

NASH COUNTY
TOURISM DEVELOPMENT AUTHORITY

(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Board Members

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Beth Ann Rose
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Finance Director

Donna Wood, CPA

**NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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Independent Auditors' Report

To the Board of Directors
Nash County Tourism Development Authority
Nash County, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Nash County Tourism Development Authority (a component unit of Nash County, North Carolina), as of and for the year ended June 30, 2023, 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, based upon our audit the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Nash County Tourism Development Authority as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standard 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 Nash County Tourism Development 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. The financial statements of Nash County Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

Responsibilities of Management for the Audit of 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.

Members
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Nash County 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.

Auditors' 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 of material misstatement, whether due to fraud or error, and to issue an auditors' 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 material statement 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:

- exercised professional judgement 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 Nash County 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nash County Tourism Development 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 4 through 9, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co, P.A.
September 1, 2023

Management's Discussion and Analysis

This discussion and analysis is provided as an overview of the Nash County Tourism Development Authority's (the "Authority") financial activities 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 Authority's financial statements, which follow this narrative.

Financial Highlights

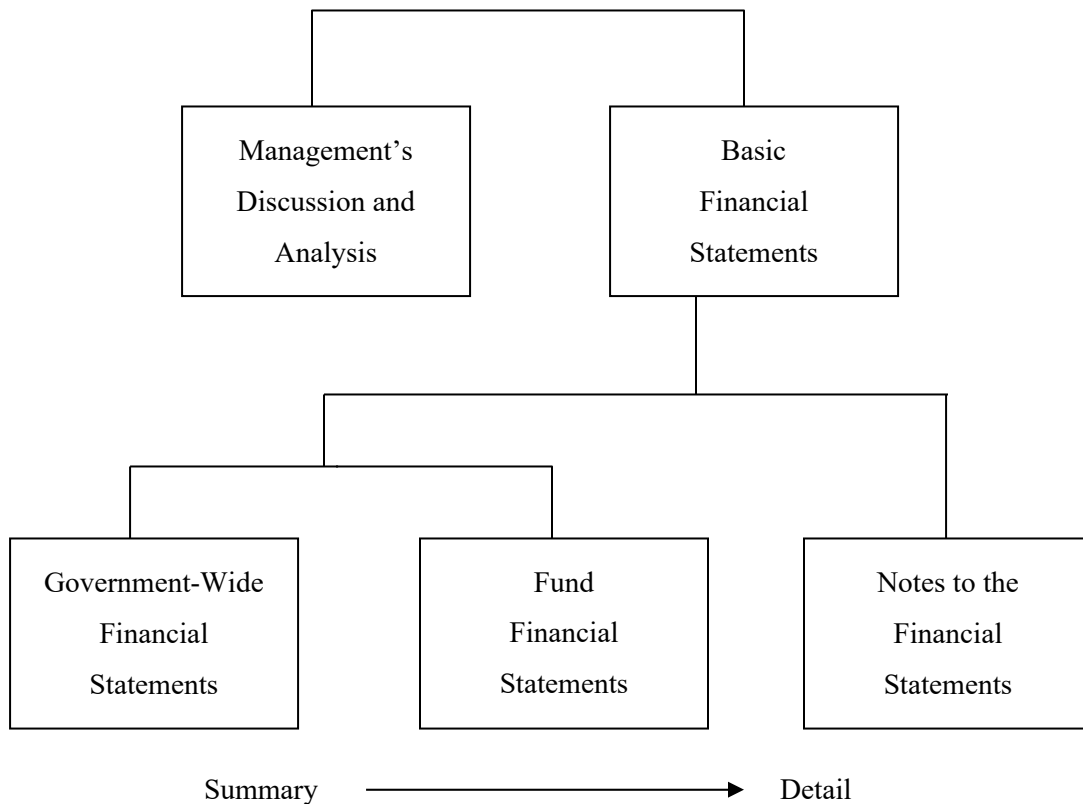
- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$2,058,397 (net position).
- The Authority's total net position increased by \$264,480, which is a result of revenue exceeding expenses for tourism promotions and general operations and administration.
- The Authority's available fund balance for appropriation for Tourism Promotion at the end of the year represented was \$1,954,815 or 180.68% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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. The basic financial statements present two different views of the Authority through the use of government-wide statements and fund financial statements.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through E) 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 statement.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes 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, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the financial status as a whole.

