



Tourism Development Authority Meeting Agenda Item Submittal

Item To Be Considered: Audited Financial Statements-June 30, 2022

Board Meeting Date: January 12, 2023

Prepared By: Sonia Johnson, Finance Director

Overview: North Carolina General Statute 159-34 requires each unit of local government and public authority to have its accounts audited each fiscal year and to submit a copy of the report to the Secretary of the Local Government Commission (LGC).

Background Attachment(s): Audited Financial Statements-June 30, 2022

Action: _____

SWANSBORO TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of the Town of Swansboro, North Carolina)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2022

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements
Swansboro Tourism Development Authority
Swansboro, North Carolina

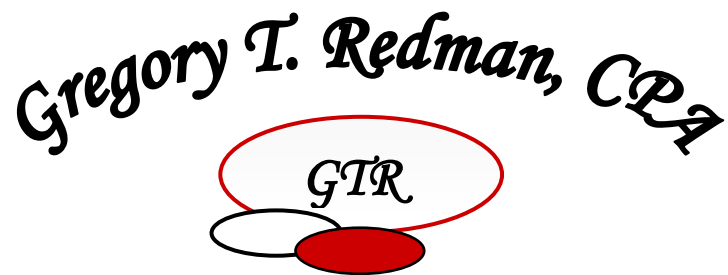
Board of Commissioners

Randy Swanson, Chairman
Linda Thornley, Vice Chairman
Scott Chadwick
Junior Freeman
Sherrie Hancock
Jack Harnatkiewicz

Swansboro Tourism Development Authority
Table of Contents
June 30, 2022

	<u>Page</u>
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	14
Notes to the Financial Statements	15

Financial Section



Member
North Carolina Association of
Certified Public Accountants

Member
American Institute of
Certified Public Accountants

Independent Auditor's Report

To the Board Members
Swansboro Tourism Development Authority
Swansboro, North Carolina

Report on the Audit of Financial Statements

Opinion

I have audited the accompanying financial statements of the governmental activities and each major fund of Swansboro Tourism Development Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Swansboro Tourism Development Authority's basic financial statements as listed in the table of contents.

In my opinion, based on my audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Swansboro Tourism Development Authority as of June 30, 2022, and the respective changes in financial position, and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Swansboro Tourism Development Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, 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 Swansboro Tourism Development Authority's ability to continue as a going concern for the 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

My 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 my opinion. 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.

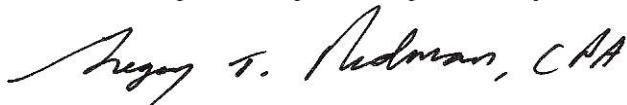
In performing an audit in accordance with GAAS, I:

- Exercised professional judgment and maintained 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 Swansboro Tourism Development 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Swansboro Tourism Development Authority's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive, flowing style.

Gregory T. Redman, CPA
Tarboro, North Carolina
October 14, 2022

Management's Discussion and Analysis

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Management's Discussion and Analysis
For the Year Ended June 30, 2022

As management of the Swansboro Tourism Development Authority "the Authority", we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Swansboro Tourism Development Authority for the fiscal year ended June 30, 2022. I 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 \$175,610 (net position).
- The government's total net position increased by \$32,734, due to increased revenue.
- At the close of the current fiscal year, the Authority's governmental fund (General Fund) reported ending fund balances of \$175,610, an increase of \$32,734 in comparison with the prior year. The central reason for the increase is an increase in revenues of \$24,104. Approximately 92 percent of this total amount, or \$161,958, is available for spending at the government's discretion (unassigned fund balance). For additional information regarding classification of the Authority's fund balance, please see Note 2, C.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$161,908 or 221 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Swansboro Tourism Development Authority's basic financial statements. The Authority's basic financial statements consist of three components (see Figure 1). They are as follows:

