

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

**Financial Statements**

**For the Year Ended June 30, 2024**

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

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Hillsborough Tourism Development Authority

### **Opinion**

We have audited the financial statements of the governmental activities, the major fund and the general fund budget to actual comparison of 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, 2024, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority, as of June 30, 2024, 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 Opinion**

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 Authority, 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 Authority'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 Authority'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 Authority'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 Authority'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 auditing standards generally accepted in the United States of America. 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.

*PBMares, LLP*

Morehead City, North Carolina  
November 26, 2024

**Hillsborough Tourism Development Authority**  
**Unaudited Management's Discussion and Analysis**  
**June 30, 2024**

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, 2024. 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***

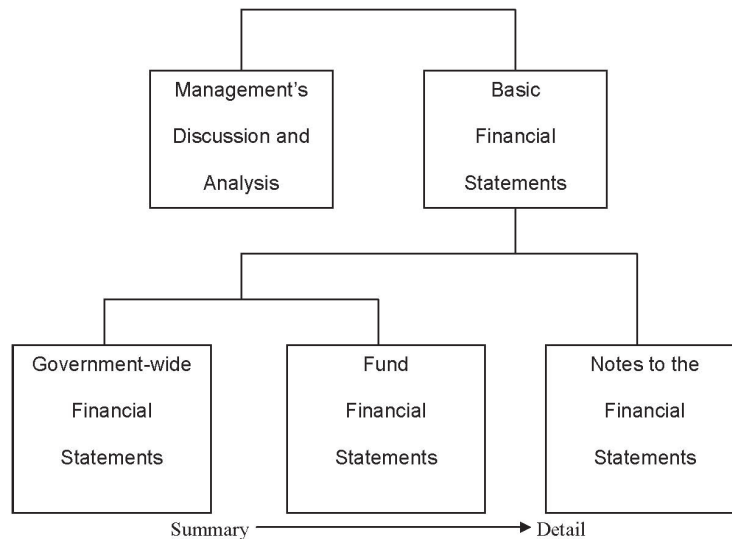
- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$477,614 (net position). The cash balance at the close of the fiscal year was \$443,373.
- The Authority's total net position increased by \$56,716 as a result of increased revenue collection.
- As of the close of the current fiscal year, the Authority's General Fund reported a fund balance of \$477,614. This amount is comprised of restricted, unassigned, and assigned fund balance of \$38,728, \$414,386, and \$24,500 respectively.

***Overview of the Financial Statements***

Management's 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 Authority.

**Required Components of Annual Financial Report**

**Figure 1**





**Hillsborough Tourism Development Authority**  
**Unaudited Management's Discussion and Analysis (continued)**  
**June 30, 2024**

**Basic financial statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-Wide Financial Statements. They provide both short- and long-term information about the Authority's financial status.

The next statements (Exhibits 3 through 5) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: (1) the governmental fund statements and (2) the budgetary comparison 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 Authority's individual fund. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statement.

**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 (if any), and its total liabilities and deferred inflows of resources (if any). 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. The primary revenue is a three percent occupancy tax assessed and collected by Town of Hillsborough (the "Town") on behalf of the Authority.

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 North Carolina General Statutes or the Authority's budget ordinance. The Authority 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 Authority'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 basis of 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 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. There were no reconciling differences to report this year.

**Hillsborough Tourism Development Authority**  
**Unaudited Management's Discussion and Analysis (continued)**  
**June 30, 2024**

**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 14 through 18 of this report.

**Government-Wide Financial Analysis**

**Hillsborough Tourism Development Authority**  
**Summarized Statements of Net Position**

**Figure 2**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets	\$ 482,101	\$ 426,041
<b>Total assets</b>	<u>482,101</u>	<u>426,041</u>
<b>Liabilities</b>		
Current liabilities	4,487	5,143
<b>Total liabilities</b>	<u>4,487</u>	<u>5,143</u>
<b>Net position</b>		
Restricted	38,728	48,425
Unrestricted	438,886	372,473
<b>Total net position</b>	<u>\$ 477,614</u>	<u>\$ 420,898</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$477,614 as of June 30, 2024 which is an increase of \$56,716 from the previous year. This increase will be explained in the next section related to the discussion of Figure 3. The restricted portion of the Authority's net position was \$38,728 as of June 30, 2024 which is a decrease of \$9,697 from prior year. This restriction is a function of year-end receivables as required under North Carolina General Statutes ("G.S."). The remaining balance of \$438,886 is unrestricted as defined by the Government Accounting Standards Board; however, the unrestricted portion will be used to fulfill the Authority's mission.

