
***BEECH MOUNTAIN TOURISM DEVELOPMENT
AUTHORITY***

(A Component Unit of the Town of Beech Mountain)

Financial Statements, Supplemental Schedule,
and Independent Auditor's Report
For the Year Ended June 30, 2021

C. Randolph CPA, PLLC
Certified Public Accountant

BEECH MOUNTAIN TOURSIM DEVELOPMENT AUTHORITY

Authority Officials

Board Members

Sandy Carr, Chairman

Calder Smoot, Vice Chairman

Cindy Keller Porter, Board Member

Mandy Taylor, Board Member

Administrative Staff

Kate Gavenus, Director

Steve Smith, Finance Officer

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY

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Independent Auditor's Report

To the Board of Directors
Beech Mountain Tourism Development Authority
Beech Mountain, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beech Mountain Tourism Development Authority (the "Authority"), a component unit of the Town of Beech Mountain, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Beech Mountain Tourism Development Authority, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General 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 on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary schedule is the responsibility of management and was derived from and relate 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. In our opinion, based on our audit, the procedures performed as described above, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

C. Randolph CPA, PLLC

West Jefferson, North Carolina
November 3, 2021

Management's Discussion and Analysis

As management of the Beech Mountain Tourism Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

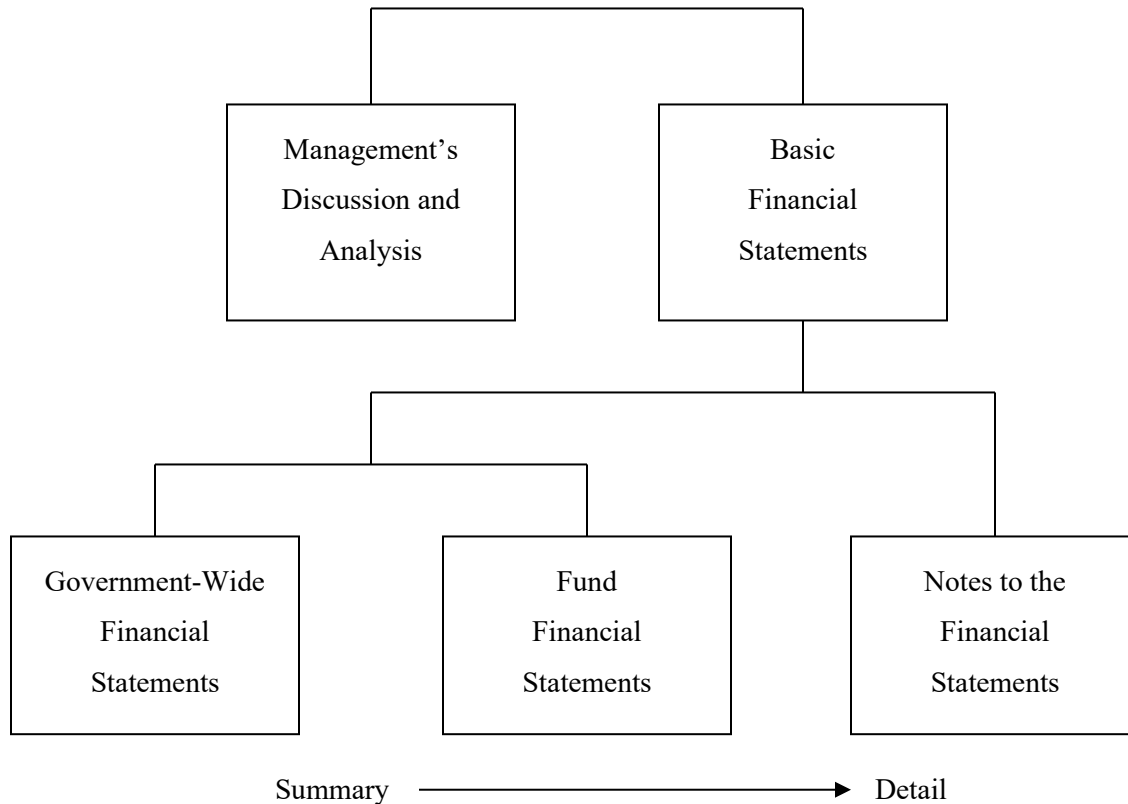
- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2021 by \$932,987 (*net position*), an increase of \$389,629.
- As of the close of the fiscal year, the Authority's governmental fund reported an ending fund balance of \$932,987, an increase of \$389,629 in comparison with the prior year.
- Fund balance available for appropriation, \$845,022, represents 99% of general fund expenditures.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Required Supplementary Information** is provided to show funding information on the Authority's pension plans. Finally, a statement is included detailing additional facts about the Authority's General Fund. 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 Authority's finances, similar in format to a financial statement of a private-sector business. The

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

The government-wide statements are comprised of a single category - governmental activities. The governmental activities include the Authority's promotion of tourism to the area. Room occupancy taxes finance these activities. The government-wide financial statements are on pages 9-10 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Authority's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Authority's budget ordinance. Currently, the Authority only maintains a General Fund.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Currently, the Authority's activities are accounted for in one governmental fund, the General Fund. This fund focuses 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 detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Authority's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is required to be described in a reconciliation that is a part of the fund financial statements.

