

Hillsborough Tourism Board

(A Component Unit of the Town of Hillsborough, North Carolina)

**Financial Statements and
Supplementary Information**

Year Ended June 30, 2018

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Independent Auditors' Report

Board of Directors
Hillsborough Tourism Board
Hillsborough, North Carolina

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hillsborough Tourism Board, a component unit of the Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 major fund of the Hillsborough Tourism Board as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Hillsborough Tourism Board. The budgetary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary schedule on page 23 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. Such 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, based on our audit and the procedures performed as described above, the budgetary schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dixon Hughes Goodman LLP

**High Point, North Carolina
December 11, 2018**

Management's Discussion and Analysis

As management of the Hillsborough Tourism Board (the "Board"), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Board's financial statements, which follow this narrative.

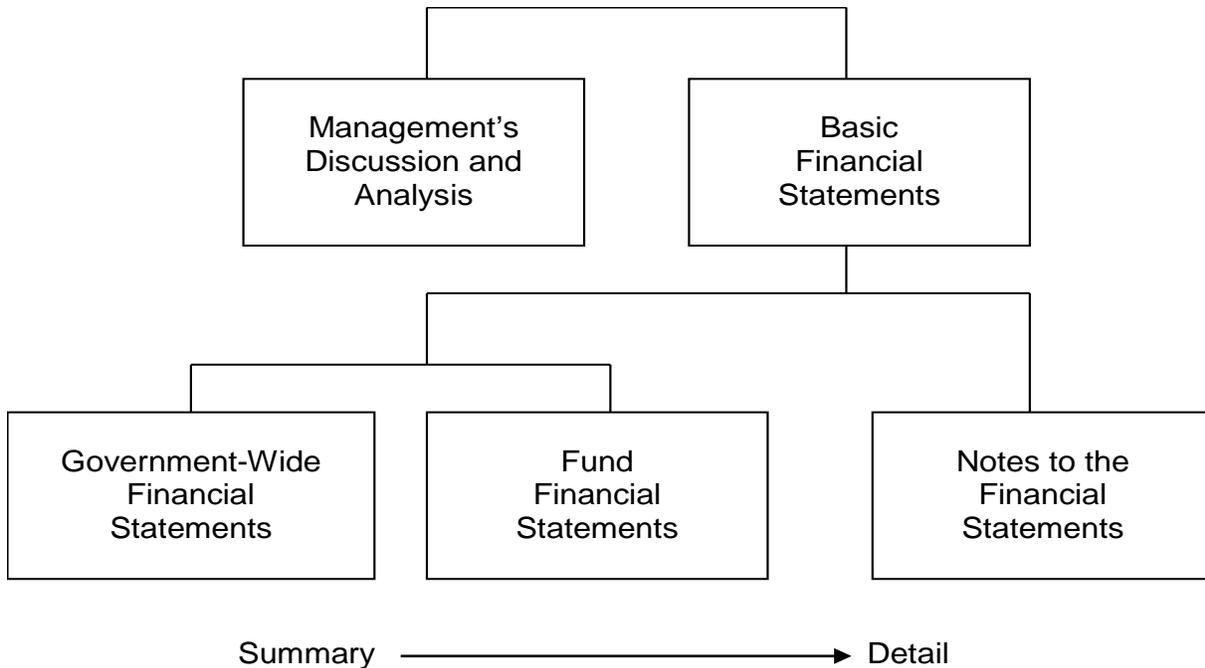
Financial Highlights

- The assets of the Hillsborough Tourism Board exceeded its liabilities at the close of the fiscal year by \$334,028 (net position).
- The government's total net position increased by \$72,725 due to food and beverage taxes collected during the year.
- As of the close of the current fiscal year, the Hillsborough Tourism Board's governmental fund reported a fund balance of \$334,028. This amount is comprised of nonspendable fund balance of \$689, restricted fund balance of \$74,224, assigned fund balance of \$17,112 and unassigned fund balance of \$242,003.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Hillsborough Tourism Board's basic financial statements. The Board'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 Board 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 Hillsborough Tourism Board.

