

**VILLAGE OF SUGAR MOUNTAIN,  
NORTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2025

VILLAGE COUNCIL MEMBERS

David Ammann  
Scott J. Brown  
Richard Casey  
Ronald Wittman

Gunther Jochl, Mayor

Susan Phillips, Village Manager and Finance Officer

Village of Sugar Mountain, North Carolina

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Independent Auditor's Report

To Village Council  
Village of Sugar Mountain, North Carolina

**Report on the Audit of Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component unit, each major fund, and the and the aggregate remaining fund information, of the respective financial position of the governmental activities, the business-type activity the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the, North Carolina as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Village of Sugar Mountain, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the of Village of Sugar Mountain, North Carolina as of June 30, 2025, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, North Carolina, 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.

***Responsibility of Management's 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, North Carolina'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 Responsibility 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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing*

*Standards* 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 judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS, and *Governmental Auditing Standards*, 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, North Carolina'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, North Carolina'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 Management's Discussion and Analysis on pages 4 through 12, and Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a percentage of Covered Employee Payroll on pages 47 through 48, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 45 through 46, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sugar Mountain, North Carolina's basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 budgetary

schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2026, on our consideration of the Village of Sugar Mountain, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Village of Sugar Mountain, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Sugar Mountain, North Carolina's internal control over financial reporting and compliance.



Boone, NC  
February 4, 2026

## 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, 2025. 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

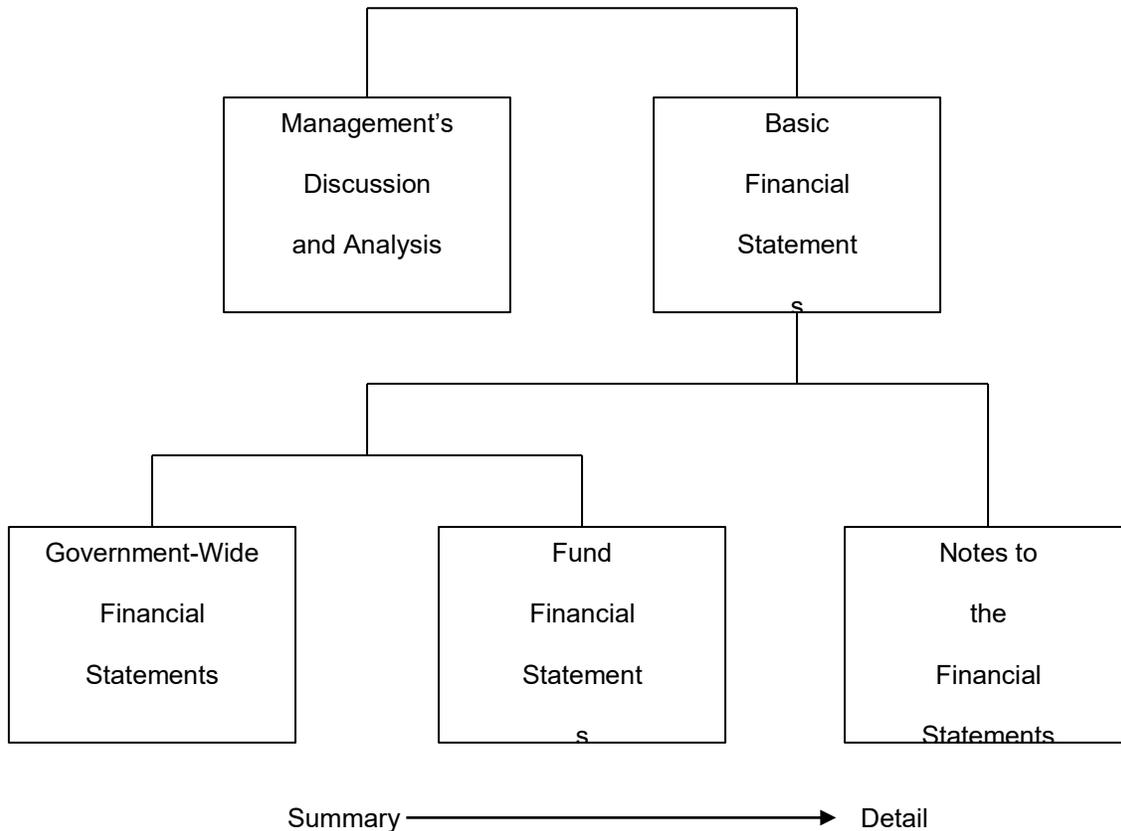
- The assets and deferred outflows of resources of the Village of Sugar Mountain exceeded its liabilities and deferred outflows of resources at the close of the fiscal year by \$6,804,899 (*net position*).
- The government's total net position decreased by \$642,088 due to awaiting Hurricane Helene reimbursements.
- As of the close of the current fiscal year, the Village of Sugar Mountain's governmental funds reported combined ending fund balances of \$1,280,853, a decrease of \$150,948 in comparison with the prior year. Approximately 29.3% of this total amount, or \$375,434, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$905,419, or 26.3%, 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 1 and 2) 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 3 through 8) 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 49 of this report. Required supplementary information can be found beginning on page 45.

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

**FIGURE 2**

|                                | Governmental        |                     | Business-Type       |                     | Total               |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                | Activities          |                     | Activities          |                     |                     |                     |
|                                | 2025                | 2024                | 2025                | 2024                | 2025                | 2024                |
| <b>Assets:</b>                 |                     |                     |                     |                     |                     |                     |
| Current and other assets       | \$ 1,417,281        | \$ 1,751,904        | \$ 962,559          | \$ 737,325          | \$ 2,379,840        | \$ 2,489,229        |
| Capital assets, net            | 3,950,076           | 3,716,231           | 2,685,693           | 2,683,329           | 6,635,769           | 6,399,560           |
| <b>Total Assets</b>            | <b>5,367,357</b>    | <b>5,468,135</b>    | <b>3,648,252</b>    | <b>3,420,654</b>    | <b>9,015,609</b>    | <b>8,888,789</b>    |
| <b>Total Deferred Outflows</b> | <b>507,872</b>      | <b>664,934</b>      | <b>52,568</b>       | <b>67,182</b>       | <b>560,440</b>      | <b>732,116</b>      |
| <b>Liabilities:</b>            |                     |                     |                     |                     |                     |                     |
| Other liabilities              | 134,331             | 317,547             | 59,794              | 11,769              | 194,125             | 329,316             |
| Long-term liabilities          | 1,729,620           | 1,443,589           | 675,168             | 376,583             | 2,404,788           | 1,820,172           |
| <b>Total Liabilities</b>       | <b>1,863,951</b>    | <b>1,761,136</b>    | <b>734,962</b>      | <b>388,352</b>      | <b>2,598,913</b>    | <b>2,149,488</b>    |
| <b>Total Deferred Inflows</b>  | <b>30,216</b>       | <b>20,194</b>       | <b>2,083</b>        | <b>174</b>          | <b>32,299</b>       | <b>20,368</b>       |
| <b>Net Position:</b>           |                     |                     |                     |                     |                     |                     |
| Net investments in capital     | 3,570,909           | 3,228,731           | 2,372,525           | 2,379,119           | 5,943,434           | 5,607,850           |
| Restricted                     | 375,434             | 162,693             | -                   | -                   | 375,434             | 162,693             |
| Unrestricted                   | 34,719              | 960,315             | 451,312             | 720,191             | 486,031             | 1,680,506           |
| <b>Total Net Position</b>      | <b>\$ 3,981,062</b> | <b>\$ 4,351,739</b> | <b>\$ 2,823,837</b> | <b>\$ 3,099,310</b> | <b>\$ 6,804,899</b> | <b>\$ 7,451,049</b> |

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 \$6,804,899 as of June 30, 2025. The Village's net position decreased by \$642,088 for the fiscal year ended June 30, 2025. However, the largest portion (87.3%) 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, \$375,434, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$486,031 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 99.61%

The Village of Sugar Mountain's Change in Net Position

FIGURE 3

|   | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total               |                     |
|---|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|   | 2025                       | 2024                | 2025                        | 2024                | 2025                | 2024                |
| <b>Revenues:</b>                          |                            |                     |                             |                     |                     |                     |
| Program Revenues:                         |                            |                     |                             |                     |                     |                     |
| Charges for services                      | \$ 122,119                 | \$ 110,700          | \$ 569,785                  | \$ 816,053          | \$ 691,904          | \$ 926,753          |
| Operating grants and contributions        | 303,019                    | 53,960              | 165,775                     | -                   | 468,794             | 53,960              |
| Capital grants and contributions          | 12,240                     | -                   | 55,741                      | 208,085             | 67,981              | 208,085             |
| General Revenues:                         |                            |                     |                             |                     |                     |                     |
| Property taxes                            | 1,470,553                  | 1,443,060           | -                           | -                   | 1,470,553           | 1,443,060           |
| Other taxes, contributions not restricted | 663,954                    | 680,417             | -                           | -                   | 663,954             | 680,417             |
| Miscellaneous                             | 233,475                    | 182,369             | -                           | -                   | 233,475             | 182,369             |
| Sale of capital assets                    | -                          | 51,123              | -                           | 138                 | -                   | 51,261              |
| Investment earnings, unrestricted         | 58,938                     | 86,107              | 28,187                      | 10,538              | 87,125              | 96,645              |
| <b>Total Revenues</b>                     | <b>2,864,298</b>           | <b>2,607,736</b>    | <b>819,488</b>              | <b>1,034,814</b>    | <b>3,683,786</b>    | <b>3,642,550</b>    |
| <b>Expenses:</b>                          |                            |                     |                             |                     |                     |                     |
| General government                        | 867,202                    | 807,253             | -                           | -                   | 867,202             | 807,253             |
| Public safety                             | 670,494                    | 574,537             | -                           | -                   | 670,494             | 574,537             |
| Transportation                            | 1,606,371                  | 776,454             | -                           | -                   | 1,606,371           | 776,454             |
| Environmental protection                  | 74,553                     | 71,776              | -                           | -                   | 74,553              | 71,776              |
| Interest on long-term debt                | 12,293                     | 14,338              | -                           | -                   | 12,293              | 14,338              |
| Golf course and tennis                    | -                          | -                   | 1,094,961                   | 734,133             | 1,094,961           | 734,133             |
| <b>Total Expenses</b>                     | <b>3,230,913</b>           | <b>2,244,358</b>    | <b>1,094,961</b>            | <b>734,133</b>      | <b>4,325,874</b>    | <b>2,978,491</b>    |
| Change in Net Position                    | (366,615)                  | 363,378             | (275,473)                   | 300,681             | (642,088)           | 664,059             |
| Net position, beginning                   | 4,351,739                  | 3,965,029           | 3,099,310                   | 2,798,629           | 7,451,049           | 6,763,658           |
| Restatement                               | (4,062)                    | 23,332              | -                           | -                   | (4,062)             | -                   |
| Net position, beginning restated          | 4,347,677                  | 3,988,361           | 3,099,310                   | 2,798,629           | 7,446,987           | 6,763,658           |
| <b>Net position, ending</b>               | <b>\$ 3,981,062</b>        | <b>\$ 4,351,739</b> | <b>\$ 2,823,837</b>         | <b>\$ 3,099,310</b> | <b>\$ 6,804,899</b> | <b>\$ 7,451,049</b> |

**Governmental Activities.** Governmental activities decreased the Village's net position by \$366,615. Key elements of this decrease are as follows:

- Hurricane Helene expenditures awaiting reimbursement from FEMA and the State of North Carolina.
- Cash Flow loan from the State Treasurer
- Expenditures being under budget in the current year.

