,923
Cultural and recreation	616,798	690,545	628,153	-	-	62,392
Special projects	-	47,625	39,685	-	-	7,940
Debt service:						
Principal retirement	220,205	187,494	187,586	-	-	(92)
Interest and other charges	47,203	16,915	15,576	-	-	1,339
Total expenditures	6,823,347	6,871,184	5,991,819	-	-	879,365
Revenues over (under) expenditures	(295,000)	(188,368)	694,971	(119,469)	(146,469)	883,339
<b>Other financing sources (uses):</b>						
Gain (loss) sale of fixed assets	-	33,000	36,400	-	-	3,400
Transfer from reserve	-	-	-	119,469	119,469	(119,469)
Transfer to other funds	-	-	-	-	-	-
Installment loan proceeds	295,000	-	-	-	-	-
Transfer to fund balance	-	(437,604)	-	-	-	437,604
Fund balance appropriated	-	592,972	-	-	27,000	(27,000)
Total other financing sources (uses)	295,000	188,368	36,400	119,469	146,469	(146,469)
Net change in fund balance	\$ -	-	731,371	-	-	27,211
Fund balances, beginning			7,219,510			250,722
Fund balances, ending			<u>7,950,881</u>			<u>277,933</u>

**Town of Beech Mountain  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2018**

	<b>Major Enterprise Funds</b>		
	<b>Sanitation</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 519,139	1,770,704	2,289,843
Restricted cash and cash equivalents	-	1,022,971	1,022,971
Accounts receivable (net)	33,051	194,231	227,282
Prepaid expenses	1,556	2,380	3,936
Due from other governments	-	19	19
Total current assets	553,746	2,990,305	3,544,051
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	5,485,996	5,485,996
Other capital assets, net of depreciation	124,295	7,924,544	8,048,839
Capital assets	124,295	13,410,540	13,534,835
Total noncurrent assets	124,295	13,410,540	13,534,835
Total assets	678,041	16,400,845	17,078,886
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	31,655	91,325	122,980
Total deferred outflows of resources	31,655	91,325	122,980
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	10,326	191,632	201,958
Liabilities payable from restricted assets	-	229,934	229,934
Installment purchases payable - current	-	392,181	392,181
Compensated absences - current	6,476	34,432	40,908
Total current liabilities	16,802	848,179	864,981
Noncurrent liabilities:			
Net pension liability	41,326	119,224	160,550
Installment purchases payable - noncurrent	-	5,304,119	5,304,119
Total noncurrent liabilities	41,326	5,423,343	5,464,669
Total liabilities	58,128	6,271,522	6,329,650
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	1,733	4,999	6,732
<b>NET POSITION</b>			
Net investment in capital assets	124,295	7,714,240	7,838,535
Unrestricted	525,540	2,501,409	3,026,949
Total net position	\$ 649,835	10,215,649	10,865,484

**Town of Beech Mountain**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Major Enterprise Funds</b>		
	<b>Sanitation Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 348,940	2,119,021	2,467,961
Water and sewer tap fees	-	3,000	3,000
Availability fees	-	20,566	20,566
Other operating revenues	46,152	12,354	58,506
Total operating revenues	395,092	2,154,941	2,550,033
<b>OPERATING EXPENSES</b>			
Administration	-	375,237	375,237
Water treatment and distribution	-	668,658	668,658
Waste collection and treatment	-	243,606	243,606
Taps and systems maintenance	-	199,187	199,187
Sanitation	364,160	-	364,160
Depreciation	34,009	513,148	547,157
Total operating expenses	398,169	1,999,836	2,398,005
<b>Operating income (loss)</b>	(3,077)	155,105	152,028
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	4,363	34,143	38,506
Gain (loss) on fixed assets	-	5,526	5,526
Interest and other charges	-	(190,395)	(190,395)
Total nonoperating revenues (expenses)	4,363	(150,726)	(146,363)
Change in net position	1,286	4,379	5,665
Total net position, beginning	648,549	10,211,270	10,859,819
Total net position, ending	\$ 649,835	10,215,649	10,865,484