**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 Board'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 Board's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: (1) the governmental funds statements and (2) the budgetary comparison 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, **supplementary information** is provided to show details about the Board'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 Board'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 Board's financial status as a whole.

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

**Hillsborough Tourism Board
Management’s Discussion and Analysis**

The government-wide statements are comprised of governmental activities. The governmental activities include most of the Board’s basic services related to tourism. Funds received by the Town of Hillsborough for a prepared food and beverage tax finance the majority of these activities.

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 Board’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 Hillsborough Tourism Board, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Board’s budget ordinance. All of the funds of the Hillsborough Tourism Board can be placed into 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. All of the Hillsborough Tourism Board’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* that 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 Board’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.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 17 through 20 of this report.

Government-wide financial analysis

**The Hillsborough Tourism Board’s Net Position
Figure 2**

	Governmental Activities 2018	Governmental Activities 2017
Current assets	<u>\$ 340,950</u>	<u>\$ 300,466</u>
Total assets	<u>340,950</u>	<u>300,466</u>
Current liabilities	<u>6,922</u>	<u>39,163</u>
Total liabilities	<u>6,922</u>	<u>39,163</u>
Net position:		
Restricted	74,224	70,276
Unrestricted	<u>259,804</u>	<u>191,027</u>
Total net position	<u><u>\$ 334,028</u></u>	<u><u>\$ 261,303</u></u>

**Hillsborough Tourism Board
Management’s Discussion and Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Hillsborough Tourism Board exceeded liabilities by \$334,028 as of June 30, 2018. The Board’s net position increased by \$72,725 for the fiscal year ended June 30, 2018. The Hillsborough Tourism Board’s net position includes \$74,224 that is subject to external restrictions on how they may be used. The remaining balance of \$259,804 is unrestricted.

**The Hillsborough Tourism Board’s Changes in Net Position
Figure 3**

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>
General revenues:		
Payments from Town of Hillsborough	<u>\$ 372,060</u>	<u>\$ 346,268</u>
Expenses:		
Tourism	<u>299,335</u>	<u>344,539</u>
Increase in net position	<u>72,725</u>	1,729
Net position, July 1	<u>261,303</u>	<u>259,574</u>
Net position, June 30	<u><u>\$ 334,028</u></u>	<u><u>\$ 261,303</u></u>

Governmental activities. Governmental activities increased the Board’s net position by \$72,725, thereby accounting for the total increase in the net position of the Hillsborough Tourism Board. This increase is primarily due to new restaurants, food trucks and increased restaurant sales.

Financial analysis of the Board’s funds

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

Governmental funds. The focus of the Hillsborough Tourism Board’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Hillsborough Tourism Board’s financing requirements. Specifically, unassigned 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 Hillsborough Tourism Board. At the end of the current fiscal year, total fund balance reached \$334,028, of which \$689 was nonspendable, \$74,224 was restricted by state statute, \$17,112 was assigned, and \$242,003 was unassigned.

Economic factors and next year’s budgets and rates

Funding for these services comes from the 1.0% sales tax levied by the Town on prepared food and beverages. Special legislation was passed by the North Carolina General Assembly allowing the Town to levy the Food and Beverage Tax and to fund tourism-related activities. The Town receives 6% of these funds for administering the financial management of these monies. Of the remaining funds, 60% is provided to the Alliance for Historic Hillsborough to run the Hillsborough Visitors Center. The remaining 40% is used for tourism promoting grant projects, events, services and sponsorships. The Town’s Tourism Board decides each year which applicants’ projects or activities will be awarded grants, sponsorships and contracts for tourism services. The amount of funding each year depends on the amount of the 1.0% tax receipts collected by the Town.