**Business-Type Activities.** Business-type activities decreased the Village of Sugar Mountain's net position by \$275,473. Key element of this decrease are as follows:

- Golf and tennis revenues under budget due to the impact of Hurricane Helene.
- Hurricane Helene expenditures awaiting reimbursement from FEMA and the State of North Carolina.

### **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 \$905,419, while total fund balance reached \$1,280,853.

At June 30, 2025, the governmental funds of the Village of Sugar Mountain reported a combined fund balance of \$1,280,853, a 10.5% decrease over last year.

**General Fund Budgetary Highlights.** During the fiscal year, the Village revised the budget on several occasions. 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 \$451,312. The change in net position was a decrease of \$275,473. 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, 2025, totals \$6,635,769 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

**FIGURE 4**

|                            | Governmental        |                     | Business-Type       |                     | Total               |                     |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                            | Activities          |                     | Activities          |                     |                     |                     |
|                            | 2025                | 2024                | 2025                | 2024                | 2025                | 2024                |
| Land                       | \$ 284,300          | \$ 284,300          | \$ 1,191,542        | \$ 1,191,542        | \$ 1,475,842        | \$ 1,475,842        |
| Buildings and improvements | 932,327             | 952,646             | 542,271             | 558,826             | 1,474,598           | 1,511,472           |
| Infrastructure             | 2,264,762           | 2,077,354           | 515,591             | 550,033             | 2,780,353           | 2,627,387           |
| Vehicles                   | 291,844             | 238,747             | -                   | -                   | 291,844             | 238,747             |
| Land improvements          | 8,326               | 9,991               | -                   | -                   | 8,326               | 9,991               |
| Equipment                  | 168,517             | 153,193             | 436,289             | 382,928             | 604,806             | 536,121             |
| <b>Total</b>               | <b>\$ 3,950,076</b> | <b>\$ 3,716,231</b> | <b>\$ 2,685,693</b> | <b>\$ 2,683,329</b> | <b>\$ 6,635,769</b> | <b>\$ 6,399,560</b> |

Major capital asset transactions during the year include the following additions:

- HVAC for Town Hall
- Public safety and public works vehicles
- Public works and public safety equipment
- Paving projects
- Golf equipment

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 Long-Term Debt**

**FIGURE 5**

|                                  | Governmental        |                     | Business-Type     |                   | Total               |                     |
|----------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
|                                  | Activities          |                     | Activities        |                   |                     |                     |
|                                  | 2025                | 2024                | 2025              | 2024              | 2025                | 2024                |
| Net pension liability (LGERS)    | \$ 536,563          | \$ 576,690          | \$ 67,338         | \$ 72,373         | \$ 603,901          | \$ 649,063          |
| Total pension liability (LEOSSA) | 309,382             | 317,305             | -                 | -                 | 309,382             | 317,305             |
| Compensated absences             | 75,643              | 62,094              | 11,674            | 10,785            | 87,317              | 72,879              |
| Installment purchases            | 808,032             | 487,500             | 596,156           | 293,425           | 1,404,188           | 780,925             |
| <b>Total</b>                     | <b>\$ 1,729,620</b> | <b>\$ 1,443,589</b> | <b>\$ 675,168</b> | <b>\$ 376,583</b> | <b>\$ 2,404,788</b> | <b>\$ 1,820,172</b> |

The Village of Sugar Mountain's installment purchases increased by approximately \$584,000 during the past fiscal year, due to the payment of principal on long-term debt, a new capital lease for golf equipment, and two cash flow loans for Hurricane Helene.

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 \$41,482,772.

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.
- Residential construction continues at a steady pace as well as the construction of a hotel to increase the overall tax base.
- The Village continues to rebound from the impact of Hurricane Helene on businesses and economic growth.

## **Budget Highlights for the Fiscal Year Ending June 30, 2026**

**Governmental Activities.** General Fund revenues and expenditures are expected to remain stable. The Village adopted a \$3,282,572 General Fund Budget. The Council remained at a property tax rate of 28 cents per \$100 of assessed valuation.

**Business-Type Activities.** Golf and tennis revenues are expected to increase following the recovery from Hurricane Helene, while expenditures are expected to remain stable.

## **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, 2025**

|   | Primary Government         |                             |              | Village of Sugar<br>Mountain<br>Tourism<br>Development<br>Authority |
|---|----------------------------|-----------------------------|--------------|---|
|   | Governmental<br>Activities | Business-type<br>Activities | Total        |   |
| <b>ASSETS</b>   |                            |                             |              |   |
| Current assets:   |                            |                             |              |   |
| Cash and cash equivalents   | \$ 1,035,263               | 809,806                     | 1,845,069    | \$ 970,456  |
| Taxes receivable, net   | 5,590                      | -                           | 5,590        | -   |
| Accounts receivable   | -                          | 405                         | 405          | 35,719  |
| Accrued interest receivable on taxes                                | 994                        | -                           | 994          | -   |
| Due from other governments  | 375,434                    | 152,348                     | 527,782      | -   |
| Total current assets  | 1,417,281                  | 962,559                     | 2,379,840    | 1,006,175   |
| Non-current assets:   |                            |                             |              |   |
| Capital assets (Note 4):  |                            |                             |              |   |
| Land, non-depreciable improvements,<br>and construction in progress | 284,300                    | 1,191,542                   | 1,475,842    | -   |
| Other capital assets, net of<br>depreciation                        | 3,665,776                  | 1,494,151                   | 5,159,927    | -   |
| Total capital assets  | 3,950,076                  | 2,685,693                   | 6,635,769    | -   |
| Total assets  | 5,367,357                  | 3,648,252                   | 9,015,609    | 1,006,175   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                               |                            |                             |              |   |
| Pension deferrals   | 507,872                    | 52,568                      | 560,440      | -   |
| Total deferred outflows of resources                                | 507,872                    | 52,568                      | 560,440      | -   |
| <b>LIABILITIES</b>  |                            |                             |              |   |
| Current liabilities:  |                            |                             |              |   |
| Accounts payable  | 128,908                    | 59,794                      | 188,702      | -   |
| FEMA advance  | -                          | 139,938                     | 139,938      | -   |
| Accrued interest  | 5,423                      | -                           | 5,423        | -   |
| Current portion of long-term liabilities                            | 155,099                    | 78,210                      | 233,309      | -   |
| Total current liabilities   | 289,430                    | 277,942                     | 567,372      | -   |
| Long-term liabilities:  |                            |                             |              |   |
| Net pension liability   | 536,563                    | 67,338                      | 603,901      | -   |
| Total pension liability   | 309,382                    | -                           | 309,382      | -   |
| Due in more than one year   | 728,576                    | 529,620                     | 1,258,196    | -   |
| Total liabilities   | 1,863,951                  | 874,900                     | 2,738,851    | -   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                            |                             |              |   |
| Prepaid taxes   | 936                        | -                           | 936          | -   |
| Pension deferrals   | 29,280                     | 2,083                       | 31,363       | -   |
| Total deferred inflows of resources                                 | 30,216                     | 2,083                       | 32,299       | -   |
| <b>NET POSITION</b>   |                            |                             |              |   |
| Net investment in capital assets                                    | 3,570,909                  | 2,372,525                   | 5,943,434    | -   |
| Restricted for:   |                            |                             |              |   |
| Stabilization by State Statute                                      | 375,434                    | -                           | 375,434      | 35,719  |
| Tourism   | -                          | -                           | -            | 970,456   |
| Unrestricted  | 34,719                     | 451,312                     | 486,031      | -   |
| Total net position  | \$ 3,981,062               | \$ 2,823,837                | \$ 6,804,899 | \$ 1,006,175  |

Village of Sugar Mountain, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2025

