

**VILLAGE OF SUGAR MOUNTAIN,  
NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**VILLAGE COUNCIL MEMBERS**

Gunther Jochl  
Scott J. Brown  
David Ammann  
Norris Clifton

Dennis Lacey, Mayor

Susan Phillips, Village Manager and Finance Officer

# VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA

JUNE 30, 2017

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of  
Village Council  
Village of Sugar Mountain, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sugar Mountain, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village'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, based on our audit, the financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sugar Mountain, North Carolina, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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***

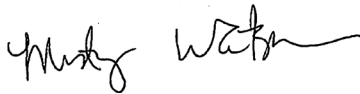
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension (Asset) Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, 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.

Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this information.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sugar Mountain's basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were 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, the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink, appearing to read "Misty Watson", with a stylized, flowing script.

Misty D Watson, CPA, PA  
Boone, North Carolina  
September 15, 2017

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

As management of the Village of Sugar Mountain, we offer readers of the Village of Sugar Mountain's financial statements this narrative overview and analysis of the financial activities of the Village of Sugar Mountain for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative.

### **Financial Highlights**

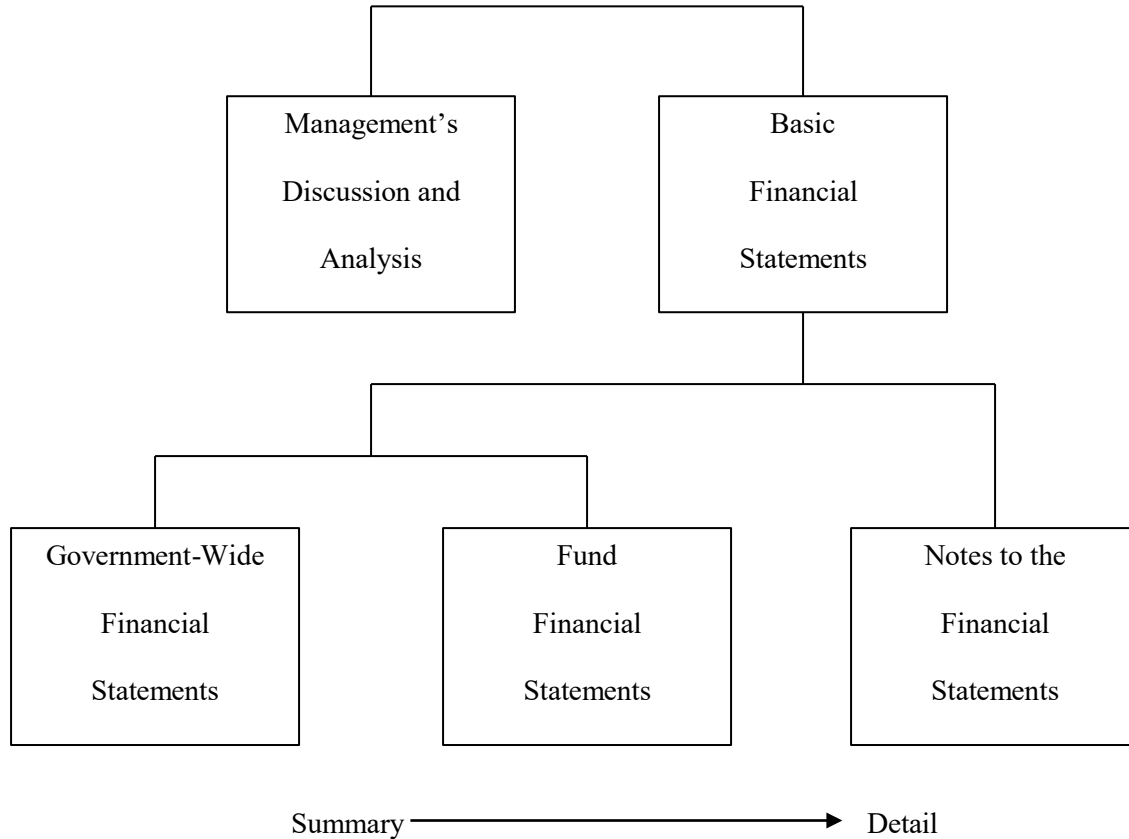
- The assets and deferred outflows of resources of the Village of Sugar Mountain exceeded its liabilities and deferred outflows of resources at the close of the fiscal year by \$4,870,292 (*net position*).
- The government's total net position increased by \$288,095, primarily due to governmental fund related activities.
- As of the close of the current fiscal year, the Village of Sugar Mountain's governmental funds reported combined ending fund balances of \$1,406,725, an increase of \$303,968 in comparison with the prior year. Approximately 6.15% of this total amount, or \$86,568, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,196,564, or 85%, of total General Fund expenditures for the fiscal year.

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

This discussion and analysis is intended to serve as an introduction to the Village of Sugar Mountain's basic financial statements. The Village'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 Village 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 Village of Sugar Mountain.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Village'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 Village'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 Village's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Village's basic services such as public safety, parks and recreation, and general administration. Property taxes and Federal and State grant funds finance most of these activities. The business-type activities are those that the Village charges customers to provide. These include the golf and tennis services offered by the Village of Sugar Mountain. The final category is the component unit. Although legally separate from the Village, the Village of Sugar Mountain TDA is important to the Village because the Village exercises control over the Authority by appointing its members and is required to distribute one-third of its profits to the Village.

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

## Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Village'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 Village of Sugar Mountain, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village's budget ordinance. All of the funds of the Village of Sugar Mountain can be divided into two categories: *governmental funds* and *proprietary funds*.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Village'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 Village'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.

The Village of Sugar Mountain adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds.** Village of Sugar Mountain has one proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village of Sugar Mountain uses enterprise funds to account for its golf and tennis activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

**Other Information.** Combining and individual fund statements and schedules can be found beginning on page 51 of this report. Required supplementary information can be found beginning on page 47.

**Government-Wide Financial Analysis**  
**The Village of Sugar Mountain's Net Position**  
**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets:</b>						
Current and other assets	\$ 1,471,327	\$ 1,162,840	\$ 143,763	\$ 137,009	\$ 1,615,090	\$ 1,299,819
Capital assets	3,164,555	2,112,353	2,286,962	2,311,167	5,451,517	4,423,520
Deferred outflows of resources	<u>291,657</u>	<u>123,129</u>	<u>31,383</u>	<u>13,175</u>	<u>322,040</u>	<u>136,304</u>
Total assets and deferred outflows of resources	<u>4,927,539</u>	<u>3,398,292</u>	<u>2,462,108</u>	<u>2,461,351</u>	<u>7,389,647</u>	<u>5,859,643</u>
<b>Liabilities:</b>						
Other liabilities	50,336	49,677	4,615	5,482	54,951	55,159
Long-term liabilities outstanding	2,230,297	841,136	210,266	209,341	2,440,563	1,050,477
Deferred inflows of resources	<u>22,167</u>	<u>35,092</u>	<u>1,674</u>	<u>3,710</u>	<u>23,841</u>	<u>38,802</u>
Total liabilities and deferred inflows of resources	<u>2,302,800</u>	<u>925,905</u>	<u>216,555</u>	<u>218,533</u>	<u>2,519,355</u>	<u>1,144,438</u>
<b>Net Position:</b>						
Investment in capital assets	1,320,139	1,404,995	2,102,059	2,107,227	3,422,198	3,512,222
Restricted	86,568	91,455	-	-	86,568	91,455
Unrestricted	<u>1,218,032</u>	<u>975,937</u>	<u>143,494</u>	<u>135,591</u>	<u>1,361,526</u>	<u>1,111,528</u>
Total net position	\$ <u>2,624,739</u>	\$ <u>2,472,387</u>	\$ <u>2,245,553</u>	\$ <u>2,242,818</u>	\$ <u>4,870,292</u>	\$ <u>4,715,205</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Village of Sugar Mountain exceeded liabilities by \$4,870,292 as of June 30, 2017. The Village's net position increased by \$288,095 for the fiscal year ended June 30, 2017. However, the largest portion (70%) reflects the Village's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Village of Sugar Mountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Sugar Mountain's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village of Sugar Mountain's net position, \$86,568, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,361,526 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.69%