The two government-wide statements report the Authority's net position and how it has changed. Net position is the difference between total assets and total liabilities. Measuring net position is one way to gauge the Authority's financial condition.

Fund Financial Statements

The fund financial statements 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 all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes of North Carolina or the Authority's budget ordinance. Currently, the Authority only maintains a General Fund.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Currently, 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 relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is required to be described in a reconciliation that is a part of the fund financial statements.

The Nash County Tourism Development 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 Board members about which tourism promotions to undertake. 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 promoting tourism 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 members, 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. There were no differences between the budgetary basis of accounting and the modified accrual basis; thus, a reconciliation showing the differences in the reported activities is not shown at the end of the budgetary statement.

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 directly follow the basic financial statements of this report.

Government-Wide Financial Analysis

Nash County Tourism Development Authority's Net Position

Figure 2

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2023</u>
Current Assets:		
Cash and investments	\$1,695,758	\$1,956,063
Taxes receivable	99,398	103,582
Total assets	<u>1,795,156</u>	<u>2,059,645</u>
Current Liabilities:		
Accounts payable	<u>1,239</u>	<u>1,248</u>
Total liabilities	<u>1,239</u>	<u>1,248</u>
Net Position:		
Stabilization by State statute	99,398	103,582
Restricted for tourism promotion	<u>1,694,519</u>	<u>1,954,815</u>
Total net position	<u><u>\$1,793,917</u></u>	<u><u>\$2,058,397</u></u>

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial condition. In the case of the Authority, assets exceeded liabilities by \$2,058,397 at the close of June 30, 2023. One hundred percent (100%) of the Authority's net position represents resources that are restricted in how they may be used for tourism promotion and related activities.

Nash County Tourism Development Authority's Changes in Net Position

Figure 3

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2023</u>
Revenues:		
General revenues:		
Occupancy taxes	\$1,275,534	\$1,336,524
Investment income	691	9,880
Total revenues	<u>1,276,225</u>	<u>1,346,404</u>
Expenditures		
Current:		
Tourism promotion	884,565	1,075,537
General and administrative	<u>4,728</u>	<u>6,387</u>
Total expenditures	<u>889,293</u>	<u>1,081,924</u>
 Increase (decrease) in net position	 386,932	 264,480
Net Position:		
Beginning of year - July 1	<u>1,406,985</u>	<u>1,793,917</u>
End of year - June 30	<u>\$1,793,917</u>	<u>\$2,058,397</u>

Governmental Activities. Total net position increased by \$264,480, primarily due to increase in travel as a result of releasing Pandemic restrictions in the fiscal year 2023.

Governmental Funds. The focus of the Authority's governmental fund is to promote travel and tourism. Certain information is useful in assessing the Authority's funding requirements. Specifically, 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 June 30, 2023, restricted fund balance available for appropriation for tourism promotion activities of the General Fund was \$1,954,815. As a measure of the General Fund's liquidity, it may be useful to compare restricted fund balance available for tourism promotion to total fund expenditures. Restricted fund balance available for tourism promotion represents 180.68% of total General Fund expenditures.

As of June 30, 2023, the governmental fund of the Authority reported a fund balance of \$2,058,397 a 14.74% increase over last year. This increase resulted from improved travel conditions through the release of COVID travel restrictions across North Carolina and the United States, thus increasing occupancy tax collections.

General Fund Budgetary Highlights. During the year, the revenues were more than budget primarily due to the unknown effect the COVID-19 Pandemic would have on travel restrictions when the budget was approved. With the collection of revenues in excess of expenditures, the general fund saw a budget surplus at June 30, 2023.

Economic Factors and Fiscal Year End 2023 Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Authority

- Unemployment in the State of North Carolina decreased from 4.1% to 3.6% at June 30, 2023; Nash County's unemployment rate decreased from 5.8% to 4.7%.
- Nash County's area hotel/lodging accommodation gross rental revenues were \$45,753,829, \$44,451,539, \$34,464,445, and \$31,485,480 for the 2023, 2022, 2021 and 2020 fiscal years, respectively.
- Nash County's area hotel/lodging occupancy was 59.6%, 58.5% and 55.1% for the 2023, 2022 and 2021 fiscal years, respectively.
- Nash County maintained its current 5% occupancy tax rate, of which 3% is distributed to the Authority and 2% for the City of Rocky Mount.