| Functions/Programs                                 | Net (Expense) Revenue and Changes in Net Position |                      |                                    |                                  |                         |                          |                           |
|--|---|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------------------|
|  | Primary Government                                |                      |                                    |                                  |                         |                          | Village of Sugar Mountain |
|  | Expenses  | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Development Authority     |
| <b>Primary government:</b>                         |   |                      |                                    |                                  |                         |                          |                           |
| Governmental Activities:                           |   |                      |                                    |                                  |                         |                          |                           |
| General government                                 | \$ 867,202  | \$ 101,649           | \$ 39,537                          | \$ 12,240                        | \$ (713,776)            | \$ -                     | \$ (713,776)              |
| Public safety                                      | 670,494   | 20,470               | 5,310                              | -                                | (644,714)               | -                        | (644,714)                 |
| Transportation                                     | 1,606,371   | -                    | 258,172                            | -                                | (1,348,199)             | -                        | (1,348,199)               |
| Environmental protection                           | 74,553  | -                    | -                                  | -                                | (74,553)                | -                        | (74,553)                  |
| Interest on long-term debt                         | 12,293  | -                    | -                                  | -                                | (12,293)                | -                        | (12,293)                  |
| Total governmental activities (See Note 1)         | 3,230,913   | 122,119              | 303,019                            | 12,240                           | (2,793,535)             | -                        | (2,793,535)               |
| <b>Business-type activities:</b>                   |   |                      |                                    |                                  |                         |                          |                           |
| Golf course and tennis                             | 1,094,961   | 569,785              | 165,775                            | 55,741                           | -                       | (303,660)                | (303,660)                 |
| Total business-type activities                     | 1,094,961   | 569,785              | 165,775                            | 55,741                           | -                       | (303,660)                | (303,660)                 |
| Total primary government                           | \$ 4,325,874                                      | \$ 691,904           | \$ 468,794                         | \$ 67,981                        | (2,793,535)             | (303,660)                | (3,097,195)               |
| <b>Component unit:</b>                             |   |                      |                                    |                                  |                         |                          |                           |
| Village of Sugar Mountain                          | \$ 883,732  | -                    | -                                  | -                                | -                       | -                        | (883,732)                 |
| Tourism Development Authority                      | \$ 883,732  | -                    | -                                  | -                                | -                       | -                        | (883,732)                 |
| Total component unit                               |   |                      |                                    |                                  |                         |                          |                           |
| General revenues:                                  |   |                      |                                    |                                  |                         |                          |                           |
| Taxes:   |   |                      |                                    |                                  |                         |                          |                           |
| Property taxes, levied for general purpose         |   |                      |                                    |                                  | 1,470,553               | -                        | 1,470,553                 |
| Occupancy tax                                      |   |                      |                                    |                                  | -                       | -                        | 727,153                   |
| Sales tax and unrestricted intergovernmental taxes |   |                      |                                    |                                  | 663,954                 | -                        | 663,954                   |
| Miscellaneous revenues                             |   |                      |                                    |                                  | 233,475                 | -                        | 233,475                   |
| Unrestricted investment earnings                   |   |                      |                                    |                                  | 58,938                  | 28,187                   | 87,125                    |
| Total general revenues                             |   |                      |                                    |                                  | 2,426,920               | 28,187                   | 2,455,107                 |
| Change in net position                             |   |                      |                                    |                                  | (366,615)               | (275,473)                | (642,088)                 |
| Net position, beginning                            |   |                      |                                    |                                  | 4,351,739               | 3,099,310                | 7,451,049                 |
| Prior period adjustment                            |   |                      |                                    |                                  | (4,062)                 | -                        | (4,062)                   |
| Fund balance, beginning as restated                |   |                      |                                    |                                  | 4,347,677               | 3,099,310                | 7,446,987                 |
| Net position, ending                               |   |                      |                                    |                                  | \$ 3,981,062            | \$ 2,823,837             | \$ 6,804,899              |
|  |   |                      |                                    |                                  |                         | \$                       | \$ 1,006,175              |

**Village of Sugar Mountain, North Carolina  
Balance Sheet -  
Governmental Funds  
June 30, 2025**

|  | <b>Major Funds</b> |                                     |
|--|--------------------|-------------------------------------|
|  | <b>General</b>     | <b>Total Governmental<br/>Funds</b> |
| <b>ASSETS</b>  |                    |                                     |
| Cash and cash equivalents  | \$ 1,035,263       | \$ 1,035,263                        |
| Taxes receivables, net   | 5,590              | 5,590                               |
| Due from other governments   | 375,434            | 375,434                             |
| Total assets   | 1,416,287          | 1,416,287                           |
| <b>LIABILITIES</b>   |                    |                                     |
| Accounts payable and accrued liabilities   | 128,908            | 128,908                             |
| Total liabilities  | 128,908            | 128,908                             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                    |                                     |
| Property taxes receivable  | 5,590              | 5,590                               |
| Prepaid taxes  | 936                | 936                                 |
| Total deferred inflows of resources  | 6,526              | 6,526                               |
| <b>FUND BALANCES</b>   |                    |                                     |
| Restricted   |                    |                                     |
| Stabilization by State Statute   | 375,434            | 375,434                             |
| Unassigned   | 905,419            | 905,419                             |
| Total fund balances  | 1,280,853          | 1,280,853                           |
| Total liabilities, deferred inflows of resources and fund balances   | \$ 1,416,287       |                                     |
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are  |                    |                                     |
| Total Fund Balance, Governmental Funds   |                    | 1,280,853                           |
| Capital assets used in governmental activities are not financial resources and therefore are   |                    |                                     |
| Gross capital assets at historical cost  | 7,128,003          |                                     |
| Accumulated depreciation   | (3,177,927)        | 3,950,076                           |
| Net pension asset  |                    | 507,872                             |
| Deferred outflows of resources related to pensions are not reported in the funds   |                    | 994                                 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for   |                    | 5,590                               |
| Earned revenues considered deferred inflows of resources in fund statements.   |                    | (536,563)                           |
| Net pension liability  |                    | (309,382)                           |
| Total pension liability  |                    | (883,675)                           |
| Gross long-term debt   |                    | (5,423)                             |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds |                    | (29,280)                            |
| Deferred inflows of resources related to pensions are not reported in the funds  |                    | \$ 3,981,062                        |
| Net position of governmental activities  |                    |                                     |

**Village of Sugar Mountain, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

**Major Funds**

|   | <b>General</b>      | <b>Total Governmental Funds</b> |
|---|---------------------|---------------------------------|
| <b>REVENUES</b>                                   |                     |                                 |
| Ad valorem taxes                                  | \$ 1,469,771        | \$ 1,469,771                    |
| Unrestricted intergovernmental                    | 663,954             | 663,954                         |
| Restricted intergovernmental                      | 315,258             | 315,258                         |
| Permits and fees                                  | 5,149               | 5,149                           |
| Sales and services                                | 116,970             | 116,970                         |
| Miscellaneous revenues                            | 233,475             | 233,475                         |
| Investment earnings                               | 58,938              | 58,938                          |
| Total revenues                                    | <u>2,863,515</u>    | <u>2,863,515</u>                |
| <b>EXPENDITURES</b>                               |                     |                                 |
| Current:  |                     |                                 |
| General government                                | 821,386             | 821,386                         |
| Public safety                                     | 640,545             | 640,545                         |
| Transportation                                    | 1,786,218           | 1,786,218                       |
| Environmental protection                          | 74,553              | 74,553                          |
| Debt service:                                     |                     |                                 |
| Principal   | 108,333             | 108,333                         |
| Interest and other charges                        | 12,293              | 12,293                          |
| Total expenditures                                | <u>3,443,328</u>    | <u>3,443,328</u>                |
| Excess (deficiency) of revenues over expenditures | <u>(579,813)</u>    | <u>(579,813)</u>                |
| Other financing sources (uses)                    |                     |                                 |
| Proceeds from State Cash Flow loan                | 428,865             | 428,865                         |
| Total other financing sources (uses)              | <u>428,865</u>      | <u>428,865</u>                  |
| Net change in fund balance                        | (150,948)           | (150,948)                       |
| Fund balances, beginning                          | 1,431,801           | 1,431,801                       |
| Fund balances, ending                             | <u>\$ 1,280,853</u> | <u>\$ 1,280,853</u>             |

**Village of Sugar Mountain, North Carolina**  
**Reconciliation of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities -**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

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

|   |    |           |
|---|----|-----------|
| Net changes in fund balances - total governmental funds | \$ | (150,948) |
|---|----|-----------|

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   | \$ 591,486 |         |
| Depreciation expense for governmental assets   | (357,641)  | 233,845 |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities                     |            | 137,534 |
| Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position |            | 24,211  |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|  |  |     |
|--|--|-----|
| Change in unavailable revenue for tax revenues |  | 783 |
|--|--|-----|

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.

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Issuance of long-term debt           | (428,865) |           |
| Principal payments on long-term debt | 108,333   | (320,532) |

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 | (9,487)      |           |
| Pension expense      | \$ (282,021) | (291,508) |

|  |    |                  |
|--|----|------------------|
| Total changes in net position of governmental activities | \$ | <u>(366,615)</u> |
|--|----|------------------|

**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, 2025**

|                                      | General Fund      |                |                   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------------------|-------------------|----------------|-------------------|---|
|                                      | Budget - Original | Budget - Final | Actual<br>Amounts |   |
| Revenues:                            |                   |                |                   |   |
| Ad valorem taxes                     | \$ 1,456,670      | \$ 1,456,670   | \$ 1,469,771      | \$ 13,101   |
| Unrestricted intergovernmental       | 602,050           | 602,050        | 663,954           | 61,904  |
| Restricted intergovernmental         | 37,000            | 979,000        | 315,258           | (663,742)   |
| Permits and fees                     | 7,500             | 7,500          | 5,149             | (2,351)   |
| Sales and services                   | 96,500            | 96,500         | 116,970           | 20,470  |
| Investment earnings                  | 60,000            | 60,000         | 58,938            | (1,062)   |
| Miscellaneous                        | 189,440           | 250,577        | 233,475           | (17,102)  |
| Total revenues                       | 2,449,160         | 3,452,297      | 2,863,515         | (588,782)   |
| Expenditures:                        |                   |                |                   |   |
| Current:                             |                   |                |                   |   |
| General government                   | 487,753           | 834,933        | 821,386           | 13,547  |
| Public safety                        | 693,950           | 719,361        | 640,545           | 78,816  |
| Transportation                       | 1,231,615         | 2,340,115      | 1,786,218         | 553,897   |
| Environmental protection             | 80,000            | 80,000         | 74,553            | 5,447   |
| Debt service:                        |                   |                |                   |   |
| Principal retirement                 | 108,335           | 108,335        | 108,333           | 2   |
| Interest and other charges           | 12,293            | 12,293         | 12,293            | -   |
| Total expenditures                   | 2,613,946         | 4,095,037      | 3,443,328         | 651,709   |
| Revenues over (under) expenditures   | (164,786)         | (642,740)      | (579,813)         | 62,927  |
| Other financing sources (uses)       |                   |                |                   |   |
| Sale of capital assets               | 10,000            | 10,000         | -                 | (10,000)  |
| Proceeds from State Cash Flow loan   | -                 | 428,864        | 428,865           | 1   |
| Total other financing sources (uses) | 10,000            | 438,864        | 428,865           | (9,999)   |
| Fund balance appropriated            | 154,786           | 203,876        | -                 | (203,876)   |
| Net change in fund balance           | \$ -              | -              | (150,948)         | \$ (150,948)  |
| Fund balances, beginning             |                   |                | 1,431,801         |   |
| Fund balances, ending                |                   |                | \$ 1,280,853      |   |