**Government-Wide Financial Analysis**  
**The Village of Sugar Mountain's Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 19,006	\$ 18,870	\$ 382,916	\$ 363,109	\$ 401,922	\$ 381,979
Operating grants and contributions	27,792	28,072	-	-	27,792	28,072
Capital grants and contributions	60,000	14,000	67,700	36,000	127,700	50,000
<b>General Revenues:</b>						
Property taxes	1,299,662	1,268,035	-	-	1,299,662	1,268,035
Other taxes	311,375	303,656	-	-	311,375	303,656
Miscellaneous revenues	8,959	-	-	-	8,959	-
Investment earnings	4,213	3,384	372	-	4,585	3,384
Total revenues	<u>1,731,007</u>	<u>1,636,017</u>	<u>450,988</u>	<u>399,109</u>	<u>2,181,995</u>	<u>2,035,126</u>
<b>Expenses:</b>						
General government	532,183	430,244	-	-	532,183	430,244
Public safety	320,667	297,971	-	-	320,667	297,971
Transportation	429,421	576,818	-	-	429,421	576,618
Environmental protection	125,619	133,200	-	-	125,619	133,200
Culture and recreation	-	-	448,253	376,214	448,253	376,214
Interest on long-term debt	37,757	32,129	-	-	37,757	32,129
Total expenses	<u>1,445,647</u>	<u>1,470,362</u>	<u>448,253</u>	<u>376,214</u>	<u>1,893,900</u>	<u>1,846,576</u>
Change in net position	<u>285,360</u>	<u>165,655</u>	<u>2,735</u>	<u>22,895</u>	<u>288,095</u>	<u>188,550</u>
<b>Net Position:</b>						
Beginning of year, July 1	2,472,387	2,306,732	2,242,818	2,219,923	4,715,205	4,526,655
Restatement	<u>(133,008)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,008)</u>	<u>-</u>
Beginning of year, as restated	<u>2,339,379</u>	<u>2,306,732</u>	<u>2,242,818</u>	<u>2,219,923</u>	<u>4,582,197</u>	<u>4,526,655</u>
End of year, June 30	<u>\$ 2,624,739</u>	<u>\$ 2,472,387</u>	<u>\$ 2,245,553</u>	<u>\$ 2,242,818</u>	<u>\$ 4,870,292</u>	<u>\$ 4,715,205</u>

**Governmental Activities.** Governmental activities increased the Village's net position by \$285,360. Key elements of this increase are as follows:

- Property tax revenues exceeding budget in the current year.
- Expenditures being under budget in the current year.

**Business-Type Activities.** Business-type activities increased the Village of Sugar Mountain's net position by \$2,735. Key element of this increase are as follows:

- An increase in user fees from the previous year.

## Financial Analysis of the Village's Funds

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

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

The General Fund is the chief operating fund of the Village of Sugar Mountain. At the end of the current fiscal year, fund balance available in the General Fund was \$1,196,564, while total fund balance reached \$1,406,725.

At June 30, 2017, the governmental funds of the Village of Sugar Mountain reported a combined fund balance of \$1,406,725, a 27.6% increase over last year. Included in this change in fund balance is an increase in the General Fund of \$303,968 and no change in the Capital Improvement Capital Project Fund.

**General Fund Budgetary Highlights.** During the fiscal year, the Village revised the budget on one occasion. 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 exceeded budgeted amounts due to conservative estimates.

**Proprietary Funds.** The Village of Sugar Mountain's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Golf Course and Tennis Fund at the end of the fiscal year amounted to \$143,494. The change in net position was an increase of \$2,734. Other factors concerning the finances of the fund have already been addressed in the discussion of the Village of Sugar Mountain's business-type activities.

## Capital Asset and Debt Administration

**Capital Assets.** The Village of Sugar Mountain's capital assets for its governmental and business-type activities as of June 30, 2017, totals \$5,451,517 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant, demolitions or disposals):

- |                               |             |
|-------------------------------|-------------|
| • Business-type improvements  | \$6,040     |
| • Business-type equipment     | \$29,583    |
| • Governmental equipment      | \$5,000     |
| • Governmental infrastructure | \$1,294,979 |

### The Village of Sugar Mountain's Capital Assets

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 135,794	\$ 135,794	\$ 1,191,542	\$ 1,191,542	\$ 1,327,336	\$ 1,327,336
Construction in progress	-	45,317	-	-	-	45,317
Buildings and improvements	1,002,324	1,027,206	626,740	646,104	1,629,064	1,673,310
Infrastructure	1,979,389	817,9242	427,072	447,777	2,406,461	1,265,699
Vehicles	28,038	61,863	-	-	28,038	61,863
Equipment	19,010	24,2451	41,608	25,744	60,618	49,995
Total	<u>\$ 3,164,555</u>	<u>\$ 2,112,353</u>	<u>\$ 2,286,962</u>	<u>\$ 2,311,167</u>	<u>\$ 5,451,517</u>	<u>\$ 4,423,520</u>

Additional information on the Village's capital assets can be found in note 2 of the basic financial statements.

### Long-Term Debt.

#### The Village of Sugar Mountain's Outstanding Debt Installment Purchases and Other Long-Term Liabilities

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Compensated absences	\$33,509	91,536	2,379	881	35,888	\$ 92,417
Capital leases	-	-	23,158	1	23,158	1
Total pension liability	140,202	133,008	-	-	140,202	133,008
Net pension liability - LGERS	212,171	42,242	23,045	4,520	235,216	46,762
Installment purchases	<u>1,844,415</u>	<u>707,358</u>	<u>161,745</u>	<u>203,939</u>	<u>2,006,160</u>	<u>911,297</u>
Total	<u>\$2,230,297</u>	<u>974,143</u>	<u>210,327</u>	<u>209,341</u>	<u>2,440,624</u>	<u>1,050,477</u>

The Village of Sugar Mountain's total long-term liabilities increased by \$1,390,147 during the past fiscal year, due to the Village of Sugar Mountain obtaining new long-term debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Village of Sugar Mountain is \$20,316,489.

