

Hillsborough Tourism Development Authority

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

**Financial Statements and
Supplementary Information**

Year Ended June 30, 2019

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Independent Auditors' Report

Board of Directors
Hillsborough Tourism Development Authority
Hillsborough, North Carolina

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hillsborough Tourism Development Authority (the "Authority"), a component unit of the Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of the governmental activities and the major fund of the Hillsborough Tourism Development Authority as of June 30, 2019, and the changes in its financial position and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 7 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 Development Authority. 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 19, 2019**

Management's Discussion and Analysis

As management of the Hillsborough Tourism Development Authority (the "Authority" or "TDA"), 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, 2019. 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.

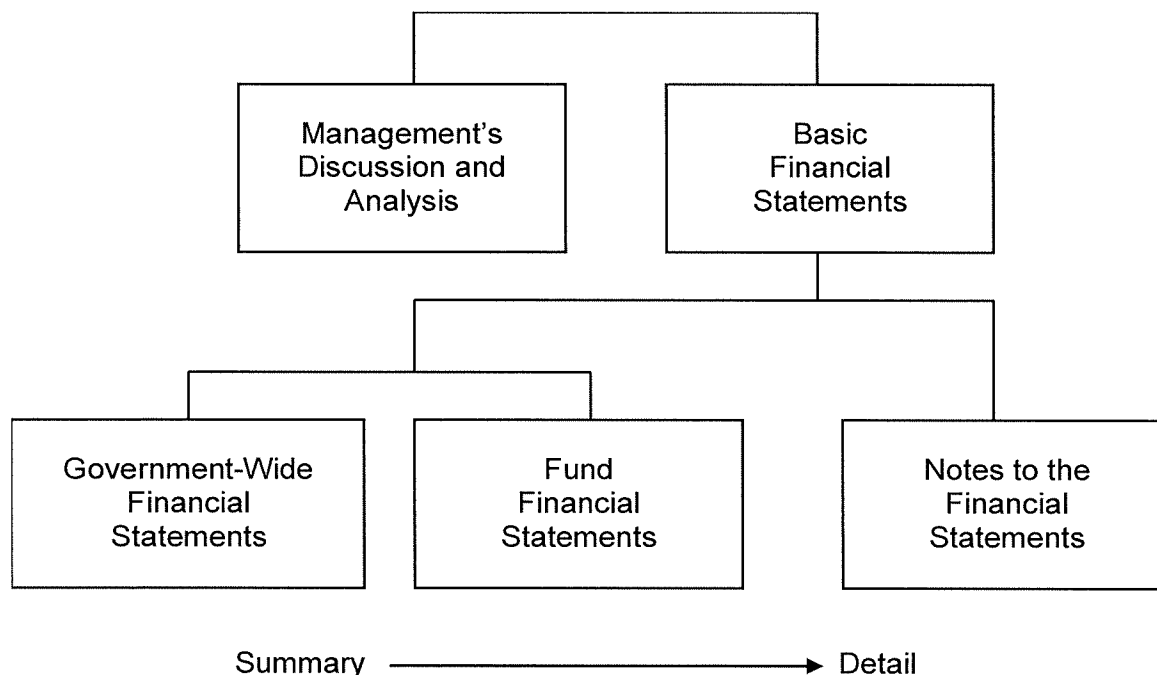
Financial Highlights

- The assets and deferred outflows of resources of the Hillsborough Tourism Development Authority exceeded its liabilities at the close of the fiscal year by \$262,082 (net position).
- The government's total net position increased by \$11,204 due to payments for occupancy taxes collected and remitted to the Authority by the Town of Hillsborough.
- As of the close of the current fiscal year, the Hillsborough Tourism Development Authority's governmental fund reported a fund balance of \$262,082. This amount is comprised of restricted fund balance of \$1,299, assigned fund balance of \$4,750 and unassigned fund balance of \$256,033.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Hillsborough Tourism Development Authority's basic financial statements. The Authority's basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Authority 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 Development Authority.

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 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 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, **supplemental information** is provided to show details about the Authority'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 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 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 governmental activities. The governmental activities include most of the Authority's basic services related to tourism. Funds received by the Town of Hillsborough for occupancy taxes finance the majority of these activities.

**Hillsborough Tourism Development Authority
Management's Discussion and Analysis**

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 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 Hillsborough Tourism Development Authority, 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 Authority's budget ordinance. All of the funds of the Hillsborough Tourism Development Authority 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 Development Authority'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 Authority'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 Development Authority's Net Position
Figure 2**

	<u>Governmental Activities</u> <u>2019</u>	<u>Governmental Activities</u> <u>2018</u>
Current assets	\$ 263,541	\$ 250,878
Total assets	<u>263,541</u>	<u>250,878</u>
Current liabilities	<u>1,459</u>	<u>-</u>
Total liabilities	<u>1,459</u>	<u>-</u>
Net position:		
Restricted	1,299	14,116
Unrestricted	<u>260,783</u>	<u>236,762</u>
Total net position	<u>\$ 262,082</u>	<u>\$ 250,878</u>

**Hillsborough Tourism Development Authority
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 and deferred outflows of the Hillsborough Tourism Development Authority exceeded liabilities by \$262,082 as of June 30, 2019. The Authority's net position increased by \$11,204 for the fiscal year ended June 30, 2019. A portion of the Hillsborough Tourism Development Authority's net position, \$1,299, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$260,783 is unrestricted.