**Hillsborough Tourism Development Authority**  
**Unaudited Management's Discussion and Analysis (continued)**  
**June 30, 2024**

**Government-wide Financial Analysis (continued)**

**Hillsborough Tourism Development Authority**  
**Summarized Statements of Activities**

**Figure 3**

	<u>2024</u>	<u>2023</u>
<b>General Revenues:</b>		
Occupancy taxes	\$ 130,367	\$ 120,852
<b>Expenses:</b>		
Economic and physical development	<u>73,651</u>	<u>51,566</u>
Change in net position	56,716	69,286
Net position, beginning	<u>420,898</u>	<u>351,612</u>
Net position, ending	<u><u>\$ 477,614</u></u>	<u><u>\$ 420,898</u></u>

**Governmental activities.** The Authority's net position for governmental activities increased by \$56,716 which accounts for all of the government-wide activities. The increase is due to increased revenue collection as a result of increased travel since the end of the pandemic. Total expenses increased \$22,085 primarily due to an increase in advertising and professional services.

***Financial analysis of the Authority's funds***

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

**Governmental funds.** The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Authority's financing requirements. Specifically, 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 main operating fund of the Authority. At the end of the current fiscal year, total fund balance increased to \$477,614 of which \$38,728 was restricted by state statute, \$24,500 was appropriated for next year's budget, and \$414,386 was unassigned.

***Economic factors and next year's budgets and rates***

By authority of the General Assembly Session Law 2011-69, Senate Bill 269, the governing board for the Town implemented a 3% occupancy tax which has been in effect since 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 that is subject to sales tax imposed by the state under G.S. 105-164.4(a)(3). This tax is in addition to any state and local sales tax or the county's occupancy tax.

**Hillsborough Tourism Development Authority**  
**Unaudited Management's Discussion and Analysis (continued)**  
**June 30, 2024**

The Town 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 within the Town limits.

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 Authority agrees to provide the Town the market rate salary equivalent to the dedication of ten (10) hours of "support" a week to the Authority in carrying out its duties. This rate shall be determined annually during the Authority and Town's budget process and shall initially be set at \$25.00 per hour for ten (10) hours totaling \$13,000.

***Budget highlights for the fiscal year ending June 30, 2025***

Occupancy tax revenues are expected to remain the same this year. Budgeted expenditures increased by \$24,500. The Authority appropriated fund balance of \$24,500 in FY 2025 budget.

***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) 296-9451.

## **Basic Financial Statements**

**Exhibit 1**

**Hillsborough Tourism Development Authority  
Statement of Net Position  
June 30, 2024**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash	\$ 443,373
Due from other governments:	
Occupancy taxes	38,114
Sales tax	<u>614</u>
<b>Total assets</b>	<u>482,101</u>
<b><u>Liabilities</u></b>	
Accounts payable	<u>4,487</u>
<b>Total liabilities</b>	<u>4,487</u>
<b><u>Net Position</u></b>	
Restricted:	
Stabilization by State Statute	38,728
Unrestricted	<u>438,886</u>
<b>Total net position</b>	<u><u>\$ 477,614</u></u>

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

**Exhibit 2**

**Hillsborough Tourism Development Authority  
Statement of Activities  
For the Year Ended June 30, 2024**

<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	\$ 73,651	\$ -	\$ -	\$ -	\$ (73,651)
Total governmental activities	<u>\$ 73,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(73,651)</u>
<b>General Revenues</b>					
Food and beverage taxes					<u>130,367</u>
Change in net position					<u>56,716</u>
<b>Net Position</b>					
Beginning of year					<u>420,898</u>
End of year					<u>\$ 477,614</u>

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

**Exhibit 3**

**Hillsborough Tourism Development Authority  
Balance Sheet  
Governmental Fund  
For the Year Ended June 30, 2024**

	<b>General Fund</b>
<b><u>Assets</u></b>	
Cash	\$ 443,373
Due from other governments:	
Occupancy tax	38,114
Sales tax	614
	<hr/>
<b>Total assets</b>	<b>\$ 482,101</b>
	<hr/>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 4,487
	<hr/>
<b>Total liabilities</b>	<b>4,487</b>
	<hr/>
<b><u>Fund Balance</u></b>	
Restricted:	
Stabilization by State Statute	38,728
Assigned:	
Subsequent year's expenditures	24,500
Unassigned	414,386
	<hr/>
<b>Total fund balance</b>	<b>477,614</b>
	<hr/>
<b>Total liabilities and fund balance</b>	<b>\$ 482,101</b>
	<hr/>

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



**Exhibit 4**

**Hillsborough Tourism Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2024**

	<b>General Fund</b>
<hr/>	
<b><u>Revenues</u></b>	
Unrestricted intergovernmental revenue:	
Occupancy taxes	\$ 130,367
	<hr/>
<b><u>Expenditures</u></b>	
Economic and physical development:	
Tourism	73,651
	<hr/>
Net change in fund balance	56,716
	<hr/>
<b><u>Fund Balance</u></b>	
Beginning of year	420,898
	<hr/>
End of year	\$ 477,614
	<hr/> <hr/>

