

**Cherokee County  
Tourism Development Authority**

**Financial Statements**

**June 30, 2025**

**Turner & Company CPAs P.A.**

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

**Cherokee County Tourism Development Authority**  
**List of the Board of Directors as of December 29, 2025**  
*(the Date of the Auditors' Report)*

---

**CHAIRPERSON**

---

Sandra Daley

**BOARD MEMBERS**

---

Sandra Daley  
Steve Dickey  
Sherry McGregor  
Joan Posey-Neumann  
Hank Parker Jr.  
Michael Sheidy  
Cal Stiles

**CHIEF FINANCAL OFFICER**

---

Candy R. Anderson, CPA

**Cherokee County Tourism Development Authority**  
**Table of Contents**  
**June 30, 2025**

---

<u>Exhibit</u>		<u>Page</u>
	Financial Section	
	Independent Auditors' Report	1 - 2
	Management's Discussion and Analysis	3 - 7
	Basic Financial Statements:	8
1	Governmental Fund Balance Sheet / Statement of Net Position	9
2	Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	10
3	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	11
	Notes to the Financial Statements	12 - 19

# Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

---

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Cherokee County Tourism Development Authority  
Murphy, North Carolina

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Cherokee County Tourism Development Authority, a component unit of Cherokee County, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Cherokee County Tourism Development Authority, as of June 30, 2025, and the respective changes in financial position thereof 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, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cherokee County Tourism Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Change in Accounting Principle*

As disclosed in Note VII to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 raise substantial doubt about the Cherokee County Tourism Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards will always detect a material misstatement 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain 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 responsive 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 Cherokee County Tourism Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cherokee County Tourism Development Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3-7 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 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.

*Turner & Company CPAs P.A.*

Turner & Company CPAs P.A.  
Murphy, North Carolina

December 29, 2025

---

## Management's Discussion and Analysis

---

**Cherokee County Tourism Development Authority**  
**Management's Discussion and Analysis**  
**June 30, 2025**

---

As management of the Cherokee County Tourism Development Authority, we offer readers of the Cherokee County Tourism Development Authority's financial statements this narrative overview and analysis of the financial activities of the Cherokee County Tourism Development Authority 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 Authority's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,368,663 (net position). Of this amount, \$2,032,696 (unrestricted net position) or 85.82% may be used to meet the Authority's ongoing obligations.
- The Authority's total net position increased by \$225,701.
- At the close of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$2,194,223 an increase of \$234,384 in fund balance. Of this amount, \$2,037,443 (unassigned fund balance) or 92.85% is *available for spending* at the Authority's discretion.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged in a single governmental program, the fund financial statements and the government-wide statements are combined using a columnar format that reconciles the individual fund financial data in a separate column on the face of the financial statements. The financial statements also include notes that explain some of the information and provide more detailed data.

**Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Authority's budget ordinance. The fund of the Authority is considered a governmental fund.

*Governmental funds:* All of the Authority's services are reported in a governmental fund, the General Fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can be readily converted to cash. The governmental fund statements provide a *short-term* view of Authority's general governmental operations and the basic services it provides. Governmental financial information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. As noted above, the fund financials and the government-wide financials are combined with a reconciling adjustment column.

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Authority, the management of the Authority, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Authority to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the combined statements.

## Government-Wide Financial Analysis

**Figure 1**  
**The Authority's Net Position**

	<u>2025</u>	<u>2024</u>	<u>Total Percentage Change</u>
<b>Assets</b>			
Current and other assets	\$ 2,200,682	\$ 1,965,413	11.97%
Capital assets	<u>179,187</u>	<u>184,439</u>	( 2.85%)
Total assets and deferred outflows of resources	<u>2,379,869</u>	<u>2,149,852</u>	10.70%
<b>Liabilities</b>			
Long-term liabilities outstanding	2,447	5,574	( 56.10%)
Other liabilities	<u>8,759</u>	<u>-</u>	0.00%
Total liabilities and deferred inflows inflows of resources	<u>11,206</u>	<u>5,574</u>	101.04%
<b>Net position</b>			
Invested in capital assets	179,187	184,439	( 2.85%)
Restricted			
Stabilization by state statute	156,780	142,793	9.80%
Unrestricted	<u>2,032,696</u>	<u>1,817,046</u>	11.87%
Total net position	<u>\$ 2,368,663</u>	<u>\$ 2,144,278</u>	10.46%