The Authority 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 citizens, the Authority's management, and the decisions of the Board members about which services to provide and how to pay for them. It also authorizes the Authority to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document while demonstrating how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The statement shows four columns: 1) the original budget as adopted by the Authority's Board members; 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.

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 begin on page 16 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Required Supplementary information can be found beginning on page 24 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of an entity's financial condition. The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$932,987 of June 30, 2021. The Authority's net position increased by \$389,629 in the same period. The Authority's restricted net position consists of \$87,965 restricted for stabilization and \$845,022 restricted for tourism promotion.

The following is a summary of the Statement of Net Position:

Beech Mountain Tourism Development Authority		
Net Position		
Figure 2		
	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Assets:		
Current and other assets	\$ 990,432	\$ 543,358
Total assets	<u>990,432</u>	<u>543,358</u>
Deferred Outflow of Resources:	<u>-</u>	<u>-</u>
Liabilities:		
Other liabilities	<u>57,445</u>	<u>-</u>
Total liabilities	<u>57,445</u>	<u>-</u>
Deferred Inflow of Resources:	<u>-</u>	<u>-</u>
Net Position:		
Restricted for:		
Stabilization by State Statute	87,965	58,132
Tourism Promotion	<u>845,022</u>	<u>485,226</u>
Total net position	<u><u>\$932,987</u></u>	<u><u>\$543,358</u></u>

The increase in total net position of \$389,629 is primarily due to an increase in occupancy tax revenues at year end.

Governmental Activities. Governmental activities increased the Authority's net position by \$389,629. That increase is primarily due to an increase in revenues well above market expectations evaluated during the 2020-2021 budget processes.

The following is a summary of the Statement of Activities:

Beech Mountain Tourism Development Authority
Changes in Net Position

Figure 3

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues:		
Occupancy tax	\$ 1,242,410	\$ 568,194
Investment earnings	41	2,100
Other	322	2,924
Total revenues	<u>1,242,773</u>	<u>573,218</u>
Expenses:		
Tourism promotion & development	<u>853,144</u>	<u>363,786</u>
Total expenses	<u>853,144</u>	<u>363,786</u>
Change in net position	389,629	209,432
Net position:		
Beginning of year - July 1	<u>543,358</u>	<u>333,926</u>
Ending of year - June 30	<u><u>\$932,987</u></u>	<u><u>\$333,926</u></u>

Financial Analysis of the Authority's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority contracts with the Town of Beech Mountain financial staff to ensure GASB is applied appropriately.

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

The General Fund is the only operating fund of the Authority. At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$845,022, while total fund balance reached \$932,987. The Authority currently has fund balance available for appropriation of 99% of General Fund expenditures, while total fund balance represents 109% of the same amount.

General Fund Budgetary Highlights. During the fiscal year, the Authority did not make any amendments to revise the budget. 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 become necessary to maintain services.

Revenues were higher than budgeted amounts primarily because the area tourism economy experienced continued growth above the revenue budgeting. Expenditures were higher than the previous year but kept below budgeted amounts.

Liabilities:

Long-Term Liabilities. The Authority is prohibited by State statutes from incurring long-term debt. There were no long-term obligations.

Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2022

According to the 2020 US Census date, the Town of Beech Mountain gained 264 full-time residents over the past decade, with 614 people reporting primary residency on the mountain. Visitors also increased, particularly during the 2020-21 fiscal year, with occupancy tax collection increasing an unprecedented 129.4% over the previous year. Revenues for the current year are trending slightly ahead of the 2020-21 numbers, so we expect another good revenue year. Ski season months are not expected to bring in quite as much revenue as last year; there are more options for travel and recreation as pandemic restrictions ease up. Tourism continues to dominate the economy, with real estate sales and construction also showing strong gains. No businesses on the mountain closed during 2020-21.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Beech Mountain Tourism Development Authority, 403 Beech Mountain Parkway, Beech Mountain, North Carolina, 28604; or by calling (828) 387-4236.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Exhibit 1****(A Component Unit of Town of Beech Mountain)**
Statement of Net Position
June 30, 2021