**Village of Sugar Mountain, North Carolina**  
**Statement of Fund Net Position -**  
**Proprietary Fund**  
**June 30, 2025**

|   | <b>Golf Course and<br/>Tennis Fund</b> |
|---|--|
| <b>ASSETS</b>                             |  |
| Current assets:                           |  |
| Cash and cash equivalents                 | 809,806                                |
| Accounts receivable                       | 405                                    |
| Due from other governments                | 152,348                                |
| Total current assets                      | 962,559                                |
| Noncurrent assets:                        |  |
| Capital assets:                           |  |
| Land and construction in progress         | 1,191,542                              |
| Other capital assets, net of depreciation | 1,494,151                              |
| Capital assets                            | 2,685,693                              |
| Total noncurrent assets                   | 2,685,693                              |
| Total assets                              | \$ 3,648,252                           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |  |
| Pension deferrals                         | 52,568                                 |
| Total deferred outflows of resources      | 52,568                                 |
| <b>LIABILITIES</b>                        |  |
| Current liabilities:                      |  |
| Accounts payable and accrued liabilities  | 59,794                                 |
| FEMA advance                              | 139,938                                |
| Current portion of long-term debt         | 78,210                                 |
| Total current liabilities                 | 277,942                                |
| Noncurrent liabilities:                   |  |
| Net pension liability                     | 67,338                                 |
| Non-current of long-term debt             | 529,620                                |
| Total noncurrent liabilities              | 596,958                                |
| Total liabilities                         | 874,900                                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |  |
| Pension deferrals                         | 2,083                                  |
| Total deferred inflows of resources       | 2,083                                  |
| <b>NET POSITION</b>                       |  |
| Net investment in capital assets          | 2,372,525                              |
| Unrestricted                              | 451,312                                |
| Total net position                        | \$ 2,823,837                           |

**Village of Sugar Mountain, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position -**  
**Proprietary Fund**  
**For the Year Ended June 30, 2025**

|  | <b>Golf Course and<br/>Tennis Fund</b> |
|--|--|
| <b>OPERATING REVENUES</b>                    |  |
| Charges for services                         | 514,878                                |
| Other operating revenues                     | 54,907                                 |
| <b>Total operating revenues</b>              | <b>569,785</b>                         |
| <b>OPERATING EXPENSES</b>                    |  |
| Salaries and benefits                        | 355,944                                |
| Operating expenses                           | 559,164                                |
| Depreciation                                 | 155,482                                |
| <b>Total operating expenses</b>              | <b>1,070,590</b>                       |
| <b>Operating income (loss)</b>               | <b>(500,805)</b>                       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>      |  |
| Interest and fees                            | (24,371)                               |
| Investment earnings                          | 28,187                                 |
| Operating contributions                      | 165,775                                |
| Capital contributions                        | 55,741                                 |
| <b>Total nonoperating revenue (expenses)</b> | <b>225,332</b>                         |
| <b>Change in net position</b>                | <b>(275,473)</b>                       |
| <b>Total net position, beginning</b>         | <b>3,099,310</b>                       |
| <b>Total net position, ending</b>            | <b>\$ 2,823,837</b>                    |

**Village of Sugar Mountain, North Carolina**  
**Statement of Cash Flows -**  
**Proprietary Fund**  
**For the Year Ended June 30, 2025**

|   | <u>Golf<br/>Course and<br/>Tennis Fund</u> |
|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |
| Cash received from customers  | 565,920                                    |
| Cash paid for goods and services  | (511,137)                                  |
| Cash paid to employees  | (343,567)                                  |
| Net cash provided (used) by operating activities  | <u>(288,784)</u>                           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                  |  |
| Restricted intergovernmental revenues   | 26,446                                     |
| Advance from FEMA   | 139,938                                    |
| Net cash provided (used) by capital and related financing activities                    | <u>166,384</u>                             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |  |
| Acquisition and construction of capital assets  | (157,846)                                  |
| Proceeds from issuance of long-term debt  | 371,705                                    |
| Principal paid on long-term debt  | (68,974)                                   |
| Capital contributions   | 55,741                                     |
| Interest and other charges  | (24,371)                                   |
| Net cash provided (used) by capital and related financing activities                    | <u>176,255</u>                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |
| Interest  | 28,187                                     |
| Net cash provided (used) by investing activities  | <u>28,187</u>                              |
| Net increase (decrease) in cash and cash equivalents                                    | 82,042                                     |
| Balances, beginning   | 727,764                                    |
| Balances, ending  | <u>\$ 809,806</u>                          |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>  |  |
| Operating income  | <u>\$ (500,805)</u>                        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |
| Depreciation  | 155,482                                    |
| Changes in assets, deferred outflows of resources, and liabilities:                     |  |
| (Increase) decrease in accounts receivable, net   | 160  |
| (Increase) decrease in due from other governments                                       | (4,025)                                    |
| (Increase) decrease in deferred outflows of resources-pensions                          | 14,614                                     |
| Increase (decrease) in net pension liability  | (5,035)                                    |
| Increase (decrease) in accounts payable and accrued liabilities                         | 48,027                                     |
| Increase (decrease) in compensated absences   | 889  |
| Increase (decrease) in deferred inflows of resources for pensions                       | 1,909                                      |
| Total adjustments   | <u>212,021</u>                             |
| Net cash provided by operating activities   | <u>\$ (288,784)</u>                        |

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA  
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**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.

*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 Village has no fiduciary funds to reports. 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

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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.

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.

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

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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.

**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.

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

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State law [G.S. 159-30(c)(8)] authorizes the Village and TDA 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 TDA's investments are reported at fair value as determined by quoted prices. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) government money market 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**

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.

**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, 2024. 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 \$5,000 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 prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA  
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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 an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with GASB Statement No. 101 for the Village’s government-wide funds, an expense and liability for sick leave is recognized using the “practical expedient approach” allowed by the Standard for the portion of sick leave expected to be used and paid by the Village.

**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 2025 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.

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.

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**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.

*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 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.

**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.

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

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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.

**Defined Benefit Cost-Sharing Plan**

For purposes of measuring the net pension liability, 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.

**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

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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, 2025, the Village’s deposits had a carrying amount of \$438,783 and a bank balance of \$1,084,045. Of the bank balance, \$250,000 was covered by FDIC. The Village held \$700 in petty cash as of June 30, 2024.

At June 30, 2025, the Authority’s deposits had a carrying amount of \$56,215 and a bank balance of \$67,840. Of the bank balance, the full amount was covered by federal depository insurance.

**2. Investments**

At June 30, 2025, the Village’s investments balances were as follows:

| Investments by Type                                | Valuation Measurement Method | Book Value at 6/30/2025 | Maturity | Rating |
|--|------------------------------|-------------------------|----------|--------|
| NC Capital Management Trust – Government Portfolio | Fair Value Level 1           | 1,405,586               | N/A      | AAAm   |
| Total:   |                              | \$1,405,586             |          |        |

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.

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 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-mf by Moody’s Investors Services and AAAM by Standard and Poor’s as of June 30, 2025.

At June 30, 2025, the Authority had \$914,241 invested with the North Carolina Capital Management Trust’s Government Portfolio which carried a credit rating of AAAM-mf by Moody’s Investors Services and AAAM by Standard and Poor’s. The Authority has no formal policy regarding credit risk of its investments.

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**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:

|                                  | <u>Accrued<br/>Interest</u> | <u>Taxes</u>    | <u>Due from<br/>Other<br/>Governments</u> | <u>Accounts<br/>Receivable</u> | <u>Total</u>      |
|----------------------------------|-----------------------------|-----------------|---|--------------------------------|-------------------|
| <b>Governmental Activities:</b>  |                             |                 |   |                                |                   |
| <b>General Fund</b>              |                             |                 |   |                                |                   |
| Property taxes                   | \$ -                        | \$ 6,826        | \$ -                                      | \$ -                           | \$ 6,826          |
| Local option sales/franchise tax | -                           | -               | 95,374                                    | -                              | 95,374            |
| Miscellaneous                    | -                           | -               | 286                                       | -                              | 286               |
| Solid waste disposal             | -                           | -               | 71  | -                              | 71                |
| FEMA/NC - Hurricane Helene       | -                           | -               | 259,085                                   | -                              | 259,085           |
| Accrued interest                 | 994                         | -               | -   | -                              | 994               |
| DMV fees                         | -                           | -               | 6,407                                     | -                              | 6,407             |
| Sales tax refund                 | -                           | -               | 10,426                                    | -                              | 10,426            |
| Fuel tax refund                  | -                           | -               | 3,786                                     | -                              | 3,786             |
| Allowance for doubtful accounts  | -                           | (1,236)         | -   | -                              | (1,236)           |
| Total Governmental Activities    | <u>\$ 994</u>               | <u>\$ 5,590</u> | <u>\$ 375,434</u>                         | <u>\$ -</u>                    | <u>\$ 382,018</u> |
| <b>Enterprise Activities</b>     |                             |                 |   |                                |                   |
| <b>Golf and Tennis Fund</b>      |                             |                 |   |                                |                   |
| Sales tax refund                 | \$ -                        | \$ -            | \$ 13,022                                 | \$ -                           | \$ 13,022         |
| FEMA/NC - Hurricane Helene       | -                           | -               | 139,326                                   | -                              | 139,326           |
| Miscellaneous                    | -                           | -               | -   | 405                            | 405               |
| Total Enterprise Activities      | <u>\$ -</u>                 | <u>\$ -</u>     | <u>\$ 152,348</u>                         | <u>\$ 405</u>                  | <u>\$ 152,753</u> |

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA  
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**Governmental Capital Assets**

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

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|-------------------|--------------------|---------------------------|
| <b>Governmental Activities:</b>             |                              |                   |                    |                           |
| Non-Depreciable Assets:                     |                              |                   |                    |                           |
| Land  | \$ 284,300                   | \$ -              | \$ -               | \$ 284,300                |
| Total capital assets not being depreciated. | <u>284,300</u>               | <u>-</u>          | <u>-</u>           | <u>284,300</u>            |
| Depreciable Assets:                         |                              |                   |                    |                           |
| Buildings                                   | 1,331,926                    | 6,360             | -                  | 1,338,286                 |
| Infrastructure                              | 3,802,328                    | 379,076           | -                  | 4,181,404                 |
| Vehicles                                    | 685,809                      | 153,932           | -                  | 839,741                   |
| Land improvements                           | 16,651                       | -                 | -                  | 16,651                    |
| Equipment                                   | 415,503                      | 52,118            | -                  | 467,621                   |
| Total depreciable assets                    | <u>6,252,217</u>             | <u>591,486</u>    | <u>-</u>           | <u>6,843,703</u>          |
| Less Accumulated Depreciation:              |                              |                   |                    |                           |
| Buildings                                   | 379,280                      | 26,679            | -                  | 405,959                   |
| Infrastructure                              | 1,724,974                    | 191,668           | -                  | 1,916,642                 |
| Vehicles                                    | 447,062                      | 100,835           | -                  | 547,897                   |
| Land improvements                           | 6,660                        | 1,665             | -                  | 8,325                     |
| Equipment                                   | 262,310                      | 36,794            | -                  | 299,104                   |
| Total accumulated depreciation              | <u>2,820,286</u>             | <u>357,641</u>    | <u>-</u>           | <u>3,177,927</u>          |
| Governmental activities capital assets, net | <u>\$ 3,716,231</u>          | <u>\$ 233,845</u> | <u>\$ -</u>        | <u>\$ 3,950,076</u>       |

