

# Hillsborough Tourism Board

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

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## Financial Statements and Supplementary Information

As of and for the year ended June 30, 2023



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hillsborough Tourism Board

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the financial statements of the governmental activities, the major fund and the general fund budget to actual comparison of Hillsborough Tourism Board (the Board), a component unit of the Town of Hillsborough, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the general fund budget to actual comparison of the Board as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The individual fund statement and budgetary schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the individual fund statement and budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***PBMares, LLP***

Morehead City, North Carolina  
November 29, 2023

## **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, 2023. 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.

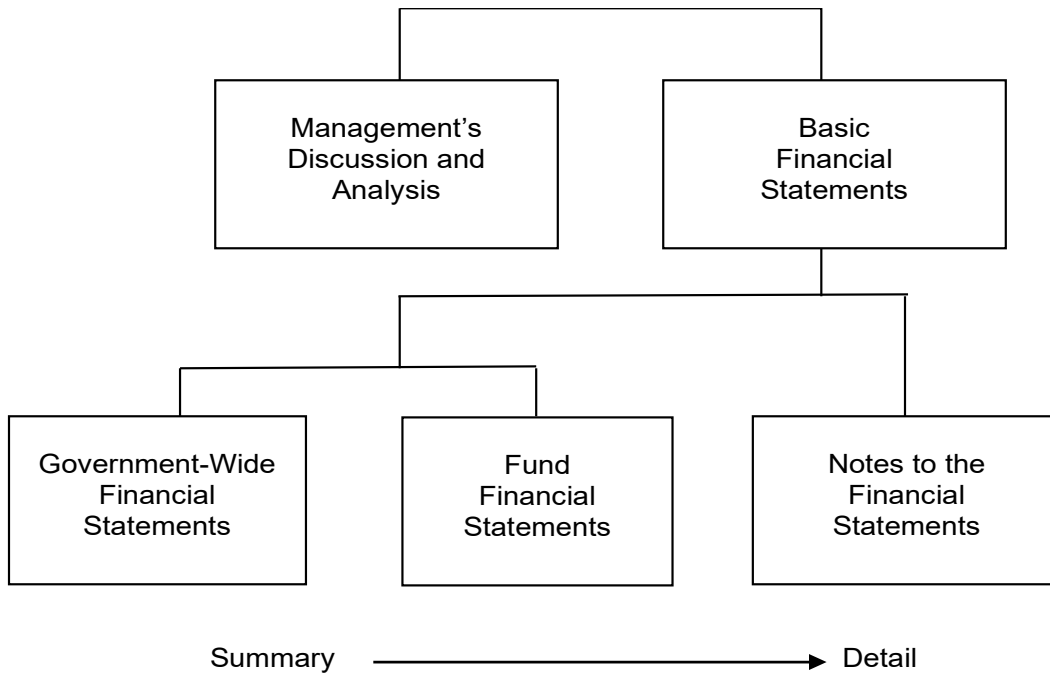
### **Financial Highlights**

- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$609,154 (net position). The cash balance at the close of the fiscal year was \$471,300.
- The Board's total net position increased by \$96,929 as a result of increased revenue collection.
- As of the close of the current fiscal year, the Board's governmental fund reported a fund balance of \$609,154. This amount is comprised of restricted fund balance of \$168,251, assigned fund balance of \$85,825 and unassigned fund balance of \$355,078.
- The Board's total fund balance increased by \$96,929 due to an increase in revenues as noted above.

### **Overview of the Basic Financial Statements**

Management's Discussion and Analysis is intended to serve as an introduction to the 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 Board.

Required Components of the Basic Financial Statements  
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 fund 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 fund. Budgetary information required by the North Carolina 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 (if any), and total liabilities and deferred inflows of resources (if any). Measuring net position is one way to gauge the Board's financial condition.

The government-wide statements are comprised of governmental activities. The governmental activities include most of the Board's basic services related to tourism. The primary revenue source for the Board is a one percent

**Hillsborough Tourism Board  
Management’s Discussion and Analysis (Unaudited)**

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sales tax on “prepared food and beverages” assessed and collected by the Town of Hillsborough (the “Town”) on behalf of the Board.

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 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 North Carolina General Statutes or the Board’s budget ordinance. The Board currently maintains one governmental fund which is the General Fund. Additional funds may be created if the need arises.

**Governmental funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Board’s basic services are accounted for in a governmental fund as mentioned above. A governmental fund focuses 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. This is referred to as a “current available resources” measurement focus and the accounting method used is called the *modified accrual accounting*. 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. There were no reconciling differences to report this year.

