

**VILLAGE OF SUGAR MOUNTAIN TOURISM
DEVELOPMENT AUTHORITY**
(A COMPONENT UNIT of the VILLAGE of SUGAR MOUNTAIN, NORTH CAROLINA)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Authority Members

Jim Fitzpatrick, Chairman
Janet Anderson
Morgan Lecka
Sam Semple
Keely Sisco

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

VILLAGE OF SUGAR MOUNTAIN TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA)

FOR THE YEAR ENDED JUNE 30, 2020

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MISTY D WATSON, CPA, P.A.
CERTIFIED PUBLIC ACCOUNTANT
PO BOX 2122
BOONE, NORTH CAROLINA 28607
TELEPHONE (704) 907-5053

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Village of Sugar Mountain Tourism Development Authority
Sugar Mountain, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Village of Sugar Mountain Tourism Development Authority (A Component Unit of the Village of Sugar Mountain, North Carolina) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

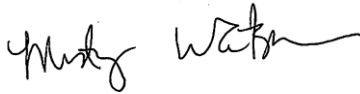
Opinions

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 and the major fund of the Authority as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Misty D Watson, CPA, PA
Boone, NC 28607
October 13, 2020

Management's Discussion and Analysis

As management of the Village of Sugar Mountain Tourism Development Authority (A Component Unit of the Village of Sugar Mountain, North Carolina) (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

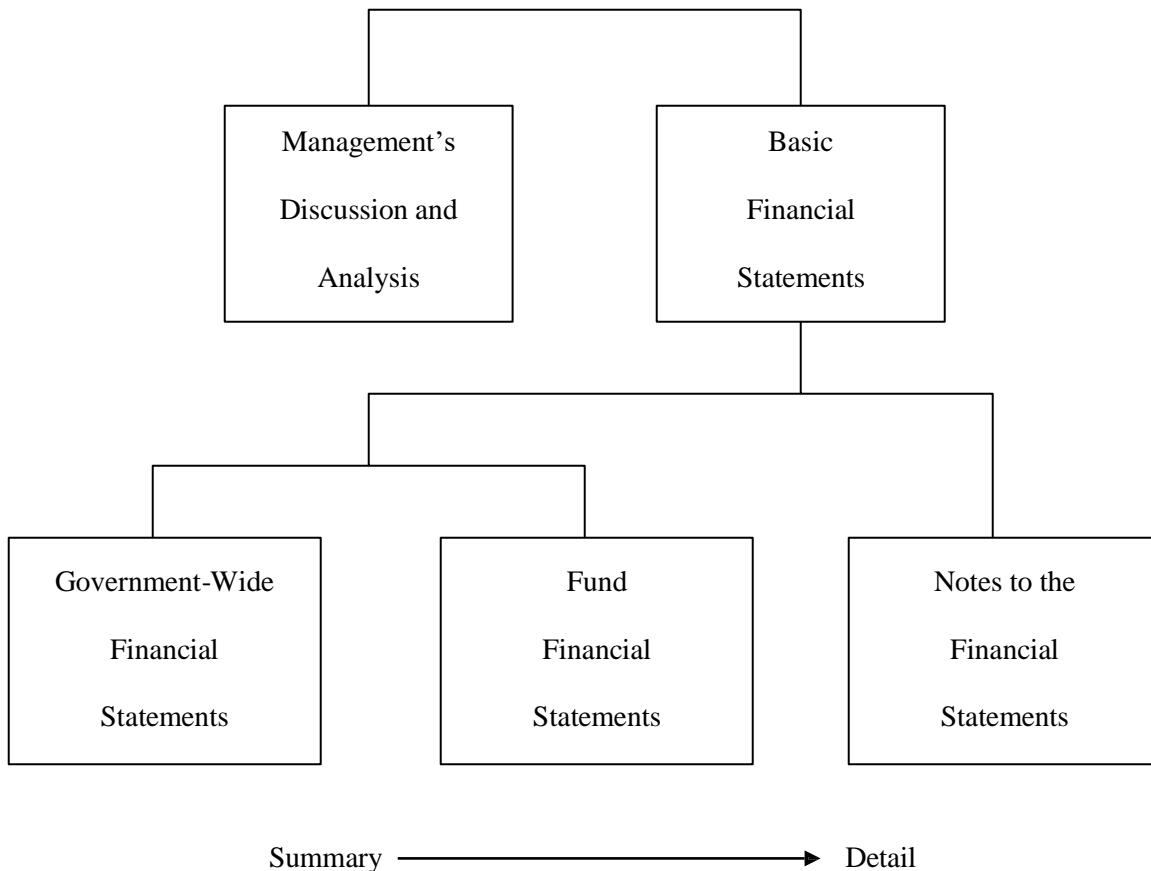
- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$430,079 (*net position*).
- The Authority's total net position increased by \$92,957.
- As of the close of the current fiscal year, available fund balance for the General Fund was \$358,104.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The Authority is considered a special purpose government rather than a general government. In addition, the Authority engages only in governmental activities and operates only one program.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (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 Authority's financial status.