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

|                                 |                   |
|---------------------------------|-------------------|
| <b>Governmental Activities:</b> |                   |
| General government              | \$ 29,194         |
| Public safety                   | 44,130            |
| Public works                    | <u>284,317</u>    |
| Total                           | <u>\$ 357,641</u> |

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**Proprietary Capital Assets**

The capital assets of the proprietary fund of the Village at June 30, 2025, were as follows:

| <b>Business-type Activities:</b>                    | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Retirements</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|------------------|--------------------|---------------------------|
| <b>Tennis and Golf Fund:</b>                        |                              |                  |                    |                           |
| Non-Depreciable Assets:                             |                              |                  |                    |                           |
| Land  | \$ 1,191,542                 | -                | -                  | \$ 1,191,542              |
| Total non-depreciable assets                        | 1,191,542                    | -                | -                  | 1,191,542                 |
| Depreciable and Amortizable Assets:                 |                              |                  |                    |                           |
| Buildings   | 827,787                      | -                | -                  | 827,787                   |
| Improvements  | 1,103,257                    | -                | -                  | 1,103,257                 |
| Equipment   | 885,239                      | 157,846          | -                  | 1,043,085                 |
| Total depreciable and<br>amortizable assets         | 2,816,283                    | 157,846          | -                  | 2,974,129                 |
| Less Accumulated Depreciation:                      |                              |                  |                    |                           |
| Buildings   | 268,961                      | 16,555           | -                  | 285,516                   |
| Improvements  | 553,224                      | 34,442           | -                  | 587,666                   |
| Equipment   | 502,311                      | 104,485          | -                  | 606,796                   |
| Total accumulated depreciation                      | 1,324,496                    | 155,482          | -                  | 1,479,978                 |
| Total capital assets being depreciated, net         |                              |                  |                    |                           |
| <b>Business-type activities capital assets, net</b> | <b>\$ 2,683,329</b>          | <b>\$ 2,364</b>  | <b>\$ -</b>        | <b>\$ 2,685,693</b>       |

**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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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).

*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

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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, 2025, was 15.04% of compensation for law enforcement officers and 13.6% 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 \$154,794 for the year ended June 30, 2025.

*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.

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

At June 30, 2025, the Village reported a liability of \$603,901 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension liability 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, 2024, (measurement date) the Village's proportion was 0.00896%, which was a decrease of 0.00084% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Village recognized pension expense of \$257,815. At June 30, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 105,826                                | \$ 712                                   |
| Changes of assumptions   | -   | -  |
| Net difference between projected and actual earnings on pension plan investments                             | 82,100                                    | -  |
| Changes in proportion and differences between Village contributions and proportionate share of contributions | 128,722                                   | 17,968                                   |
| Village contributions subsequent to the measurement date   | 154,794                                   | -  |
| Total  | \$ 471,442                                | \$ 18,680                                |

\$154,794 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 liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|       |            |
|-------|------------|
| 2026  | \$ 120,024 |
| 2027  | 150,845    |
| 2028  | 36,382     |
| 2029  | (9,283)    |
| 2030  | -          |
| Total | 297,968    |

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 percent  |
| Salary increases          | 3.25 to 8.25 percent   |
| Investment rate of return | 6.5 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, 2023 valuation were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

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

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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, 2025 are summarized in the following table:

| <u>Asset Class</u>         | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Fixed Income               | 33.0%                    | 2.4%  |
| Global Equity              | 38.0%                    | 6.9%  |
| Real Estate                | 8.0%                     | 6.0%  |
| Alternatives               | 8.0%                     | 8.6%  |
| Opportunistic Fixed Income | 7.0%                     | 5.3%  |
| Inflation Sensitive        | 6.0%                     | 4.3%  |
| Total                      | <u>100%</u>              |   |

The information above is based on 30-year expectations developed with the consulting actuary for the 2024 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 2.38%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

| <u>1% Decrease<br/>(5.5%)</u> | <u>Discount<br/>Rate (6.5%)</u> | <u>1% Increase<br/>(7.5%)</u> |
|-------------------------------|---------------------------------|-------------------------------|
| \$ 1,070,130                  | \$ 603,901                      | \$ 220,363                    |

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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*

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*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, 2023, the Separation Allowance’s membership consisted of:

|  |   |
|--|---|
| Retirees receiving benefits  | 2 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members  | 5 |
| Total  | 7 |

*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, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |   |
|----------------------------|---|
| Inflation                  | 2.5 percent                               |
| Projected salary increases | 3.25 to 7.75 percent, including inflation |

Discount rate. The discount rate used to measure the total pension liability was 4.28%. The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

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Deaths Prior To Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

*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 \$24,211 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, 2025, the Village reported a total pension liability of \$309,382. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Village recognized pension expense of \$50,344.

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Inflows of<br/>Resources</b> |
|--|---|---------------------------------|
| Differences between expected and actual experience   | \$ 62,053                                 | \$ -                            |
| Changes of assumptions   | 2,734                                     | 12,683                          |
| Village benefit payments and plan administrative expense made subsequent to the measurement date | 24,211                                    | -                               |
| Total  | \$ 88,998                                 | \$ 12,683                       |

\$24,211 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |           |
|------------|-----------|
| 2026       | \$ 31,529 |
| 2027       | 20,786    |
| 2028       | 211       |
| 2029       | -         |
| 2030       | -         |
| Thereafter | -         |
| Total      | \$ 52,526 |

\$24,211 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

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*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 4.28 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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

|                         | <b>1% Decrease<br/>(3.28%)</b> | <b>Discount Rate<br/>(4.28%)</b> | <b>1% Increase<br/>(5.28%)</b> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 328,084                     | \$ 309,382                       | \$ 292,162                     |

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

|  |            |
|--|------------|
| Total pension liability December 31, 2023  | \$ 317,305 |
| Service Cost   | 6,521      |
| Interest on the total pension liability  | 12,187     |
| Changes of benefit terms   | -          |
| Differences between expected and actual experience in the measurement of the total pension liability | 3,715      |
| Changes of assumptions or other inputs   | (5,084)    |
| Benefit payments   | (25,262)   |
| Other changes  | -          |
| Total pension liability December 31, 2024  | \$ 309,382 |

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, 2023 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employee's Retirement system for the 5-year period ending December 31, 2019.

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

Following is information related to the proportionate share of pension expense for all pension plans:

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|   | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|---|--------------|---------------|--------------|
| Pension expense                                   | \$ 257,815   | \$ 50,344     | \$ 308,159   |
| Pension liability                                 | 603,901      | 309,382       | 913,283      |
| Proportionate share of the net position liability | 58.69%       | N/A           | -            |

**Deferred Outflows of Resources:**

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| Difference between expected and actual experience   | \$ 105,826        | \$ 62,053        | \$ 167,879        |
| Changes of assumptions and other inputs   | -                 | 2,734            | 2,734             |
| Net difference between projected and actual earnings on pension plan investments                        | 82,100            | -                | 82,100            |
| Changes in proportion and differences between contributions and proportionate share of contributions    | -                 | -                | -                 |
|   | 128,722           | -                | 128,722           |
| Village contributions and benefit payments and admin costs cost paid subsequent to the measurement date | <u>154,794</u>    | <u>24,211</u>    | <u>179,005</u>    |
| Total deferred outflows of resources  | <u>\$ 471,442</u> | <u>\$ 88,998</u> | <u>\$ 560,440</u> |

**Deferred Inflows of Resources:**

|  |                  |                  |                  |
|--|------------------|------------------|------------------|
| Difference between expected and actual experience  | \$ 712           | \$ -             | \$ 712           |
| Changes of assumptions and other inputs  | -                | 12,683           | 12,683           |
| Changes in proportion and differences between contributions and proportionate share of contributions | <u>17,968</u>    | <u>-</u>         | <u>17,968</u>    |
| Total deferred inflows of resources  | <u>\$ 18,680</u> | <u>\$ 12,683</u> | <u>\$ 31,363</u> |

**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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2025, were \$33,797 which consisted of \$14,552 from the Village and \$19,245 from the law enforcement officers. Employees not engaged in law enforcement made voluntary contributions of \$52,425 to the plan with the Village contributing \$32,648.

**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

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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   | \$ 167,879        |
| Net difference between projected and actual earnings on pension plan investments                             | 82,100            |
| Changes of assumptions and other inputs  | 2,734             |
| Changes in proportion and differences between Village contributions and proportionate share of contributions | 128,722           |
| Village contributions and benefits payments made and administrative expenses subsequent to measurement date  | 179,005           |
|  | <u>\$ 560,440</u> |

| Deferred inflows of resources at year-end are comprised of the following:                                    | <u>Statement of<br/>Net Position</u> | <u>General Fund<br/>Balance Sheet</u> |
|--|--------------------------------------|---------------------------------------|
| Taxes Receivable, less penalties (General Fund)  | -                                    | \$ 5,590                              |
| Prepaid taxes not yet earned (General Fund)  | 936                                  | 936                                   |
| Differences between expected and actual experience   | 712                                  | -                                     |
| Change in assumptions  | 12,683                               | -                                     |
| Changes in proportion and differences between Village contributions and proportionate share of contributions | 17,968                               | -                                     |
|  | <u>\$ 32,299</u>                     | <u>\$ 6,526</u>                       |

**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,

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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 at any given time of the Village's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$375,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

**Long-Term Obligations**

**Serviced by the General Fund and Golf and Tennis Fund**

In July 2016, the Village entered into a direct borrowing installment note for \$1,300,000 to finance Phase I and Phase II road improvement projects. The finance contract requires annual payments varying from \$54,890 to \$71,522, plus 2.67% interest rate and matures in 2028. The Village's outstanding note from direct placement for the road improvement projects relates to governmental activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Village is unable to make payment. The note is secured by the equipment and all amounts on deposit.

