

Management's Discussion and Analysis

As management of Haywood County Tourism Development Authority (the “Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2025. This information should be read in conjunction with the financial statements that follow this section.

Financial Highlights

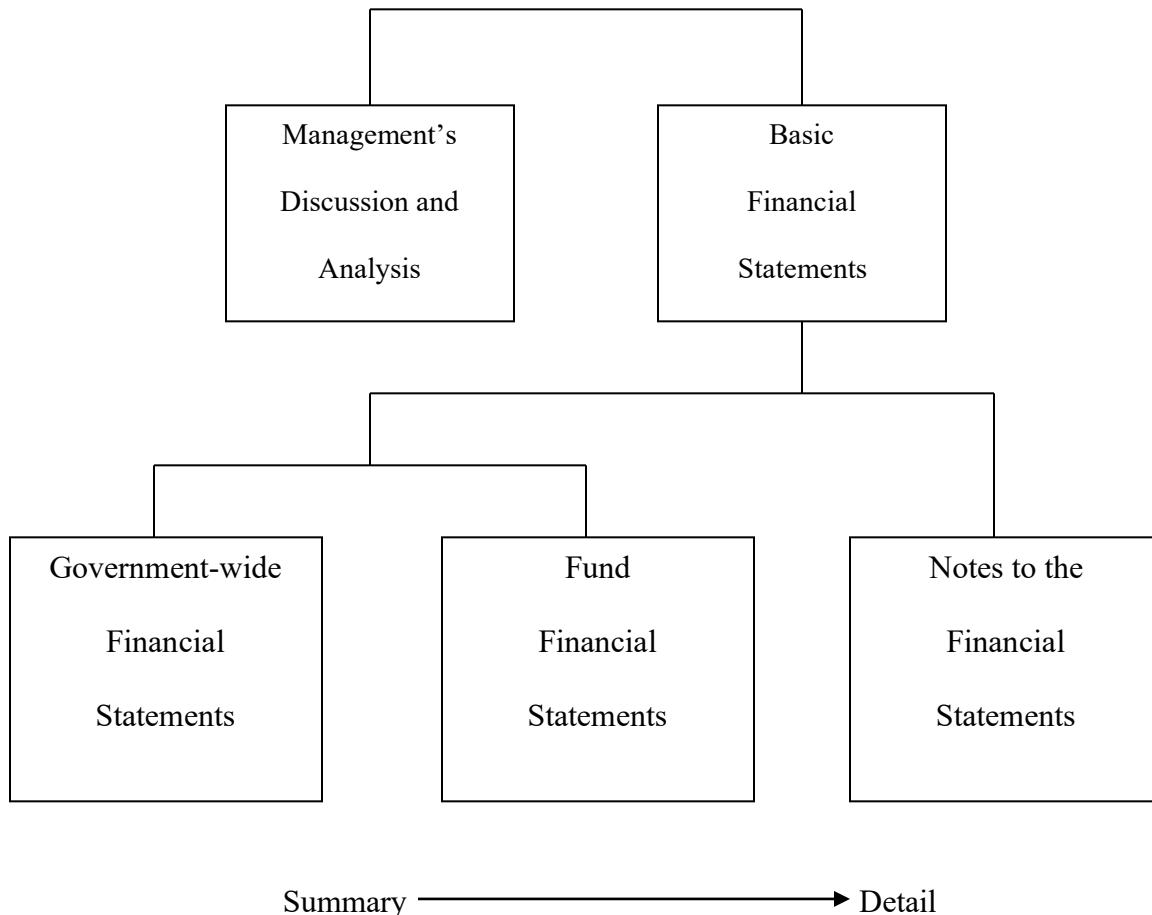
- The assets of the Authority exceeded its liabilities at the close of the year ended June 30, 2025 by \$4,879,896 (*Net Position*).
- The Authority’s total net position increased by \$717,829 during the fiscal year. This increase reflects continued strength in visitation during the early portion of the fiscal year, combined with disciplined expenditure management in response to emerging economic uncertainty later in the year.
- As of the close of the fiscal year, the Authority’s governmental fund reported an ending fund balance of \$5,013,556, an increase of \$762,182. \$2,199,026 is available for spending at the Authority’s discretion (*Unassigned Fund Balance*).
- Occupancy tax collections decreased by approximately \$329,000 or 10% from the prior fiscal year. While visitation and average daily rates remained strong during the first quarter of the fiscal year, collections were negatively impacted beginning in late September 2024 due to Hurricane Helene and its resulting disruption to travel, infrastructure, and lodging availability across Haywood County and the surrounding region.
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Overview of the Financial Statements

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

Required Components of the 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 Authority's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the budgetary comparison statement.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's activities are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using the current financial resources focus and the modified accrual basis of accounting. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Authority's programs.