**Town of Beech Mountain  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

	Major Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 396,209	2,205,445	2,601,654
Cash paid for goods and services	(108,127)	(892,506)	(1,000,633)
Cash paid to or on behalf of employees for services	(257,108)	(687,283)	(944,391)
Customer deposits received	-	15,450	15,450
Customer deposits returned	-	(13,487)	(13,487)
Net cash provided (used) by operating activities	30,974	627,619	658,593
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	-	(1,224,653)	(1,224,653)
Proceeds from sale of fixed assets		28,005	
Principal paid on bonds and notes	-	(384,214)	(384,214)
Interest paid on bonds and notes	-	(190,395)	(190,395)
Net cash provided (used) by capital and related financing activities	-	(1,771,257)	(1,771,257)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	4,363	34,143	38,506
Net cash provided (used) by investing activities	4,363	34,143	38,506
Net increase (decrease) in cash and cash equivalents	35,337	(1,109,495)	(1,074,158)
Balances, beginning	483,802	3,903,170	4,386,972
Balances, ending	\$ 519,139	2,793,675	3,312,814
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (3,077)	155,105	152,028
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	34,009	513,148	547,157
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	1,118	8,303	9,421
(Increase) decrease in prepaid expenses	617	2,785	3,402
(Increase) decrease in due from other governments	-	42,202	42,202
Increase (decrease) in accounts payable and accrued liabilities	(743)	(108,515)	(109,258)
Increase (decrease) in liabilities payable from restricted assets	-	1,963	1,963
(Increase) decrease in deferred outflows of resources - pension deferrals	13,056	23,646	
Increase (decrease) in net pension liability	(9,442)	(11,324)	(20,766)
Increase (decrease) in deferred inflows of resources - pension deferrals	(1,055)	(1,527)	(2,582)
Increase (decrease) in compensated absences	(3,509)	1,833	(1,676)
Total adjustments	34,051	472,514	506,565
Net cash provided by operating activities	\$ 30,974	627,619	658,593

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**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, 2018**

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.



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

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

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Beech Mountain because the tax is levied by Watauga and Avery County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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**D. Budgetary Data**

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

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's and the Authority's investments are reported at fair value. The securities of the NCCMT 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.

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3. Restricted Assets

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

<u>Town of Beech Mountain Restricted Cash</u>	
General Fund	
Transportation	\$ 28,027
Public Safety	18,692
Total Governmental Activities	\$ <u>46,719</u>
Water and Sewer Fund	
Water Treatment Plant	\$ 783,351
Water and Sewer	9,686
Customer deposits	<u>229,934</u>
Total Business-type Activities	\$ <u><u>1,022,971</u></u>
Total Restricted Cash	\$ <u><u>1,069,690</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, 2017.

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.

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7. Capital Assets

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

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

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

8. Deferred Outflows/Inflows of Resources

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

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costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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.

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

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute. [G.S. 159-8(a)] in the amount \$437,822.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures in the amount \$300,794.

Restricted for Employee benefits – portion of fund balance that is restricted by revenue source for certain future employee benefits in the amount \$55,425.

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.

Public Safety – portion of fund balance that is committed to cover public safety expenditures for the Town in the amount \$700,000.

Water Intake-Beech Mountain is in need of an additional water source and the projected total cost is 16 million. Each year the town will increase the portion of fund balance dedicated to this purpose. The Town set aside \$2,000,000.

Shane Outpost Park- The project is expected to cost \$900,000 and the Town is setting aside this portion as a match for grants in the amount \$200,000.

Public Works Building-In continued planning for infrastructure the town has dedicated this amount to a project that will cost between \$1.5 and \$1.9 million. The Town set aside funds totaling \$200,000.

Lake Coffey Building-This building will be replaced by a new facility and the current level of dedication is expected to increase until the facility is constructed The Town set aside funds in the amount \$200,000.

Hill Stabilization at Buckeye- The Town is studying the soil in this area and this amount is set-aside for future construction. It is anticipated that this amount will be increased until the project is constructed. The Town set aside funds in the amount \$200,000.

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

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Uninsured claims – portion of fund balance 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.

**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

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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, 2018, the Town's deposits had a carrying amount of \$1,995,830 and a bank balance of \$2,094,828. Of the bank balance, \$603,750 was covered by the federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2018, the Town's petty cash fund totaled \$150.

At June 30, 2018, the Authority's deposits had a carrying amount of \$209,262 and a bank balance of \$227,172. All of the bank balance was covered by federal depository insurance.

2. Investments

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/18</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Government Portfolio	Amortized Cost	<u>\$4,754,770</u>	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	<u>4,751,110</u>	.09 years	Unrated
Total:		<u><u>\$ 9,505,880</u></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, 2018. 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.