Hillsborough Tourism Board Management's Discussion and Analysis

Budget highlights for the fiscal year ending June 30, 2019

The food and beverage tax revenue is expected to increase \$19,000 (6.01%) for Fiscal Year 2019, while the overall budget will increase by \$33,112 (10.38%) due to a \$17,112 appropriated fund balance expenditure. The primary reason for the overall budget increase is the anticipated increase in revenues as well as the expenditure of fund balance for Tourism Board Visitor Services contracts and Special Projects and Partnership opportunities.

It is anticipated that the Churton Street access improvement project will continue to add seats at existing restaurants into Fiscal Year 2019. Additionally, the West Hillsborough Sidewalk Connections project is anticipated to increase outdoor seating opportunities at Nash Street Tavern, Whit's Frozen Custard, and Mystery Brewing Company.

There are currently no new restaurants scheduled to open in fiscal year 2019, however, the Fork in the Roof Food Truck will be in new operation for fiscal year 2019. Additionally, The House at Gatewood and Sheetz are anticipated to annex into the Town Limits and as a result would remit the Food & Beverage Tax. Also, the Village Diner is discussing an interior renovation that would introduce more seats and service areas.

Tourism Board Visitors Services Contracts

The Tourism Board is currently in fiscal year four of a five-year contract with the Alliance for Historic Hillsborough (contract expires June 30, 2020) to manage the Visitors Center for the tourism program. The Alliance is budgeted to receive \$201,000 (57.08% of budgeted revenue) in fiscal year 2019. The Visitors Center, which is located in the Historic Alexander Dickson House, includes a gift shop, information on local attractions, informative exhibits, and a video about the history of the town, as well as temporary art installations.

The Board contracts yearly to support the Burwell School Historical Site, Orange County Historical Museum and the Hillsborough Arts Council's Last Fridays. The Burwell School Historical Site, which is budgeted to receive \$28,000 (7.95% of budgeted revenue), in fiscal year 2019, is a unique historical landmark representing several key aspects of 19th century American and North Carolina history. The school hosts exhibits, concerts, special events, and literary readings, and participates in town-wide events which include the biannual Handmade Parade, the annual Holiday Home Tour, and Living History Days. The site also provides Visitors Services information.

The Orange County Historical Museum is free and open to the public. The museum, which is budgeted to receive \$30,000 (8.52% of the budgeted revenue), displays exhibits that explore Orange County's history, featuring Colonial weights and measures (the only complete set in the U.S.), portraits of notable Hillsborough figures, and memorabilia from the Colonial, Antebellum, Civil War and Industrialization eras. The museum holds special events and provides Visitors Services information.

The Hillsborough Arts Council's holds the following events with support from the Tourism Board: Last Fridays, Last Fridays Art Walk, Handmade Parade. The Arts Council is budgeted to receive \$20,000 in fiscal year 2019, (5.68% of the budgeted revenue) for these events and provides Visitors Services information at their gift shop and all special events held throughout the year.

Additionally, the Tourism Board is currently in fiscal year three of a five-year contract with the Town of Hillsborough (contract expires June 30, 2021) to support and retain 40% of the time of a full time Economic Development Planner position (\$28,000 flat rate) to support the tourism board and manage the overall tourism program.

The Board has budgeted to award \$22,700 in grants during fiscal year 2019. The budget remaining after these initiatives and administrative costs will be used to fund opportunities presented during the fiscal year through advertising and special projects and partnerships.

**Hillsborough Tourism Board
Management's Discussion and Analysis**

Requests for information

This report is designed to provide an overview of the Hillsborough Tourism Board'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 Finance Officer, c/o Hillsborough Tourism Board, Hillsborough, North Carolina, or by telephone at (919) 732-2104.

