

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



Jackson County Tourism Development Authority
(A Component Unit of Jackson County, North Carolina)

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Officers

Ann Self, Chairman
Robert Jumper, Vice Chairman
Kathy Korb, Secretary

Board Members

Megan Orr
Dale Collins
Brad Herman
Andrew Harlfinger
Jay Grissom
Anna Thomas

Ex-Officio Board Members

Ron Mau, Jackson County Commissioner
Julie Spiro, Jackson County Chamber of Commerce
Stephanie Edwards, Cashiers Area Chamber of Commerce

Nick Breedlove, Executive Director
Darlene Fox, Jackson County Finance Officer

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

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Jackson County Tourism Development Authority, (a component unit of Jackson County, North Carolina) (the "Authority"), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Jackson County Tourism Development Authority as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 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 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 30, 2020

Management's Discussion and Analysis

The Jackson County Tourism Development Authority (the "Authority"), a component unit of Jackson County, North Carolina, was established on January 1, 2013. As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2020. This information should be read in conjunction with the financial statements that follow this section.

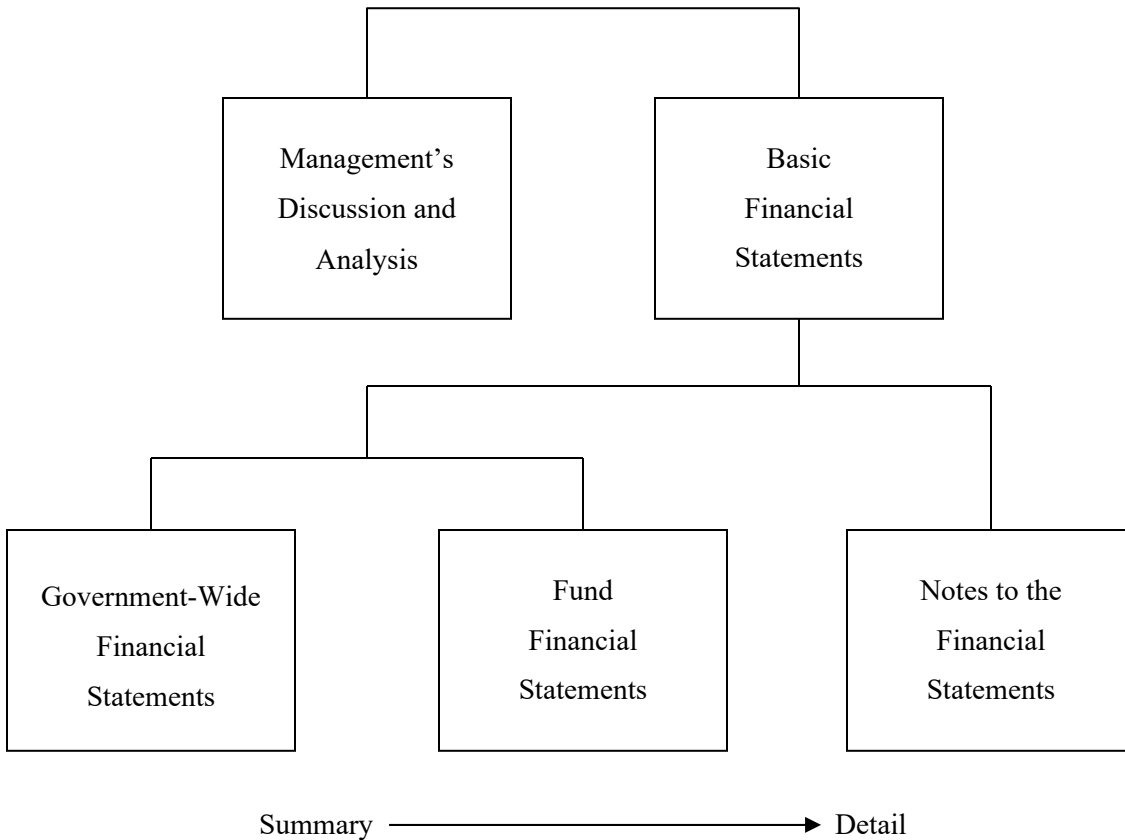
Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$700,167 (net position).
- The Authority's total net position increased by \$158,230 primarily due to a decrease in expenditures corresponding to advertising and marketing. The decrease was a direct result of COVID-19, which shut down many lodging sites and canceled spring marketing events.
- Occupancy tax revenue from Jackson County was \$1,154,127 for the period ended June 30, 2020. The occupancy tax rate is six percent (4%) of gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within Jackson County that is subject to sales tax imposed by the State of North Carolina under North Carolina General Statutes 105-164.4(a)(3).
- As set forth in Session Law 2011-170 of the North Carolina General Assembly, the Authority shall use at least two-thirds of the fund remitted to it each year to promote travel and tourism and the remaining one-third for tourism-related expenditures.
- As of the close of the fiscal year, the Authority's governmental fund reported an ending fund balance of \$700,167, after a net increase in fund balance of \$158,230. Approximately 73% of this total amount, or \$509,225, is considered restricted for tourism promotion activities.
- For the year ended June 30, 2020, fund balance restricted for tourism promotion was \$509,225, or approximately 51%, of total General Fund expenditures for the fiscal year.