\$ 379,167

In March 2025, the Village entered into an agreement for \$428,865 for a Hurricane Helene cash flow note. The agreement requires annual payments at 0% interest and matures June 2030.

428,865

**Total General Fund Activities**

\$ 808,032

In February 2022, the Village entered into a direct borrowing installment note for \$38,985 to finance the purchase of golf equipment. The finance contract requires monthly payments of \$877, plus 3.99% interest and matures 2026. The Village's outstanding note from direct placement for the golf equipment related to enterprise activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Village is unable to make payment. The note is secured by the golf equipment.

\$ 5,726

In February 2023, the Village entered into a direct borrowing installment note for \$323,946 to finance the purchase of golf carts. The finance contract requires monthly payments of \$5,175 plus a balloon payment of \$121,828 in November 2027, at an interest rate of 7.4% interest and matures in fiscal year 2028. The Village's outstanding note from direct placement for the golf carts related to enterprise activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Village is unable to make payment. The note is secured by the golf carts.

234,641

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In August, 2024 the Village entered into a direct borrowing installment note for \$88,717 to finance the purchase of golf equipment. The finance contract requires monthly payments of \$1,726, at an interest rate of 7.4% interest and matures in fiscal year 2029. The Village's outstanding note from direct placement for the golf equipment related to enterprise activities, contain a provision that in an event of default, outstanding amounts become immediately due if the Village is unable to make payment. The note is secured by the golf equipment.

72,801

In June 2025, the Village entered into an agreement for \$282,988 for a Hurricane Helene cash flow note. The agreement requires annual payments at 0% interest and matures June 2030.

282,988

**Total Enterprise Activities**

\$ 596,156

The Village's outstanding note from direct borrowings related to governmental activities of \$428,865 and business-type activities of \$282,988 is not secured by a pledge of the faith and credit of the state of North Carolina or of the Village but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the Village from the state may be withheld by the state and applied to the payment of the outstanding note.

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

| <u>Years<br/>Ending<br/>June 30,</u> | <u>Governmental Activities</u> |                  | <u>Business-type Activities</u> |                  | <u>Total</u>        |                  |
|--------------------------------------|--------------------------------|------------------|---------------------------------|------------------|---------------------|------------------|
|                                      | <u>Principal</u>               | <u>Interest</u>  | <u>Principal</u>                | <u>Interest</u>  | <u>Principal</u>    | <u>Interest</u>  |
| 2026                                 | \$ 108,335                     | \$ 9,401         | \$ 68,483                       | \$ 20,469        | \$ 176,818          | \$ 29,870        |
| 2027                                 | 151,221                        | 6,509            | 95,703                          | 15,408           | 246,924             | 21,917           |
| 2028                                 | 194,107                        | 3,615            | 213,873                         | 5,966            | 407,980             | 9,581            |
| 2029                                 | 182,824                        | 723              | 104,904                         | 704              | 287,728             | 1,427            |
| 2030                                 | 171,545                        | -                | 113,193                         | -                | 284,738             | -                |
| Total                                | <u>\$ 808,032</u>              | <u>\$ 20,248</u> | <u>\$ 596,156</u>               | <u>\$ 42,547</u> | <u>\$ 1,404,187</u> | <u>\$ 62,795</u> |

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

A summary of changes in long-term obligations follows:

|   | <b>Beginning<br/>Balance,<br/>restated</b> | <b>Additions</b>  | <b>Retirements</b> | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion of<br/>Balance</b> |
|---|--|-------------------|--------------------|---------------------------|---|
| <b>Governmental Activities:</b>         |  |                   |                    |                           |   |
| Installment purchases-direct borrowings | \$ 487,500                                 | \$ -              | \$ 108,333         | \$ 379,167                | \$ 108,335                                |
| Cash flow disaster response loan        | -  | 428,865           | -                  | 428,865                   | 1   |
| Net pension liability (LGERS)           | 576,690                                    | -                 | 40,127             | 536,563                   | -   |
| Total pension liability (LEOSSA)        | 317,305                                    | -                 | 7,923              | 309,382                   | -   |
| Compensated absences                    | 66,156                                     | 9,487             | -                  | 75,643                    | 46,763                                    |
| <b>Total</b>                            | <b>\$ 1,447,651</b>                        | <b>\$ 438,352</b> | <b>\$ 156,383</b>  | <b>\$ 1,729,620</b>       | <b>\$ 155,099</b>                         |
| <b>Business-Type Activities:</b>        |  |                   |                    |                           |   |
| Golf and Tennis Fund                    |  |                   |                    |                           |   |
| Installment purchases-direct borrowings | \$ 293,425                                 | \$ 88,717         | \$ 68,974          | \$ 313,168                | \$ 68,483                                 |
| Cash flow disaster response loan        | -  | 282,988           | -                  | 282,988                   | 1   |
| Net pension liability (LGERS)           | 72,373                                     | -                 | 5,035              | 67,338                    | -   |
| Compensated absences                    | 10,785                                     | 889               | -                  | 11,674                    | 9,726                                     |
| <b>Total</b>                            | <b>\$ 376,583</b>                          | <b>\$ 372,594</b> | <b>\$ 74,009</b>   | <b>\$ 675,168</b>         | <b>\$ 78,210</b>                          |

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, 2025, the Village had a legal debt margin of \$41,482,772.

**C. Interfund Transactions**

Transfers to/from Other Funds at June 30, 2025 consists of the following:

None

**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.

**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 \$150,000 for Village infrastructure improvements, \$21,094 for Village services to promote tourism

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

in Sugar Mountain, and \$96,500 for the TDA coordinator. The Village of Sugar Mountain Tourism Development Authority paid the Village an administrative fee equal to 3 percent of collected occupancy taxes. The administrative fee totaled \$21,763 for the year ended June 30, 2025.

**6. Fund Balance**

|                                   |             |
|-----------------------------------|-------------|
| Total fund balance - General Fund | \$1,280,853 |
| Less:                             |             |
| Stabilization by state statute    | 375,4334    |
| Remaining fund balance            | \$ 905,419  |

**7. Change in Account Principle**

The Village implemented Government Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, July 1, 2024. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As a result, the Village recognized an additional \$4,062 in compensated absences for sick leave as of June 30, 2024, resulting in a decrease in beginning net position of the same amount.

**8. Subsequent Events**

For the year ended June 30, 2025, the Village has evaluated subsequent events for potential recognition and disclosure through February 4, 2026; the date the financial statements were available to be issued. The Village experienced damage from Hurricane Helene in September 2024. The Village is continuing to assess damage and has been working closely with FEMA and the State of North Carolina and expects 100% reimbursement from the damages. The Village received an additional NC State Treasurer's Cashflow Loan in September 2025 to assist with the Village's cashflow needs.

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

|   | Local Government Employees' Retirement System |            |            |            |            |            |            |            |            |            |
|---|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | 2025  | 2024       | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       |
| Sugar Mountain's proportion of the net pension liability (asset) (%)  | 0.00896%                                      | 0.00980%   | 0.01100%   | 0.00893%   | 0.00952%   | 0.01031%   | 0.01064%   | 0.01000%   | 0.01080%   | 0.01042%   |
| Sugar Mountain's proportion of the net pension liability (asset) (\$)   | \$ 603,901                                    | \$ 649,063 | \$ 620,557 | \$ 136,950 | \$ 340,190 | \$ 281,558 | \$ 252,417 | \$ 152,772 | \$ 235,155 | \$ 46,762  |
| Sugar Mountain's covered-employee payroll   | \$ 1,028,940                                  | \$ 989,713 | \$ 907,513 | \$ 809,098 | \$ 771,099 | \$ 737,381 | \$ 673,318 | \$ 693,125 | \$ 635,929 | \$ 662,272 |
| Sugar Mountain's proportionate share of the net pension liability (asset) as a percentage of its covered-employee | 58.69%  | 65.58%     | 68.38%     | 16.93%     | 44.12%     | 38.18%     | 37.49%     | 22.04%     | 36.98%     | 7.06%      |
| Plan fiduciary net position as a percentage of the total pension liability**                                      | 83.30%  | 82.49%     | 90.70%     | 95.51%     | 88.61%     | 91.63%     | 91.63%     | 94.18%     | 91.47%     | 98.09%     |

\* 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 employees in the LGERS plan.

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

|  | 2025         | 2024         | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       |
|--|--------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution                                  | \$ 154,794   | \$ 208,905   | \$ 193,014 | \$ 169,545 | \$ 144,518 | \$ 124,945 | \$ 111,235 | \$ 102,979 | \$ 98,404  | \$ 96,563  |
| Contributions in relation to the contractually required contribution | 154,794      | 208,905      | 193,014    | 169,545    | 144,518    | 124,945    | 111,235    | 102,979    | 98,404     | 96,563     |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Sugar Mountain's covered-employee payroll                            | \$ 1,107,095 | \$ 1,028,940 | \$ 989,713 | \$ 907,513 | \$ 809,098 | \$ 771,099 | \$ 737,381 | \$ 673,318 | \$ 693,125 | \$ 635,929 |
| Contributions as a percentage of covered-employee payroll            | 13.98%       | 20.30%       | 19.50%     | 18.68%     | 17.86%     | 16.20%     | 15.09%     | 15.29%     | 14.20%     | 15.18%     |

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

|  | 2025       | 2024       | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Beginning balance  | \$ 317,305 | \$ 199,293 | \$ 203,164 | \$ 195,410 | \$ 155,727 | \$ 164,834 | \$ 121,748 | \$ 140,202 | \$ 133,008 |
| Service Cost   | 6,521      | 7,301      | 10,535     | 7,454      | 4,966      | 5,567      | 6,828      | 6,177      | 6,443      |
| Interest on the total pension liability  | 12,187     | 8,036      | 4,526      | 3,732      | 5,011      | 5,926      | 3,783      | 5,355      | 4,748      |
| Changes of benefit terms   | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Differences between expected and actual experience in the measurement of the total pension liability | 3,715      | 122,265    | 14,674     | 5,062      | (5,582)    | (21,096)   | 43,570     | (35,899)   | -          |
| Changes of assumptions or other inputs   | (5,084)    | 6,088      | (29,554)   | (4,442)    | 39,340     | 4,548      | (7,043)    | 8,874      | (3,997)    |
| Benefit payments   | (25,262)   | (25,678)   | (4,052)    | (4,052)    | (4,052)    | (4,052)    | (4,052)    | (2,961)    | -          |
| Other changes  | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Ending balance of the total pension liability  | \$ 309,382 | \$ 317,305 | \$ 199,293 | \$ 203,164 | \$ 195,410 | \$ 155,727 | \$ 164,834 | \$ 121,748 | \$ 140,202 |

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

\* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The Village of Sugar Mountain has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Notes to Schedule:

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |                      |
|------------------|----------------------|
| Inflation        | 2.50 percent         |
| Discount rate    | 4.28 percent         |
| Salary Increases | 3.25 to 7.75 percent |

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

**MORTALITY ASSUMPTION:** All mortality rates use Pub-2010 amount-weighted tables.

**MORTALITY PROJECTION:** All mortality rates are projected from 2010 using generational improvements with Scale MP-2019.