Additional information regarding the Village of Sugar Mountain's long-term debt can be found in note 2 of the basic financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the stability and prosperity of the Village.

- Tourism continues to be a source of strength for the Village during the current year.

### **Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities.** Property tax revenues are expected to increase by 4% from the prior year. State shared revenues are expected to increase slightly due to an improving State economy.

Budgeted expenditures in the General Fund are expected to decrease in the administration and sanitation departments and increase in the public safety and public works departments.

The Village adopted a \$1,782,299 General Fund budget with a decrease in the property tax rate from 46 to 45 cents per \$100 of assessed valuation.

**Business-Type Activities.** Golf and tennis revenues are expected to slightly decrease in the current year and golf maintenance expenses are expected to decrease.

### **Requests for Information**

This report is designed to provide an overview of the Village'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 Director of Finance, Village of Sugar Mountain, 251 Dick Trundy Lane, Sugar Mountain, North Carolina 28604.

**Village of Sugar Mountain, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			Village of Sugar Mountain Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,369,306	136,925	1,506,231	\$ 317,549
Taxes receivable, net	14,231	-	14,231	-
Accrued interest receivable on taxes	1,222	-	1,222	-
Due from other governments	86,568	6,838	93,406	-
Total current assets	1,471,327	143,763	1,615,090	317,549
Non-current assets:				
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	135,794	1,191,542	1,327,336	-
Other capital assets, net of depreciation	3,028,761	1,095,420	4,124,181	-
Total capital assets	3,164,555	2,286,962	5,451,517	-
Total assets	4,635,882	2,430,725	7,066,607	317,549
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	291,657	31,383	323,040	-
Total deferred outflows of resources	291,657	31,383	323,040	-
LIABILITIES				
Current liabilities:				
Accounts payable	46,309	4,615	50,924	1,549
Accrued interest	4,027	-	4,027	-
Current portion of long-term liabilities	289,299	51,729	341,028	-
Total current liabilities	339,635	56,344	395,979	1,549
Long-term liabilities:				
Net pension liability	212,171	22,984	235,155	-
Total pension liability	140,202	-	140,202	-
Due in more than one year	1,588,625	135,553	1,724,178	-
Total liabilities	2,280,633	214,881	2,495,514	1,549
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	2,840	-	2,840	-
Pension deferrals	19,327	1,674	21,001	-
Total deferred inflows of resources	22,167	1,674	23,841	-
NET POSITION				
Net investment in capital assets	1,320,139	2,102,059	3,422,198	-
Restricted for:				
Stabilization by State Statute	86,568	-	86,568	-
Tourism	-	-	-	316,000
Unrestricted	1,218,032	143,494	1,361,526	-
Total net position	\$ 2,624,739	\$ 2,245,553	\$ 4,870,292	\$ 316,000



**Village of Sugar Mountain, North Carolina**  
**Statement of Activities**  
**June 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Village of Sugar Mountain Tourism Development Authority
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 532,183	\$ 19,006	\$ -	\$ -	\$ (513,177)	\$ -	\$ (513,177)	\$ -
Public safety	320,667	-	1,000	-	(319,667)	-	(319,667)	-
Transportation	429,421	-	26,792	60,000	(342,629)	-	(342,629)	-
Environmental protection	125,619	-	-	-	(125,619)	-	(125,619)	-
Interest on long-term debt	37,757	-	-	-	(37,757)	-	(37,757)	-
Total governmental activities (See Note 1)	1,445,647	19,006	27,792	60,000	(1,338,849)	-	(1,338,849)	-
Business-type activities:								
Golf course	448,253	382,916	-	67,700	-	2,363	2,363	-
Total business-type activities	448,253	382,916	-	67,700	-	2,363	2,363	-
Total primary government	\$ 1,893,900	\$ 401,922	\$ 27,792	\$ 127,700	(1,338,849)	2,363	(1,336,486)	-
Component unit:								
Village of Sugar Mountain								
Tourism Development Authority		-	-	-	-	-	-	(291,592)
Total component unit	\$ -	-	-	-	-	-	-	(291,592)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,299,662	-	1,299,662	-
Occupancy tax					-	-	-	226,869
Sales tax and unrestricted intergovernmental taxes					311,375	-	311,375	-
Miscellaneous revenues					8,959	-	8,959	8,112
Unrestricted investment earnings					4,213	372	4,585	541
Total general revenues					1,624,209	372	1,624,581	235,522
Change in net position					285,360	2,735	288,095	(56,070)
Net position, beginning, previously reported					2,472,387	2,242,818	4,715,205	372,070
Restatement					(133,008)	-	(133,008)	-
Net position, beginning, restated					2,339,379	2,242,818	4,582,197	372,070
Net position, ending					\$ 2,624,739	\$ 2,245,553	\$ 4,870,292	\$ 316,000

**Village of Sugar Mountain, North Carolina**  
**Balance Sheet -**  
**Governmental Funds**  
**June 30, 2017**

	<b>Major Funds</b>		
	<b>General</b>	<b>Capital Improvement Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,369,306	\$ -	\$ 1,369,306
Taxes receivables, net	14,231	-	14,231
Due from other governments	86,568	-	86,568
Total assets	<u>1,470,105</u>	<u>-</u>	<u>1,470,105</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	46,309	-	46,309
Total liabilities	<u>46,309</u>	<u>-</u>	<u>46,309</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	14,231	-	14,231
Prepaid taxes	2,840	-	2,840
Total deferred inflows of resources	<u>17,071</u>	<u>-</u>	<u>17,071</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	86,568	-	86,568
Assigned	123,593	-	123,593
Committed			
Capital projects	-	-	-
Unassigned	1,196,564	-	1,196,564
Total fund balances	<u>1,406,725</u>	<u>-</u>	<u>1,406,725</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,470,105</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are			
Total Fund Balance, Governmental Funds			1,406,725
Capital assets used in governmental activities are not financial resources and therefore are not			
Gross capital assets at historical cost		4,627,551	
Accumulated depreciation		<u>(1,462,996)</u>	3,164,555
Net pension asset			
Deferred outflows of resources related to pensions are not reported in the funds			291,657
Other long-term assets (accrued interest receivable from taxes) are not available to pay for			1,222
Earned revenues considered deferred inflows of resources in fund statements.			14,231
Net pension liability			(212,171)
Total pension liability			(140,202)
Gross long-term debt			(1,877,924)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds			(4,027)
Deferred inflows of resources related to pensions are not reported in the funds			(19,327)
Net position of governmental activities			<u>\$ 2,624,739</u>