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

Haywood County Tourism Development Authority Statement of Net Position Governmental Activities

Figure 2

	<u>2025</u>	<u>2024</u>
Assets:		
Total current assets	\$ 5,093,968	\$ 4,428,563
Capital assets, net	26,234	29,907
Right to use leased asset, net	2,151	7,317
<u>Total assets</u>	<u>5,122,353</u>	<u>4,465,787</u>
 Deferred Outflows of Resources	 130,419	 174,162
 Liabilities:		
Total current liabilities	82,339	182,884
Total noncurrent liabilities	262,243	292,448
<u>Total liabilities</u>	<u>344,582</u>	<u>475,332</u>
 Deferred Inflows of Resources	 28,294	 2,550
 Net Position:		
Net investment in capital assets	26,458	29,702
Restricted	2,078,382	1,718,910
Unrestricted	2,775,056	2,413,455
<u>Total net position</u>	<u>\$ 4,879,896</u>	<u>\$ 4,162,067</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$4,879,896 as of June 30, 2025. The Authority's net position increased by \$717,829 during the fiscal year ended June 30, 2025.

Haywood County Tourism Development Authority
Changes in Net Position
Governmental Activities

Figure 3

	<u>2025</u>	<u>2024</u>
Revenues:		
Occupancy tax	\$ 2,898,637	\$ 3,227,306
Other	295,132	262,847
Total revenues	<u>3,193,769</u>	<u>3,490,153</u>
Expenses:		
Economic development	2,475,940	2,384,301
Total expenses	<u>2,475,940</u>	<u>2,384,301</u>
Change in Net Position	717,829	1,105,852
Net Position, July 1	<u>4,162,067</u>	<u>3,056,215</u>
Net Position, June 30	<u>\$ 4,879,896</u>	<u>\$ 4,162,067</u>

Governmental Fund Financial Analysis

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

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Authority's financing requirements. Specifically, 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 operating fund of the Authority. At the end of the fiscal year, the Authority reported an ending fund balance of \$5,013,556 an increase of \$762,182 compared to the previous year. Approximately 44% of this total amount (\$2,199,026) represents unassigned fund balance, which is available for spending at the Authority's discretion. A small portion of the fund balance is non-spendable because it is represented by prepaid items (\$39,768). Another portion of the fund balance is restricted. \$1,512,165 is restricted as to the zip code within the County that the funds are required to benefit and \$566,217 has been restricted to comply with the provisions of the North Carolina General Statutes. The remaining portion of fund balance (\$696,380) has been appropriated as part of the fiscal year 2026 budget.

The increase in fund balance reflects continued strong visitation and lodging performance during the early portion of the fiscal year, combined with the Authority's conservative expenditure strategy during the latter part of the year. This approach helped offset revenue volatility following Hurricane Helene and contributed to continued growth in net position.

In response to the storm, the Authority intentionally limited discretionary spending, including a temporary reduction in planned advertising expenditures, as active destination marketing was not appropriate during the initial recovery period. The Authority also deferred spending on certain planned initiatives to preserve financial flexibility.

In addition, \$150,000 in approved capital grant funding remained unspent at year-end due to storm-related project delays. These funds will be carried forward and disbursed in a subsequent fiscal year upon project completion. Overall, the Board's decision to limit spending on significant projects during recovery, while positioning the organization to advance Destination Master Plan priorities as conditions stabilize, contributed to the increase in fund balance.

General Fund Budgetary Highlights

The 2024–2025 fiscal year began with positive momentum, with occupancy tax collections during the first quarter trending slightly above the prior year. However, Hurricane Helene, which impacted Western North Carolina in late September 2024, resulted in significant short-term disruption to the tourism economy, including lodging closures, reduced accessibility, and canceled travel. In response, the Authority adopted a proactive and fiscally conservative approach, reducing projected revenues and closely monitoring expenditures for the remainder of the fiscal year. This approach allowed the Authority to maintain financial stability while preserving capacity to respond to longer-term recovery and investment needs.

Capital Assets

At June 30, 2025, the Authority had \$28,385 (net of accumulated depreciation/amortization) invested in capital assets that included signage, equipment, and a vehicle. Information on the Authority's capital assets can be found in Note 2 of the financial statements.

Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2026

In developing the fiscal year 2025–2026 budget, the Authority assumed flat to conservative occupancy tax revenues in light of ongoing recovery from Hurricane Helene and continued uncertainty regarding travel patterns and infrastructure impacts. While the short-term rental market remains an important component of Haywood County's visitor economy, the Authority continues to monitor trends closely and adjust spending as necessary. The Board remains committed to conservative financial management while positioning the organization to support long-term tourism recovery and implementation of the Destination Master Plan.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Haywood County Tourism Development Authority Executive Director, 91 North Lakeshore Drive, Suite 2, Lake Junaluska, NC 28745. You can also call (828) 944-0761, visit our website at www.HaywoodTDA.com or send an e-mail to info@visithaywood.com for more information.