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by \$2,368,663 as of June 30, 2025. The Authority's net position increased by \$225,701 for the fiscal year ended June 30, 2025. The Authority's net investment in capital assets (e.g. land, buildings, machinery, and equipment) was \$179,187 (7.56%). The Cherokee County Tourism Development Authority uses these capital assets for tourism promotion; consequently, these assets are not available for future spending. An additional portion of the Authority's net position, \$156,780 (6.62%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,032,696 (85.82%) is unrestricted.

**Figure 2**  
**Change in The Authority's Net Position**

	<u>2025</u>	<u>2024</u>	<u>Total Percentage Change</u>
<b>Revenues</b>			
Occupancy tax	\$ 799,127	\$ 814,950	-1.94%
Other revenue	-	204	-100.00%
Total revenues	<u>799,127</u>	<u>815,154</u>	-1.97%
<b>Expenses</b>			
Tourism promotion and development	<u>573,426</u>	<u>502,246</u>	14.17%
Total expenses	<u>573,426</u>	<u>502,246</u>	14.17%
Increase (decrease) in net position	225,701	312,908	-27.87%
Net position, beginning as previously reported	<u>2,144,278</u>	<u>1,831,370</u>	17.09%
Restatement - change in accounting principle	(1,316)	-	
Net position, beginning as restated	<u>2,142,962</u>	<u>1,831,370</u>	
Net position, ending	<u>\$ 2,368,663</u>	<u>\$ 2,144,278</u>	10.46%

**Governmental activities.** Governmental activities increased the Authority's net position by \$225,701, thereby accounting for 100% of the total increase in the net position of the Authority.

### Financial Analysis of the Authority's Funds

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

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

At the end of the current fiscal year, the Authority's fund balance available was \$2,037,443 while total fund balance reached \$2,194,223. The Authority currently has an available fund balance of 355.31% of general fund expenditures, while total fund balance represents 382.65% of the same amount.

### General Fund Budgetary Highlights

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

There were several reasons the Authority revised its budget throughout the year. As more current information became available, the Authority amended the budget to shift allocations within departments however overall expenditures remained the same.

## Capital Assets and Debt Administration

**Capital Assets.** At June 30, 2025 the Authority had \$179,187 (net of accumulated depreciation) invested in capital assets that included a building and building improvements. Information on the Authority's capital assets can be found in Note IV.A.3.

**Figure 3**  
**Authority's Capital Assets**  
**(net of depreciation)**

	2025	2024
Buildings	\$ 132,208	\$ 135,459
Building improvements	46,979	48,980
Total	\$ 179,187	\$ 184,439

**Long-term debt.** The Authority does not have any long-term debt.

## Economic Factors and Next Year's Budget

The following key economic indicator reflects the growth and prosperity of the Authority.

- The Authority does not anticipate any significant change in current economic factors that affect the Authority's operations.

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

The 2025-26 budget is very similar to the preceding year's budget with a very slight decrease in occupancy tax revenue reflected in the adopted budget. To alleviate any deficit in revenues the Authority continues to monitor strict spending policies. Advertising and event dollars will be carefully allocated to provide the greatest impact.

## Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Candy R. Anderson, CPA, Chief Financial Officer  
75 Peachtree Street, Suite 211, Murphy, NC 28906

---

## Basic Financial Statements

---

**Cherokee County Tourism Development Authority**  
**Governmental Fund Balance Sheet / Statement of Net Position**  
**June 30, 2025**

	<u>General Fund</u>	<u>Adjustments (Note II.A)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,043,902	\$ -	\$ 2,043,902
Due from governmental agencies	156,780	-	156,780
Prepaid items	-	-	-
Total current assets	<u>2,200,682</u>	<u>-</u>	<u>2,200,682</u>
Non-current assets:			
Capital assets:			
Other capital assets, net of depreciation	-	179,187	179,187
Total capital assets	-	179,187	179,187
Total non-current assets	-	179,187	179,187
Total assets	<u>2,200,682</u>	<u>179,187</u>	<u>2,379,869</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	6,459	-	6,459
Current portion of long-term liabilities	-	2,300	2,300
Total current liabilities	<u>6,459</u>	<u>2,300</u>	<u>8,759</u>
Long-term liabilities:			
Due in more than one year	-	2,447	2,447
Total liabilities	<u>6,459</u>	<u>4,747</u>	<u>11,206</u>
<b>FUND BALANCES / NET POSITION</b>			
Fund balances:			
Nonspendable			
Prepaid items	-	-	-
Restricted			
Stabilization by State statute	156,780	(156,780)	-
Unassigned	2,037,443	(2,037,443)	-
Total fund balances	<u>2,194,223</u>	<u>(2,194,223)</u>	<u>-</u>
of resources and fund balances	<u>\$ 2,200,682</u>		
Net position:			
Net investment in capital assets		179,187	179,187
Restricted			
Stabilization by State statute		156,780	156,780
Unrestricted		<u>2,032,696</u>	<u>2,032,696</u>
Total net position		<u>\$ 2,368,663</u>	<u>\$ 2,368,663</u>

*The notes to the financial statements are an integral part of this statement.*

**Cherokee County Tourism Development Authority**  
**Statement of Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balance/Statement of Activities**  
**For the Year Ended June 30, 2025**

	<u>General Fund</u>	<u>Adjustments (Note II.B)</u>	<u>Statement of Activities</u>
Revenues:			
Occupancy tax	\$ 799,127	\$ -	\$ 799,127
Total revenues	<u>799,127</u>	<u>-</u>	<u>799,127</u>
Expenditures/expenses:			
Economic development:			
Tourism promotion and development	564,743	8,683	573,426
Total expenditures/expenses	<u>564,743</u>	<u>8,683</u>	<u>573,426</u>
Net program revenues	234,384	(8,683)	225,701
Excess (deficiency) of revenues over expenditures	<u>234,384</u>	<u>(234,384)</u>	<u>-</u>
Change in net position	-	225,701	225,701
Fund balance/net position:			
Beginning of year, as previously reported	1,959,839	184,439	2,144,278
Restatement - change in accounting principle	<u>-</u>	<u>(1,316)</u>	<u>(1,316)</u>
Beginning of year, as restated	1,959,839	183,123	2,142,962
End of year	<u>\$ 2,194,223</u>	<u>\$ 174,440</u>	<u>\$ 2,368,663</u>

*The notes to the financial statements are an integral part of this statement.*

**Cherokee County Tourism Development Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Occupancy tax	\$ 790,550	\$ 790,550	\$ 799,127	\$ 8,577
Total revenues	790,550	790,550	799,127	8,577
<b>EXPENDITURES</b>				
Tourism promotion and development:				
Grant program:				
Events and entertainment	47,000	47,000	35,429	11,571
CC TDA Tourism Grant	100,000	100,000	40,000	60,000
Total grant program	147,000	147,000	75,429	71,571
Strategic plan initiative:				
Great Outdoors	27,000	27,000	19,615	7,385
Mountain Culture	22,000	22,000	-	22,000
Tourism promotion	256,550	256,550	188,389	68,161
General strategic plan initiative:				
Visitor Center US 64 Murphy			111,074	
Visitor Center US 74 Andrews			71,206	
Professional service expenses			9,600	
Chamber Support			89,024	
Miscellaneous expense			406	
Total general strategic plan initiative	338,000	342,600	281,310	61,290
Total strategic plan initiative	643,550	648,150	489,314	61,290
Total tourism promotion and development	790,550	795,150	564,743	132,861
Contingency	-	-	-	-
Total expenditures	790,550	795,150	564,743	132,861
Revenues over (under) expenditures	-	(4,600)	234,384	238,984
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	-	4,600	-	(4,600)
Revenues and other sources over expenditures	\$ -	\$ -	234,384	\$ 234,384
Fund balance, beginning			1,959,839	
Fund balance, ending			\$ 2,194,223	

