

**TRANSYLVANIA COUNTY
TOURISM DEVELOPMENT AUTHORITY**

(A COMPONENT UNIT OF TRANSYLVANIA COUNTY, NORTH CAROLINA)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

MARTIN  STARNES

& ASSOCIATES, CPAs, P.A.

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

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

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

Officers

Dee Dee Perkins, Chair

Board Members

Jessica Whitmire
Dana Antonuccio
Lauren Wise
Nory LeBrun
Isaac Allen
Larry Chapman
Madeline Magin
Dionne Hodgson

Clark Lovelace, Executive Director
Jaime Laughter, County Manager

Meagan O'Neal, Finance Director

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

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-8
	Basic Financial Statements:	
A	Statement of Net Position	9
B	Statement of Activities	10
C	Balance Sheet - Governmental Fund	11
D	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	12
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Governmental Funds to the Statements of Activities	13
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	14
	Notes to the Financial Statements	15-24

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Transylvania County Tourism Development Authority (the "Authority"), a component unit of Transylvania 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 Transylvania County Tourism Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the 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 accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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
June 26, 2024

Management's Discussion and Analysis

As management of the Transylvania County 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 Authority 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

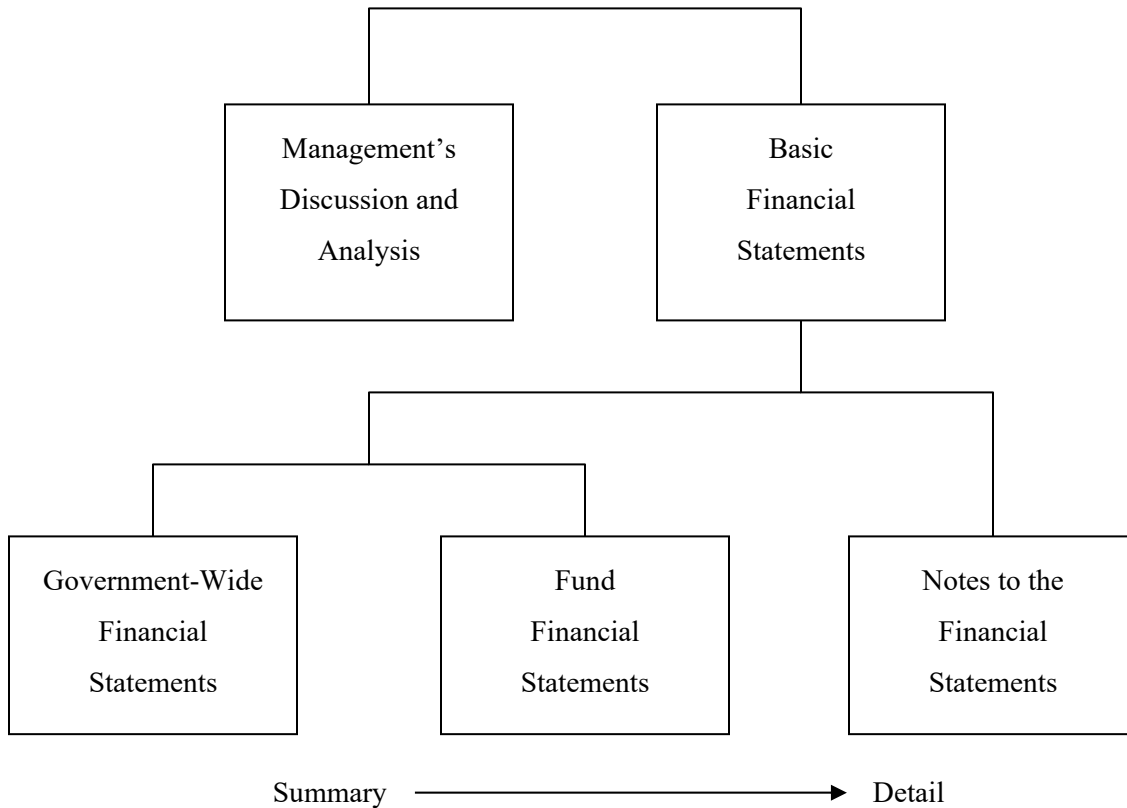
- The assets of the Authority exceeded its liabilities at the close of the period ended June 30, 2023 by \$1,696,612 (*net position*).
- As of the close of the fiscal year, the Authority's governmental fund reported an ending fund balance of \$1,697,011, a decrease of \$272,321 in comparison with the prior year. Approximately 60.9 percent of this amount, \$1,032,697, is considered available for tourism promotion and related activities.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,482,225, or 60.54 percent, of total General Fund expenditures.
- The Authority plans to continue a strong marketing campaign and grant program to support the community and tourism resources. Such resources include support of capital projects focused on sustainable natural recreational assets and enhanced destination infrastructure.
- The Authority continues exploring how best to support the construction of the hiking and biking Ecusta Trail project in Transylvania County to become a premiere tourism asset in the community. This plan will use the considerable fund balance left from the pandemic era of tourism increases.

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 (see Figure 1). The basic financial statements present two different views of the Authority through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Authority.

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 F) 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 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, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Authority's financial status as a whole.

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

The government-wide statements are comprised of a single category – governmental activities. The governmental activities include the Authority's promotion of tourism to the area. Room occupancy taxes finance these activities. The government-wide financial statements are on Exhibits A and B of this report.