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.

Figure 1
Required Components of Annual Financial Report



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 statements.

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 readers 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 it has changed. The net position is the difference between the Authority's total assets and 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 General Statutes 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 governmental 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; however, for the year ended June 30, 2020, the Authority had no transactions that required reconciliation between the different accounting methods.

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 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 Authority's members; 2) the final budget as amended by the members; 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 combined statements. The notes to the financial statements follow Exhibit E of this report.

Government-Wide Financial Analysis

Figure 2
Statements of Net Position

	Governmental	
	Activities	
	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 702,076	\$ 554,158
Liabilities:		
Current liabilities	<u>1,909</u>	<u>12,221</u>
Net Position:		
Restricted:		
Stabilization by state statute	190,942	135,143
Tourism promotion	<u>509,225</u>	<u>406,794</u>
Total net position	<u>\$ 700,167</u>	<u>\$ 541,937</u>

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$700,167 at the close of the most recent fiscal year. All of the Jackson County Tourism Development Authority's net position represents resources that are restricted that are subject to external restrictions on how they may be used.

Figure 3
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
General revenues:		
Room occupancy taxes	\$ 1,154,127	\$ 1,174,014
Investment earnings	5,215	8,451
Miscellaneous	5,302	15,621
Total revenues	1,164,644	1,198,086
Expenses:		
Economic development - tourism:		
Contract services	140,289	92,312
Operating expenses	866,125	1,099,645
Total expenses	1,006,414	1,191,957
Change in net position	158,230	6,129
Net Position:		
Beginning of year - July 1	541,937	535,808
End of year - June 30	\$ 700,167	\$ 541,937

Governmental Fund Financial Analysis

The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources.

The General Fund is the operating fund of the Authority. At the end of the fiscal year ended June 30, 2020, the Authority reported an ending fund balance of \$700,167, an increase of \$158,230 compared to the previous year.

General Fund Budgetary Highlights

The Authority revised the budget on more than one occasion in the current period to decrease revenues and expenditures. The decrease in revenue is primarily due to: COVID-19 shutting down facilities, for a period of time, occupancy taxes are derived from; income from marketing activities done by the Authority not being required since the tourism facilities were shut down; and COVID-19 canceling spring marketing events revenue is generated from. Expenditures decreased due to COVID-19 shutting down facilities marketing revenue is generated from so the corresponding expenditures were not needed.

Economic Factors and Next Year's Budget

During the current period, occupancy tax collections decreased, compared to the prior year, due to COVID-19 shutting down many tourism facilities this revenue is derived from. The Authority has budgeted a decrease for fiscal year 2020-2021 for occupancy taxes, compared to both the final budgeted and actual revenue for fiscal year 2019-2020, due to the uncertainty surrounding the COVID-19 virus. This amount is generated and evaluated based off data from the final months of fiscal year 2019-2020 due to the virus still being active during the time of fiscal year 2020-2021's budget. Expenditures are expected to decrease, compared to both the final budgeted and actual expected for fiscal year 2019-2020, due to the same reasons mentioned for revenue decreases in occupancy taxes, related to expenditures for marketing activities instead.