**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
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At June 30, 2018, the Authority had \$2,130 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, 2018 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 7,475
Enterprise Fund:	
Water and Sewer Fund-accounts receivable	<u>18,600</u>
Total	\$ <u>26,075</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 670,526	-	180	670,346
Construction in progress	18,289	-	18,289	-
Total capital assets not being depreciated	<u>688,815</u>	-	18,469	<u>670,346</u>
<b>Capital assets being depreciated:</b>				
Buildings	3,791,916	-	-	3,791,916
Other improvements	830,889	75,735	-	906,624
Equipment	3,060,728	399,326	204,953	3,255,101
Vehicles and motorized equipment	2,430,084	129,744	78,716	2,481,112
Infrastructure	1,587,765	266,602	-	1,854,367
Total capital assets being depreciated	<u>11,701,382</u>	<u>871,407</u>	<u>283,669</u>	<u>12,289,120</u>

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**Less accumulated depreciation for:**

Buildings	1,403,431	92,638	-	1,496,069
Other Improvements	366,110	35,229	-	401,339
Equipment	2,608,451	249,848	204,953	2,653,346
Vehicles and motorized equipment	1,658,011	179,274	78,716	1,758,569
Infrastructure	650,619	92,473	-	743,092

Total accumulated depreciation	6,686,622	649,462	283,669	7,052,415
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Total capital assets being depreciated, net	5,014,760	5,236,705
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<b>Governmental activity capital assets, net</b>	<b>\$ 5,703,575</b>	<b>5,907,051</b>
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Depreciation expense was charged to function/programs of the primary government as follows:

General government	\$ 23,933
Public Safety	237,506
Cultural and recreational	121,821
Transportation	266,202
Total depreciation expense	\$ 649,462

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Business-type activities:</b>				
<b>Sanitation Fund</b>				

**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	606,118	-	-	606,118

**Less accumulated depreciation for:**

Land Improvements	29,034	3,070	-	32,104
Equipment	24,571	856	-	25,427
Vehicles	394,209	30,083	-	424,292
Total accumulated depreciation	447,814	34,009	-	481,823
Total capital assets being depreciated, net	158,304			124,295
Sanitation fund capital assets, net	158,304			124,295

## Water and Sewer Fund

	Beginning			Ending
<b>Capital assets not being depreciated</b>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
Land	765	-	-	765
Construction in progress	6,004,195	730,705	1,249,669	5,485,231
Total capital assets not being depreciated	\$ 6,004,960	730,705	1,249,669	5,485,996

**Capital assets being depreciated:**

Buildings and land improvements	\$ 95,712	-	-	95,712
Water facilities	6,814,126	1,525,424	57,699	8,281,851
Sewer facilities	6,326,289	-	-	6,326,289
Furniture and equipment	155,164	192,728	95,117	252,775
Vehicles	163,766	25,466	28,098	161,134
Total capital assets being depreciated	13,555,057	1,743,618	180,914	15,117,761

**Less accumulated depreciation for:**

Buildings and land improvements	18,410	452	-	18,862
Water facilities	3,622,823	295,895	57,699	3,861,019
Sewer facilities	2,922,482	181,717	-	3,104,199
Furniture and equipment	111,023	32,097	95,117	48,003
Vehicles	163,766	2,987	5,619	161,134
Total accumulated depreciation	6,838,504	513,148	158,435	7,193,217
Total capital assets being depreciated, net	6,716,553			7,924,544
Water and Sewer fund capital assets, net	12,721,513			13,410,540

<b>Business-type activities capital assets, net</b>	<b>\$ 12,879,817</b>	<b>13,534,835</b>
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## Construction commitments

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water Treatment Plant	\$ 5,485,231	-
	\$ 5,485,231	-

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**B. Liabilities**

**1. Pension Plan Obligations**

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

*Plan Description:* The Town of Beech Mountain is a participating employer in the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Beech Mountain employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Beech Mountain's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.5% 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 \$177,308 for the year ended June 30, 2018.

*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, 2018, the Town reported a liability of \$604,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.03956%, which was an increase of 0.00156% from its proportion measured as of June 30, 2016.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

For the year ended June 30, 2018, the Town recognized pension expense of \$204,544. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 34,817	17,108
Changes of assumptions	86,312	-
Net difference between projected and actual earnings on pension plan investments	146,742	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,764	8,233
Town contributions subsequent to the measurement date	177,308	-
Total	<u>\$ 462,943</u>	<u>25,341</u>

\$177,308 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 31,704
2020	178,867
2021	93,389
2022	(43,666)
2023	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2018**

The actuarial assumptions used in the December 31, 2016 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, 2017 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	100%	

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 7.20%. 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, 2018**

*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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of net pension liability (asset)	1,814,324	604,367	(405,565)

*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, 2016, 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, 2018**

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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 \$4,350 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, 2018, the Town reported a total pension liability of \$190,621. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$18,673.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	4,713
Changes of assumptions and other inputs	11,698	3,048
Benefit payments and administrative expenses subsequent to the measurement date	4,350	-
Total	<u>\$ 16,048</u>	<u>7,761</u>

