

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

Report of Audit

For the Fiscal Year Ended June 30, 2019

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	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	6
Management’s Discussion and Analysis .....	8
<b><i>Basic Financial Statements</i></b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	15
Statement of Activities.....	16
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	23
Notes to the Financial Statements .....	24
<b><i>Major Governmental Funds – General Fund</i></b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	34

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## ***FINANCIAL SECTION***

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## **Independent Auditor's Report**

To the Chairperson  
and Members of the Board  
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 the Beech Mountain Tourism Development Authority, a component unit of the Town of Beech Mountain, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Beech Mountain Tourism Development Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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, each major fund, and the aggregate remaining fund information of the Beech Mountain Tourism Development Authority as of June 30, 2019, and the respective changes in financial position, 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 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 Beech Mountain Tourism Development Authority. The individual fund statement and budgetary schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statement and budgetary schedule 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. In our opinion, based on our audit, the procedures performed as described above, the individual fund statement and budgetary schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***W Greene PLLC***

Whiteville, North Carolina  
October 1, 2019

## Management's Discussion and Analysis

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As management of the Beech Mountain Tourism Development Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Beech Mountain Tourism Development Authority for the fiscal year ended June 30, 2019. 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

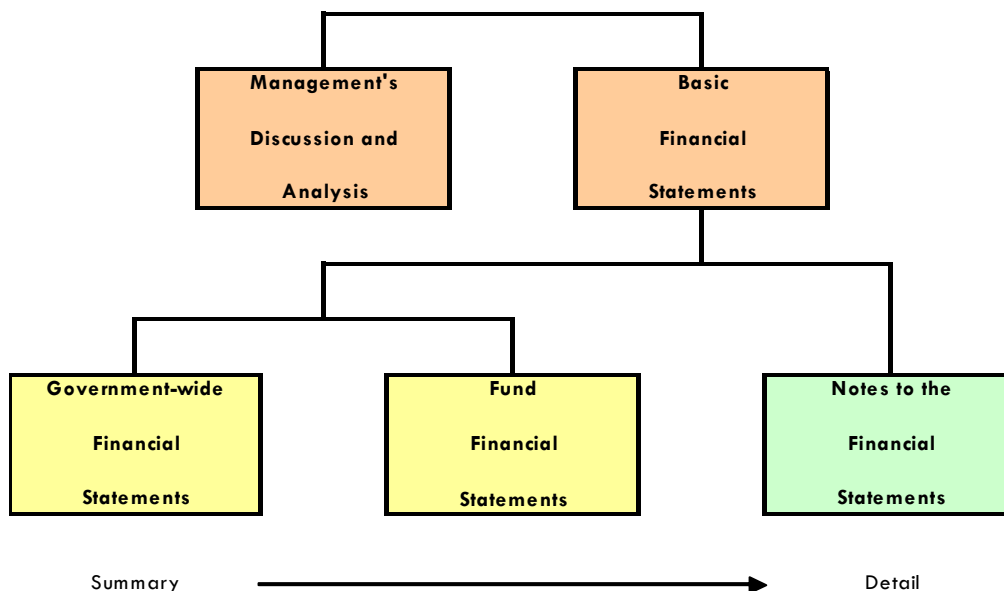
- The assets and deferred outflows of resources of the Beech Mountain Tourism Development Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$333,926 (net position).
- The government's total net position increased by \$113,521.
- As of the close of the current fiscal year, the Beech Mountain Tourism Development Authority's governmental fund reported ending fund balance of \$333,926, with an increase of \$113,521 in fund balance.
- The Authority's available fund balance at the end of the year represented 100.55 percent of total General Fund expenditures for the year.
- The Beech Mountain Tourism Development Authority did not incur any debt during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Beech Mountain Tourism Development 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 supplemental information that will enhance the reader's understanding of the financial condition of the Beech Mountain Tourism Development Authority. The Authority engages only in governmental activities and operates only one program.

Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (pages 17 through 19) 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 (pages 20 through 25) 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**. 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 Authority's individual funds. Budgetary information required by the 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 short and long-term information about the Authority's financial status as a whole.

The two government-wide statements report the Authority's net position and how it has changed. Net position is the difference between the Authority'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 Authority's financial condition.

The government-wide statements are divided into one category: 1) governmental activities. The governmental activities include most of the Authority's basic services of promotion of tourism to the area. Occupancy taxes finance these activities.

