

# **Hillsborough Tourism Board**

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

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**Financial Statements, Supplementary  
Information and Report of Independent Auditor**

**As of and for the year ended June 30, 2020**

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## Table of Contents

### Financial Section

Report of Independent Auditor's .....	1
Management's Discussion and Analysis .....	3

### *Basic Financial Statements*

<u>Exhibit</u>	<b>Government-Wide Financial Statements:</b>	
1	Statement of Net Position .....	11
2	Statement of Activities .....	12
	<b>Fund Financial Statements:</b>	
3	Balance Sheet - Governmental Fund .....	13
4	Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.....	14
5	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	15
	<b>Notes to Financial Statements</b> .....	17

### Supplementary Information

#### *Individual Fund Schedule*

<u>Schedule</u>		
1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	24

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## **Report of Independent Auditor**

To the Board of Directors  
Hillsborough Tourism Board  
Hillsborough, North Carolina

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hillsborough Tourism Board (the "Board"), a component unit of Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2020, 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.

### **Auditor's 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 auditor's 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 Board'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 Board'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 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, based on our audit, 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 Board, as of June 30, 2020, 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.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and changes in financial position that are only attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of Town of Hillsborough, North Carolina as of June 30, 2020, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") be presented to supplement the basic financial statements. Such information, 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 MD&A 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 Board. The individual fund schedule as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund schedule is the responsibility of management and was derived from and related 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 individual fund schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Chemy Bekaert LLP*

Raleigh, North Carolina  
November 18, 2020

## **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, 2020. 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.

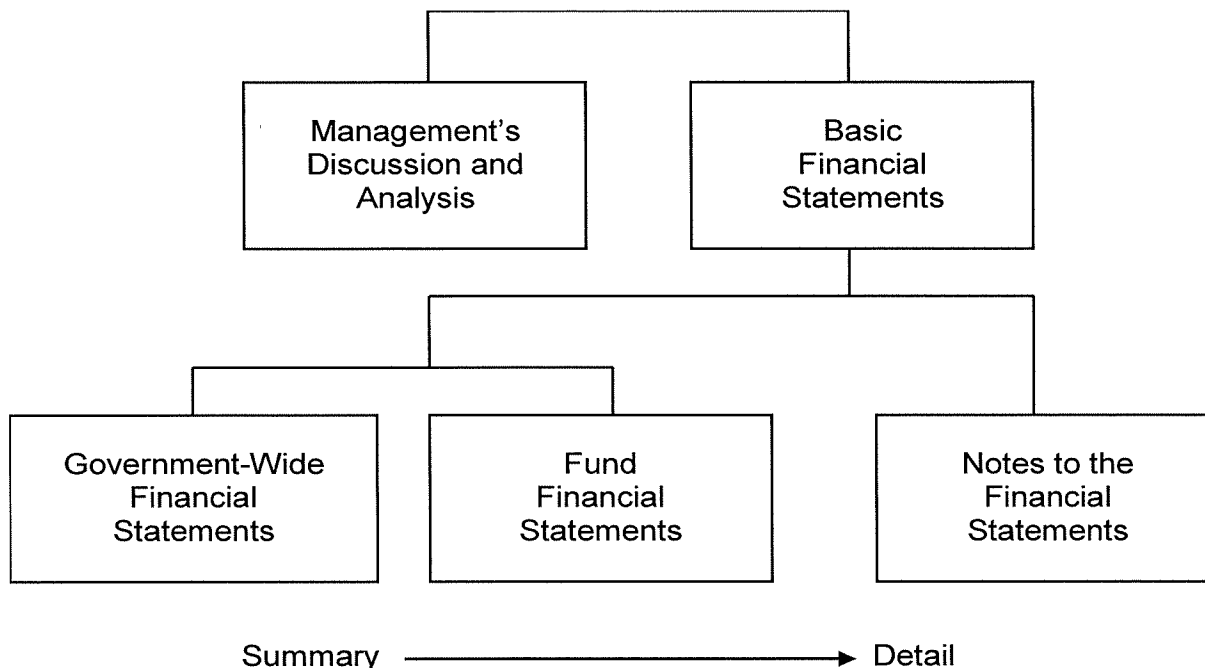
### **Financial Highlights**

- The assets of the Hillsborough Tourism Board exceeded its liabilities at the close of the fiscal year by \$403,809 (net position).
- The government's total net position increased by \$9,391 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 \$403,809. This amount is comprised of nonspendable fund balance of \$689, restricted fund balance of \$53,764, assigned fund balance of \$49,646 and unassigned fund balance of \$299,710.