	<u>Primary Government Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 902,467
Due from other governments	<u>87,965</u>
Total assets	<u>990,432</u>
Deferred Outflows of Resources	<u>-</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	<u>57,445</u>
Deferred Inflows of Resources	<u>-</u>
Net Position	
Restricted for:	
Stabilization by State Statute	87,965
Tourism promotion	<u>845,022</u>
Total net position	<u><u>\$ 932,987</u></u>

The notes to the financial statements are an integral part of this statement.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Exhibit 2****(A Component Unit of Town of Beech Mountain)****Statement of Activities****For the Year Ended June 30, 2021**

					Net (Expense) Revenues and Changes in Net Position
Program Revenues					Primary Government
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government:					
Governmental Activities:					
Tourism promotion and development	\$ 853,144	\$ -	\$ -	\$ -	\$ (853,144)
Total governmental activities	853,144	-	-	-	(853,144)
General revenues:					
Occupancy tax					1,242,410
Miscellaneous revenues					322
Investment earnings, unrestricted					41
Total general revenues					1,242,773
Change in net position					389,629
Net position, beginning of year					543,358
Net position, end of year					\$ 932,987

The notes to the financial statements are an integral part of this statement.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Exhibit 3****(A Component Unit of Town of Beech Mountain)
Balance Sheet - Governmental Funds
June 30, 2021**

	Major Fund General Fund	Total Govenmental Funds
Assets		
Cash and cash equivalents	\$ 902,467	\$ 902,467
Due from other governments	<u>87,965</u>	<u>87,965</u>
Total assets	<u>\$ 990,432</u>	<u>\$ 990,432</u>
Liabilities		
Accounts payable and accrued liabilities	<u>\$ 57,445</u>	<u>\$ 57,445</u>
Total liabilities	<u>57,445</u>	<u>57,445</u>
Fund Balances		
Restricted for:		
Stabilization by State Statute	87,965	87,965
Tourism promotion	845,022	845,022
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>932,987</u>	<u>932,987</u>
Total liabilities and fund balances	<u>\$ 990,432</u>	<u>\$ 990,432</u>

The notes to the financial statements are an integral part of this statement.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Exhibit 4**

(A Component Unit of Town of Beech Mountain)
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 932,987
There are no reconciling items	<u>-</u>
Total changes in net position of governmental activities	<u>\$ 932,987</u>

The notes to the financial statements are an integral part of this statement.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Exhibit 5**

(A Component Unit of Town of Beech Mountain)
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>
Revenues:		
Occupancy tax	\$ 1,242,410	\$ 1,242,410
Investment earnings	41	41
Unrestricted intergovernmental revenues	322	322
Total revenues	<u>1,242,773</u>	<u>1,242,773</u>
Expenditures:		
Tourism promotion and development:	<u>853,144</u>	<u>853,144</u>
Total expenditures	<u>853,144</u>	<u>853,144</u>
Net change in fund balance	389,629	389,629
Fund Balance:		
Beginning of year - July 1	<u>543,358</u>	<u>543,358</u>
Ending of year - June 30	<u>\$ 932,987</u>	<u>\$ 932,987</u>

The notes to the financial statements are an integral part of this statement.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Exhibit 6**

(A Component Unit of Town of Beech Mountain)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 389,629
There are no reconciling items	<u>-</u>
Total changes in net position of governmental activities	<u>\$ 389,629</u>

The notes to the financial statements are an integral part of this statement.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Exhibit 7**

(A Component Unit of Town of Beech Mountain)
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Occupancy tax	\$ -	\$ -	\$ 1,242,410	\$ -
Investment earnings	-	-	41	-
Unrestricted intergovernmental revenues	-	-	322	-
Total revenues	<u>1,051,604</u>	<u>1,051,604</u>	<u>1,242,773</u>	<u>191,169</u>
Expenditures:				
Tourism promotion and development:	-	-	853,144	-
Total expenditures	<u>1,051,604</u>	<u>1,051,604</u>	<u>853,144</u>	<u>198,460</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	389,629	<u>\$ 389,629</u>
Fund Balance:				
Beginning of year - July 1			<u>543,358</u>	
Ending of year - June 30			<u>\$ 932,987</u>	

The notes to the financial statements are an integral part of this statement.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY

Notes to the Financial Statements For the Year Ended June 30, 2021

1. Summary of Significant Accounting Policies

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

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

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government, which is a single program government. These statements include the financial activities of the overall government and disclose the activity of the Authority as a governmental activity. The governmental activities are financed through occupancy taxes, intergovernmental revenues, and other non-exchange transactions. The Authority has no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenue for the Authority's single program activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs 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 Authority's funds. The emphasis of fund financial statements is on the major governmental fund. The authority has no fiduciary funds to report.