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

\$4,350 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:**

2019	\$	1,622
2020		1,622
2021		1,622
2022		1,622
2023		1,165
Thereafter		108

\$4,350 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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total Pension Liability	208,432	190,621	174,202

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

Beginning balance	\$ 168,068
Service Cost	11,086
Interest on the total pension liability	6,424
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(5,634)
Changes of assumptions or other inputs	13,983
Benefit payments	(3,306)
Other changes	-
Ending balance of the total pension liability	<u>\$ 190,621</u>

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 204,544	\$ 18,673	\$ 223,217
Pension Liability	604,367	190,621	794,988
Proportionate share of the net pension liability	0.03956%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	34,817	-	34,817
Changes of assumptions	86,312	11,698	98,010
Net difference between projected and actual earnings on plan investments	146,742	-	146,742
Changes in proportion and differences between contributions and proportionate share of contributions	17,764	-	17,764
Benefit payments and administrative costs paid subsequent to the measurement date	177,308	4,350	181,658
Deferred of Inflows of Resources			
Differences between expected and actual experience	17,108	4,713	21,821
Changes of assumptions	-	3,048	3,048
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,233	-	8,233

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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 \$27,934 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 \$83,272 for the reporting year.

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.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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	\$ 177,308
Benefits payments made and administrative costs for LEOSSA	4,350
Differences between expected and actual experience	34,817
Changes of assumptions	98,010
Net difference between projected and actual	146,742
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,764
	<u>478,991</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)	\$ 43,896	\$ 43,896
Differences between expected and actual experience	21,821	-
Changes of assumptions and other inputs	3,048	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,233	-
Taxes receivable (General Fund), less penalties	-	195,125
Total	\$ <u>76,998</u>	\$ <u>239,021</u>

4. Risk Management

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

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

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

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2018**

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.

6. Long-term Obligations

a. Installment Purchases

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

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

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

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

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%.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

The future minimum payments of installment purchases as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	-	-	99,602	13,536
2024-2028	-	-	498,010	33,840
Total	<u>\$ 369,615</u>	<u>18,429</u>	<u>1,504,979</u>	<u>150,064</u>

**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%.

The future payments of the revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 56,000	141,514
2020	58,000	139,624
2021	60,000	137,666
2022	62,000	135,641
2023	64,000	133,549
2024-2028	353,000	633,892
2029-2033	417,000	570,138
2034-2038	492,000	494,910
2039-2043	581,000	406,047
2044-2048	687,000	301,152
2049-2053	810,000	177,153
2054-2058	553,000	37,666
Total	<u>\$ 4,193,000</u>	<u>3,308,952</u>

At June 30, 2018, the Town of Beech Mountain had a legal debt margin of \$36,921,670.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

c. Changes in Long-term Liabilities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 557,108	-	187,493	369,615	188,798
Compensated absences	148,414	139,917	105,456	182,875	182,875
Net pension liability (LGERS)	625,171	-	181,354	443,817	-
Total pension liability (LEO)	168,068	22,553	-	190,621	-
Governmental activity Long-term liabilities	<u>\$ 1,498,761</u>	<u>162,470</u>	<u>474,303</u>	<u>1,186,928</u>	<u>371,673</u>
Business-type activities:					
Installment purchase	\$ 1,833,515	-	328,536	1,504,979	336,181
Revenue bonds	4,247,000	-	54,000	4,193,000	56,000
Compensated absences	42,584	43,500	45,176	40,908	40,908
Net pension liability (LGERS)	181,316	-	139,990	41,326	-
Business-type activities Long-term liabilities	<u>\$ 6,304,415</u>	<u>43,500</u>	<u>567,702</u>	<u>5,780,213</u>	<u>433,089</u>

Interfund Balances and Activity

There were no transfers between funds.

e. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 5,907,141	\$ 13,534,835
less: long-term debt	369,615	5,697,979
Net investment in capital asset	<u>\$ 5,537,526</u>	<u>\$ 7,836,856</u>



**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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>\$ 7,950,881</u>
Less:	
Inventories	31,270
Prepaid expenses	10,982
Stabilization by State Statute	437,822
Uninsured claims	100,000
Public safety	1,218,692
Employee benefits	55,425
Watauga intake	2,000,000
Shane park project	200,000
Lake Coffey building and bathrooms	200,000
Hill stabilization at Buckeye Lake	200,000
Public works building	200,000
Remaining Fund Balance	\$ 3,296,690

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, 2018, 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.