**Village of Sugar Mountain, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**June 30, 2017**

	<b>Major Funds</b>		
		<b>Capital</b>	
		<b>Improvement</b>	<b>Total</b>
	<b>General</b>	<b>Capital Project</b>	<b>Governmental</b>
		<b>Fund</b>	<b>Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,298,187	-	\$ 1,298,187
Unrestricted intergovernmental	311,375	-	311,375
Restricted intergovernmental	27,792	60,000	87,792
Permits and fees	2,200	-	2,200
Sales and services	16,806	-	16,806
Miscellaneous revenues	8,959	-	8,959
Investment earnings	4,156	57	4,213
Total revenues	1,669,475	60,057	1,729,532
<b>EXPENDITURES</b>			
Current:			
General government	387,256	1,249,662	1,636,918
Public safety	335,185	-	335,185
Transportation	427,143	-	427,143
Environmental protection	125,619	-	125,619
Debt service:			
Principal	162,942	-	162,942
Interest and other charges	37,757	-	37,757
Total expenditures	1,475,902	1,249,662	2,725,564
Excess (deficiency) of revenues over expenditures	193,573	(1,189,605)	(996,032)
Other financing sources (uses)			
Proceeds from long-term debt	-	1,300,000	1,300,000
Transfers to other funds	-	(110,395)	(110,395)
Transfers from other funds	110,395	-	110,395
Total other financing sources (uses)	110,395	1,189,605	1,300,000
Net change in fund balance	303,968	-	303,968
Fund balances, beginning	1,102,757	-	1,102,757
Fund balances, ending	\$ 1,406,725	\$ -	\$ 1,406,725

**Village of Sugar Mountain, North Carolina**  
**Reconciliation of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities -**  
**Governmental Funds**  
**June 30, 2017**

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

Net changes in fund balances - total governmental funds	\$	303,968
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 1,254,662	
Depreciation expense for governmental assets	(202,460)	1,052,202
<hr/>		
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		

Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		935
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued interest receivable on taxes		67
Change in unavailable revenue for tax revenues		1,408

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	(1,300,000)	
	162,942	(1,137,058)
<hr/>		

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	58,028	
Pension expense	5,810	63,838
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Total changes in net position of governmental activities	\$	285,360
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**Village of Sugar Mountain, North Carolina**  
**General Fund -**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2017**

	General Fund			Variance with
	Budget - Original	Budget - Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,220,010	\$ 1,220,010	\$ 1,298,187	\$ 78,177
Unrestricted intergovernmental	299,000	299,000	311,375	12,375
Restricted intergovernmental	27,100	27,100	27,792	692
Permits and fees	-	-	2,200	2,200
Sales and services	-	-	16,806	16,806
Investment earnings	-	-	4,156	4,156
Miscellaneous	49,950	54,950	8,959	(45,991)
Total revenues	1,596,060	1,601,060	1,669,475	68,415
Expenditures:				
Current:				
General government	455,178	523,178	387,256	135,922
Public safety	312,400	340,716	335,185	5,531
Transportation	464,320	470,239	427,143	43,096
Contingency	11,362	-	-	-
Environmental protection	130,000	130,000	125,619	4,381
Debt service:				
Principal retirement	323,800	323,800	162,942	160,858
Interest and other charges	-	-	37,757	(37,757)
Total expenditures	1,697,060	1,787,933	1,475,902	312,031
Revenues over (under) expenditures	(101,000)	(186,873)	193,573	380,446
Other financing sources (uses)				
Transfers from other funds	-	-	110,395	110,395
Transfers to other funds	-	(17,873)	-	(17,873)
Total other financing sources (uses)	-	(17,873)	110,395	92,522
Fund balance appropriated	101,000	169,000	-	(169,000)
Net change in fund balance	\$ -	-	303,968	\$ 303,968
Fund balances, beginning			1,102,757	
Fund balances, ending			<u>\$ 1,406,725</u>	

**Village of Sugar Mountain, North Carolina**  
**Statement of Fund Net Position -**  
**Proprietary Fund**  
**June 30, 2017**

	<b>Golf Course and Tennis Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	136,925
Due from other governments	6,838
Total current assets	<u>143,763</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	1,191,542
Other capital assets, net of depreciation	1,095,420
Capital assets	<u>2,286,962</u>
Total noncurrent assets	<u>2,286,962</u>
Total assets	<u><u>\$ 2,430,725</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	31,383
Total deferred outflows of resources	<u>31,383</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	4,615
Current portion of accrued compensated absences	2,379
Current portion of long-term debt	49,350
Total current liabilities	<u>56,344</u>
Noncurrent liabilities:	
Net pension liability	22,984
Non-current of long-term debt	135,553
Total noncurrent liabilities	<u>158,537</u>
Total liabilities	<u>214,881</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	1,674
<b>NET POSITION</b>	
Net investment in capital assets	2,102,059
Unrestricted	143,494
Total net position	<u><u>\$ 2,245,553</u></u>

**Village of Sugar Mountain, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position -**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	<b>Golf Course and Tennis Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	349,516
Other operating revenues	33,400
<b>Total operating revenues</b>	<u>382,916</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	200,625
Operating expenses	144,794
Depreciation	59,828
<b>Total operating expenses</b>	<u>405,247</u>
<b>Operating income (loss)</b>	<u>(22,331)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and fees	(43,006)
Investment earnings	372
Capital contributions	67,700
<b>Total nonoperating revenue (expenses)</b>	<u>25,066</u>
<b>Change in net position</b>	2,735
<b>Total net position, beginning</b>	<u>2,242,818</u>
<b>Total net position, ending</b>	<u><u>\$ 2,245,553</u></u>

**Village of Sugar Mountain, North Carolina**  
**Statement of Cash Flows -**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	<b>Golf Course and Tennis Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 391,297
Cash paid for goods and services	(144,744)
Cash paid to employees	(200,907)
Net cash provided (used) by operating activities	<u>45,646</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(35,623)
Proceeds from capital lease	29,583
Principal paid on long-term debt	(48,620)
Capital contributions	67,700
Interest and other charges	(43,006)
Net cash provided (used) by capital and related financing activities	<u>(29,966)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	<u>372</u>
Net cash provided (used) by investing activities	<u>372</u>
Net increase (decrease) in cash and cash equivalents	16,052
Balances, beginning	120,873
Balances, ending	<u><u>\$ 136,925</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	<u>\$ (22,331)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	59,828
Pension expense	
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable, net	9,594
(Increase) decrease in due from other governments	(1,213)
(Increase) decrease in prepaid expenses	917
(Increase) decrease in deferred outflows of resources-pensions	(18,208)
Increase (decrease) in net pension liability	18,464
Increase (decrease) in accounts payable and accrued liabilities	(867)
Increase (decrease) in compensated absences	1,498
Increase (decrease) in deferred inflows of resources for pensions	(2,036)
Total adjustments	<u>67,977</u>
Net cash provided by operating activities	<u><u>\$ 45,646</u></u>



**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**1. Summary of Significant Accounting Policies**

The accounting policies of the Village of Sugar Mountain, North Carolina, (the Village) 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 Village is a municipal corporation that is governed by an elected Mayor and a four-member Council. As required by generally accepted accounting principles, these financial statements present the Village and its component unit, a legally separate entity for which the Village is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Village's financial statements in order to emphasize that it is legally separate from the Village.

**Village of Sugar Mountain Tourism Development Authority (TDA)**

The members of the TDA's governing board are appointed by the Village. In addition, the TDA is required by the State statute to use the funds remitted to promote travel and tourism in Sugar Mountain and shall use the remainder for tourism related expenditures. The TDA Board, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the TDA Board may be obtained from the entity's administrative offices at the Village of Sugar Mountain TDA, 251 Dick Trundy Lane, Sugar Mountain, North Carolina 28604.

