

**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, 2023**

**Authority Members**

Jim Fitzpatrick, Chairman  
Sam Semple, Co-Chairman  
Janet Anderson  
Tristan Bowen  
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, 2023**

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**INDEPENDENT AUDITOR’S REPORT**

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

**Report on the Audit of Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Sugar Mountain Tourism Development Authority (the “Authority”), a component unit of the Village of Sugar Mountain, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Sugar Mountain Tourism Development Authority, as of June 30, 2023, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Sugar Mountain Tourism Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Village of Sugar Mountain Tourism Development Authority’s ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but it not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

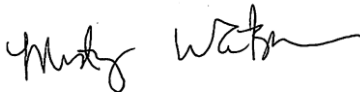
In performing an audit in accordance with GAAS we:

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Village of Sugar Mountain Tourism Development Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Sugar Mountain Tourism Development Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Misty D Watson, CPA, PA  
Boone, NC 28607  
October 21, 2023

## **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, 2023. 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**

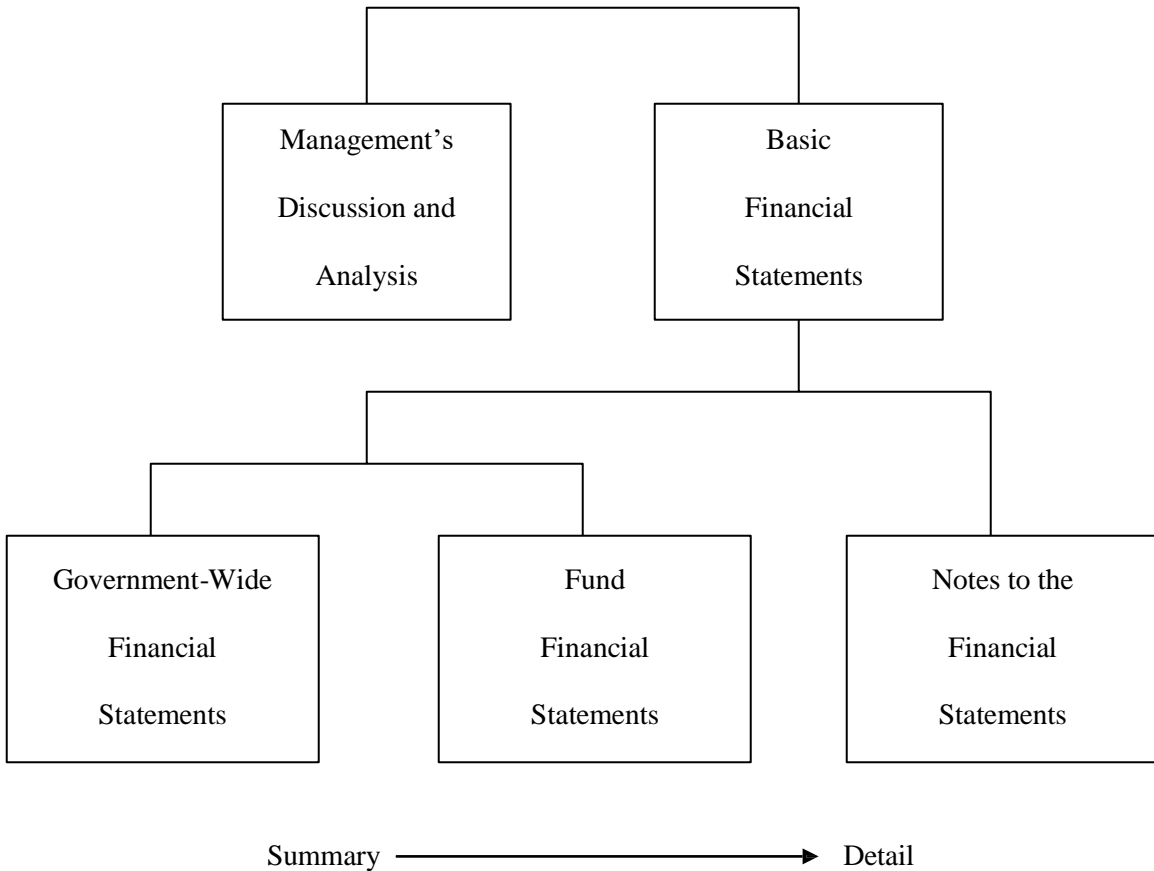
- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$1,196,729 (*net position*).
- The Authority's total net position increased by \$155,714.
- As of the close of the current fiscal year, available fund balance for the General Fund was \$1,102,474.

### **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 21 of this report.

## Government-Wide Financial Analysis

### Village of Sugar Mountain Tourism Development Authority's Net Position

Figure 2

	<b><u>Governmental Activities</u></b>	
	<b><u>June 30, 2023</u></b>	<b><u>June 30, 2022</u></b>
Current and other assets	\$1,201,909	1,041,591
Total assets	1,201,909	1,041,591
<b>Liabilities:</b>		
Accounts payable	5,180	576
<b>Total liabilities</b>	5,180	576
<b>Net Position:</b>		
Restricted:		
Tourism	1,196,729	1,041,015
Total net position	\$1,196,729	1,041,015

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 \$1,196,729 as of June 30, 2023. The Authority's net position increased by \$155,714 during the fiscal year ended June 30, 2023.

- Occupancy tax revenues exceed budget.
- The Board continues to closely monitor expenditures.