The government-wide financial statements are on pages 17 through 19 of this report.

### Fund Financial Statements

The fund financial statements (see Figure 1) 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 Beech Mountain Tourism Development 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. All of the funds of Beech Mountain Tourism Development Authority can be divided into one category: governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's 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 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

## Management’s Discussion and Analysis (Continued)

The Beech Mountain Tourism Development 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 the management of the Authority and the decisions of the Board 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 demonstrates 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 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.

**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 26 through 32 of this report.

### Government-Wide Financial Analysis

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

Figure 2

	Governmental	
	Activities	
	2019	2018
Current and other assets	\$ 350,159	\$ 230,522
Capital assets	-	-
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	<u>350,159</u>	<u>230,522</u>
Long-term liabilities outstanding	-	-
Other liabilities	16,233	10,117
Deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	<u>16,233</u>	<u>10,117</u>
Net position:		
Net investment in capital assets	-	-
Restricted	333,926	220,405
Unrestricted	-	-
Total net position	<u>\$ 333,926</u>	<u>\$ 220,405</u>

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 Beech Mountain Tourism Development Authority exceeded liabilities and deferred inflows by \$333,926 as of June 30, 2019. The Authority’s net position increased by \$113,521 for the fiscal year ended June 30, 2019. Beech Mountain Tourism Development Authority’s net position of \$333,926 represents sources that are subject to external restrictions on how they may be used.

Beech Mountain Tourism Development Authority's Changes in Net Position

Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	-	-
Capital grants and contributions	-	-
General Revenues		
Local occupancy taxes	421,319	323,694
Other	441	532
Total revenues	<u>421,760</u>	<u>324,226</u>
Expenses:		
Tourism Promotion and Development	<u>308,239</u>	<u>329,708</u>
Total expenses	<u>308,239</u>	<u>329,708</u>
Change in net position	113,521	(5,482)
Net position, beginning	<u>220,405</u>	<u>225,887</u>
Net position, June 30	<u>\$ 333,926</u>	<u>\$ 220,405</u>

**Governmental activities.** Governmental activities increased the Authority’s net position by \$113,521. A key element of this increase is as follows:

- Revenues were higher than originally anticipated and were also more than the previous year. The Authority’s expenditures were lower than the previous year and were kept below budgeted amounts.

**Financial Analysis of the Authority’s Funds**

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

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

The general fund is the only operating fund of the Beech Mountain Tourism Development Authority. At the end of the current fiscal year, fund balance available in the General Fund was \$309,920, while total fund balance reached \$333,926. The Authority currently has an available fund balance of 100.55 percent of total General Fund expenditures, while total fund balance represents 108.34 percent of the same amount.

**General Fund Budgetary Highlights.** During the fiscal year, occupancy taxes were more than budgeted and expenditures were less than budgeted.

## Management's Discussion and Analysis (Continued)

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### **Capital Asset and Debt Administration**

The Beech Mountain Tourism Development Authority had no capital assets or debt outstanding as of June 30, 2019.

### **Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2020**

Beech Mountain enjoys a favorable economic environment. The Authority expects occupancy tax collections to increase in the upcoming year. The Authority works actively to promote Beech Mountain as a tourist destination resulting in filled motels and rental homes. Beech Mountain is a destination for all seasons and is promoted to keep the tourism industry active throughout the year.

### **Requests for Information**

This report is designed to provide an overview of the Beech Mountain Tourism Development 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, NC 28604; or by calling (828) 387-4236.

## ***Basic Financial Statements***

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**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
Statement of Net Position  
June 30, 2019

	<b>Governmental</b>	
	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 326,153	\$ 326,153
Due from Other Governments	24,006	24,006
Total Current Assets	<u>350,159</u>	<u>350,159</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	16,233	16,233
Due to Primary Government	-	-
Total Current Liabilities	<u>16,233</u>	<u>16,233</u>
<b>Total Liabilities</b>	<u>16,233</u>	<u>16,233</u>
<b>NET POSITION</b>		
Restricted for:		
Stabilization by State Statute	24,006	24,006
Tourism Promotion	309,920	309,920
<b>Total Net Position</b>	<u>\$ 333,926</u>	<u>\$ 333,926</u>