**B. Basis of Presentation**

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and for each function of the Village'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.

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

*Fund Financial Statements.* The fund financial statements provide information about the Village's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Village maintains the following major governmental funds:

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

**Capital Improvement Capital Project Fund.** The Capital Project Fund is used to account for the Village's funding for a resurfacing project.

The Village reports the following major enterprise fund:

**Golf Course and Tennis Fund.** Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Golf Course and Tennis Fund is the only enterprise fund of the Village.

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

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

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

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Village considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**D. Budgetary Data**

The Village's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Project ordinances are adopted for the Resurfacing Capital Project Fund.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. 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.

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

**Equity Deposits and Investments**

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

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

The Village's and the Authority's investments are reported at fair value. The securities of the NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**Cash and Cash Equivalents**

The Village pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the Village has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Village's General Fund, ad valorem tax revenues are reported net of such discounts.

**Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost greater than \$1,500 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015 are recorded at estimated fair market value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized.

The Village capitalizes interest costs which are incurred during the construction period of capital assets.

In conjunction with implementing GASB 34, "The New Reporting Model", the Village began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Village's capitalization threshold of \$1,500 will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 1980, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 1980.

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

<u>Estimated Assets</u>	<u>Useful Lives</u>
Infrastructure	20 years
Buildings	50 years
Furniture and equipment	7 years
Vehicles	5 years
Computer equipment	5 years
Other improvements	25 years

**Compensated Absences**

The vacation policy of the Village provides for an accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Village's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Vacation pay taken is reduced using the first-in-first-out method. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Village's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**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. The 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 Village has one item that meet this criterion, pension deferrals for the 2017 fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future period and so will not be recognized as revenues until then. The Village has several items that meets this criterion – property taxes receivable, prepaid taxes, and pension deferrals.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or the proprietary fund type Statement of Net Position. Debt issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**Net Position/Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

*Stabilization by State Statute* – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

**Committed Fund Balance:** This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Village of Sugar Mountain's governing body (highest level of decision making authority, the Village Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body. 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:** Assigned fund balance is the portion of fund balance that the Village of Sugar Mountain has budgeted for specific purposes.

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

**Unassigned Fund Balance:** Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes or other funds.

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Village of Sugar Mountain has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, Federal funds, State funds, local non-Village funds, and Village 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 Village or when required by grant or other contractual agreements.

The Village has not officially adopted a fund balance policy.

**Interfund Transactions**

Interfund services provided are accounted for as revenues or expenses in the government-wide financial statements since they would be treated as such if they involved organizations external to the Village. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**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. Significant areas where estimates made are: allowance for doubtful accounts and depreciation lives.

**Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Village of Sugar Mountain's employer contributions are recognized when due and the Village of Sugar Mountain has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



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**2. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Village and TDA 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 Village's or TDA's agents in the units' 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 Village and TDA, these deposits are considered to be held by the Village's and TDA's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village and TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Village and TDA 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 Village and TDA 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 Village and TDA complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Village's deposits had a carrying amount of \$782,669 and a bank balance of \$803,690. Of the bank balance, \$513,841 was covered by FDIC. The Village held \$300 in petty cash as of June 30, 2017.

At June 30, 2017, the Authority's deposits had a carrying amount of \$305,103 and a bank balance of \$305,797. Of the bank balance, \$305,797 was covered by federal depository insurance. At June 30, 2017, the Authority had \$50 in the petty cash fund.

**2. Investments**

At June 30, 2017, the Village's investments balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2017</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Government Portfolio	Amortized Cost	523,062	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	200,200	.09 years	Unrated
<b>Total:</b>		<b>\$723,262</b>		

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

*Interest Rate Risk.* The Village has no formal investment policy regarding interest rate risk. The Village does not have a formal investment policy. However, the Village'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 Village has no formal policy regarding credit risk, but has internal management procedures that limits the Village'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 Village's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The Village's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

At June 30, 2017, the Authority had \$12,396 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Authority has no formal policy regarding credit risk of its investments.

**Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	<b>Taxes</b>	<b>Due from other governments</b>	<b>Total</b>
<b>Governmental Activities:</b>			
Property taxes	26,231	-	26,231
Local options sales/franchise tax	-	38,190	38,190
Sales tax refunds due	-	41,322	41,322
Motor vehicle tax	-	4,602	4,602
Motor fuel tax refund	-	2,454	2,454
Allowance for doubtful accounts	(12,000)	-	(12,000)
Total governmental activities	14,231	86,568	\$ 100,799
<b>Enterprise Activities:</b>			
Sales tax refunds due	-	6,838	\$ 6,838

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**Governmental Capital Assets**

A summary of changes in the Village's governmental capital assets follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 135,794	\$ -	\$ -	\$ 135,794
Construction in progress	45,317	1,249,662	1,294,979	-
Total capital assets not being depreciated	181,111	1,249,662	1,294,979	135,794
<b>Capital assets being depreciated:</b>				
Buildings	1,234,325	-	-	1,234,325
Infrastructure	1,375,270	1,294,979	-	2,670,424
Vehicles	322,538	100,000	29,596	392,942
Equipment	217,241	5,000	28,000	194,241
Total capital assets being depreciated	3,149,374	1,399,979	57,596	4,491,757
<b>Less accumulated depreciation for:</b>				
Buildings	207,119	24,882	-	232,001
Infrastructure	557,348	133,512	-	690,860
Vehicles	260,675	133,825	29,596	364,904
Equipment	192,990	10,241	28,000	175,231
Total accumulated depreciation	1,218,132	302,460	57,596	1,462,996
Total capital assets being depreciated, net	1,931,242			3,028,761
<b>Governmental activity capital assets, net</b>	<u>\$ 2,112,353</u>			<u>\$ 3,164,555</u>

During the current fiscal year, management noted two vehicles in transportation were not included in the schedule of fixed assets. Both vehicles were fully depreciated at June 30, 2016, therefore vehicles and accumulated depreciation increased \$100,000.

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

<b>Governmental Activities:</b>	
General government	\$ 157,994
Public safety	13,844
Transportation	30,622
Total	<u>\$ 202,460</u>

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**Proprietary Capital Assets**

The capital assets of the proprietary fund of the Village at June 30, 2017, were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<b>Golf Course and Tennis Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 1,191,542	-	-	\$ 1,191,542
Total capital assets not being depreciated	1,191,542	-	-	1,191,542
<b>Capital assets being depreciated:</b>				
Buildings	875,019	-	-	875,019
Improvements	778,728	6,040	-	784,768
Equipment	668,382	29,583	195,349	502,616
Total capital assets being depreciated	2,322,129	35,623	195,349	2,162,403
<b>Less accumulated depreciation for:</b>				
Buildings	228,915	19,364	-	248,279
Improvements	330,951	26,745	-	357,696
Equipment	642,638	13,719	195,349	461,008
Total accumulated depreciation	1,202,504	59,828	195,349	1,066,983
Total capital assets being depreciated, net	1,119,625			1,095,420
<b>Business-type activities capital assets, net</b>	<u>\$ 2,311,167</u>			<u>\$ 2,286,962</u>

**B. Liabilities**

**Pension Plan and Postemployment Obligations**

**Local Governmental Employees' Retirement System**

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Village of Sugar Mountain employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Village of Sugar Mountain's contractually required contribution rate for the year ended June 30, 2017, was 15.14% of compensation for law enforcement officers and 14.39% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Village of Sugar Mountain were \$98,404 for the year ended June 30, 2017.