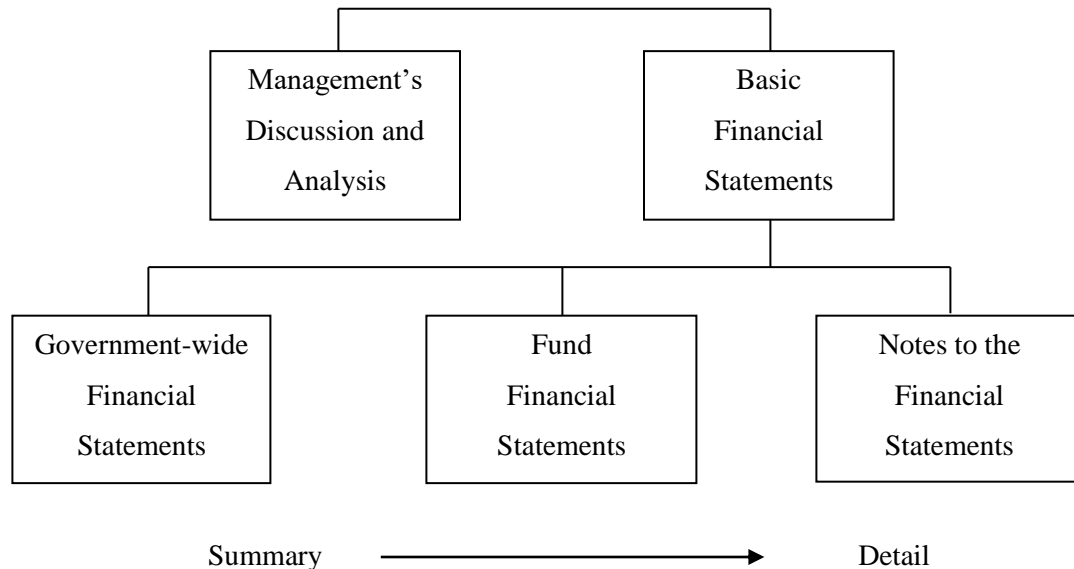
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

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.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Pages 10-11) 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 (Pages 12-14) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the Notes. The notes to the financial statements explain in detail some of the data contained in those statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Authority's finances, in a manner similar in format to a private-sector business. The government-wide statements provide short and long-term information about the Authority's financial status as a whole.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

The government-wide statements show the Authority's governmental activities. The governmental activities include most of the Authority's economic/physical development.

The government-wide financial statements are Pages 10-11 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 Authority, like other local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance related legal requirements, such as the General Statutes or the Authority's budget ordinance. The Authority has one fund, the General Fund, which belongs in one category, governmental funds.

Governmental Fund. *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's activities are accounted for in one governmental fund, the General Fund. This 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. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Authority's programs.

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town of Swansboro, the management of the Authority, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Authority to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Notes to the financial statements. The notes to the financial statements 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 can be found on pages 15 – 20 of this report.

Independence with Other Entities. The Authority depends on financial resources flowing from, or associated with, Town of Swansboro. Because of this dependency, the Authority is subject to changes in specific flows of intergovernmental revenues based on modifications to Town appropriations.

Government-wide Financial Analysis

Swansboro Tourism Development Authority's Net Position
Figure 2

	Governmental Activities		
	2022	2021	Increase (Decrease)
Current assets	<u>\$ 175,610</u>	<u>\$ 143,630</u>	<u>\$ 31,980</u>
Current liabilities	<u>\$ -</u>	<u>\$ 754</u>	<u>\$ (754)</u>
Net position:			
Restricted for Stabilization by State Statute	\$ 13,652	\$ 11,991	\$ 1,661
Unrestricted	<u>161,958</u>	<u>130,885</u>	<u>31,073</u>
Total Net Position	<u><u>\$ 175,610</u></u>	<u><u>\$ 142,876</u></u>	<u><u>\$ 32,734</u></u>