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

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements.

Government-Wide Financial Statements

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

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

The government-wide statements are comprised of a single category: governmental activities. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's activities 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 the current financial resources focus and the modified accrual basis of accounting. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Authority's programs.

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document. The budget authorizes the Authority to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 14 through 20 of this report.

Government-Wide Financial Analysis

Village of Sugar Mountain Tourism Development Authority's Net Position

Figure 2

	<u>Governmental Activities</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current and other assets	\$435,733	337,139
Total assets	435,733	337,139
Liabilities:		
Accounts payable	5,654	17
Total liabilities	5,654	17
Net Position:		
Restricted:		
Tourism	425,079	337,122
Stabilization by state statute	5,000	-
Total net position	\$430,079	337,122

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$430,079 as of June 30, 2020. The Authority's net position increased by \$92,957 during the fiscal year ended June 30, 2020.

- Occupancy tax revenues increased over the prior year.

**Village of Sugar Mountain Tourism Development
Authority Changes in Net Position**

Figure 3

	Governmental Activities	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues:		
General revenues:		
Room occupancy tax	\$ 389,142	287,054
Other revenues	5,000	8
Interest earnings, unrestricted	5,514	4,226
Total revenues	<u>399,656</u>	<u>291,288</u>
Expenses:		
Economic and physical development	<u>306,699</u>	<u>242,823</u>
Total expenses	<u>306,699</u>	<u>242,823</u>
Change in net position	92,957	48,465
Net Position:		
Beginning of year - July 1	<u>337,122</u>	<u>288,657</u>
End of year - June 30	<u>\$ 430,079</u>	<u>337,122</u>

Governmental Activities. Governmental activities increased the Authority's net position by \$92,957, or 27.6 percent. Key elements of this increase are as follows:

- Occupancy tax revenues increased over the prior year.

Financial Analysis of the Authority's Funds

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

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

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, the Authority's fund balance available in the General Fund was \$358,104 and total fund balance reached \$430,079. The Authority currently has available fund balance of 116.8 percent of total General Fund expenditures.

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

Economic Factors

The following key indicators directly impact the Authority:

- Occupancy tax revenues continue to be strong

Budget Highlights for the Fiscal Year Ending June 30, 2021

- Occupancy tax revenues are expected to remain constant.
- Infrastructure expenses are expected to increase.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Village of Sugar Mountain Tourism Development Authority, 251 Dick Trundy Lane, Sugar Mountain, North Carolina 28604.