*Refunds of Contributions* – Village employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2017, the Village reported a liability of \$235,155 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension asset was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Village's proportion was 0.01108%, which was an increase of 0.00066% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village recognized pension expense of \$79,906. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,418	\$ 8,240
Changes of assumptions	16,106	-
Net difference between projected and actual earnings on pension plan investments	130,010	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	73,167	9,365
Village contributions subsequent to the measurement date	98,404	-
Total	\$ 322,105	\$ 17,605

\$98,404 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ 38,654
2018	38,719
2019	81,605
2020	47,118
2021	-
Thereafter	-

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

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Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Village's proportionate share of the net pension liability (asset)	\$ 558,132	\$ 235,155	\$ (34,620)

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

**Law Enforcement Officers' Special Separation Allowance**

*Plan Description*

The Village of Sugar Mountain administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Village's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Village law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>5</u>
Total	<u>5</u>



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*Summary of Significant Accounting Policies*

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

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

*Actuarial Assumptions*

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

Inflation	3.0 percent
Projected salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

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

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

*Contributions*

The Village is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Village's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Village paid \$935 as benefits came due for the reporting period.

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

At June 30, 2017, the Village reported a total pension liability of \$140,202. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Village recognized pension expense of \$10,590.

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	3,396
Village benefit payments and plan administrative expense made subsequent to the measurement date	935	-
Total	<u>\$ 935</u>	<u>\$ 3,396</u>

\$935 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 601
2019	601
2020	601
2021	601
2022	601
Thereafter	391

\$935 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

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

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	\$ 154,486	\$ 140,202	\$ 127,286

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>2017</u>
Beginning balance	\$ 133,008
Service Cost	6,443
Interest on the total pension liability	4,748
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(3,997)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 140,202</u>

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

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

**Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The Village contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Village. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Village to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017, were \$13,988 which consisted of \$9,886 from the Village and \$4,102 from the law enforcement officers. Employees not engaged in law enforcement made voluntary contributions of \$5,200 to the plan.

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Other Employment Benefits**

The Village has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one-year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Village, the Village does not determine the number of eligible participants. The Village has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Village considers these contributions to be immaterial.

**Deferred Inflows and Outflows of Resources**

The Village has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Source:	<u>Amount</u>
Differences between expected and actual experience	4,418
Net difference between projected and actual earnings on pension plan investments	130,010
Changes in assumptions	16,106
Changes in proportion and differences between Village contributions and proportionate share of contributions	73,167
Benefits payments made and administrative expenses for LEO SSA	935
Contributions to pension plan in current fiscal year	<u>98,404</u>
	<u>\$ 323,040</u>

	Statement of Net Position	General Fund Balance Sheet
Deferred inflows of resources at year-end are comprised of the following:		
Taxes Receivable, less penalties (General Fund)	-	14,231
Prepaid taxes not yet earned (General Fund)	2,840	2,840
Differences between expected and actual experience	8,240	-
Change in assumptions	3,396	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	9,365	-
	<u>\$ 23,841</u>	<u>17,071</u>

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Risk Management**

The Village 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 Village participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village upon request. The Village purchases employee health insurance from a private insurance company. The health insurance plan is fully insured by the private carrier.

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

In accordance with G.S. 159-29, the Village's employees that have access to \$100 or more of the Village's funds at any given time of the Village's funds are performance bonded through a commercial surety bond with a \$50,000 coverage limit per incident. The Finance Officer, Village Clerk, and Tax Collector are each individually bonded for \$75,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

**Operating Lease**

The Village lease golf carts under an operating lease expiring in 2018. Future minimum lease payments required under the lease are as follows:

<b>Year Ending</b>		<b>Total</b>
<b>June 30</b>		
2018	\$	32,194
Total		32,194

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Long-Term Obligations**

**Capital Leases**

The Village has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following schedule provides information regarding the capital lease entered into by the Village:

<b>Description</b>	<b>Date Executed</b>	<b>Number of Payments</b>	<b>Frequency of Payments</b>	<b>Amount of Payments</b>
John Deere Greens Mower	9/1/16	49	Monthly	\$ <u>669</u>

The following is an analysis of the assets recorded under capital leases at June 30, 2016:

<b>Class of Property</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Rough Mower	\$ <u>29,583</u>	\$ <u>4,226</u>	\$ <u>25,357</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2018	\$ 7,156
2019	6,881
2020	7,789
2021	<u>1,332</u>
Present value of the minimum lease payments	\$ <u>23,158</u>

**Governmental Activities:**

**Installment Purchases Payables:**

4.79% note for \$850,000, payable to BB&T issued October 2008; payable in semi-annual installments varying from \$44,441 to \$28,870, including interest through 2023; construction of new town hall \$368,333

2.67% note for \$1,300,000, payable to BB&T issued July 2016; payable in semi-annual installments varying from \$54,890 to \$71,522, including interest through 2017; 2016 Phase I and Phase II Road Improvement Projects 1,245,833

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

4.07 note for \$1,100,000 payable to BB&T issued May 2007; payable in semi-annual installments of \$45,833 – the note was refinanced in 2016 at 1.91% for \$275,000 payable to BB&T; payable in semi- annual installments of \$47,377, including interest through 2020; street improvement project	230,249
	<u>\$ 1,844,415</u>

**Business-Type Activities:**

**Installment Purchases Payables:**

4.37% note for \$365,684, payable to BB&T issued August 2012; payable in monthly installments varying from \$4,848 to 3,5296, including interest through 2021; construction of golf pro shop	\$ 161,745
	<u>\$ 161,745</u>

Maturities of long-term debt, including interest are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
Year Ending June 30	Principal	Interest	Principal	Interest
2018	\$ 255,790	\$ 49,929	\$ 42,194	\$ 6,223
2019	257,532	43,148	42,194	4,380
2020	211,930	36,331	42,194	2,601
2021	165,001	30,813	35,163	706
2022	165,001	25,802	-	-
2023-2027	789,161	69,026	-	-
Total	<u>\$ 1,844,415</u>	<u>\$ 255,049</u>	<u>\$161,745</u>	<u>\$ 13,910</u>

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

A summary of changes in long-term obligations follows:

<b>Governmental activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment purchase	\$ 707,357	\$1,300,000	\$ 162,942	\$1,844,415	\$ 255,790
Compensated absences	91,536	31,819	89,846	33,509	33,509
 Total pension liability	 133,008	 7,194	 -	 140,202	 -
Net pension liability (LGRS)	42,242	169,929	-	212,171	-
Total	<u>\$ 974,143</u>	<u>\$1,508,942</u>	<u>\$ 252,788</u>	<u>\$ 2,230,297</u>	<u>\$ 289,299</u>
<b>Business-type activities:</b>					
Capital leases	\$ 1	\$ 29,583	\$ 6,426	\$ 23,158	\$7,156
Installment purchase	203,939	-	42,194	161,745	42,194
Net pension liability (LGRS)	4,520	18,464	-	22,984	-
Compensated absences	881	3,887	2,389	2,379	2,379
Total	<u>\$ 209,341</u>	<u>\$ 51,934</u>	<u>\$ 51,009</u>	<u>\$ 210,266</u>	<u>\$ 51,729</u>

Compensated absences typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis, assuming that the employees are taking leave time as it is earned. At June 30, 2017, the Village had a legal debt margin of \$20,316,489.