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
 (A Component Unit of the Town of Beech Mountain, North Carolina)  
 Statement of Activities  
 For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Tourism Promotion and Development	\$ 308,239	\$ -	\$ -	\$ -
<b>Total Governmental Activities</b>	<b>\$ 308,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
Statement of Activities (Continued)  
For the Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
	Governmental Activities	Total
<b>Primary Government:</b>		
<b>Governmental Activities:</b>		
Tourism Promotion and Development	\$ (308,239)	\$ (308,239)
<b>Total Governmental Activities</b>	<b>(308,239)</b>	<b>(308,239)</b>
<b>General Revenues:</b>		
Local Occupancy Taxes	421,319	421,319
Investment Earnings	45	45
Miscellaneous	396	396
<b>Total General Revenues</b>	<b>421,760</b>	<b>421,760</b>
<b>Change in Net Position</b>	113,521	113,521
<b>Net Position - Beginning of Year</b>	220,405	220,405
<b>Net Position - End of Year</b>	<b>\$ 333,926</b>	<b>\$ 333,926</b>

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
Balance Sheet  
Governmental Funds  
June 30, 2019

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 326,153	\$ 326,153
Due from Other Governments	24,006	24,006
<b>Total Assets</b>	<u>350,159</u>	<u>350,159</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	16,233	16,233
Due to Other Governments	-	-
<b>Total Liabilities</b>	<u>16,233</u>	<u>16,233</u>
<b>FUND BALANCES</b>		
Restricted		
Stabilization by State Statute	24,006	24,006
Tourism Promotion	309,920	309,920
Assigned		
Subsequent Year's Expenditures	-	-
Unassigned	-	-
<b>Total Fund Balances</b>	<u>333,926</u>	<u>333,926</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 350,159</u>	

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
Balance Sheet (Continued)  
Governmental Funds  
June 30, 2019

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	<b>Total Governmental Funds</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Governmental Fund Balance	\$ 333,926
There are no reconciling items	-
<b>Net position of governmental activities</b>	<b><u>\$ 333,926</u></b>

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>		
Occupancy Taxes	\$ 421,319	\$ 421,319
Investment Earnings	45	45
Miscellaneous	396	396
<b>Total Revenues</b>	<u>421,760</u>	<u>421,760</u>
<b>Expenditures</b>		
Current		
Tourism Promotion and Development	308,239	308,239
<b>Total Expenditures</b>	<u>308,239</u>	<u>308,239</u>
Excess (deficiency) of revenues over expenditures	<u>113,521</u>	<u>113,521</u>
<b>Net Change in Fund Balance</b>	113,521	113,521
<b>Fund Balance - Beginning of Year</b>	<u>220,405</u>	<u>220,405</u>
<b>Fund Balance - End of Year</b>	<u>\$ 333,926</u>	<u>\$ 333,926</u>

**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$ 113,521
There are no reconciling items	-
Total changes in net position of governmental activities	<u>\$ 113,521</u>

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**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2019

	<b>General Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	
<b>Revenues</b>				
Occupancy Taxes	\$ 296,775	\$ 296,775	\$ 421,319	\$ 124,544
Investment Earnings	-	-	45	45
Miscellaneous	-	-	396	396
<b>Total Revenues</b>	<u>296,775</u>	<u>296,775</u>	<u>421,760</u>	<u>124,985</u>
<b>Expenditures</b>				
Tourism Promotion and Development	322,687	322,687	308,239	14,448
<b>Total Expenditures</b>	<u>322,687</u>	<u>322,687</u>	<u>308,239</u>	<u>14,448</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(25,912)</u>	<u>(25,912)</u>	<u>113,521</u>	<u>139,433</u>
<b>Appropriated Fund Balance</b>	<u>25,912</u>	<u>25,912</u>	<u>-</u>	<u>(25,912)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>113,521</u>	<u>\$ 113,521</u>
<b>Fund Balance - Beginning of Year</b>			<u>220,405</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 333,926</u>	

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of 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 Development 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 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 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, Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the Authority. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes and other non-exchange transactions. The Authority has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 Authority's funds. Separate statements for each fund category – *governmental* – are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued)**

The Authority reports the following major governmental fund:

**General Fund** – This fund is the general operating fund of the Authority. 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 local occupancy taxes levied and collected by the Town of Beech Mountain. The primary expenditures are for tourism development.