Village of Sugar Mountain Tourism Development Authority
A Component Unit of the Village of Sugar Mountain, North Carolina
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 430,733
Accounts receivable	<u>5,000</u>
Total Assets	<u>435,733</u>
Liabilities:	
Accounts payable	<u>5,654</u>
Total Liabilities	<u>5,654</u>
Net Position:	
Restricted for:	
Stabilization by State Statute	5,000
Tourism promotion	<u>425,079</u>
Total Net Position	\$ <u><u>430,079</u></u>

The accompanying notes are an integral part of these financial statements

Village of Sugar Mountain Tourism Development Authority
A Component Unit of the Village of Sugar Mountain, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Economic and physical development	306,699	-	\$ (306,699)
Total	<u>\$ 306,699</u>	<u>-</u>	<u>\$ (306,699)</u>
General revenues:			
Occupancy tax			389,142
Other revenues			5,000
Investment earnings			<u>5,514</u>
Total general revenues			399,656
Change in net position			92,957
Net position-beginning			<u>337,122</u>
Net position-ending			<u>\$ 430,079</u>

The accompanying notes are an integral part of these financial statements

Village of Sugar Mountain Tourism Development Authority
A Component Unit of the Village of Sugar Mountain, North Carolina
Balance Sheet - Governmental Funds
June 30, 2020

	<u>General Fund</u>
Assets:	
Assets:	
Cash and cash equivalents	\$ 430,733
Accounts receivable	<u>5,000</u>
Total assets	<u><u>435,733</u></u>
Liabilities:	
Accounts payable	<u>5,654</u>
Total Liabilities	<u><u>5,654</u></u>
Fund balances:	
Restricted	
Tourism promotion	358,104
Stabilization by State Statute	5,000
Assigned	
Subsequent years expenditures	<u>66,975</u>
Total fund balance	<u><u>430,079</u></u>
Total liabilities and fund balances	\$ <u><u>435,733</u></u>

The accompanying notes are an integral part of these financial statements

Village of Sugar Mountain Tourism Development Authority
A Component Unit of the Village of Sugar Mountain, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
June 30, 2020

	<u>General Fund</u>
Revenues:	
Occupancy tax revenue	\$ 389,142
Other revenue	5,000
Interest earned	5,514
Total revenues	<u>399,656</u>
 Expenditures:	
Economic and physical development	<u>306,699</u>
Total expenditures	<u>306,699</u>
 Net change in fund balance	 92,957
 Fund Balances:	
Fund balance - beginning	337,122
Fund balance - ending	\$ <u><u>430,079</u></u>

The accompanying notes are an integral part of these financial statements

Village of Sugar Mountain Tourism Development Authority
A Component Unit of the Village of Sugar Mountain, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive- (Negative)
	Original	Final		
Revenues:				
Occupancy tax	\$ 250,000	\$ 250,000	389,142	\$ 139,142
Other revenues	100	100	5,000	4,900
Investment earnings	3,500	3,500	5,514	2,014
Total revenues	253,600	253,600	399,656	146,056
Expenditures:				
Economic and physical development:				
General administration	35,810	46,385	44,632	1,753
Promotions	190,300	195,300	170,879	24,421
Infrastructure contributions	83,325	95,075	91,188	3,887
Total economic and physical development	309,435	336,760	306,699	30,061
Total expenditures	309,435	336,760	306,699	30,061
Revenues over (under) expenditures	(55,835)	(83,160)	92,957	176,117
Other financing sources:				
Appropriated fund balance	55,835	83,160	-	(83,160)
Net change in fund balance	\$ -	\$ -	92,957	\$ 92,957
Fund balance-beginning			337,122	
Fund balance-ending			\$ 430,079	

The accompanying notes are an integral part of these financial statements

**VILLAGE OF SUGAR MOUNTAIN TOURISM
DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Sugar Mountain Tourism Development Authority (A Component Unit of the Village of Sugar Mountain Tourism Development Authority, North Carolina) (the “Authority”) conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Village of Sugar Mountain Tourism Development Authority Tourism Development Authority (the “Authority”) was created on November 14, 2001 by resolution of the Village of Sugar Mountain, North Carolina, under the authority of the North Carolina General Assembly. The Authority is responsible for promoting travel and tourism in the Sugar Mountain area. The Authority receives revenue through a six percent occupancy tax, which is levied and collected by the Village of Sugar Mountain. The Village remits the taxes collected to the Authority, net of administration and collection costs, not to exceed three percent of collections. The Authority is composed of five voting members and are appointed by the Board of the Village of Sugar Mountain, North Carolina.