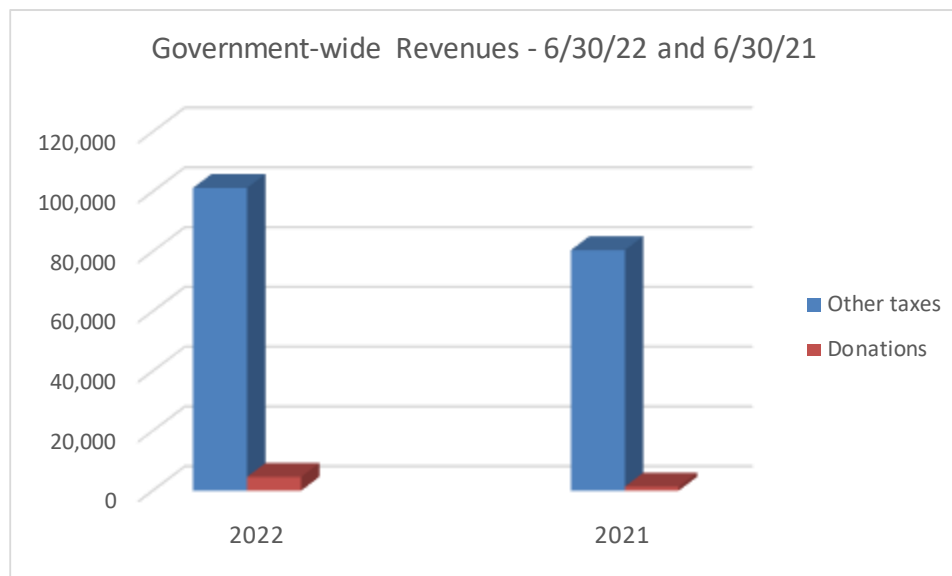
As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Swansboro Tourism Development Authority exceeded liabilities by \$175,610 as of June 30, 2022. A portion of the Authority's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$161,958 is unrestricted.

The Authority was able to increase the unrestricted net position for the year. This was achieved by an increase in the occupancy tax.

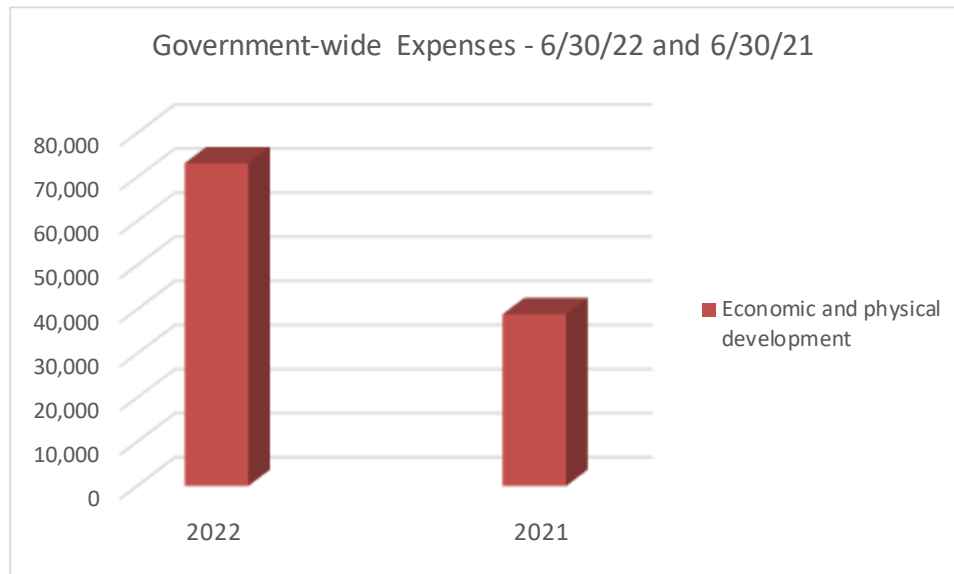
Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Swansboro Tourism Development Authority's Changes in Net Position
Figure 3

	Governmental Activities	
	2022	2021
Revenues:		
General revenues:		
Other taxes	\$ 101,269	\$ 80,429
Donations	4,600	1,336
Total Revenues	<u>\$ 105,869</u>	<u>\$ 81,765</u>
Expenses:		
Economic and physical development	<u>\$ 73,135</u>	<u>\$ 38,941</u>
Total Expenses	<u>\$ 73,135</u>	<u>\$ 38,941</u>
Increase (decrease) in net position	\$ 32,734	\$ 42,824
Net position, beginning	<u>142,876</u>	<u>100,052</u>
Net position, ending	<u><u>\$ 175,610</u></u>	<u><u>\$ 142,876</u></u>



Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Management's Discussion and Analysis
For the Year Ended June 30, 2022



Total governmental activities generated revenues of \$105,869 while expenses in this category totaled \$73,135 for the year ended June 30, 2022. The increase in net position was \$32,734 at June 30, 2022. Key elements of this increase are as follows:

- Occupancy tax collections were higher for the Town of Swansboro as the COVID-19 pandemic restrictions were eased and travel increased.
- Advertising and promotion efforts decreased during the year due to the uncertainty of the travel and economic conditions.