Budget Highlights for the Fiscal Year Ending June 30, 2024

The Authority's management considered several factors when setting the fiscal year 2024 budget. The factors considered included the easing of travel restrictions, the return of traveler confidence and a focus on outdoor recreation and family oriented experiences for tourism promotion. Occupancy taxes, which form the backbone of the revenues that support the Authority's programs continue to show improvement over the past year. This is a sign of many positive developments in the economy, as a result revenues and expenditures were budgeted at pre-pandemic levels, more closely reflective of fiscal year 2020 budgeting. While continuing to watch the economy, the Authority, where possible, will pursue efforts to promote tourism and travel within Nash County by seeking opportunities to draw individuals to the community.

Requests for Information

This report is designed to provide an overview of the Nash County 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 Director of Finance, Nash County Tourism Development Authority, 120 West Washington Street, Suite 3072, Nashville, North Carolina 27856.

Exhibit A

**NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)**

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
Assets:	
Cash and investments	\$ 1,956,063
Taxes and receivables	103,582
Total Assets	<u>2,059,645</u>
 Liabilities:	
Accounts Payable	<u>1,248</u>
 Net Position:	
Restricted for:	
Stabilization by State statue	103,582
Tourism Promotion	1,954,815
Total net position	<u><u>\$ 2,058,397</u></u>

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

Exhibit B

NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Functions/Programs:			
Governmental Activities:			
Economic and physical development	\$ 1,075,537	\$ -	\$ (1,075,537)
General and administrative	<u>6,387</u>	<u>-</u>	<u>(6,387)</u>
 Total primary government	 <u>1,081,924</u>	 <u>-</u>	 <u>(1,081,924)</u>
 General Revenues:			
Taxes			
Room occupancy tax			1,336,524
Interest earnings, unrestricted			<u>9,880</u>
Total			<u>1,346,404</u>
 Change in net positions			264,480
 Net Position:			
Beginning of year - July 1			<u>1,793,917</u>
 End of year - June 30			<u>\$ 2,058,397</u>

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

Exhibit C**NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)****BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 1,956,063
Taxes receivable	103,582
Total assets	\$ 2,059,645
Liabilities:	
Accounts Payable	1,248
Fund Balance:	
Restricted :	
Stabilization by State statue	103,582
Tourism promotion	1,954,815
Total Fund Balance	\$ 2,058,397
Total liabilities and fund balance	\$ 2,059,645

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

Exhibit D

NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>
Revenues:	
Room occupancy taxes	\$ 1,336,524
Investment earnings	9,880
Total Revenues	<u>1,346,404</u>
 Expenditures:	
General and administrative	6,387
Tourism promotion	1,075,537
Total Expenditures	<u>1,081,924</u>
 Net change in fund balance	<u>264,480</u>
 Fund Balance:	
Beginning of year - July 1	<u>1,793,917</u>
 End of year - June 30	<u>\$ 2,058,397</u>

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

**NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues				
Room occupancy taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,336,524	\$ 236,524
Investment earnings	550	550	9,880	9,330
Total revenues	<u>1,100,550</u>	<u>1,100,550</u>	<u>1,346,404</u>	<u>245,854</u>
Expenditures				
Administration	7,250	7,250	6,387	863
Economic and physical development	<u>1,101,063</u>	<u>1,101,063</u>	<u>1,075,537</u>	<u>25,526</u>
Total expenditures	<u>1,108,313</u>	<u>1,108,313</u>	<u>1,081,924</u>	<u>26,389</u>
Revenues over(under) expenditures	(7,763)	(7,763)	264,480	272,243
Fund balance appropriated	<u>7,763</u>	<u>7,763</u>	<u>-</u>	<u>(7,763)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	264,480	<u>\$ 264,480</u>
Beginning of year - July 1			<u>1,793,917</u>	
End of year - June 30			<u><u>\$ 2,058,397</u></u>	

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

NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies

The accounting policies of the Nash County Tourism Development Authority (the “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 Authority is a governmental entity established effective July 1, 1987 under a State Senate Bill of the State of North Carolina. Operations of the Authority are to promote travel, tourism, and conventions in the County, sponsor tourist-related events and activities in the County, and to finance tourist-related capital projects in the County.