**Note V- Subsequent Events**

The Town has evaluated all subsequent events for potential recognition and disclosure through October 12, 2018, the date these financial statements were available to be issued.

**TOWN OF BEECH MOUNTAIN, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**Note VI -Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

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

**Local Government Employees' Retirement System**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Beech Mountain's proportion of the net pension liability (asset) (%)	0.03956%	0.03800%	0.03454%	0.03713%	0.03830%
Beech Mountain's proportion of the net pension liability (asset) (\$)	\$ 604,367	\$ 806,487	\$ 155,018	\$ (218,973)	\$ 461,662
Beech Mountain's covered-employee payroll	\$ 2,432,357	\$ 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	24.85%	33.10%	6.36%	( 10.23%)	22.96%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

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

**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><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 177,308	\$ 176,758	\$ 154,696	\$ 153,802	\$ 142,896
Contributions in relation to the contractually required contribution	177,308	176,758	154,696	153,802	142,896
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beech Mountain's covered-employee payroll	\$ 2,308,645	\$ 2,432,357	\$ 2,436,264	\$ 2,140,659	\$ 2,010,980
Contributions as a percentage of covered-employee payroll	7.68%	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,**

	<u><b>2018</b></u>	<u><b>2017</b></u>
Beginning balance	\$ 168,068	\$ 155,826
Service cost	11,086	11,129
Interest on the total pension liability	6,424	5,563
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(5,634)	-
Changes of assumptions or other inputs	13,983	(4,450)
Benefit payments	(3,306)	-
Other changes	-	-
Ending balance of the total pension liability	<u><u>\$190,621</u></u>	<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, 2018**

	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 190,621	\$ 168,068
Covered payroll	445,944	436,781
Total pension liability as a percentage of covered payroll	42.75%	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.

## 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, 2018

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 3,902,154	3,916,558	14,404
Penalties and interest	15,000	23,975	8,975
Total	<u>3,917,154</u>	<u>3,940,533</u>	<u>23,379</u>
Other taxes and licenses			
Fire district	69,000	92,969	23,969
	<u>69,000</u>	<u>92,969</u>	<u>23,969</u>
Unrestricted intergovernmental revenues			
Utility franchise tax	292,500	279,705	(12,795)
Hold harmless funds	277,900	273,478	(4,422)
Beer and wine tax	1,500	1,438	(62)
Local option sales tax	1,420,911	1,443,679	22,768
Cable tv franchise sales tax	32,500	31,005	(1,495)
Total	<u>2,025,311</u>	<u>2,029,305</u>	<u>3,994</u>
Restricted intergovernmental revenues			
Powell Bill allocation	113,020	113,369	349
Other grants - federal & state	251,500	55,686	(195,814)
Total	<u>364,520</u>	<u>169,055</u>	<u>(195,465)</u>
Permits, fees and fines			
Building inspection fees	18,000	30,414	12,414
Planning and zoning fees	2,500	2,850	350
Total	<u>20,500</u>	<u>33,264</u>	<u>12,764</u>
Sales and services:			
Recreation department fees	52,000	66,428	14,428
Investment earnings	38,060	69,201	31,141
Other revenues			
Component unit reimbursement for salaries	-	37,813	37,813
Rental income	6,000	6,000	-
Health insurance claims and prescription reimbursement	23,618	91,029	67,411
Transfer from TDA	40,000	44,819	4,819
Reimbursement from TDA salaries	42,500	37,813	(4,687)
Miscellaneous	83,253	57,775	(25,478)
Special events	900	10,786	9,886
Total	<u>196,271</u>	<u>286,035</u>	<u>89,764</u>
<b>Total Revenues</b>	<u>6,682,816</u>	<u>6,686,790</u>	<u>3,974</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, 2018