Financial Analysis of the Authority's Funds

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

The focus of the Authority's government fund 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, unreserved 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 only operating fund of the Authority. At the end of the current fiscal year, the Authority's unassigned fund balance in the General Fund was \$161,908, while total fund balance reached \$175,610 at June 30, 2022.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Management's Discussion and Analysis
For the Year Ended June 30, 2022

General Fund Budgetary Highlights

During the fiscal year, the Authority revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

During the fiscal year, the Authority amended its original budget on several occasions. Several of the largest amendments related to economic and physical development, advertising, and promotions.

Budget Highlights for the Fiscal Year Ending June 30, 2023

The Authority and the Town of Swansboro will keep occupancy rates at 3%. We are expecting revenue to increase. The 2022-2023 revenues will continue to be increase as COVID-19 restrictions are lifted. We expect operating expenses to be higher than fiscal year 2022-2023 fiscal year levels due to increased efforts to promote travel.

Requests for Information

This report is designed to provide an overview of the 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:

Swansboro Tourism Development Authority
Finance Director
601 W. Corbett Avenue
Swansboro, NC 28584

Basic Financial Statements

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Statement of Net Position
June 30, 2022

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 161,908
Deposits	50
Accounts receivable (net)	<u>13,652</u>
Total Assets	<u><u>\$ 175,610</u></u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>
Net Position	
Restricted for:	
Stabilization by State Statute	\$ 13,652
Unrestricted net position	<u>161,958</u>
Total Net Position	<u><u>\$ 175,610</u></u>

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

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Statement of Activities
For the Year Ended June 30, 2022

		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Governmental Activities
Primary Government:		
Governmental Activities:		
Economic and physical development	\$ 73,135	\$ (73,135)
Total governmental activities	<u>\$ 73,135</u>	<u>\$ (73,135)</u>
	General Revenues	
	Taxes:	
	Other taxes	\$ 101,269
	Miscellaneous	4,600
	Total General Revenues	<u>\$ 105,869</u>
	Change in Net Position	\$ 32,734
	Net Position, Beginning of year	<u>142,876</u>
	Net Position, End of year	<u><u>\$ 175,610</u></u>

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

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 161,908
Deposits	50
Accounts receivable (net)	<u>13,652</u>
 Total Assets	 <u><u>\$ 175,610</u></u>
 Liabilities and Fund Balances	
Accounts payable and accrued liabilities	<u>\$ -</u>
 Fund Balances	
Non-spendable	
Prepaid expense	\$ 50
Restricted:	
Stabilization by State Statute	13,652
Unassigned	<u>161,908</u>
 Total Fund Balances	 <u><u>\$ 175,610</u></u>
 Total Liabilities and Fund Balances	 <u><u>\$ 175,610</u></u>

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

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	<u>General Fund</u>
Revenues	
Unrestricted intergovernmental	\$ 101,269
Donations	4,600
Total Revenues	<u>\$ 105,869</u>
Expenditures	
Current:	
Economic and physical development	<u>\$ 73,135</u>
Total Expenditures	<u>\$ 73,135</u>
Net Change in Fund Balance	\$ 32,734
Fund Balances:	
Beginning of year	<u>142,876</u>
End of year	<u><u>\$ 175,610</u></u>

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

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
General Fund
Statement of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	General Fund			Variance with
	Original	Final	Actual	Final Budget
			Amounts	Positive
				(Negative)
Revenues				
Unrestricted intergovernmental	\$ 50,000	\$ 50,000	\$ 101,269	\$ 51,269
Donations	-	-	4,600	4,600
Total Revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 105,869</u>	<u>\$ 55,869</u>
Expenditures				
Advertising and promotion			\$ 58,832	
Audit fee			2,500	
Administrative services			4,100	
Bad debt expense			-	
Non-capitalized outlay			-	
Miscellaneous			-	
Supplies			-	
Travel			-	
Insurance			756	
Dues and subscriptions			522	
Tourism related grants			6,425	
Total Expenditures	<u>\$ 72,356</u>	<u>\$ 72,356</u>	<u>\$ 73,135</u>	<u>\$ (779)</u>
Revenues Over (Under) Expenditures	\$ (22,356)	\$ (22,356)	\$ 32,734	\$ 55,090
Other financing sources (uses):				
Fund balance appropriated	<u>22,356</u>	<u>22,356</u>	<u>-</u>	<u>(22,356)</u>
Net Change in Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,734</u></u>	<u><u>\$ 32,734</u></u>
Fund Balances				
Beginning of year			<u>142,876</u>	
End of year			<u><u>\$ 175,610</u></u>	