The Authority is included as a discretely presented component unit in the reporting entity section of the Village of Sugar Mountain as required by GASB Statement 61.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the “Authority”). These statements include the financial activities of the overall governmental entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**VILLAGE OF SUGAR MOUNTAIN TOURISM
DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Fund Financial Statements. The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental funds.

The Authority has the following fund category (further divided by fund type):

Governmental Funds - are used to account for the Authority's general governmental activities. Governmental funds include the following fund type:

General Fund

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The General Fund is the Authority's only major fund for the period ended June 30, 2020.

C. Measurement Focus and Basis of Accounting

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. The Authority considers all revenues available if they are collected within 60 days after year-end.

**VILLAGE OF SUGAR MOUNTAIN TOURISM
DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

D. 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.

E. Budgetary Data

Budgets are adopted as required by State statute. An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Any amendments that alter total expenditures of any fund must be approved by the governing board. 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.

F. Assets, Liabilities, and Fund Equity

Deposits

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

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). Investments are stated at fair value. 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 NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

All bank deposits are essentially demand deposits and are considered cash and cash equivalents.

**VILLAGE OF SUGAR MOUNTAIN TOURISM
DEVELOPMENT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.

Net Position/Fund Balances Net

Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Restricted for Tourism – portion of fund balance restricted by revenue for tourism purposes.

**VILLAGE OF SUGAR MOUNTAIN TOURISM
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(A COMPONENT UNIT OF THE VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Committed Fund Balance

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

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Village of Sugar Mountain Tourism Development Authority intends to use for specific purposes.

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

Unassigned Fund Balance

Unassigned fund balance is the portion of total fund balance available for appropriation that is uncommitted at year-end.

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

**VILLAGE OF SUGAR MOUNTAIN TOURISM
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The Authority has not adopted a fund balance policy.

Fund Balance Available for Appropriation

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

Total fund balance – General Fund	\$ 430,079
Less Restricted for stabilization for state statute	5,000
Less Assigned for subsequent years expenditures	<u>66,975</u>
Remaining fund balance	<u><u>\$ 358,104</u></u>

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying the deposits are properly secured.

At June 30, 2020, the Authority's deposits had a carrying amount of \$417,754 and a bank balance of \$439,072. Of the bank balance, \$250,000 was covered by federal depository insurance.

**VILLAGE OF SUGAR MOUNTAIN TOURISM
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Investments

At June 30, 2020, the Authority had \$12,979 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard & Poor's. The Authority has no policy regarding credit risk.

At June 30, 2020, the Authority's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	12,979	N/A	AAAm
Total:		<u>\$12,979</u>		

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

B. Liabilities

Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are handled through commercial insurance coverage. 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 Authority does not carry flood insurance.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

C. Occupancy Taxes

The Village of Sugar Mountain, the primary government, in accordance with State law (S.L. 1989- 318), transfers the proceeds of a room occupancy tax of six percent of the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the Village that is subject to sales tax imposed by the State under [G.S. 105-164.4(a) (3)]. This tax is in addition to any State or local sales tax.

The room occupancy tax transferred from the primary government represents 97 percent of total revenues and other financing sources of the Authority.

**VILLAGE OF SUGAR MOUNTAIN TOURISM
DEVELOPMENT AUTHORITY**
(A COMPONENT UNIT OF THE VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

D. Related Party Transactions

During the fiscal year, the Authority contributed to the Village of Sugar Mountain \$30,000 for debt service of the golf pro shop and \$61,188 for golf and tennis infrastructure to promote tourism in Sugar Mountain. The Authority paid the Village of Sugar Mountain an administrative fee equal to 3 percent of collected occupancy taxes. The administrative fee totaled \$11,674 for the year ended June 30, 2020.