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

**Exhibit 5**

**Hillsborough Tourism Development Authority  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual – General Fund  
For the Year Ended June 30, 2024**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Unrestricted intergovernmental revenue:				
Occupancy taxes	\$ 100,000	\$ 100,000	\$ 130,367	\$ 30,367
<b><u>Expenditures</u></b>				
Economic and physical development:				
Tourism	100,000	130,500	73,651	56,849
Revenues over (under) expenditures	-	(30,500)	56,716	87,216
<b><u>Other Financing Sources</u></b>				
Appropriated fund balance	-	30,500	-	(30,500)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	56,716	<u>\$ 56,716</u>
<b><u>Fund Balance</u></b>				
Beginning of year			420,898	
End of year			<u>\$ 477,614</u>	

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

**Hillsborough Tourism Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2024**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Hillsborough Tourism Development Authority (the “Authority”) 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 Authority was created on April 9, 2012, by resolution of the Town of Hillsborough, North Carolina (the “Town”), 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. 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. In addition, the Town levies and collects the food and beverage taxes on behalf of the Authority. Therefore, the Authority 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 Authority.

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. All tax revenue is classified as general revenue.

**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 Authority 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 Authority. It accounts for all financial resources.

**Hillsborough Tourism Development Authority**  
**Notes to the Financial Statements**  
**June 30, 2024**

**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 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 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.

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 (the "State"); 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 (NCCMT), 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.

**Hillsborough Tourism Development Authority**  
**Notes to the Financial Statements (continued)**  
**June 30, 2024**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, and Net Position/Fund Balances (continued)**

(3) Receivables

Receivables at the government – wide and fund levels at June 30, 2024 were as follows:

Occupancy taxes receivable	\$ 38,114
Sales tax receivable	<u>614</u>
	<u><u>\$ 38,728</u></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 restricted or unrestricted. Restricted net position represents constraints on resources that are imposed by North Carolina 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 Authority'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 fund balance that has been assigned for specific purposes.

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

**Hillsborough Tourism Development Authority**  
**Notes to the Financial Statements (continued)**  
**June 30, 2024**

**NOTE II - 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 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.

The Authority's deposits had a carrying amount of \$443,373 and bank balance of \$454,645 at June 30, 2024. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$204,645 was covered under the Pooling Method.

**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 \$1,000,000.

**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	\$ 477,614
Less:	
Stabilization of State Statute	38,728
Subsequent year's expenditures	<u>24,500</u>
Fund balance available for appropriation	<u><u>\$ 414,386</u></u>

The Authority has no formal fund balance policy.

**Hillsborough Tourism Development Authority**  
**Notes to the Financial Statements (continued)**  
**June 30, 2024**

**NOTE II - DETAIL NOTES ON ALL FUNDS (continued)**

**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 Authority agrees to provide the Town the market rate salary equivalent to the dedication of ten (10) hours of “support” a week to the Authority in carrying out its duties. This rate shall be determined annually during the Authority and Town’s budget process and shall initially be set at \$25.00 per hour for ten (10) hours totaling \$13,000.

**E. Subsequent Events**

The Authority has evaluated all subsequent events for potential recognition and disclosure through November 26, 2024, the date these financial statements will be available. No such events were identified.

**Schedule 1**

**Hillsborough Tourism Development Authority  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual – General Fund  
June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Unrestricted intergovernmental revenue:			
Occupancy taxes	\$ 100,000	\$ 130,367	\$ 30,367
<b>Total revenues</b>	<u>100,000</u>	<u>130,367</u>	<u>30,367</u>
<b>Expenditures:</b>			
Economic and physical development:			
Tourism:			
Advertising	26,870	26,158	712
Attorney fees	355	-	355
Audit fees	8,090	12,100	(4,010)
Contracted services	13,000	-	13,000
Data processing services	3,200	1,095	2,105
Dues and subscriptions	400	-	400
Insurance	1,022	1,022	-
Miscellaneous	2,963	703	2,260
Training, conferences and conventions	2,600	161	2,439
Occupancy tax holdback	3,000	3,912	(912)
Special projects and partnerships	69,000	28,500	40,500
<b>Total expenditures</b>	<u>130,500</u>	<u>73,651</u>	<u>56,849</u>
 <b>Revenues over (under) expenditures</b>	<u>(30,500)</u>	<u>56,716</u>	<u>87,216</u>
 <b>Other financing sources</b>			
Fund balance appropriated	<u>30,500</u>	<u>-</u>	<u>(30,500)</u>
 <b>Net change in fund balance</b>	<u>\$ -</u>	<u>56,716</u>	<u>\$ 56,716</u>
 <b>Fund balance</b>			
Beginning of year		<u>420,898</u>	
 End of year		<u>\$ 477,614</u>	