**The Hillsborough Tourism Development Authority's Changes in Net Position
Figure 3**

	<u>Governmental Activities</u> <u>2019</u>	<u>Governmental Activities</u> <u>2018</u>
Revenues		
Payments from Town of Hillsborough	\$ 71,028	\$ 68,736
Expenses	<u>59,824</u>	<u>56,455</u>
Increase in net position	11,204	12,281
Net position, July 1	<u>250,878</u>	<u>238,597</u>
Net position, June 30	<u>\$ 262,082</u>	<u>\$ 250,878</u>

Governmental activities. Governmental activities increased the Authority's net position by \$11,204, thereby accounting for the total increase in the net position of the Hillsborough Tourism Development Authority. While net position has improved overall revenues have increased slightly.

Financial analysis of the Authority's funds

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

Governmental funds. The focus of the Hillsborough 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 Hillsborough Tourism Development Authority'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 Development Authority. At the end of the current fiscal year, total fund balance reached \$262,082, of which \$1,299 was restricted by state statute, \$4,750 was assigned and \$256,033 was unassigned.

At June 30, 2019, the governmental fund of the Hillsborough Tourism Development Authority reported a combined fund balance of \$262,082.

Economic factors and next year's budgets and rates

By authority of the General Assembly Session Law 2011-69, Senate Bill 269, the Hillsborough Board of Commissioners has implemented a 3 percent occupancy tax as of April 9, 2012. Effective July 1, 2012, the enabling legislation requires the tax to be paid on the gross receipts derived from the rental of any room, lodging or accommodation furnished by a hotel, motel, inn, tourist camp or similar place within the Town of Hillsborough that is subject to sales tax imposed by the state under GS 105-164.4(a)(3). This tax is in addition to any state and local sales tax or the Orange County occupancy tax.

Hillsborough Tourism Development Authority Management's Discussion and Analysis

The Town of Hillsborough implemented the tax for promotion of travel and tourism in Hillsborough and for other tourism-related expenditures. The responsibility for the distribution and expenditure of the tax is vested within the Hillsborough Tourism Development Authority, of which one-third of the membership must be persons affiliated with businesses that collect the tax in Hillsborough.

Budget highlights for the fiscal year ending June 30, 2020

Occupancy tax revenues are expected to remain relatively flat due to the lack of growth in this sector of the economy in Hillsborough. The continued focus is on advertising and special projects and partnerships. The combined budget for these two categories comprises 52.4% of the total budget.

The Tourism Development Authority is currently in fiscal year four of a five-year contract with the Town of Hillsborough (contract expires June 30, 2021) to support and retain 30% of the time of a full time Economic Development Planner position (\$24,000 flat rate) to support the Tourism Development Authority and manage the overall tourism program.

The Tourism Development Authority will partner again with the Hillsborough Chamber of Commerce for the third annual *Sundays in Hillsborough Concert Series* (\$10,000). Concerts will be held from 2:30 to 5:30 p.m. for 12 weeks from September to November. The goal of this program is to offer events that will drive tourism on Sunday and during the early part of the week to create a full weekend of activities and to keep downtown shops and restaurants open in an effort to keep downtown vibrant on Sundays leading up to the holiday season.

The budget remaining after these initiatives and administrative costs will be used to fund advertising and special project opportunities presented during the fiscal year.

Requests for information

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

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Basic Financial Statements

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Hillsborough Tourism Development Authority
Statement of Net Position
June 30, 2019

Exhibit 1

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 262,242	\$ 262,242
Due from Town of Hillsborough	931	931
Sales tax receivable	368	368
	<u>263,541</u>	<u>263,541</u>
Total assets		
LIABILITIES		
Accounts payable and accrued liabilities	<u>1,459</u>	<u>1,459</u>
NET POSITION		
Restricted for stabilization by State Statute	1,299	1,299
Unrestricted	<u>260,783</u>	<u>260,783</u>
	<u>\$ 262,082</u>	<u>\$ 262,082</u>
Total net position		

Hillsborough Tourism Development Authority
Statement of Activities
Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Economic and physical development	\$ 59,824	\$ -	\$ -	\$ -	\$ (59,824)
Total governmental activities	<u>\$ 59,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(59,824)</u>
General revenues:					
				Payments from Town of Hillsborough	<u>71,028</u>
				Total general revenues	<u>71,028</u>
				Change in net position	11,204
				Net position - beginning	<u>250,878</u>
				Net position - ending	<u>\$ 262,082</u>

Hillsborough Tourism Development Authority
Balance Sheet
Governmental Fund
June 30, 2019