**DEATHS AFTER RETIREMENT (Healthy):** Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

**DEATHS AFTER RETIREMENT (Disabled Members at Retirement):** Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

**DEATHS AFTER RETIREMENT (Survivors of Deceased Members):** Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

**DEATHS PRIOR TO RETIREMENT:** Mortality rates are based on the Safety Mortality Table for Employees.

**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 Years Ended June 30,\***

|  | 2025       | 2024       | 2023       | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total pension liability                                    | \$ 309,382 | \$ 317,305 | \$ 199,293 | \$ 203,164 | \$ 195,410 | \$ 155,727 | \$ 164,834 | \$ 121,748 | \$ 140,202 |
| Covered payroll  | 228,883    | 317,095    | 279,853    | 182,457    | 174,005    | 177,642    | 182,550    | 175,547    | 191,196    |
| Total pension liability as a percentage of covered payroll | 135.17%    | 100.07%    | 71.21%     | 111.35%    | 112.30%    | 87.66%     | 90.30%     | 69.35%     | 73.33%     |

Notes to the schedules:

Village of Sugar Mountain has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

\* - This schedule will build to ten years of information as the data becomes available.

**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, 2025**

|                                    | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|------------------------------------|------------------|------------------|------------------------------------|
| <b>Revenues:</b>                   |                  |                  |                                    |
| Ad valorem taxes:                  |                  |                  |                                    |
| Taxes                              | \$               | \$ 1,465,372     | \$                                 |
| Interest                           |                  | 4,399            |                                    |
| Total                              | <u>1,456,670</u> | <u>1,469,771</u> | <u>13,101</u>                      |
| Unrestricted intergovernmental:    |                  |                  |                                    |
| Local option sales taxes           |                  | 250,615          |                                    |
| Utilities franchise tax            |                  | 163,040          |                                    |
| Beer and wine tax                  |                  | 1,547            |                                    |
| ABC profit distribution            |                  | 195,000          |                                    |
| Other taxes                        |                  | 53,752           |                                    |
| Total                              | <u>602,050</u>   | <u>663,954</u>   | <u>61,904</u>                      |
| Restricted intergovernmental:      |                  |                  |                                    |
| Powell Bill allocation             |                  | 38,624           |                                    |
| FEMA and NC disaster recovery      |                  | 271,324          |                                    |
| Miscellaneous grant                |                  | 2,310            |                                    |
| ABC Revenue for law enforcement    |                  | 3,000            |                                    |
| Total                              | <u>979,000</u>   | <u>315,258</u>   | <u>(663,742)</u>                   |
| Permits and fees:                  |                  |                  |                                    |
| Zoning compliance                  |                  | 5,149            |                                    |
| Total                              | <u>7,500</u>     | <u>5,149</u>     | <u>(2,351)</u>                     |
| Sales and services:                |                  |                  |                                    |
| Parking violations                 |                  | 20,470           |                                    |
| Tourism development administration |                  | 96,500           |                                    |
| Total                              | <u>96,500</u>    | <u>116,970</u>   | <u>20,470</u>                      |
| Investment earnings                | <u>60,000</u>    | <u>58,938</u>    | <u>(1,062)</u>                     |
| Miscellaneous:                     | <u>250,577</u>   | <u>233,475</u>   | <u>(17,102)</u>                    |
| Total revenues                     | <u>3,452,297</u> | <u>2,863,515</u> | <u>(609,252)</u>                   |
| <b>Expenditures:</b>               |                  |                  |                                    |
| Governing body:                    |                  |                  |                                    |
| Salaries and employee benefits     |                  | 12,272           |                                    |
| Operating expenditures             |                  | 12,036           |                                    |
| Total                              |                  | <u>24,308</u>    |                                    |
| Administration:                    |                  |                  |                                    |
| Salaries and employee benefits     |                  | 362,085          |                                    |
| Operating expenditures             |                  | 433,529          |                                    |
| Capital outlay                     |                  | 1,464            |                                    |
| Total                              |                  | <u>797,078</u>   |                                    |
| Total general government           | <u>834,933</u>   | <u>821,386</u>   | <u>13,547</u>                      |

**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, 2025**

|                                    | Budget           | Actual              | Variance<br>Positive<br>(Negative) |
|------------------------------------|------------------|---------------------|------------------------------------|
| Public safety:                     |                  |                     |                                    |
| Police:                            |                  |                     |                                    |
| Salaries and employee benefits     |                  | 466,489             |                                    |
| Operating expenditures             |                  | 81,019              |                                    |
| Capital outlay                     |                  | 93,037              |                                    |
| Total public safety                | <u>719,361</u>   | <u>640,545</u>      | <u>78,816</u>                      |
| Transportation:                    |                  |                     |                                    |
| Street maintenance:                |                  |                     |                                    |
| Salaries and employee benefits     |                  | 621,361             |                                    |
| Operating expenditures             |                  | 1,040,990           |                                    |
| Capital outlay                     |                  | 123,867             |                                    |
| Total transportation               | <u>2,340,115</u> | <u>1,786,218</u>    | <u>553,897</u>                     |
| Environmental protection:          |                  |                     |                                    |
| Solid waste:                       |                  |                     |                                    |
| Other operating expenditures       |                  | 74,553              |                                    |
| Total culture and recreation       | <u>80,000</u>    | <u>74,553</u>       | <u>5,447</u>                       |
| Debt service:                      |                  |                     |                                    |
| Principal retirement               |                  | 108,333             |                                    |
| Interest and other charges         |                  | 12,293              |                                    |
| Total debt service                 | <u>120,628</u>   | <u>120,626</u>      | <u>2</u>                           |
| Total expenditures                 | <u>4,095,037</u> | <u>3,443,328</u>    | <u>651,709</u>                     |
| Revenues over (under) expenditures | (642,740)        | (579,813)           | 42,457                             |
| Other financing sources (uses):    |                  |                     |                                    |
| Sale of capital assets             | 10,000           | -                   | (10,000)                           |
| Proceeds from State Cash Flow loan | 428,864          | 428,865             | -                                  |
| Total                              | <u>438,864</u>   | <u>428,865</u>      | <u>(10,000)</u>                    |
| Fund balance appropriated          | <u>203,876</u>   | -                   | <u>(203,876)</u>                   |
| Net change in fund balance         | <u>\$ -</u>      | <u>(150,948)</u>    | <u>`</u>                           |
| Fund balance, beginning            |                  | <u>1,431,801</u>    |                                    |
| Fund balance, ending               |                  | <u>\$ 1,280,853</u> |                                    |

**Village of Sugar Mountain, North Carolina  
Golf Course and Tennis Fund -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)  
For the Year Ended June 30, 2025**

|   | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|---|------------------|------------------|------------------------------------|
| Revenues:                                       |                  |                  |                                    |
| Operating revenues:                             |                  |                  |                                    |
| Charges for golf services                       | \$ 617,000       | \$ 472,387       | \$ (144,613)                       |
| Charges for tennis services                     | 41,750           | 42,491           | 741                                |
| Other operating revenues                        | 46,250           | 54,907           | 8,657                              |
| Total operating revenues                        | <u>705,000</u>   | <u>569,785</u>   | <u>(135,215)</u>                   |
| Non-operating revenues:                         |                  |                  |                                    |
| Investment interest                             | -                | 28,187           | 28,187                             |
| Restricted intergovernmental                    | 373,920          | 165,775          | (208,145)                          |
| Contribution from Tourism Development Authority | 89,500           | 55,741           | (33,759)                           |
| Total non-operating revenues                    | <u>463,420</u>   | <u>249,703</u>   | <u>(213,717)</u>                   |
| Total revenues                                  | <u>1,168,420</u> | <u>819,488</u>   | <u>(348,932)</u>                   |
| Expenditures:                                   |                  |                  |                                    |
| Current:  |                  |                  |                                    |
| Golf course administration:                     |                  |                  |                                    |
| Salaries and benefits                           |                  | 70,969           |                                    |
| Other operating expenses                        |                  | 61,427           |                                    |
| Total golf course administration                | <u>176,210</u>   | <u>132,396</u>   | <u>43,814</u>                      |
| Golf course maintenance:                        |                  |                  |                                    |
| Salaries and benefits                           |                  | 232,565          |                                    |
| Other operating expenses                        |                  | 457,954          |                                    |
| Capital outlay                                  |                  | 157,846          |                                    |
| Total golf course maintenance                   | <u>1,136,919</u> | <u>848,365</u>   | <u>288,554</u>                     |
| Tennis administration:                          |                  |                  |                                    |
| Salaries and benefits                           |                  | 40,031           |                                    |
| Other operating expenses                        |                  | 38,198           |                                    |
| Total tennis administration                     | <u>101,405</u>   | <u>78,229</u>    | <u>23,176</u>                      |
| Park  |                  |                  |                                    |
| Other operating expenses                        |                  | 1,587            |                                    |
| Total park                                      | <u>2,000</u>     | <u>1,587</u>     | <u>413</u>                         |
| Debt service:                                   |                  |                  |                                    |
| Interest and other charges                      |                  | 24,371           |                                    |
| Principal retirement                            |                  | 68,974           |                                    |
| Total debt service                              | <u>93,089</u>    | <u>93,345</u>    | <u>(256)</u>                       |
| Total expenditures                              | <u>1,509,623</u> | <u>1,153,922</u> | <u>355,701</u>                     |
| Revenues over(under) expenditures               | <u>(341,203)</u> | <u>(334,434)</u> | <u>6,769</u>                       |