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Administration			
Salaries and employee benefits	\$ 363,109	380,147	(17,038)
Professional services	233,000	152,928	80,072
Sales tax reimbursement	1,075,384	952,654	122,730
Other operating expenditures	333,330	264,802	68,528
Capital outlay	44,200	33,036	11,164
Total	<u>2,049,023</u>	<u>1,783,567</u>	<u>265,456</u>
Tax collection			
Salaries and employee benefits	63,042	59,578	3,464
Professional services	4,800	3,023	1,777
Other operating expenditures	5,501	2,490	3,011
Total	<u>73,343</u>	<u>65,091</u>	<u>8,252</u>
Total general government	<u>2,122,366</u>	<u>1,848,658</u>	<u>273,708</u>
Public safety			
Police			
Salaries and employee benefits	1,003,370	905,886	97,484
Vehicle maintenance	23,500	30,333	(6,833)
Other operating expenditures	95,610	81,181	14,429
Capital outlay	81,322	103,379	(22,057)
Total	<u>1,203,802</u>	<u>1,120,779</u>	<u>83,023</u>
Fire			
Salaries and employee benefits	136,700	115,061	21,639
Other operating expenditures	252,581	257,094	(4,513)
Total	<u>389,281</u>	<u>372,155</u>	<u>17,126</u>
Inspections			
Salaries and employee benefits	74,586	75,031	(445)
Professional services	17,500	15,300	2,200
Other operating expenditures	8,246	4,952	3,294
Total	<u>100,332</u>	<u>95,283</u>	<u>5,049</u>
Planning			
Salaries and employee benefits	56,906	43,867	13,039
Other operating expenditures	13,680	8,202	5,478
Capital outlay	242,000	57,560	184,440
Total	<u>312,586</u>	<u>109,629</u>	<u>202,957</u>
Total public safety	<u>2,006,001</u>	<u>1,697,846</u>	<u>308,155</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, 2018

	Budget	Actual	Variance Positive (Negative)
Transportation			
Vehicle maintenance			
Salaries and employee benefits	\$ 146,533	144,754	1,779
Other operating expenditures	39,600	4,457	35,143
Capital outlay	-	2,939	(2,939)
Total	<u>186,133</u>	<u>152,150</u>	<u>33,983</u>
Road maintenance			
Salaries and employee benefits	583,023	596,188	(13,165)
Other operating expenditures	368,182	246,956	121,226
Capital outlay	662,900	579,021	83,879
Total	<u>1,614,105</u>	<u>1,422,165</u>	<u>191,940</u>
Total transportation	<u>1,800,238</u>	<u>1,574,315</u>	<u>225,923</u>
Cultural and recreation			
Recreation			
Salaries and employee benefits	348,745	325,173	23,572
Professional services	22,000	19,932	2,068
Other operating expenditures	192,800	204,384	(11,584)
Capital outlay	127,000	78,664	48,336
Total	<u>690,545</u>	<u>628,153</u>	<u>62,392</u>
Total culture and recreation	<u>690,545</u>	<u>628,153</u>	<u>62,392</u>
Special projects			
Salaries and employee benefits	42,675	36,613	6,062
Other operating expenditures	2,250	379	1,871
Capital outlay	2,700	2,693	7
Total	<u>47,625</u>	<u>39,685</u>	<u>7,940</u>
Total special projects	<u>47,625</u>	<u>39,685</u>	<u>7,940</u>
Principal retirement	187,494	187,586	-92
Interest expense	16,915	15,576	1,339
Total debt service	<u>204,409</u>	<u>203,162</u>	<u>1,247</u>
<b>Total Expenditures</b>	<u>6,871,184</u>	<u>5,991,819</u>	<u>879,365</u>
Revenues over (under) expenditures	<u>(188,368)</u>	<u>694,971</u>	<u>883,339</u>
Other financing sources (uses):			
Installment loan proceeds	-	-	-
Transfer to fund balance	(437,604)	-	437,604
Gain (loss) on sale of fixed assets	33,000	36,400	3,400
Total	<u>(404,604)</u>	<u>36,400</u>	<u>441,004</u>
Fund balance appropriated	\$ 592,972	-	(592,972)
Net change in fund balance	<u>-</u>	<u>731,371</u>	<u>731,371</u>
Fund balances, beginning		7,219,510	
Fund balances, ending		<u>\$ 7,950,881</u>	

**TOWN OF BEECH MOUNTAIN**  
Emergency Telephone System Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 83,531	\$ 83,531	\$ -
Investment earnings	-	827	827
<b>Total Revenues</b>	<u>83,531</u>	<u>84,358</u>	<u>827</u>
<b>Expenditures:</b>			
Telephone		14,156	
Training		608	
Repairs and maintenance		1,380	
Contract services		36,817	
Supplies and materials		3,589	
Capital outlay		597	
<b>Total Expenditures</b>	<u>230,000</u>	<u>57,147</u>	<u>172,853</u>
Revenues over (under) expenditures	(146,469)	27,211	173,680
Other financing sources (uses):			
Transfer to other funds		-	-
Transfer from reserve	119,469	-	(119,469)
Revenues over (under) expenditures	<u>(27,000)</u>	27,211	<u>54,211</u>
Appriated fund balance	27,000	-	(27,000)
Net change in fund balance	<u>\$ -</u>	27,211	<u>\$ 27,211</u>
Fund balance, beginning		250,722	
Fund balance, ending		<u>\$ 277,933</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, 2018