*The notes to the financial statements are an integral part of this statement.*

**Cherokee County Tourism Development Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Cherokee County Tourism Development Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Cherokee County Tourism Development Authority, a component unit of Cherokee County, is a public authority under the North Carolina General Statutes and is governed by a 7-member appointed board. The Authority receives room occupancy taxes which are levied on gross receipts derived from the rental of any room, lodging, or similar accommodation furnished by a hotel, motel, or similar establishment within Cherokee County, which is subject to the three percent tax authorized by the State of North Carolina under General Statute 105-164.4(3). The occupancy taxes are levied and collected by the Cherokee County Finance Department and remitted to the Authority. There is an additional levy of one percent of gross receipts for establishments within Cherokee County which was authorized by the Cherokee County Board of Commissioners under North Carolina Session Law 2009-445, Section 28 and House Bill 2783. These occupancy taxes are collected by the Cherokee County Finance Department and remitted to the Authority.

The accompanying financial statements present the financial position of the Authority. The Authority has no component units. The Authority is considered a discretely presented component unit of the County and is presented in the County's government-wide financial statements in a separate column.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the financial activities of the Authority. The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Investment earnings and other items not properly included among the program revenues are reported instead as *general revenues*.

Since the Authority is engaged in a single governmental program, the fund financial statements and the government-wide statements are combined using a columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All revenues are susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

The General Fund is the operating fund of the Authority and is used to account for all financial resources.

**D. Budgetary Data**

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the object level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the 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****1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Authority's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. The cash resources of the Authority include a checking account held by the Authority for operating needs.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements, and are expensed as the items are used.

**4. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Years</u>
Buildings	50
Other Improvements	10 - 25
Furniture and Fixtures	7
Equipment	5
Vehicles	5

## 5. Deferred Outflows/Inflows of Resources

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

## 6. Compensated Absences

The Authority recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria above, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is recorded as incurred in the financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

The vacation policy of the Authority provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. Vacation leave over thirty days is transferred to an employee's sick leave balance at the end of each calendar year.

The sick leave policy of the Authority provides for an unlimited accumulation of earned sick leave. Sick leave does not vest.

## 7. Net Position/Fund Balances

### Net Position

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

### Fund Balances

In the fund financial data column of the combined fund financial statements and government-wide 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, (b) legally or contractually required to be maintained intact.

**Prepaid items** - portion of fund balance that is not an available resource because it represents payments to vendors for costs applicable to future accounting periods, which are not spendable resources.

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

Assigned fund balance – portion of fund balance that the Authority intends to use for specific purposes.

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

For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Authority.

## 8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

Total Fund Balance, Governmental Funds	\$ 2,194,223
--	--------------

When capital assets that are used in governmental activities are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those assets among the assets of the Authority as a whole.

Gross capital assets at historical cost	\$ 217,177	
Accumulated depreciation	<u>(37,990)</u>	
		179,187

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund

Compensated absences		<u>(4,747)</u>
----------------------	--	----------------

Net position of governmental activities		<u>\$ 2,368,663</u>
---	--	---------------------

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities**

Net changes in fund balance - total governmental fund	\$ 234,384
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the	
Depreciation expense for governmental assets	(5,252)
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	
Compensated absences	<u>(3,431)</u>
Total change in net position of governmental activities	<u>\$ 225,701</u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Significant Violations of Finance-Related Legal and Contractual Provisions****1. Noncompliance with North Carolina General Statutes**

None noted.