**Village of Sugar Mountain, North Carolina**  
**Golf and Tennis Fund**  
**Statement of Revenues and Expenditures -**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2025**

|  | Budget         | Actual         | Variance<br>Positive<br>(Negative) |
|--|----------------|----------------|------------------------------------|
| Other financing sources (uses):  |                |                |                                    |
| Proceeds from long-term debt   | -              | 88,717         | 88,717                             |
| Proceeds from State Cash Flow loan   | 282,988        | 282,988        | -                                  |
| Appropriated fund balance  | 58,215         | -              | (58,215)                           |
| Total other financing sources (uses)   | <u>341,203</u> | <u>371,705</u> | <u>30,502</u>                      |
| Revenues and other sources over (under)<br>expenditures and other financing uses | <u>\$ -</u>    | <u>37,271</u>  | <u>\$ 37,271</u>                   |

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

|  |                     |
|--|---------------------|
| Revenues and other sources over<br>expenditures and other uses | \$ 37,271           |
| Reconciling items:   |                     |
| Principal retirement   | 68,974              |
| Proceeds from long-term debt                                   | (371,705)           |
| Capital outlay   | 157,846             |
| Increase in compensated absences                               | (889)               |
| Increase in deferred outflows of resources - pensions          | (14,614)            |
| Increase in net pension liability                              | 5,035               |
| Decrease in deferred inflows of resources - pensions           | (1,909)             |
| Depreciation   | (155,482)           |
| Total reconciling items  | <u>(312,744)</u>    |
| Change in net position   | <u>\$ (275,473)</u> |

**Village of Sugar Mountain, North Carolina  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2025**

| Fiscal Year | Uncollected<br>Balance<br>June 30, 2024     | Additions           | Collections<br>And Credits | Uncollected<br>Balance<br>June 30, 2025 |
|-------------|---|---------------------|----------------------------|---|
| 2024-2025   | \$ -  | \$ 1,466,250        | \$ 1,460,504               | \$ 5,746                                |
| 2023-2024   | 4,309                                       | -                   | 4,295                      | 14                                      |
| 2022-2023   | 189   | -                   | 186                        | 3                                       |
| 2021-2022   | 195   | -                   | 190                        | 5                                       |
| 2020-2021   | 490   | -                   | 0                          | 490                                     |
| 2019-2020   | 462   | -                   | -                          | 462                                     |
| 2018-2019   | 40  | -                   | 0                          | 40                                      |
| 2017-2018   | 148   | -                   | 96                         | 52                                      |
| 2016-2017   | 115   | -                   | 101                        | 14                                      |
| 2015-2016   | 96  | -                   | 96                         | -                                       |
|             | <u>\$ 6,044</u>                             | <u>\$ 1,466,250</u> | <u>\$ 1,465,468</u>        | <u>6,826</u>                            |
|             | Less: allowance for uncollectible accounts: |                     |                            |   |
|             | General Fund                                |                     |                            | 1,236                                   |
|             | Ad valorem taxes receivable - net           |                     |                            | \$ 5,590                                |
|             | <u>Reconciliation to revenues:</u>          |                     |                            |   |
|             | Ad valorem taxes - General Fund             |                     |                            | \$ 1,469,771                            |
|             | Reconciling items:                          |                     |                            |   |
|             | Taxes written off                           |                     |                            | 96                                      |
|             | Penalties and interest                      |                     |                            | (4,399)                                 |
|             | Subtotal                                    |                     |                            | (4,303)                                 |
|             | Total collections and credits               |                     |                            | \$ 1,465,468                            |

**Village of Sugar Mountain, North Carolina  
Analysis of Current Tax Levy  
Village - Wide Levy  
June 30, 2025**

|                                    | Village- Wide         |      |                     | Total Levy   |                                 |
|------------------------------------|-----------------------|------|---------------------|--|---------------------------------|
|                                    | Property<br>Valuation | Rate | Total<br>Levy       | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original levy:                     |                       |      |                     |  |                                 |
| Property taxed at current rate     | \$ 507,688,372        | 0.28 | \$ 1,420,897        | \$ 1,420,897   | \$ -                            |
| Registered motor vehicles taxed    | 10,830,357            | 0.28 | 30,325              | -  | 30,325                          |
| Penalties                          | -                     |      | 1,713               | 1,713  | -                               |
| Total                              | <u>518,518,729</u>    |      | <u>1,452,935</u>    | <u>1,422,610</u>   | <u>30,325</u>                   |
| Discoveries:                       |                       |      |                     |  |                                 |
| Current year taxes                 | <u>4,755,513</u>      | 0.28 | <u>13,315</u>       | <u>13,315</u>  | <u>-</u>                        |
| Total property valuation           | <u>\$ 523,274,242</u> |      |                     |  |                                 |
| Net levy                           |                       |      | 1,466,250           | 1,435,925  | 30,325                          |
| Uncollected taxes at June 30, 2025 |                       |      | <u>(5,746)</u>      | <u>(5,746)</u>   | <u>-</u>                        |
| Current year's taxes collected     |                       |      | <u>\$ 1,460,504</u> | <u>\$ 1,430,179</u>                                      | <u>\$ 30,325</u>                |
| Current levy collection percentage |                       |      | <u>99.61%</u>       | <u>99.60%</u>  | <u>100.00%</u>                  |

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Independent Auditor's Report

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On  
An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Village of Sugar Mountain's, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the Village of Sugar Mountain's basic financial statements, and have issued our report thereon dated February 4, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Sugar Mountain's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Judy Watson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Boone, NC  
February 4, 2026

**MISTY D WATSON, CPA, P.A.  
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Independent Auditor's Report

Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With  
OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Village of Sugar Mountain, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Village of Sugar Mountain's major State programs for the year ended June 30, 2025. The Village of Sugar Mountain's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Village of Sugar Mountain complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Village of Sugar Mountain and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Village of Sugar Mountain 's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Village of Sugar Mountain State programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Village of Sugar Mountain's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Village of Sugar Mountain's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Village of Sugar Mountain 's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circum- stances.
- obtain an understanding of Village of Sugar Mountain 's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Village of Sugar Mountain 's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Mandy Watson". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Boone, NC  
February 4, 2026

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2025**

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**I. Summary of Auditor's Results**

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**Financial Statements**

Internal control over financial reporting:

|  |       |     |       |   |               |
|--|-------|-----|-------|---|---------------|
| Material weakness identified?  | _____ | Yes | _____ | X | No            |
| Significant deficiency identified that is not considered to be material weaknesses | _____ | Yes | _____ | X | None reported |
| Noncompliance material to financial statements noted                               | _____ | Yes | _____ | X | No            |

Type of report the auditor issued on whether the financial statements Unmodified

**State Awards**

Internal control over major State programs:

|  |       |     |       |   |               |
|--|-------|-----|-------|---|---------------|
| Material weakness identified?  | _____ | Yes | _____ | X | No            |
| Significant deficiency identified that is not considered to be material weaknesses | _____ | Yes | _____ | X | None reported |

Type of auditor's report issued on compliance for major State programs: Unmodified

|  |       |     |       |   |    |
|--|-------|-----|-------|---|----|
| Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act | _____ | Yes | _____ | X | No |
|--|-------|-----|-------|---|----|

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Identification of major State programs:

Round 1 State Cashflow Loan for Disaster Response

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**II. Financial Statement Findings**

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None

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**III. State Award Findings and Questioned Costs**

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None

**VILLAGE OF SUGAR MOUNTAIN, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2025**

| Grantor/Pass-Through<br>Grantor/Program/Cluster Title | Federal<br>Listing<br>Assistance<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>(Direct & Pass-<br>Through)<br>Expenditures | State<br>Expenditures | Passed-through<br>to Subrecipients |
|---|--|-------------------------------------|--|-----------------------|------------------------------------|
| <b>Federal Awards:</b>                                |  |                                     |  |                       |                                    |
| <u>U.S. Department of Homeland Security</u>           |  |                                     |  |                       |                                    |
| Passed-through the N.C. Department of Public Safety:  |  |                                     |  |                       |                                    |
| Disaster Grants - Public Assistance                   | 97.036                                     |                                     | 421,013  | 18,397                | -                                  |
| Total U.S. Department of Homeland Security            |  |                                     | <u>421,013</u>   | <u>18,397</u>         | <u>-</u>                           |
| Total Federal Awards                                  |  |                                     | <u>421,013</u>   | <u>18,397</u>         | <u>-</u>                           |
| <b>State Awards:</b>                                  |  |                                     |  |                       |                                    |
| <u>N.C. Department of Transportation:</u>             |  |                                     |  |                       |                                    |
| Powell Bill   |  |                                     | -  | 38,624                | -                                  |
| Total N.C. Department of Transportation               |  |                                     | <u>-</u>   | <u>38,624</u>         | <u>-</u>                           |
| <u>N.C. Department of State Treasurer</u>             |  |                                     |  |                       |                                    |
| Round 1 State Cashflow Loan for Disaster Response     |  |                                     | -  | 428,865               | -                                  |
| Round 2 State Cashflow Loan for Disaster Response     |  |                                     | -  | 282,988               | -                                  |
| Total N.C. Department of State Treasurer              |  |                                     | <u>-</u>   | <u>711,853</u>        | <u>-</u>                           |
| Total State Awards                                    |  |                                     | <u>-</u>   | <u>750,477</u>        | <u>-</u>                           |
| Total Federal and State Awards                        |  |                                     | <u>\$ 421,013</u>                                      | <u>\$ 768,874</u>     | <u>\$ -</u>                        |

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

1. Basis of Presentation:

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State award activity of the Village of Sugar Mountain under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Village of Sugar Mountain, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village of Sugar Mountain.

2. Summary of Significant Account Policies:

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

3. Indirect Cost Rate

The Village has elected not to use the 10-percent minimis indirect cost rate as allowed under the Uniform Guidance.

4. Loan outstanding

The Village had the following loan balances outstanding as of June 30, 2025. The loans made during the year are included in the SEFSA in the state expenditures presented in the schedule. Balances and transactions during related to these programs are included in the Village's basic financial statements.

| Program Title                                     | Grantor's<br>Number | Amount<br>Outstanding |
|---|---------------------|-----------------------|
| Round 1 State Cashflow Loan for Disaster Response |                     | \$ 428,865            |
| Round 2 State Cashflow Loan for Disaster Response |                     | 282,988               |
|   |                     | <u>\$ 711,853</u>     |