Basic Financial Statements

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**Hillsborough Tourism Board
Statement of Net Position
June 30, 2018**

Exhibit 1

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 266,037	\$ 266,037
Due from Town of Hillsborough	74,224	74,224
Prepaid assets	689	689
	<u>340,950</u>	<u>340,950</u>
LIABILITIES		
Due to The Alliance for Historic Hillsborough	6,835	6,835
Accounts payable and accrued liabilities	87	87
	<u>6,922</u>	<u>6,922</u>
NET POSITION		
Restricted for stabilization by State Statute	74,224	74,224
Unrestricted	259,804	259,804
	<u>334,028</u>	<u>334,028</u>
	<u>\$ 334,028</u>	<u>\$ 334,028</u>

**Hillsborough Tourism Board
Statement of Activities
Year Ended June 30, 2018**

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Tourism	\$ 299,335	\$ -	\$ -	\$ -	\$ (299,335)
Total governmental activities	<u>\$ 299,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(299,335)</u>
General revenues:					
					<u>372,060</u>
					<u>372,060</u>
					72,725
					<u>261,303</u>
					<u>\$ 334,028</u>

**Hillsborough Tourism Board
Balance Sheet - Governmental Fund
June 30, 2018**

Exhibit 3

	<u>Major Fund General</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 266,037	\$ 266,037
Due from Town of Hillsborough	74,224	74,224
Prepaid assets	689	689
	<u>340,950</u>	<u>340,950</u>
Total assets		
LIABILITIES		
Due to The Alliance for Historic Hillsborough	6,835	6,835
Accounts payable and accrued liabilities	87	87
	<u>6,922</u>	<u>6,922</u>
Total liabilities		
FUND BALANCE		
Non-spendable		
Prepays	689	689
Restricted		
Restricted for stabilization by State Statute	74,224	74,224
Assigned		
Subsequent year's expenditures	17,112	17,112
Unassigned	242,003	242,003
	<u>\$ 334,028</u>	<u>\$ 334,028</u>
Total fund balance		

Hillsborough Tourism Board
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2018

Exhibit 4

	<u>Major Fund General</u>	<u>Total</u>
Revenues		
Payments from Town of Hillsborough	\$ 372,060	\$ 372,060
Total revenues	<u>372,060</u>	<u>372,060</u>
Expenditures		
Tourism	<u>299,335</u>	<u>299,335</u>
Total expenditures	<u>299,335</u>	<u>299,335</u>
Net change in fund balance	72,725	72,725
Fund balance, beginning of year	<u>261,303</u>	<u>261,303</u>
Fund balance, end of year	<u>\$ 334,028</u>	<u>\$ 334,028</u>

Hillsborough Tourism Board
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2018

Exhibit 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Payment from Town of Hillsborough	\$ 316,000	\$ 450,000	\$ 372,060	\$ (77,940)
Total revenues	<u>316,000</u>	<u>450,000</u>	<u>372,060</u>	<u>(77,940)</u>
Expenditures				
Tourism	<u>319,000</u>	<u>453,000</u>	<u>299,335</u>	<u>153,665</u>
Total expenditures	<u>319,000</u>	<u>453,000</u>	<u>299,335</u>	<u>153,665</u>
Revenues over (under) expenditures	(3,000)	(3,000)	72,725	75,725
Appropriated fund balance	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	72,725	<u>\$ 72,725</u>
Fund balance, beginning of year			<u>261,303</u>	
Fund balance, end of year			<u>\$ 334,028</u>	

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Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Hillsborough Tourism Board conform to generally accepted accounting principles as applicable to government entities. The following is a summary of the more significant accounting policies:

A. Reporting entity

The Hillsborough Tourism Board ("the Board") was created on November 8, 1993, by resolution of the Town of Hillsborough, North Carolina, under the authority of the North Carolina General Assembly. The Board is responsible for promoting tourism within the Town of Hillsborough. The Board receives revenues through a one percent prepared food and beverage tax, as of July 23, 1993. The Town remits the taxes collected to the Board, net of a six percent fee for administering the tax. 60% of the remaining proceeds are paid to the Alliance for Historic Hillsborough to provide visitor services, including the operation of the Hillsborough Visitors Center. The remaining 40% of proceeds are to be used for facilities, programs and services designed to attract tourists to the town.