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

**Figure 3**

	<b>Governmental Activities</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Revenues:</b>		
General revenues:		
Room occupancy tax	\$ 882,080	1,060,688
Other revenues	827	3,169
Interest earnings, unrestricted	13,605	335
Total revenues	896,512	1,064,192
<b>Expenses:</b>		
Economic and physical development	740,798	679,819
Total expenses	740,798	679,819
Change in net position	155,714	384,373
<b>Net Position:</b>		
Beginning of year - July 1	1,041,015	656,642
End of year - June 30	\$ 1,196,729	1,041,015

**Governmental Activities.** Governmental activities increased the Authority’s net position by \$155,714, or 15 percent. Key elements of this increase are as follows:

- Occupancy tax revenues increased over budget.

**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 \$1,102,474 and total fund balance reached \$1,196,729. The Authority currently has available fund balance of 149 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, 2024**

- Occupancy tax revenues are expected to remain constant with prior year.
- Promotion 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, 2023

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ <u>1,201,909</u>
Total Assets	<u>1,201,909</u>
Liabilities:	
Accounts payable	<u>5,180</u>
Total Liabilities	<u>5,180</u>
Net Position:	
Restricted for:	
Tourism promotion	<u>1,196,729</u>
Total Net Position	\$ <u><u>1,196,729</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, 2023

<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	740,798	-	\$ (740,798)
Total	\$ 740,798	-	\$ (740,798)
General revenues:			
Occupancy tax			882,080
Other revenues			827
Investment earnings			13,605
Total general revenues			896,512
Change in net position			155,714
Net position-beginning			1,041,015
Net position-ending			\$ 1,196,729

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, 2023

		<u>General Fund</u>
Assets:		
Assets:		
Cash and cash equivalents	\$	<u>1,201,909</u>
Total assets		<u><u>1,201,909</u></u>
Liabilities:		
Accounts payable		<u>5,180</u>
Total Liabilities		<u>5,180</u>
Fund balances:		
Restricted		
Tourism promotion		1,102,474
Assigned		
Subsequent years expenditures		<u>94,255</u>
Total fund balance		<u>1,196,729</u>
Total liabilities and fund balances	\$	<u><u>1,201,909</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, 2023

		<u><b>General Fund</b></u>
<b>Revenues:</b>		
Occupancy tax revenue	\$	882,080
Other revenue		827
Interest earned		13,605
Total revenues		<u>896,512</u>
 <b>Expenditures:</b>		
Economic and physical development		<u>740,798</u>
Total expenditures		<u>740,798</u>
 Net change in fund balance		 155,714
 <b>Fund Balances:</b>		
Fund balance - beginning		1,041,015
Fund balance - ending	\$	<u><u>1,196,729</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, 2023

	Budgeted Amounts		Actual Amounts	Variance Positive- (Negative)
	Original	Final		
<b>Revenues:</b>				
Occupancy tax	\$ 700,000	\$ 700,000	882,080	\$ 182,080
Other revenues	400	400	827	427
Investment earnings	100	100	13,605	13,505
Total revenues	<u>700,500</u>	<u>700,500</u>	<u>896,512</u>	<u>196,012</u>
<b>Expenditures:</b>				
<b>Economic and physical development:</b>				
General administration	134,725	147,875	144,848	3,027
Promotions	315,100	405,100	376,087	29,013
Contingency	27,590	-	-	-
Infrastructure contributions	223,085	228,085	219,863	8,222
Total economic and physical development	<u>700,500</u>	<u>781,060</u>	<u>740,798</u>	<u>40,262</u>
Total expenditures	<u>700,500</u>	<u>781,060</u>	<u>740,798</u>	<u>40,262</u>
Revenues over (under) expenditures	<u>-</u>	<u>(80,560)</u>	<u>155,714</u>	<u>236,274</u>
<b>Other financing sources:</b>				
Appropriated fund balance	<u>-</u>	<u>80,560</u>	<u>-</u>	<u>(80,560)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>155,714</u>	<u>\$ 155,714</u>
Fund balance-beginning			<u>1,041,015</u>	
Fund balance-ending			<u>\$ 1,196,729</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)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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, 2023**

*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 TDA has no fiduciary funds to report.

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, 2023.

**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, 2023**

**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) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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  
(A COMPONENT UNIT OF THE VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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  
DEVELOPMENT AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

**NOTES TO THE FINANCIAL STATEMENTS  
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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	\$	1,196,729
Assigned – Subsequent years expenditures		94,255
Remaining fund balance	\$	1,102,474

**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, 2023, the Authority’s deposits had a carrying amount of \$678,706 and a bank balance of \$724,637. Of the bank balance, \$250,000 was covered by federal depository insurance.

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**Investments**

At June 30, 2023, the Authority had \$523,203 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, 2023, the Authority's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2023	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$523,203	N/A	AAAm
<b>Total:</b>		<b>\$523,203</b>		

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.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Authority has no formal investment policy regarding interest rate risk.

Credit risk. The Authority has no formal policy regarding credit risk but has internal management procedures that limits the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

**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 \$80,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

**VILLAGE OF SUGAR MOUNTAIN TOURISM  
DEVELOPMENT AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**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 98.4 percent of total revenues and other financing sources of the Authority.

**D. Related Party Transactions**

During the fiscal year, the Authority contributed to the Village of Sugar Mountain \$240,765 for golf and tennis infrastructure, \$150,000 for Village infrastructure improvements, \$765 for Village services to promote tourism in Sugar Mountain, and \$90,000 for the TDA coordinator and staffing needs. The Authority paid the Village of Sugar Mountain an administrative fee equal to 3 percent of collected occupancy taxes. The administrative fee totaled \$26,462 for the year ended June 30, 2023.