### **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**

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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**

	<b>Governmental Activities 2020</b>	<b>Governmental Activities 2019</b>
	<u>          </u>	<u>          </u>
Current assets	\$ 414,039	\$ 409,904
Total assets	<u>414,039</u>	<u>409,904</u>
Current liabilities	<u>10,230</u>	15,486
Total liabilities	<u>10,230</u>	<u>15,486</u>
Net position:		
Restricted	53,764	55,778
Unrestricted	<u>350,045</u>	<u>338,640</u>
Total net position	<u>\$ 403,809</u>	<u>\$ 394,418</u>

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

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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 \$403,809 as of June 30, 2020. The Board's net position increased by \$9,391 for the fiscal year ended June 30, 2020. The Hillsborough Tourism Board's net position includes \$53,764 that is subject to external restrictions on how they may be used. The remaining balance of \$350,045 is unrestricted.

**The Hillsborough Tourism Board's Changes in Net Position**

**Figure 3**

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>
General revenues:		
Payments from Town of Hillsborough	\$ 371,326	\$ 372,848
Miscellaneous income	-	1,611
	<u>371,326</u>	374,459
Expenses:		
Tourism	<u>361,935</u>	314,069
Increase in net position	9,391	60,390
Net position, July 1	<u>394,418</u>	<u>334,028</u>
Net position, June 30	<u>\$ 403,809</u>	<u>\$ 394,418</u>

**Governmental activities.** Governmental activities increased the Board's net position by \$9,391, 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 \$403,809, of which \$689 was nonspendable, \$53,764 was restricted by state statute, \$49,646 was assigned, and \$299,710 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. The remaining funds are used to provide visitor services and facilities, programs and services designed to attract tourists to the town. The Town's Tourism Board decides each year which applicants' projects or activities will be awarded grants, sponsorships and contracts for the tourism

## Hillsborough Tourism Board Management's Discussion and Analysis

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services. The amount of funding each year depends on the amount of the 1.0% tax receipts collected by the Town.

### ***Budget highlights for the fiscal year ending June 30, 2020***

The food and beverage tax revenue is expected to decrease \$71,326 (23.78%) for Fiscal Year 2021 due to COVID-19. Despite appropriating \$49,646 in fund balance for FY21 in direct response to the shortfalls expected to continue due to COVID-19, the budget will be 2.84% less than the ending budget for FY20. No special projects and partnership opportunities were budgeted for FY21.

### **Tourism Board Visitors Services Contracts**

The Tourism Board executed a yearly contract with the Alliance for Historic Hillsborough to manage the Visitors Center for the tourism program. The Alliance is budgeted to receive \$20,000 (57.20% of budgeted revenue) in fiscal year 2021. 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. The Burwell School Historical Site, which is budgeted to receive \$26,139 (7.48% of budgeted revenue), in fiscal year 2021, 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 \$26,100 (7.46% 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, and the Handmade Parade. The Arts Council is budgeted to receive \$18,518 in fiscal year 2021, (5.30% 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 the last fiscal year 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.

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

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***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) 296-9451.

***Basic Financial Statements***

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**Hillsborough Tourism Board  
Statement of Net Position  
June 30, 2020**

**Exhibit 1**

	<u>Governmental Activities</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 359,586	\$ 359,586
Due from Town of Hillsborough	53,748	53,748
Sales tax receivable	16	16
Prepaid assets	689	689
	<u>414,039</u>	<u>414,039</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	10,230	10,230
	<u>10,230</u>	<u>10,230</u>
<b>NET POSITION</b>		
Restricted for stabilization by State Statute	53,764	53,764
Unrestricted	350,045	350,045
	<u>403,809</u>	<u>403,809</u>
Total net position	<u>\$ 403,809</u>	<u>\$ 403,809</u>

**Hillsborough Tourism Board  
Statement of Activities  
Year Ended June 30, 2020**

**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
Tourism	\$ 361,935	\$ -	\$ -	\$ -	\$ (361,935)
Total governmental activities	<u>\$ 361,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(361,935)</u>
General revenues:					
					<u>371,326</u>
					<u>371,326</u>
					9,391
					<u>394,418</u>
					<u>\$ 403,809</u>



**Hillsborough Tourism Board  
Balance Sheet - Governmental Fund  
June 30, 2020**

**Exhibit 3**

	<u>Major Fund General</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 359,586	\$ 359,586
Due from Town of Hillsborough	53,748	53,748
Sales tax receivable	16	16
Prepaid assets	689	689
	<u>689</u>	<u>689</u>
Total assets	<u>\$ 414,039</u>	<u>\$ 414,039</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 10,230	\$ 10,230
	<u>10,230</u>	<u>10,230</u>
Total liabilities	<u>10,230</u>	<u>10,230</u>
<b>FUND BALANCE</b>		
Non-spendable		
Prepays	689	689
Restricted		
Restricted for stabilization by State Statute	53,764	53,764
Assigned		
Subsequent year's expenditures	49,646	49,646
Unassigned	299,710	299,710
	<u>403,809</u>	<u>403,809</u>
Total fund balances	<u>403,809</u>	<u>403,809</u>
Total liabilities and fund balances	<u>\$ 414,039</u>	<u>\$ 414,039</u>