**2. Contractual Violations**

None noted.

**B. Deficit in Fund Balance of Individual Funds not Appropriated in Subsequent Year's Budget Ordinance**

None noted.

**C. Excess of Expenditures over Appropriations**

None noted.

**IV. DETAILED NOTES ON THE GENERAL FUND****A. Assets****1. Deposits**

The deposits of the Authority are governed by North Carolina General Statutes which allow depositories to collateralize excess deposits above Federal depository insurance coverage under one of two methods. Under the Dedicated Method, all deposits that exceed the Federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the Authority's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the Authority or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flow. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority does not have policies regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the Authority's deposits had a carrying amount of \$1,813,920 and a bank balance of \$2,049,525. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,799,525 was covered by collateral held under the Pooling Method.

## 2. Receivables

Due from governmental agencies at the government-wide level at June 30, 2025, were as follows:

	<u>Accounts</u>	<u>Total</u>
Governmental Activities:		
General	\$ 156,780	\$ 156,780
Total governmental activities	<u>\$ 156,780</u>	<u>\$ 156,780</u>

## 3. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Buildings	\$ 162,551	\$ -	\$ -	\$ 162,551
Building improvements	54,626	-	-	54,626
Total capital assets being depreciated	<u>217,177</u>	<u>-</u>	<u>-</u>	<u>217,177</u>
Less accumulated depreciation for:				
Buildings	27,092	3,251	-	30,343
Building improvements	5,646	2,001	-	7,647
Total accumulated depreciation	<u>32,738</u>	<u>5,252</u>	<u>-</u>	<u>37,990</u>
Total capital assets being depreciated, net	<u>184,439</u>			<u>179,187</u>
Total capital assets, net	<u>\$ 184,439</u>			<u>\$ 179,187</u>

Depreciation expense in the amount of \$5,252 was charged to the Economic Development function of the Authority.

## B. Liabilities

### 1. Payables

Payables at the government-wide level at June 30, 2025, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General	\$ 6,459	\$ -	\$ 6,459
Total governmental activities	<u>\$ 6,459</u>	<u>\$ -</u>	<u>\$ 6,459</u>

**2. Long-Term Obligation Activity**

The following is a summary of changes in the Authority's long-term obligations for the fiscal year ended June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 1,316	\$ 10,021	\$ 6,590	\$ 4,747	\$ 2,300
Total governmental activities	\$ 1,316	\$ 10,021	\$ 6,590	\$ 4,747	\$ 2,300

**C. Fund Balance**

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

Total Fund Balance - General Fund	\$ 2,194,223
Less:	
Stabilization by State statute	156,780
Remaining Fund Balance	2,037,443

**V. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts: theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded purchased insurance coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, The County's employees that have access to \$100 or more at any given time of the County's funds are required to be performance bonded through a commercial surety bond. The Chief Financial Officer was bonded for the fiscal year ended June 30, 2025 for \$80,000 with a separate bond solely for the Authority.

**VII. CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT**

For the year ended June 30, 2025, the Authority adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced beginning net position of governmental activities in the government-wide statements by \$1,316.

**VI. NEW ACCOUNTING PRONOUNCEMENTS*****Pronouncements effective for the 2025 Financial Statements:***

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

***Pronouncements issued, but not yet effective, which will be adopted by the Authority in future years. As of the date of this report, the Authority has not determined the financial impact of implementing the following Statements:***

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

## **VII. SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through December 29, 2025, the date the financial statements were available to be issued, for possible recognition of events requiring recording or disclosure in the accompanying financial statements for the year ended June 30, 2025. No events have occurred which would have a material effect on the financial statements of the Authority as of that date.