The Authority reports the following major governmental fund:

General Fund. The General Fund is the Authority's primary and only operating fund. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary source of revenue is occupancy taxes levied and collected by the Town of Beech Mountain. The primary expenditures are for tourism development.

The General Fund is the Authority's only major fund for the period ended June 30, 2021.

C. Measurement Focus and Basis of Accounting

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

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and 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. On an accrual basis, revenue from the Town's occupancy tax is recognized in the fiscal year for 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 as program revenues. Likewise, general revenues include all taxes.

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 compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The Authority considers all revenue available if they are collected within 90 days after year-end.

D. Budgetary Data

As required by the Local Government Budget and Fiscal Control Act (G.S. 159, Article 3), the governing board must adopt an annual balanced budget for all funds by July 1. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions, as required by G.S. 159-26(c). Appropriations are made at the functional level and are amended as necessary by the governing board. Expenditures may not exceed appropriations at the functional level for the General Fund. All annual appropriations lapse at year-end. The budget ordinance must be adopted by July 1 of

the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted. During the year ended June 30, 2021, actual expenditures did not exceed the budgeted expenditures.

E. Assets, Liabilities, and Fund Equity

Deposits

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

Investments

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

The Authority's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Authority has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents

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.

Allowance for Doubtful Accounts

The Authority does not record an allowance for doubtful accounts due to no historical collection issues. No receivables at June 30, 2021 were deemed uncollectible.

Capital Assets

Capital assets are defined by the government as assets with an estimated useful life in excess of one year. 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 their acquisition value. 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. The Authority has no capital assets as of June 30, 2021.

Deferred Outflows/Inflows of Resources

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

Net Position/Fund Balance

Net Position

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through State statute.

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:

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS

is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Tourism Promotion – portion of fund balance that is restricted by law to promote travel and tourism in the Authority district.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the finance director to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Assigned for Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance

Unassigned fund balance is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-Authority funds, and Authority funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Authority or when required by grant or other contractual agreements.

Fund Balance Available for Appropriation

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

Total fund balance – General Fund	\$ 932,987
Less: Stabilization for State Statute	<u>(87,965)</u>
Remaining Fund Balance	<u>\$845,022</u>

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. One significant area where estimates are made: actuarial valuation of pensions.

2. Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2021, the Authority's deposits had a carrying amount of \$671,443 and a bank balance of \$701,583. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Investments

At June 30, 2021, the Authority's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ <u>231,023</u>	N/A	AAAm

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

Interest Rate Risk. The Authority has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's internal investment policy limits at least half of the Authority's investment portfolio to maturities of less than 12 months. Also, the Authority's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit risk. The Authority has no formal policy regarding credit risk, but has internal management procedures that limits the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021.

Receivables

The due from other governments that is owed to the Authority consists of the following:

Watauga County - occupancy tax	<u>\$87,965</u>
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Capital Assets. The Authority had no capital assets as of and for the year ended June 30, 2021.

Risk Management

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

The Finance Officer of the Authority is bonded under a \$50,000 performance bond insuring the Authority. All other Authority employees with access to funds are covered under a commercial surety bond.

Occupancy Taxes

The Town of Beech Mountain collected all the room occupancy taxes for the year ended June 30, 2021. During the year ended June 30, 2021, the Town of Beech Mountain directly collected \$1,242,410 of room occupancy taxes. The Town of Beech Mountain distributed \$1,242,410 of the total collected to the Authority during the fiscal year. The occupancy tax collected by the Authority represents 99.9% of the total revenues and other financing sources of the Authority.

Related Party Transactions

The Authority paid the Town of Beech Mountain an administrative fee equal to 3% of collected occupancy taxes. The administrative fee totaled \$39,016 for the year ended June 30, 2021.

Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 3, 2021, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**Schedule 1**

(A Component Unit of Town of Beech Mountain)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Occupancy tax	\$ -	\$ 1,242,410	\$ -
Investment earnings	-	41	-
Miscellaneous revenues	-	322	-
Total revenues	<u>1,051,604</u>	<u>1,242,773</u>	<u>191,169</u>
Expenditures:			
Tourism promotion and development	-	853,144	-
Total tourism promotion and development	<u>1,051,604</u>	<u>853,144</u>	<u>198,460</u>
Total expenditures	<u>1,051,604</u>	<u>853,144</u>	<u>198,460</u>
Other Financing Sources (Uses):			
Appropriated fund balance	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>389,629</u>	<u>\$ 389,629</u>
Fund Balance:			
Beginning of year - July 1		<u>543,358</u>	
Ending of year - June 30		<u>\$ 932,987</u>	