**C. Interfund Transactions**

Transfers to/from Other Funds at June 30, 2017 consists of the following:

From the Capital Improvement Capital Project Fund to the General Fund to close out the capital project. \$110,395

**3. Jointly Governed Organizations**

The Village, in conjunction with seven counties and eighteen municipalities, established the Region D Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board.



**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**4. Summary Disclosure of Significant Contingencies Federal and State-Assisted Programs**

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

**5. Significant Transactions with a Discretely Presented Component Unit**

During the fiscal year, the Village of Sugar Mountain Tourism Development Authority contributed to the Village of Sugar Mountain \$30,000 for debt service, \$60,000 for the paving and \$6,000 for tennis.

**6. Fund Balance**

Total fund balance - General Fund	\$ 1,406,725
Less:	
Stabilization by state statute	86,568
Appropriated fund balance in budget	123,593
Remaining fund balance	1,196,564

**7. Change in accounting principle/restatement**

The Village implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Village to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Village to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$133,008.

**Village of Sugar Mountain, North Carolina**  
**Schedule of Proportionate Share of Net Pension Liability (Asset) - LGERS**  
**Required Supplementary Information**  
**Last Four Fiscal Years \***

**Local Government Employees' Retirement System**

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Sugar Mountain's proportion of the net pension liability (asset) (%)	1.10800%	0.01042%	0.0106%	0.0129%
Sugar Mountain's proportion of the net pension liability (asset) (\$)	\$ 235,155	\$ 46,762	\$ (62,749)	\$ 155,495
Sugar Mountain's covered-employee payroll	\$ 673,318	\$ 693,125	\$ 635,929	\$ 623,175
Sugar Mountain's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.92%	6.75%	( 9.87%)	24.95%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**Village of Sugar Mountain, North Carolina**  
**Schedule of Employer Contributions - LGERS**  
**Required Supplementary Information**  
**Last Four Fiscal Years**

**Local Government Employees' Retirement System**

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 98,404	\$ 96,563	\$ 94,947	\$ 90,953
Contributions in relation to the contractually required contribution	98,404	96,563	94,947	90,953
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sugar Mountain's covered-employee payroll	\$ 673,318	\$ 693,125	\$ 662,272	\$ 635,929
Contributions as a percentage of covered-employee payroll	14.61%	13.93%	14.34%	14.30%

**Village of Sugar Mountain, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2017**

	<b>2017</b>
Beginning balance	\$ 133,008
Service Cost	6,443
Interest on the total pension liability	4,748
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(3,997)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 140,202</u>

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

**Village of Sugar Mountain, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**For the Year Ended June 30, 2017**

	<u><b>2017</b></u>
Total pension liability	\$ 140,202
Covered payroll	191,196
Total pension liability as a percentage of covered payroll	73.33%

Notes to the schedules:

Village of Sugar Mountain has no assets accumulated in a trust that meets the criteria in paragraph 4

**Village of Sugar Mountain, North Carolina**  
**General Fund -**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 1,291,718	\$
Interest		6,469	
Total	<u>1,220,010</u>	<u>1,298,187</u>	<u>78,177</u>
Unrestricted intergovernmental:			
Local option sales taxes		66,939	
Utilities franchise tax		137,275	
Beer and wine tax		892	
ABC profit distribution		85,000	
Other taxes		21,269	
Total	<u>299,000</u>	<u>311,375</u>	<u>12,375</u>
Restricted intergovernmental:			
Powell Bill allocation		26,792	
ABC Revenue for law enforcement		1,000	
Total	<u>27,100</u>	<u>27,792</u>	<u>692</u>
Permits and fees:			
Zoning compliance		2,200	
Total	<u>-</u>	<u>2,200</u>	<u>2,200</u>
Sales and services:			
Tourism development administration	<u>-</u>	<u>16,806</u>	<u>16,806</u>
Investment earnings	<u>-</u>	<u>4,156</u>	<u>4,156</u>
Miscellaneous:	<u>54,950</u>	<u>8,959</u>	<u>(45,991)</u>
Total revenues	1,601,060	1,669,475	68,415
<b>Expenditures:</b>			
Governing body:			
Salaries and employee benefits		8,397	
Operating expenditures		9,000	
Total		<u>17,397</u>	
Administration:			
Salaries and employee benefits		243,139	
Operating expenditures		119,027	
Capital outlay		7,693	
Total		<u>369,859</u>	
Total general government	<u>523,178</u>	<u>387,256</u>	<u>135,922</u>

**Village of Sugar Mountain, North Carolina**  
**General Fund -**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		305,248	
Operating expenditures		26,542	
Capital outlay		3,395	
Total public safety	340,716	335,185	5,531
Transportation:			
Street maintenance:			
Salaries and employee benefits		340,743	
Operating expenditures		81,505	
Capital outlay		4,895	
Total transportation	470,239	427,143	43,096
Environmental protection:			
Solid waste:			
Other operating expenditures		125,619	
Total culture and recreation	130,000	125,619	4,381
Debt service:			
Principal retirement		162,942	
Interest and other charges		37,757	
Total debt service	323,800	200,699	123,101
Total expenditures	1,787,933	1,475,902	312,031
Revenues over (under) expenditures	(186,873)	193,573	380,446
Other financing sources (uses):			
Transfers from other funds:			
Capital project fund	-	110,395	110,395
Transfer to other funds:			
Golf course and tennis fund	(17,873)	-	(17,873)
Total	(17,873)	110,395	92,522
Fund balance appropriated	169,000	-	(169,000)
Net change in fund balance	\$ -	303,968	\$ 303,968
Fund balances, beginning		1,102,757	
Fund balances, ending		\$ 1,406,725	

**Village of Sugar Mountain, North Carolina**  
**Resurfacing Capital Project Fund - Major Capital Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total To Date
<b>Revenues</b>				
Interest income	\$ -	\$ -	\$ 57	\$ 57
Restricted intergovernmental:				
Village of Sugar Mountain Tourism				
Development Authority	231,000	-	60,000	60,000
Total revenues	231,000	-	60,057	60,057
<b>Expenditures</b>				
Capital outlay:				
Resurfacing	1,459,185	45,317	1,249,662	1,294,979
Contingency	139,815	-	-	-
Total expenditures	1,599,000	45,317	1,249,662	1,294,979
Revenues under expenditures	(1,368,000)	(45,317)	(1,189,605)	(1,234,922)
<b>Other Financing Sources</b>				
Proceeds from long-term debt	1,300,000	-	1,300,000	1,300,000
Transfers from other funds	68,000	45,317	-	45,317
Transfers to other funds	-	-	(110,395)	(110,395)
Total other financing sources	1,368,000	45,317	1,189,605	1,234,922
Net change in fund balance	\$ -	\$ -	\$ -	\$ -