Requests for Information

This financial report is designed to provide a general 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 the Jackson County Tourism Development Authority Finance Officer, 401 Grindstaff Cove Road, Sylva, North Carolina 28779.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments	\$ 511,134
Room occupancy taxes receivable - due from primary government	<u>190,942</u>
Total current assets	<u>702,076</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	<u>1,909</u>
Net Position:	
Restricted for:	
Stabilization by state statute	190,942
Tourism promotion	<u>509,225</u>
Total net position	<u>\$ 700,167</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 511,134
Room occupancy taxes receivable - due from primary government	<u>190,942</u>
Total assets	<u><u>\$ 702,076</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable and accrued liabilities	<u>\$ 1,909</u>
Fund Balance:	
Restricted:	
Stabilization by state statute	190,942
Tourism promotion	<u>509,225</u>
Total fund balance	<u><u>700,167</u></u>
Total liabilities and fund balance	<u><u>\$ 702,076</u></u>

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund
Revenues:	
Room occupancy taxes	\$ 1,154,127
Investment earnings	5,215
Miscellaneous	<u>5,302</u>
Total revenues	<u>1,164,644</u>
Expenditures:	
Economic development:	
Contracted services	140,289
Operating expenditures/expenses	<u>866,125</u>
Total expenditures/expenses	<u>1,006,414</u>
Net change in fund balance	158,230
Fund Balance:	
Beginning of year, July 1	<u>541,937</u>
End of year, June 30	<u>\$ 700,167</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:				
Room occupancy taxes	\$ 999,600	\$ 924,600	\$ 1,154,127	\$ 229,527
Investment earnings	5,000	5,250	5,215	(35)
Miscellaneous	<u>15,000</u>	<u>5,000</u>	<u>5,302</u>	<u>302</u>
Total revenues	<u>1,019,600</u>	<u>934,850</u>	<u>1,164,644</u>	<u>229,794</u>
Expenditures:				
Economic development:				
Contracted services	144,495	149,626	140,289	9,337
Operating expenditures	<u>1,059,084</u>	<u>945,095</u>	<u>866,125</u>	<u>78,970</u>
Total expenditures	<u>1,203,579</u>	<u>1,094,721</u>	<u>1,006,414</u>	<u>88,307</u>
Revenues over (under) expenditures	(183,979)	(159,871)	158,230	318,101
Other Financing Sources (Uses):				
Appropriated fund balance	<u>183,979</u>	<u>159,871</u>	-	<u>(159,871)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	158,230	<u>\$ 158,230</u>
Fund Balance:				
Beginning of year, July 1			<u>541,937</u>	
End of year, June 30			<u>\$ 700,167</u>	

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

The accounting policies of the Jackson 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 North Carolina General Legislature enacted a law which authorized Jackson County (the “County”) to levy a room occupancy and tourism development tax, and the Board of Commissioners adopted a resolution levying this tax on November 19, 2012. The Board of Commissioners created the Jackson County Tourism Development Authority (the “Authority”) as a public authority under the Local Government Budget and Fiscal Control Act. The Authority is a component unit of Jackson County. The Authority is governed by a 13-member Board of Directors, all who serve without compensation. The nine voting members are appointed by the Board of Commissioners. The four ex-officio members are comprised of a member of the Board of Commissioners, the County Finance Officer and the executive directors of the Jackson County Chamber of Commerce and the Cashiers Area Chamber of Commerce. Monthly reports are to be provided to the Board of Commissioners. The Authority may contract with any person, firm or organization to advise and assist in carrying out its duty to promote travel and tourism for Jackson County.

The County is authorized under Session Law 2011-170 (most recently amended by North Carolina Session Law 2012-100) to collect an occupancy tax of not less than three percent (3%) nor more than six percent (6%) of the gross revenues from hotel/motel room occupancy within the County. Gross proceeds of the tax are collected by Jackson County and remitted to the Authority, net of the cost to the County of administration and collecting the tax, not to exceed three percent (3%) of the first five hundred thousand dollars (\$500,000) in tax collected and one percent (1%) of the remaining tax collected. Even though the Authority is authorized to collect room occupancy taxes up to six percent (6%), currently only four percent (4%) is collected. The collections are remitted on a monthly basis. The Authority is authorized to expend these funds to promote tourism in the Jackson County area.

Due to the ability of Jackson County to exercise its will over the Authority’s Board and the Authority’s fiscal dependence on the County, the Authority is reported as a discretely presented component unit in the County’s financial statements.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the “Authority”). 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 Authority only has governmental activities.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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. 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Basic Financial Statements: The governmental fund balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities display information about the Authority. 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 Authority reports the following major governmental fund:

General Fund. This is the Authority's operating fund. It accounts for all financial resources of the general government.