**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 13 through 17 of this report.

***Government-wide financial analysis***

**Hillsborough Tourism Board  
Summarized Statements of Net Position**

**Figure 2**

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets	\$ 639,551	\$ 532,632
<b>LIABILITIES</b>		
Current liabilities	30,397	20,407
<b>NET POSITION</b>		
Restricted	168,251	95,084
Unrestricted	440,903	417,141
Total net position	\$ 609,154	\$ 512,225



**Hillsborough Tourism Board  
Management’s Discussion and Analysis (Unaudited)**

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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 Board exceeded liabilities by \$609,154 as of June 30, 2023 which is an increase of \$96,929. This increase will be explained in the next section related to the discussion of Figure 3. The restricted portion of the Board’s net position was \$168,251 as of June 30, 2023 which is a increase of \$73,167. This restriction is a function of year-end receivables as required under North Carolina General Statutes (“G.S.”). The remaining balance of \$440,903 is unrestricted as defined by the Government Accounting Standards Board; however, the unrestricted portion will be used to fulfill the Board’s mission.

**Hillsborough Tourism Board  
Summarize Statements of Activities**

**Figure 3**

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
<b>GENERAL REVENUES</b>		
Food and Beverage Taxes	\$ 502,195	\$ 445,428
<b>EXPENSES</b>		
Economic and physical development	405,266	364,245
Change in net position	96,929	81,183
<b>NET POSITION</b>		
Beginning of year	512,225	431,042
End of year	\$ 609,154	\$ 512,225

**Governmental activities.** Governmental activities increased the Board’s net position by \$96,929. The increase is primarily due to an increase in revenues which can be attributed to the end of the pandemic. Expenses increased 11 percent but total expenses were within budget.

***Financial analysis of the Board’s funds***

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

**Governmental funds.** The focus of the 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 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 Board. At the end of the current fiscal year, total fund balance reached \$609,154, of which \$168,251 was restricted by state statute, \$85,825 is assigned for expenditures in the FY24 budget and \$355,078 was unassigned.

**Hillsborough Tourism Board  
Management’s Discussion and Analysis (Unaudited)**

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***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 Board decides each year which applicants’ projects or activities will be awarded grants, sponsorships and contracts for the tourism services. The amount of funding each year depends on the amount of the 1.0% tax receipts collected by the Town.

Effective July 1, 2022, the agreement for staff support services with the Town was revised. The revised agreement is renewable in three-year intervals, unless terminated sooner. The Board agrees to provide the Town the market rate salary equivalent to the dedication of fifteen (15) hours of “support” a week to the Board in carrying out its duties. This rate shall be determined annually during the Board and Town’s budget process and shall initially be set at \$33.33 per hour for fifteen (15) hours totaling \$25,997.

***Budget highlights for the fiscal year ending June 30, 2024***

The food and beverage tax revenue budget for FY 24 is expected to increase to \$425,000 which is greater than FY 23’s budget of \$400,000 and slightly less than FY 23 actual. Budgeted expenditures are also expected to increase to \$510,825. As a result, appropriated fund balance for FY24 is \$85,825 which is double that of the FY 23 final fund balance appropriation.

***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.



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## ***Basic Financial Statements***



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**Hillsborough Tourism Board  
Statement of Net Position  
June 30, 2023**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 471,300
Due from other governments:	
Food and beverage taxes	168,235
Sales taxes	<u>16</u>
Total assets	<u>639,551</u>
<b>LIABILITIES</b>	
Accounts payable	<u>30,397</u>
<b>NET POSITION</b>	
Restricted:	
Stabilization by State Statute	168,251
Unrestricted	<u>440,903</u>
Total net position	<u><u>\$ 609,154</u></u>

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

**Hillsborough Tourism Board  
Statement of Activities  
Year Ended June 30, 2023**

<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>
<b>GOVERNMENTAL ACTIVITIES</b>					
Economic and physical development	\$ 405,266	\$ -	\$ -	\$ -	\$ (405,266)
Total governmental activities	<u>\$ 405,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(405,266)</u>
<b>GENERAL REVENUES</b>					
Food and Beverage Taxes					<u>502,195</u>
Change in net position					<u>96,929</u>
<b>NET POSITION</b>					
Beginning of year					<u>512,225</u>
End of year					<u>\$ 609,154</u>

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

**Hillsborough Tourism Board  
Balance Sheet - Governmental Fund  
June 30, 2023**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 471,300
Due from other governments:	
Food and beverage taxes	168,235
Sales taxes	<u>16</u>
Total assets	<u><u>\$ 639,551</u></u>
 <b>LIABILITIES</b>	
Accounts payable	<u>\$ 30,397</u>
 <b>FUND BALANCE</b>	
Restricted:	
Stabilization by State Statute	168,251
Assigned:	
Subsequent year's expenditures	85,825
Unassigned	<u>355,078</u>
Total fund balance	<u>609,154</u>
Total liabilities and fund balance	<u><u>\$ 639,551</u></u>