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ -	\$ -	\$ -
Unrestricted intergovernmental revenues	-	-	-
Other revenues	3,500	7,219	3,719
Investment earnings	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>3,500</u>	<u>7,219</u>	<u>3,719</u>
<b>Expenditures:</b>			
Other	3,500	4,674	(1,174)
	<u>3,500</u>	<u>4,674</u>	<u>(1,174)</u>
<b>Total Expenditures</b>	<u>3,500</u>	<u>4,674</u>	<u>(1,174)</u>
Revenues over (under) expenditures	\$ <u>-</u>	<u>2,545</u>	\$ <u>2,545</u>
Fund balance, beginning		<u>1,624</u>	
Fund balance, ending		<u>\$ <u>4,169</u></u>	

**TOWN OF BEECH MOUNTAIN**  
**Sanitation Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAPP)**  
**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES :</b>			
Charges for services	\$ 346,913	348,940	
Solid waste disposal tax	60	59	
Recycling revenue	43,500	46,093	
Total operating revenues	390,473	395,092	4,619
Nonoperating revenues:			
Interest earnings	2,112	4,363	2,251
Total revenues	392,585	399,455	6,870
<b>EXPENDITURES :</b>			
Sanitation:			
Salaries and employee benefits	263,123	257,128	5,995
Vehicle maintenance	22,500	12,747	9,753
Other operating expenditures	103,462	95,235	8,227
Capital outlay	3,500	-	3,500
Total sanitation	392,585	365,110	27,475
Total expenditures	392,585	365,110	27,475
Revenues over (under) expenditures	-	34,345	34,345
Fund balance appropriated	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	34,345	34,345

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

Revenues and other sources over expenditures and other uses	34,345
Reconciling items:	
Depreciation	(34,009)
Decrease in deferred inflows of resources - pensions	1,055
Decrease in deferred outflows of resources - pensions	(13,056)
Decrease in net pension liability	9,442
Decrease in accrued vacation pay	3,509
Total reconciling items	(33,059)
Change in net position	\$ 1,286

**TOWN OF BEECH MOUNTAIN**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 2,127,452	2,119,021	(8,431)
Availability fee	25,000	20,566	(4,434)
Water and sewer tap fees	7,500	3,000	(4,500)
Miscellaneous	8,500	12,354	3,854
Total operating revenues	<u>2,168,452</u>	<u>2,154,941</u>	<u>(13,511)</u>
Nonoperating revenues:			
Interest earnings	<u>11,880</u>	<u>21,283</u>	<u>9,403</u>
Total nonoperating revenues	<u>11,880</u>	<u>21,283</u>	<u>9,403</u>
Total Revenues	<u>2,180,332</u>	<u>2,176,224</u>	<u>(4,108)</u>
Expenditures:			
Water and sewer administration:			
Salaries	220,182	249,094	(28,912)
Insurance	55,000	43,022	11,978
Other operating expenditures	<u>261,895</u>	<u>87,762</u>	<u>174,133</u>
Total water and sewer administration	<u>537,077</u>	<u>379,878</u>	<u>157,199</u>
Water treatment:			
Salaries and employee benefits	310,268	245,300	64,968
Utilities	171,550	181,553	(10,003)
Other operating expenditures	<u>266,400</u>	<u>233,527</u>	<u>32,873</u>
Total water treatment	<u>748,218</u>	<u>660,380</u>	<u>87,838</u>
Waste collection and treatment:			
Salaries and employee benefits	122,465	112,148	10,317
Utilities	46,000	48,952	(2,952)
Other operating expenses	<u>102,100</u>	<u>78,524</u>	<u>23,576</u>
Total wastewater treatment	<u>\$ 270,565</u>	<u>239,624</u>	<u>30,941</u>
Taps and system maintenance:			
Salaries and employee benefits	114,685	81,113	33,572
Other operating expenses	<u>96,500</u>	<u>65,547</u>	<u>30,953</u>
Total taps and system maintenance	<u>\$ 211,185</u>	<u>146,660</u>	<u>64,525</u>

## Statement 5

**TOWN OF BEECH MOUNTAIN**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Interest and other charges	185,090	190,395	(5,305)
Principal retirement	381,536	382,536	(1,000)
Total debt service	566,626	572,931	(6,305)
Capital outlay:			
Water and sewer administration	36,650	33,037	3,613
Taps and system	321,699	295,115	26,584
Water treatment	638,860	213,315	425,545
Total capital outlay	997,209	541,467	455,742
Total expenditures	3,330,880	2,540,940	789,940
Revenues over (under) expenditures	(1,150,548)	(364,716)	785,832
Other financing sources (uses):			
Proceeds from sale of fixed assets	-	28,005	(28,005)
Fund balance appropriated	1,150,548	-	1,150,548
Total other sources	1,150,548	28,005	1,122,543
Revenues and other sources over expenditures and other sources	\$ -	(336,711)	(336,711)