**C. Measurement Focus, 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 statements are reported using the economic resources measurement focus. The government-wide 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. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The Authority considers all revenues available if they are collected within 90 days after year-end.

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 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 general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Budgetary Data**

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. 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. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**1. Deposits and Investments**

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

State law [G.S.159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Authority's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

All bank deposits are 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.

**3. Allowances for Doubtful Accounts**

The Authority does not record an allowance for doubtful accounts due to no historical collection issues. No receivables at June 30, 2019 were deemed uncollectible.

**4. Deferred Outflows/Inflows of Resources**

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**5. Net Position/Fund Balances**

Net Position

Net position in government-wide 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 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:

**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.

**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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**5. Net Position/Fund Balances (Continued)**

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

Assigned fund balance – portion of fund balance that Beech Mountain Tourism Development Authority intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-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.

**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All of the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority’s agents in their name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority’s agent in its name. The amount of the pledged collateral is based on an approved averaging method for 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 with 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.

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**2. Deposits (Continued)**

The Authority has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Authority's deposits had a carrying amount of \$323,978 and a bank balance of \$326,044. All the bank balance was covered by federal depository insurance.

**3. Investments**

At June 30, 2019, the Authority's investments consisted of the following:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Fair Value</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Government Portfolio	Fair Value-Level 1	2,175	N/A	AAAm
Total		\$ 2,175		

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

*Credit Risk.* The Authority has no formal policy regarding credit risk but has internal management procedures that limit 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's Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019.

**4. Capital Assets**

The Authority had no capital assets as of the year ended June 30, 2019.

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities**

**1. 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.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000.

**2. Claims, Judgments and Contingent Liabilities**

At June 30, 2019, the Authority was not a defendant to any lawsuits.

**3. Long-Term Obligations**

There were no long-term obligations as of June 30, 2019.

**C. Fund Balance**

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

<i>Total fund balance – General Fund</i>	\$	333,926
Less:		
Stabilization by State Statute		24,006
Tourism Promotion		309,920
Appropriated Fund Balance in 2019-2020 budget		-
Remaining Fund Balance		-

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	General Fund	Non-Major Funds
\$ -	\$ -	\$ -

**D. Occupancy Taxes**

The Town of Beech Mountain collected all the room occupancy taxes for the year ended June 30, 2019. During the year ended June 30, 2019, the Town of Beech Mountain directly collected \$421,319 of room occupancy taxes. The Town of Beech Mountain distributed \$421,319 of the total collected to the Authority during the fiscal year. The occupancy tax collected by the Authority represents 99.9 percent of the total revenues and other financing sources of the Authority.

**III. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 1, 2019, which is the date the financial statements were available to be issued.

**IV. RELATED PARTY TRANSACTIONS**

The Authority paid the Town of Beech Mountain an administrative fee equal to 3 percent of collected occupancy taxes. The administrative fee totaled \$12,096 for the year ended June 30, 2019.

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## ***SUPPLEMENTARY INFORMATION***

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**BEECH MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of the Town of Beech Mountain, North Carolina)  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2019

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Occupancy Taxes</b>			
Taxes		421,319	
<b>Total Occupancy Taxes</b>	<b>\$ 296,775</b>	<b>421,319</b>	<b>\$ 124,544</b>
<b>Investment Earnings</b>			
General		45	
<b>Total Investment Earnings</b>	<b>-</b>	<b>45</b>	<b>45</b>
<b>Miscellaneous</b>			
Other		396	
<b>Total Miscellaneous</b>	<b>-</b>	<b>396</b>	<b>396</b>
<b>Total Revenues</b>	<b>296,775</b>	<b>421,760</b>	<b>124,985</b>
<b>Expenditures</b>			
<b>Tourism Promotion and Development</b>			
Salaries and Benefits		36,023	
Other Operating Expenditures		272,216	
<b>Total Tourism Promotion and Development</b>	<b>322,687</b>	<b>308,239</b>	<b>14,448</b>
<b>Total Expenditures</b>	<b>322,687</b>	<b>308,239</b>	<b>14,448</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(25,912)</b>	<b>113,521</b>	<b>139,433</b>
Appropriated Fund Balance	25,912	-	(25,912)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>113,521</b>	<b>\$ 113,521</b>
<b>Fund Balance - Beginning of Year</b>		<b>220,405</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 333,926</b>	