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



**Hillsborough Tourism Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2023**

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	<u>General Fund</u>
<b>REVENUES</b>	
Unrestricted intergovernmental revenue:	
Food and beverage taxes	\$ 502,195
<b>EXPENDITURES</b>	
Economic and physical development:	
Tourism	405,266
Net change in fund balance	96,929
<b>FUND BALANCE</b>	
Beginning of year	512,225
End of year	\$ 609,154

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

**Hillsborough Tourism Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Unrestricted intergovernmental revenue:				
Food and beverage taxes	\$ 400,000	\$ 400,000	\$ 502,195	\$ 102,195
<b>EXPENDITURES</b>				
Economic and physical development:				
Tourism	419,435	441,235	405,266	35,969
Revenues over (under) expenditures	<u>(19,435)</u>	<u>(41,235)</u>	<u>96,929</u>	<u>138,164</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	19,435	41,235	-	(41,235)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	96,929	<u>\$ 96,929</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>512,225</u>	
End of year			<u>\$ 609,154</u>	

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



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## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Hillsborough Tourism Board (the “Board”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The following is a summary of the more significant accounting policies:

#### A. Reporting entity

The Board was created on November 8, 1993, by resolution of the Town of Hillsborough, North Carolina (the “Town”), 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 members of the Board are appointed by the Town. In addition, the Town levies and collects the food and beverage taxes on behalf of the Board. Therefore, the Board is determined to be a component unit of the Town included and is presented as a discretely presented component unit in the Town’s annual comprehensive financial report.

#### 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 as a whole. These statements include the financial transactions for all activities of the Board.

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 a government’s funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented as applicable. The emphasis of fund financial statements is on major funds which are reported in separate columns with all remaining nonmajor funds combined in a single column. The Board maintains only one governmental fund which is always reported as a major fund. A description of this fund follows:

- 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**

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**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 North Carolina State Statutes (“G.S.”). 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 and fund levels at June 30, 2023 were as follows:

Food and beverage taxes receivable	\$ 168,235
Sales taxes receivable	16
	<hr/>
	\$ 168,251

(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.

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

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(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 State law/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 Board's fund balance consists of the following:

*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.

*Assigned fund balance* - portion of unrestricted 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 2023, 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.

The Board’s deposits had a carrying amount of \$471,300 and bank balance of \$472,881 at June 30, 2023. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$222,881 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:

General Fund:	
Total fund balance	\$ 609,154
Less:	
Stabilization by State Statute	168,251
Assigned for subsequent year's expenditures	<u>85,825</u>
Unassigned fund balance	355,078
Working capital/fund balance policy	<u>70,000</u>
Remaining fund balance	<u>\$ 285,078</u>

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

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***D. Related party transactions***

Effective July 1, 2022, the agreement for staff support services with the Town was revised. The revised agreement is renewable in three-year intervals, unless terminated sooner. The Board agrees to provide the Town the market rate salary equivalent to the dedication of fifteen (15) hours of “support” a week to the Board in carrying out its duties. This rate shall be determined annually during the Board and Town’s budget process and shall initially be set at \$33.33 per hour for fifteen (15) hours totaling \$25,997.

***E. Subsequent events***

The Board has evaluated all subsequent events for potential recognition and disclosure through November 29, 2023, the date these financial statements will be available. No such events were identified.





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***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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Unrestricted intergovernmental revenue:			
Food and beverage taxes	\$ 400,000	\$ 502,195	\$ 102,195
Total revenues	<u>400,000</u>	<u>502,195</u>	<u>102,195</u>
<b>EXPENDITURES</b>			
Economic and physical development:			
Tourism:			
Contracted services - visitor services	200,000	200,000	-
Contracted services - support services	38,422	25,997	12,425
Contracted services - other	110,192	110,174	18
Occupancy tax holdback	39,000	30,132	8,868
Grants	14,500	14,500	-
Audit fees	11,700	16,700	(5,000)
Attorney fees	500	60	440
Advertising	275	-	275
Data processing services	4,500	2,478	2,022
Insurance	980	1,602	(622)
Miscellaneous	2,866	240	2,626
Training, conferences and conventions	4,800	3,383	1,417
Special projects and partnerships	13,500	-	13,500
Total expenditures	<u>441,235</u>	<u>405,266</u>	<u>35,969</u>
Revenues over (under) expenditures	<u>(41,235)</u>	<u>96,929</u>	<u>138,164</u>
<b>OTHER FINANCING SOURCES</b>			
Appropriated fund balance	41,235	-	(41,235)
Net change in fund balance	<u>\$ -</u>	<u>96,929</u>	<u>\$ 96,929</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>512,225</u>	
End of year		<u>\$ 609,154</u>	