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

Revenues and other sources over expenditures and other sources	(336,711)
Reconciling items:	
Issuance of long-term debt	-
Principal retirement	382,536
Capital outlay	493,949
Increase in accrued vacation pay	(1,833)
Decrease in deferred inflows of resources - pensions	1,527
Decrease in deferred outflows of resources - pensions	(23,646)
Decrease in net pension liability	11,323
Loss on sale of fixed assets	(22,478)
Other income from Water and Sewer Capital Projects Fund - water treatment plant	-
Interest Water and Sewer Capital Projects Fund - water treatment plan	12,860
Depreciation	(513,148)
Total reconciling items	341,090
Change in net position	\$ 4,379

**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, 2018**

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Miscellaneous revenues	-	10,863	-	10,863	(10,863)
Investment earnings	-	10,922	12,860	23,782	(23,782)
Total	-	10,922	12,860	34,645	(34,645)
<b>Expenditures</b>					
Construction costs	\$ 6,175,000	4,754,526	730,705	5,485,231	689,769
Total	6,175,000	4,754,526	730,705	5,485,231	689,769
Revenues under expenditures	(6,175,000)	(4,754,526)	(717,845)	(5,485,231)	(689,769)
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	\$ -	1,265,474	(717,845)	534,769	(534,769)

**Statement 7**

**TOWN OF BEECH MOUNTAIN**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2018**

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017 - 2018	\$ -	3,942,416	3,845,853	96,563
2016 - 2017	73,287	-	41,159	32,128
2015 - 2016	47,824	-	19,141	28,683
2014 - 2015	25,245	-	6,007	19,238
2013 - 2014	11,331	-	2,073	9,258
2012 - 2013	7,925	-	2,305	5,620
2011 - 2012	5,876	-	20	5,856
2010 - 2011	2,386	-	-	2,386
2009 - 2010	1,784	-	-	1,784
2008 - 2009	1,084	-	-	1,084
2007 - 2008	570	-	570	-
	<u>\$ 177,312</u>	<u>3,942,416</u>	<u>3,917,128</u>	<u>202,600</u>

Less: allowance for uncollectible accounts:  
       General Fund

(7,475)

Ad valorem taxes receivable - net

195,125

Reconcilement with revenues:

Ad valorem taxes - General Fund	3,940,533
Reconciling items:	
Interest collected	(23,975)
Taxes written off	570
Total collections and credits	<u>3,917,128</u>



**TOWN OF BEECH MOUNTAIN**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2018

	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>9,698,907</u>	0.732	<u>70,996</u>	<u>-</u>	<u>70,996</u>
Total	532,878,825		3,900,673	3,829,677	70,996
Discoveries:					
Current year taxes	4,989,839		45,424	45,424	-
Abatements	<u>(502,869)</u>		<u>(3,681)</u>	<u>(3,681)</u>	<u>-</u>
Total property valuation:	<u><u>\$ 537,365,795</u></u>				
Net levy			3,942,416	3,871,420	70,996
Uncollected taxes at June 30, 2018			<u>(96,563)</u>	<u>(96,563)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,845,853</u>	<u>3,774,857</u>	<u>70,996</u>
Current levy collection percentage			<u>97.55%</u>	<u>97.51%</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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Beech Mountain's basic financial statements, and have issued our report thereon dated October 12, 2018.

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.

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

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

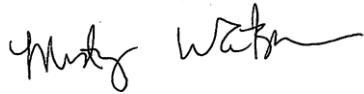
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of 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*.

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" written in a more compact, stylized manner and the last name "Watson" written in a more extended, flowing script.

Misty D Watson, CPA, PA  
Boone, NC  
October 12, 2018

## 1. Summary of Auditor's Results

### **Financial Statements**

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

Internal control over financial reporting:

- |  |            |
|--|------------|
| • Material weaknesses identified?  | No         |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None noted |

Non-compliance material to financial statements noted?	No
--	----

**TOWN OF BEECH MOUNTAIN**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>Federal Grants:</b>			
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant	14.228	2,582	-
Total assistance - State programs		2,582	
<b>State Grants:</b>			
<u>NC Department of Transportation:</u>			
Powell Bill		-	113,369
Sidepath Project	Project # 31730-02		25,974
Total assistance - State programs		-	113,369
Total assistance		\$ 5,164	252,712