**Hillsborough Tourism Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2020**

**Exhibit 4**

	<u>Major Fund General</u>	<u>Total</u>
<b>Revenues</b>		
Payments from Town of Hillsborough	\$ 371,326	\$ 371,326
Total revenues	<u>371,326</u>	<u>371,326</u>
<b>Expenditures</b>		
Tourism	<u>361,935</u>	<u>361,935</u>
Total expenditures	<u>361,935</u>	<u>361,935</u>
Net change in fund balance	9,391	9,391
Fund balance, beginning of year	<u>394,418</u>	<u>394,418</u>
Fund balance, end of year	<u>\$ 403,809</u>	<u>\$ 403,809</u>

**Hillsborough Tourism Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2020**

**Exhibit 5**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Payment from Town of Hillsborough	\$ 350,000	\$ 340,000	\$ 371,326	\$ 31,326
Total revenues	<u>350,000</u>	<u>340,000</u>	<u>371,326</u>	<u>31,326</u>
<b>Expenditures</b>				
Tourism	<u>375,000</u>	<u>406,900</u>	<u>361,935</u>	<u>44,965</u>
Total expenditures	<u>375,000</u>	<u>406,900</u>	<u>361,935</u>	<u>44,965</u>
Revenues over (under) expenditures	(25,000)	(66,900)	9,391	76,291
Appropriated fund balance	<u>25,000</u>	<u>66,900</u>	<u>-</u>	<u>(66,900)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	9,391	<u>\$ 9,391</u>
Fund balance, beginning of year			<u>394,418</u>	
Fund balance, end of year			<u>\$ 403,809</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. The remaining funds are used to provide visitor services and facilities, programs and services designed to attract tourists to the town. 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.

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.

**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

**Hillsborough Tourism Board**  
**Notes to Financial Statements**

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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) Receivables

Receivables at the government – wide level at June 30, 2020, were as follows:

Food and Beverage tax revenue due for the month of June	\$53,748
Sales taxes receivable	16
	<u>\$53,764</u>

(4) Allowances for doubtful accounts

The receivables reported do not historically experience any uncollectible amounts and therefore do not include an amount for doubtful accounts.

(5) 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.

**Hillsborough Tourism Board**  
**Notes to Financial Statements**

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**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.

*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* – 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 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 2020, the minimum level of unassigned fund balance amounted to \$70,000.

**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.

At June 30, 2020, the Board's deposits had a carrying amount of \$359,586 and bank balance of \$359,845. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$109,845 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	\$ 403,809
Less:	
Prepaid items	689
Stabilization by State Statute	53,764
Assigned for subsequent year's expenditures	<u>49,646</u>
Unassigned fund balance	299,710
Working capital/fund balance policy	<u>70,000</u>
Remaining fund balance	<u><u>\$ 229,710</u></u>



***D. Related party transactions***

Food and beverage tax revenues of \$371,326 allocated from the Town of Hillsborough are included in the financial statements for the year ended June 30, 2020.

***E. Contingencies***

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Board's revenue and operations for an indeterminable period of time. Other financial impacts could occur that are unknown at this time.

***F. Subsequent Events***

The Tourism Development Board has evaluated all subsequent events for potential recognition and disclosure through November 18, 2020, the date these financial statements will be available.

***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, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Payments from Town of Hillsborough	\$ 340,000	\$ 371,326	\$ 31,326
Total revenues	<u>340,000</u>	<u>371,326</u>	<u>31,326</u>
<b>Expenditures</b>			
Contracted services - visitor services	210,000	210,000	-
Contracted services - support services	28,000	28,000	-
Contracted services - other	70,757	65,995	4,762
Administrative costs	-	-	-
Audit fees	6,000	5,000	1,000
Miscellaneous	4,546	1,385	3,161
Attorney fees	1,000	323	677
Advertising	185	212	(27)
Data processing services	4,950	2,569	2,381
Insurance	980	877	103
Grants	19,900	19,900	-
Occupancy tax holdback	26,200	22,675	3,525
Training, conferences and conventions	4,400	-	4,400
Special projects and partnerships	29,982	4,999	24,983
Total expenditures	<u>406,900</u>	<u>361,935</u>	<u>44,965</u>
Revenues over (under) expenditures	(66,900)	9,391	76,291
Appropriated fund balance	<u>66,900</u>	<u>-</u>	<u>(66,900)</u>
Net change in fund balance	<u>\$ -</u>	<u>9,391</u>	<u>\$ 9,391</u>
Fund balance, beginning of year		<u>394,418</u>	
Fund balance, end of year		<u>\$ 403,809</u>	