The Board is composed of nine members appointed by the Town of Hillsborough's Board of Commissioners. Therefore, the Board is included in the reporting entity of the Town of Hillsborough under GASB Statement 14.

B. Government-wide and fund financial statements

Government-wide financial statements, the statement of net position, and the statement of activities display information about the government entity. These statements include the financial activities of the overall governmental entity.

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

Fund financial statements provide information about the Board's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Board reports the following major governmental fund:

The **General Fund** is the general operating fund of the Board. It accounts for all financial resources.

C. Measurement focus and basis of accounting

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Hillsborough Tourism Board
Notes to Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred.

The Board recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The Board considers all revenues available if they are collected within 90 days after year end.

D. Budgetary data

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

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, liabilities, and net position/fund balances

(1) Deposits and investments

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

State law (G.S. 159-30(c)) authorizes the Board 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 Board; obligations of certain nonguaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC-registered mutual fund. Investments are stated at fair value.

(2) Cash and cash equivalents

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

(3) Net position/fund balance

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

Fund balances

In the governmental fund financial statements, fund balance may be 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.

**Hillsborough Tourism Board
Notes to Financial Statements**

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, 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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Committed fund balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Board's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned fund balance - portion of fund balance that the Board intends to use for specific purposes.

Subsequent Year's Expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes.

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

The Board has adopted a policy of maintaining a minimum level of unassigned fund balance to ensure adequate working capital in case of interruption of meals tax revenue. This policy is adjusted on an annual basis for changes in anticipated budgeted amounts, as necessary. For fiscal year 2018, the minimum level of unassigned fund balance amounted to \$62,400.

2. Detail Notes on All Funds

A. Deposits

All the deposits of the Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board's agent in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest-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 Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risks for deposits.

**Hillsborough Tourism Board
Notes to Financial Statements**

At June 30, 2018, the Board's deposits had a carrying amount of \$266,037 and bank balance of \$267,635. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$17,635 of demand deposits were covered under the Pooling Method.

B. Risk management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It carried commercial coverage for Non-profit Organization Directors and Officers Liability with a coverage of \$1,000,000 for all claims.

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 Board does not carry flood insurance.

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

C. Fund balance

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

Total fund balance - General Fund	\$	334,028
Less:		
Prepaid items		689
Stabilization by State Statute		74,224
Assigned for subsequent year's expenditures		<u>17,112</u>
Unassigned fund balance		242,003
Working capital/fund balance policy		<u>62,400</u>
Remaining fund balance	\$	<u><u>179,603</u></u>

Supplementary Information

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Hillsborough Tourism Board
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Payments from Town of Hillsborough	\$ 450,000	\$ 372,060	\$ (77,940)
Total revenues	<u>450,000</u>	<u>372,060</u>	<u>(77,940)</u>
Expenditures			
Contracted services - visitor services	318,838	167,870	150,968
Contracted services - support services	28,000	28,000	-
Contracted services - other	51,050	51,050	-
Administrative costs	100	-	100
Audit fees	6,000	5,350	650
Miscellaneous	3,900	3,977	(77)
Attorney fees	650	956	(306)
Advertising	75	86	(11)
Data processing services	2,000	310	1,690
Insurance	980	899	81
Grants	35,574	35,574	-
Special projects and partnerships	5,833	5,263	570
Total expenditures	<u>453,000</u>	<u>299,335</u>	<u>153,665</u>
Revenues over (under) expenditures	(3,000)	72,725	75,725
Appropriated fund balance	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>72,725</u>	<u>\$ 72,725</u>
Fund balance, beginning of year		<u>261,303</u>	
Fund balance, end of year		<u>\$ 334,028</u>	