Exhibit 3

	<u>Major Fund</u> <u>General</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	262,242	\$ 262,242
Due from Town of Hillsborough	931	931
Sales tax receivable	368	368
	<u>263,541</u>	<u>263,541</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>1,459</u>	<u>1,459</u>
FUND BALANCE		
Restricted		
Restricted for stabilization by state statute	1,299	1,299
Assigned		
Subsequent year's expenditures	4,750	4,750
Unassigned	<u>256,033</u>	<u>256,033</u>
	<u>\$ 262,082</u>	<u>\$ 262,082</u>
Total fund balance	<u>\$ 262,082</u>	<u>\$ 262,082</u>

Hillsborough Tourism Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2019

Exhibit 4

	<u>Major Fund</u> <u>General</u>	<u>Total</u>
Payments from Town of Hillsborough	\$ 71,028	\$ 71,028
Administrative expenditures	<u>59,824</u>	<u>59,824</u>
Net change in fund balance	11,204	11,204
Fund balance, beginning of year	<u>250,878</u>	<u>250,878</u>
Fund balance, end of year	<u>\$ 262,082</u>	<u>\$ 262,082</u>

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

Hillsborough Tourism Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2019

Exhibit 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Payments from Town of Hillsborough	\$ 67,500	\$ 67,500	\$ 71,028	\$ 3,528
Total revenues	<u>67,500</u>	<u>67,500</u>	<u>71,028</u>	<u>3,528</u>
Expenditures				
Tourism	<u>67,500</u>	<u>72,500</u>	<u>59,824</u>	<u>12,676</u>
Total expenditures	<u>67,500</u>	<u>72,500</u>	<u>59,824</u>	<u>12,676</u>
Revenues over expenditures	<u>-</u>	<u>(5,000)</u>	<u>11,204</u>	<u>16,204</u>
Appropriated fund balance	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>11,204</u>	<u>\$ 11,204</u>
Fund balance, beginning of year			<u>250,878</u>	
Fund balance, end of year			<u>\$ 262,082</u>	

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Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Hillsborough Tourism Development Authority 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 Development Authority ("Authority") was created on April 9, 2012 by resolution of the Town of Hillsborough, North Carolina, under the authority of the North Carolina General Assembly. The Authority is responsible for promoting travel and tourism in the Hillsborough area. A balanced budget is created for the Authority and adopted by its Board of Directors. The Authority receives revenue through a three percent occupancy tax, which is levied and collected by the Town of Hillsborough. The occupancy tax became effective on July 1, 2012. The Town remits the taxes collected to the Authority, net of administration and collection costs not to exceed three percent of the first \$500,000 of gross proceeds and one percent of the remaining gross proceeds collected each year. At least two-thirds of the remaining proceeds must be used to promote travel and tourism in Hillsborough. The other third shall be used for tourism-related expenditures.

The members of the Authority are appointed by the Town of Hillsborough, North Carolina. In addition, the Town levies and collects the occupancy taxes that are rendered to the Authority. Therefore, the Authority 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 Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

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

The Authority reports the following major governmental fund:

The **General Fund** is the general operating fund of the Authority. 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. Nonexchange transactions, in which the Authority 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.

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. Loan disbursements are reported as expenditures and loan proceeds are reported as revenues in governmental funds.

The Authority 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. Nonexchange 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 Authority 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 or equity

(1) Deposits and investments

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

State law (G.S. 159-30(c)) authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain 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.

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). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned fund balance - portion of fund balance that the Authority 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.

2. Detail Notes on All Funds

A. Deposits

All of the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in its name. The amount of the pledged collateral is based on an approved averaging method for 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

Hillsborough Tourism Development Authority
Notes to Financial Statements

collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no policy regarding custodial credit risks for deposits.

At June 30, 2019, the Authority's deposits had a carrying amount and bank balance of \$262,242. All of the bank balance was covered by federal depository insurance.

B. 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; and natural disasters. As a separate entity the Authority has purchased insurance to mitigate these risks.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Authority does not carry flood insurance.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$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	\$	262,082
Less:		
Stabilization by state statute		1,299
Assigned for subsequent year's expenditures		<u>4,750</u>
Unassigned fund balance		256,033
Working capital/fund balance policy		<u>-</u>
Remaining fund balance	\$	<u>256,033</u>

Supplementary Information

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Hillsborough Tourism Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2019

Schedule 1

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues			
Payments from Town of Hillsborough	\$ 67,500	71,028	\$ 3,528
Total revenues	<u>67,500</u>	<u>71,028</u>	<u>3,528</u>
Expenditures			
Administrative costs		-	-
Advertising	19,080	9,319	9,761
Attorney fees	350	-	350
Audit fees	3,350	3,350	-
Contracted services - support services	24,000	24,000	-
Data processing services	2,200	1,641	559
Insurance	980	925	55
Miscellaneous	500	238	262
Training, conferences and conventions	1,540	772	768
Special projects and partnerships	20,500	19,579	921
Total expenditures	<u>72,500</u>	<u>59,824</u>	<u>12,676</u>
Revenues over expenditures	<u>(5,000)</u>	<u>11,204</u>	<u>16,204</u>
Appropriated fund balance	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>11,204</u>	<u>\$ 11,204</u>
Fund balance, beginning of year		<u>250,878</u>	
Fund balance, end of year		<u>\$ 262,082</u>	