The Board of Commissioners of Nash County, North Carolina, selects the governing board of the Authority and, in accordance with the State Senate Bill, the Finance Officer for Nash County also serves as Finance Officer for the Authority. The Authority designates its own management, and approves its own budget. In addition, the County provides no financial support to the Authority, is not obligated for the Authority's debts, or entitled to any surpluses of the Authority. Nash County, North Carolina, is accountable for the Authority because it appoints the Authority's governing board; however, Nash County, North Carolina, is not financially accountable for the Authority. Therefore, the Authority is reported as a component unit to Nash County, North Carolina's financial statements.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the government. These statements include the financial activities of the overall government. Government activities generally are financed through taxes and other non-exchange transactions. The Statement of Activities presents direct expenses and program revenue for the function of the Authority's government activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the program and (b) grants and contributions that are restricted to the meeting the operational or capital requirements of a particular program. 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 funds. The Authority has only one governmental fund: the General Fund.

The General Fund is the Authority's only major fund for the period ended June 30, 2023.

NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

General Fund

The General Fund is the only fund of the Authority. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are occupancy taxes and investment earnings. The primary expenditures are for tourism promotion.

C. Measurement Focus and Basis of Accounting

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

Government-Wide 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. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year for 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. The Authority considers all revenues available if they are collected within 60 days after year-end.

There were no modifications to be made between the accrual basis of accounting in the government-wide financial statements and the modified accrual basis of accounting in the governmental fund financial statements.

D. Budgetary Data

The Authority's budget is 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. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the General Fund. All budget amendments must be approved by the governing board. During the year, two amendments to the original budget were necessary. 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.

NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

E. Assets, Liabilities, and Fund Balance

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 deposits.

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's investments are reported at fair value. The NCCMT which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a7 fund that invests in treasuries and government agencies and is rated AAAm by S&P and AAmf by Moody's Investor Service. The Government Portfolio is reported at fair value.

Cash and Cash Equivalents

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

Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as invested in capital assets, restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State Statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

NASH COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF NASH COUNTY, NORTH CAROLINA)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

The government fund types classify fund balances as follows:

Non-Spendable Fund Balance. This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance. This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization of 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 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.

Restricted for Tourism – portion of fund balance restricted by revenue source for use for tourism promotion and related activities.

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Authority's governing body (highest level of decision making authority, the Board). The governing board can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the Authority intends to use for specific purposes. The Authority's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed.

Unassigned Fund Balance. Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

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The Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: federal funds, State funds, local funds, and Authority 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 lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Authority or when required by grant or other contractual agreements.

The Authority has adopted a minimum fund balance policy for the General Fund which instructs management conduct business in such a manner that available fund balance is at least equal to or greater than 25% of General Fund expenditures or not less than \$150,000.

Fund Balance Available for Appropriation

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	\$2,058,397
Less:	
Stabilization by State statute	<u>103,582</u>
Fund balance available for appropriation	<u>\$ 1,954,815</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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2. Detail Notes On All Funds

A. Assets

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 agent 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 their 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, 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 risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Authority's deposits had a carrying amount of \$1,751,219 and a bank balance of \$1,751,412. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments

As of June 30, 2023, the Authority had the following investments and maturities.

			Less Than		
Investment Type	Valuation Measurement Method	Fair Value	6 Months	6-12 Months	1-3 Years
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 204,844	\$ 204,844		
Total:		\$ 204,844	\$ 204,844		

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Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAm rating from S&P and AA-mf by Moody's Investor Service.

All investments of the Authority are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Authority has no formal investment policy regarding interest rate risk.

Credit Risk. The Authority limits investments to provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority has no policy on credit risk. These amounts are included within cash on the statement of net position.

B. Liabilities

Payables

As of June 30, 2023 the Authorities payables consisted of vendor payables.

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; injuries to employees; and natural disasters. The Authority's Board is covered under Nash County's public officials' liability policy. The County participates in a financing pool through the self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains general liability coverage of \$2 million per occurrence.

In accordance with G.S. 159-29, Authority employees that have access to \$100 or more at any given time of Authority funds are performance bonded through a commercial surety bond. The Finance Officer is bonded under a surety bond for \$50,000.

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.

3. Significant Effects of Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 1, 2023, the date the financial statements were available to be issued. No important events were noted.