**Village of Sugar Mountain, North Carolina**  
**Golf Course and Tennis Fund -**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2017**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for golf services	\$ 293,000	\$ 333,405	
Charges for tennis services	21,500	16,111	
] Other operating revenues	40,300	33,510	
Total operating revenues	<u>354,800</u>	<u>383,026</u>	<u>\$ 28,226</u>
Non-operating revenues:			
Investment interest	-	372	-
Contribution from Tourism Development Authority	67,700	67,700	-
Total non-operating revenues	<u>67,700</u>	<u>68,072</u>	<u>372</u>
Total revenues	<u>422,500</u>	<u>451,098</u>	<u>28,598</u>
Expenditures:			
Current:			
Golf course administration:			
Salaries and benefits		48,298	
Other operating expenses		35,000	
Total golf course administration	<u>84,215</u>	<u>83,298</u>	<u>917</u>
Golf course maintenance:			
Salaries and benefits		128,872	
Other operating expenses		88,549	
Capital outlay		35,623	
Total golf course maintenance	<u>257,975</u>	<u>253,044</u>	<u>4,931</u>
Tennis administration:			
Salaries and benefits		23,737	
Other operating expenses		21,355	
Total tennis administration	<u>56,800</u>	<u>45,092</u>	<u>11,708</u>
Debt service:			
Interest and other charges		43,006	
Principal retirement		48,620	
Total debt service	<u>95,800</u>	<u>91,626</u>	<u>4,174</u>
Total expenditures	<u>494,790</u>	<u>473,060</u>	<u>21,730</u>
Revenues over(under) expenditures	<u>(72,290)</u>	<u>(21,962)</u>	<u>50,328</u>

**Village of Sugar Mountain, North Carolina**  
**Golf and Tennis Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2017**

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer in - General Fund	42,707	-	(42,707)
Capital lease proceeds	29,583	29,583	-
Appropriated fund balance	-	-	-
Total other financing sources (uses)	<u>72,290</u>	<u>29,583</u>	<u>(42,707)</u>
Revenues and other sources over (under)			
expenditures and other financing uses	<u>\$ -</u>	<u>7,621</u>	<u>\$ 7,621</u>

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

Revenues and other sources over expenditures and other uses	\$ 7,621
Reconciling items:	
Principal retirement	48,620
Capital outlay	35,623
Issuance of long-term debt	(29,583)
Increase in compensated absences	(1,498)
Increase in deferred outflows of resources - pensions	18,208
Increase in net pension liability	(18,464)
Decrease in deferred inflows of resources - pensions	2,036
Depreciation	(59,828)
Total reconciling items	<u>(4,886)</u>
Change in net position	<u>\$ 2,735</u>

**Village of Sugar Mountain, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2017**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 1,286,395	\$ 1,269,591	\$ 16,804
2015-2016	14,695	-	10,234	4,461
2014-2015	5,467	-	4,677	790
2013-2014	3,120	-	2,508	612
2012-2013	2,645	-	1,978	667
2011-2012	1,506	-	1,259	247
2010-2011	1,631	-	1,031	600
2009-2010	1,240	-	418	822
2008-2009	1,250	-	22	1,228
2007-2008	1,269	-	1,269	-
	<u>\$ 32,823</u>	<u>\$ 1,286,395</u>	<u>\$ 1,292,987</u>	<u>26,231</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>12,000</u>
Ad valorem taxes receivable - net				<u>\$ 14,231</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,298,187
Reconciling items:				
Taxes written off				1,269
Penalties and interest				<u>(6,469)</u>
Subtotal				<u>(5,200)</u>
Total collections and credits				<u>\$ 1,292,987</u>

**Village of Sugar Mountain, North Carolina**  
**Analysis of Current Tax Levy**  
**Village - Wide Levy**  
**June 30, 2017**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 271,955,217	0.46	\$ 1,250,994	\$ 1,250,994	\$ -
Registered motor vehicles taxed	6,113,913	0.46	28,124	-	28,124
Penalties	-		729	729	-
Total	<u>278,069,130</u>		<u>1,279,847</u>	<u>1,251,723</u>	<u>28,124</u>
Discoveries:					
Current year taxes	<u>2,028,452</u>	0.46	<u>10,113</u>	<u>10,113</u>	<u>-</u>
Abatements	<u>(775,000)</u>	0.46	<u>(3,565)</u>	<u>(3,565)</u>	<u>-</u>
Total property valuation	<u><u>\$ 279,322,582</u></u>				
Net levy			1,286,395	1,258,271	28,124
Uncollected taxes at June 30, 2017			<u>(16,804)</u>	<u>(16,804)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,269,591</u>	<u>\$ 1,241,467</u>	<u>\$ 28,124</u>
Current levy collection percentage			<u>98.69%</u>	<u>98.66%</u>	<u>100.00%</u>

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To the Honorable Mayor and Village Council  
Village of Sugar Mountain  
Sugar Mountain, North Carolina

In planning and performing our audit of the financial statements of the governmental activities, the business activities, the discretely presented component unit, and each major fund of Village of Sugar Mountain as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Sugar Mountain's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Sugar Mountain's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Sugar Mountain's internal control.

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

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

**Find 16-001**

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

Condition: The Village of Sugar Mountain processes the financial transactions for the Village. Due to the limited number of personnel in the Village office, there are inherent limitations to segregation of duties among Village personnel.

Context: One individual prepares checks, reconciles bank accounts and maintains the general ledger. There is no overriding review in place for bank reconciliations or posting of journal entries.

Effect: Adjustments or errors could be made without oversight.

Cause: There are a limited number of personnel for certain functions.

Recommendation: Access to the books and records of the Village should be separated from access to the assets of the Village as much as possible. The Village Manager should review an adjustment report on a monthly basis to detect unauthorized adjustments. Alternative controls should be used to compensate for any lack of segregation of duties.

Name of Contact Person: Susan Phillips

Correction Action: Management is aware of the weakness but the cost-benefit is not feasible.

**Find 16-002**

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

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

Context: Village personnel cannot draft full disclosure GAAP financial statements.

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

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

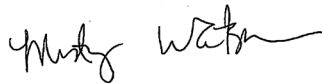
Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Village should exercise due care in reviewing the financial statements drafted by the external auditor, as the Village is responsible for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

Name of Contact Person: Susan Phillips

Correction Action: Management will exercise due care in reviewing the financial statements drafted by the external auditor, as the Village is responsible for the accuracy of the audited financial statements.

The Village of Sugar Mountain's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Village, and others within the Village of Sugar Mountain, and is not intended to be and should not be used by anyone other than these specified parties.



Misty D Watson, CPA, PA  
Boone, NC 28607  
September 15, 2017