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

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of Swansboro Tourism Development Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Swansboro Tourism Development Authority is considered a component unit of the Town of Swansboro, North Carolina, and the Authority's transactions are reported as part of the Town's financial statements. The 2011 Session of the General Assembly through a ratified bill authorized Town of Swansboro to adopt a resolution to levy a room occupancy tax and a resolution creating the Swansboro Tourism Development Authority. The criteria in GASB Statement 39 were applied to the Travel and Tourism Authority and it was determined that the Town has significant influence over the Authority and that the Authority is dependent upon the Town to a degree sufficient to justify the inclusion of the Authority as a part of the Town reporting entity. The Authority is governed by a Board which is appointed by the Town Commissioners.

B. Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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 (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority had no program revenues at June 30, 2022. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Authority's governmental fund.

The Authority reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Authority. The General Fund accounts for all financial resources. The primary revenue sources are transfers in from the Town of Swansboro, which consists of the room occupancy tax revenue levied by the Town of Swansboro. The primary expenditures are for economic and physical development.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Notes to the Financial Statements
For the Year Ended June 30, 2022

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Authority are maintained during the year using the modified accrual basis of accounting.

Government-wide Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using 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, and donations. On an accrual basis, revenue from occupancy taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds 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, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. The Authority considers all revenues available if they are collected within 90 days after year end.

D. Budgetary Data

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for General Fund. During the year, amendments to the original budget were necessary to account for additional grant appropriations approved by the Board.

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Authority are made in Council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Authority may designate, as an official depository, and 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.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Notes to the Financial Statements
For the Year Ended June 30, 2022

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Authority had no such investments as June 30, 2022.

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Net Position/Fund Balances

a. Net Position

Net position in government-wide financial statements is classified as 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.

b. Fund Balances

In the governmental fund financial statements, fund balance is composed of three classifications designed to dissolve 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.

Prepaid Expense - portion of fund balance that is not an available resource because it represents funds to be used for future expenditures, 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

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 the 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.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All 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 these units' names. 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 agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-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. 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 formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositions and verifying that deposits are properly secured.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Notes to the Financial Statements
For the Year Ended June 30, 2022

At June 30, 2022, the Authority's deposits had a carrying amount of \$161,908 and a bank balance of \$167,320. All of the bank balances were covered by federal deposit insurance.

B. Liabilities

Risk Management

In accordance with G.S. 159-29, the Authority's finance officer is individually bonded for \$50,000.

Leases Payable

The Authority has not entered into any lease agreements as of June 30, 2022.

C. Fund Balance

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

Total fund balance-General Fund	\$ 175,610
Less:	
Prepaid Expense	50
Stabilization by State Statute	13,652
Remaining Fund Balance	161,908

III. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

IV. Actions at the State Level Due to Covid-19

Potential Impact of COVID-19. On March 11, 2020, the World Health Organization declared a global pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which is currently negatively impacting most, if not all, areas of the world, including the United States, the State and the County. The COVID-19 outbreak is altering the behavior of businesses and people in a manner that is having negative effects on global and local economies, including the Town of Swansboro. While the potential impact of COVID-19 on the Authority cannot be predicted at this time, its impact on the economy of the Authority and that of the state, nation, and world could be considerable.

Swansboro Tourism Development Authority
(A Component Unit of the Town of Swansboro, North Carolina)
Notes to the Financial Statements
For the Year Ended June 30, 2022

Within the United States, the Federal government and various state and local governments, as well as private entities and institutions, have implemented a variety of different efforts aimed at preventing the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures.

V. Subsequent Events

Management has evaluated subsequent events through October 14, 2022, the date on which the financial statements were available to be issued.