C. Measurement Focus, 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, includes occupancy taxes. On an accrual basis, revenue from occupancy taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applications for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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.

JACKSON COUNTY TOURISM DEVELOPMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Room occupancy taxes collected and held by Jackson County and taxes receivable by Jackson County on behalf of the Authority at year-end to be remitted to the Authority, are recognized as revenue. The Authority considers all revenues available if they are collected within 60 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 fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The Finance Director is authorized to transfer amounts between line item expenditures within department limitation and without amendment. Any revision that alters the total expenditures of any department or fund requires approval of the Board. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. During the year, budget amendments to the original budget were necessary. The amendments were 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 Fund Equity

Deposits and Investments.

All deposits of the Authority are made in Board-designated official depositories and are collateralized 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.

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 local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust, (NCCMT), an SEC-registered (2a-7) money market mutual fund is valued at fair value.

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.

JACKSON COUNTY TOURISM DEVELOPMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Accounts Receivable

Accounts receivable come from occupancy taxes, which are centrally collected by Jackson County and disbursed to the Authority the following month. All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The Authority currently has no receivables at June 30, 2020, deemed uncollectible.

Net Position/Fund Balances

Net Position

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) 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.

The governmental 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 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".

Restricted for Tourism Promotion – portion of fund balance restricted by law to promote travel, tourism, and conventions in the Authority.

JACKSON COUNTY TOURISM DEVELOPMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Committed Fund Balance. The committed fund balance classification includes amounts that can only be used for specific purposes determined by a formal action of the Authority’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that 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, which requires majority action by the governing board.

Assigned Fund Balance. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board (the “Board”) has, by resolution, authorized the Finance Director to assign fund balance.

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

The Jackson County Tourism Development Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, state funds, local non-Authority funds, and Authority funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balances 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 Jackson County Tourism Development Authority.

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	\$ 700,167
Less:	
Stabilization by state statute	<u>190,942</u>
Total available fund balance	<u><u>\$ 509,225</u></u>

The Jackson County Tourism Development Authority has established a formal minimum fund balance policy. It has established an amount equivalent to 30% of current fiscal year budget. This policy has been met as of June 30, 2020.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. Detail Notes on All Funds

A. Assets

Deposits

All of the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority'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 the Authority's 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 amount of collateral pledged for the Authority under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no policy regarding custodial credit risk for deposits.

At year-end, the Authority's deposits had a carrying amount of \$111,134 and a bank balance of \$111,523, all of which was covered by federal depository insurance. The Authority had no cash on hand at year-end.

Investments

At June 30, 2020, the Authority's investments consisted of \$400,000 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The NCCMT government Portfolio is measured at fair value. The County has no formal policy on credit risk.

Custodial Credit Risk

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk.

Receivables

The Authority received approximately 99% of its revenue from Jackson County during the year ended June 30, 2020, under room occupancy tax levies of Jackson County. Receivables consist totally of room occupancy taxes collected on behalf of the Authority. At June 30, 2020, the Authority was owed room occupancy tax collections from Jackson County in the amount of \$190,942. The Authority does not recognize an allowance for doubtful accounts.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Liabilities

	Vendors	Contracted Services	Total
General	\$ 981	\$ 928	\$ 1,909

3. 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 carries commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage in the current year and claims have not exceeded coverage in any of the past three fiscal years.

Because the Authority owns no real property, they do not carry flood insurance. The Authority does not have employees. In accordance with G.S. 159-29, the Finance Officer is individually bonded for \$50,000.

4. Revenue

Occupancy Taxes

In accordance with state law (most recently amended by North Carolina Session Law 2013- 61), a room occupancy tax of not less than three percent (3%) nor more than five percent (5%) of 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 County that is subject to sales tax imposed by the state under G.S. 105-164.4(a)(3) and from the rental of private residences and cottages within the County that are exempt from the sales tax imposed under G.S. 105-164.4(a)(3) solely because they are rented for less than 15 days. This tax is in addition to any state or local sales tax. Gross proceeds of the tax are collected by Jackson County and remitted to the Authority net of the cost to the County of administration and collecting the tax not to exceed three percent (3%) of the first five hundred- thousand dollars (\$500,000) in tax collected and one percent (1%) of the remaining tax collected each year.

5. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen, which are likely to negatively impact Authority revenues. At the current time, we are unable to quantify the potential effects of this pandemic.