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 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* that 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 the governmental funds is described in a reconciliation that is part of the fund financial statements.

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 citizens, the Authority's management, and the decisions of the Board members 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 statement shows four columns: 1) the original budget as adopted by the Authority's 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the difference in the reported activities is 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 follow Exhibit F of this report.

The Authority maintains a fund balance to have money available for both planned tourism-related projects and unforeseen promotional opportunities that may arise.

Government-Wide Financial Analysis

**Transylvania County Tourism Development Authority's
Net Position**

Figure 2

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 1,727,872	\$ 1,983,177
Capital assets	<u>43,725</u>	<u>-</u>
Total assets	<u>1,771,597</u>	<u>1,983,177</u>
Liabilities:		
Accounts payable	30,861	13,845
Current portion of long-term debt	<u>44,124</u>	<u>-</u>
Total liabilities	<u>74,985</u>	<u>13,845</u>
Net Position:		
Net investment in capital assets	(399)	-
Restricted for:		
Stabilization by state statute	211,868	220,952
Tourism promotion and related expenditures	<u>1,485,143</u>	<u>1,748,380</u>
Total net position	<u>\$ 1,696,612</u>	<u>\$ 1,969,332</u>

As noted earlier, net position may serve over time as one useful indicator of an authority's financial condition. The assets of the Authority exceeded liabilities by \$1,696,612 as of June 30, 2023. The Authority's net position decreased by \$272,720 for the fiscal year ended June 30, 2023. The Authority uses its assets to promote tourism; consequently, these assets are for future spending for tourism activities only. The Authority's total net position of \$1,696,612 represents resources that are restricted.

**Transylvania County Tourism Development Authority's
Changes in Net Position**

Figure 3

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues:		
General revenues:		
Restricted intergovernmental revenues	\$ 1,978,427	\$ 2,046,816
Other revenues	<u>110,182</u>	<u>33,652</u>
Total revenues	<u>2,088,609</u>	<u>2,080,468</u>
Expenses:		
Economic and physical development	2,360,006	1,379,789
Interest expense	<u>1,323</u>	<u>-</u>
Total expenses	<u>2,361,329</u>	<u>1,379,789</u>
Change in net position	(272,720)	700,679
Net Position:		
Beginning of year - July 1	<u>1,969,332</u>	<u>1,268,653</u>
End of year - June 30	<u>\$ 1,696,612</u>	<u>\$ 1,969,332</u>

Governmental Activities. Governmental activities decreased the Authority's net position by \$272,720. Occupancy tax revenues decreased by 3.34 percent, leveling out from FY21 and FY22's significantly higher baseline revenues. The five months between June and October sales continue to make up 60% of the annual sales, the same rate as FY22. The total occupancy tax revenue was split evenly between traditional rentals and online rentals; so, there was no definitive trend toward either method.

Financial Analysis of the Authority's Funds

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

Governmental Funds. The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Authority's funding requirements. Specifically, available 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, available fund balance of the General Fund was \$1,482,225 while total fund balance reached \$1,697,011. The Authority currently has available fund balance of 60.54 percent of General Fund expenditures, while total fund balance represents 69.3 percent of the same amount.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets for its governmental activities as of June 30, 2023 total \$43,725 (net of accumulated amortization). These assets include a building for lease. Reference should be made to Note 2 of the financial statements.

Debt. At June 30, 2023, the Authority's outstanding debt consisted of a lease liability. Reference should be made to Note 2 of the financial statements.

General Fund Budgetary Highlights

Occupancy Tax revenues were approximately 14 percent lower than budgeted due to a downward trend of occupancy after budget projections were completed. Interest investments were budgeted for \$2,000, as they had been for several years, but a decision of the governing board allowed investment funds to be allocated in a separate account that earned over \$76,000 in interest. The high interest rates are expected to continue over a lengthy period.

The Authority's FY23 budget planned its largest investment yet in tourism promotion on behalf of Transylvania County, with a \$1,405,000 overall marketing plan. Of the planned marketing expenditures, the Authority was able to spend \$1,333,964, approximately \$430,000 more than the prior year.

Economic Factors

The following factors impact the growth and prosperity of the Authority:

- The Authority works actively to promote the County as a prime tourist destination for all seasons and strives to keep the tourism industry active throughout the entire year.
- Occupancy tax is the primary revenue source for the Authority, and the amount of tax collected is solely dependent on the tourism industry.
- National economic concerns and changing consumer spending patterns have a direct impact on the Authority's planning and budgeting.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Fiscal Year 2024's budget for the Authority assumed occupancy tax remittances from its primary government would be up four percent, and expenditures for advertising and promotions would be similar to prior year. Other tourism-related expenditures would see an increase with fund balance covering a portion of them. Specifically, FY24 will be the first year reflecting a payment of \$250,000 out of a pledged \$1,000,000 from the Authority toward The Ecusta Trail. These funds are planned to be paid over four years and draw down the fund balance to the desired level of twenty five to thirty percent of operational expenses.

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 Meagan O'Neal, Finance Director, Transylvania County Tourism Development Authority, 175 East Main Street, Brevard, North Carolina 28712.

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

STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments	\$ 1,513,086
Due from primary government	211,368
Prepaid items	2,918
Other receivables	<u>500</u>
Total current assets	<u>1,727,872</u>
Capital assets:	
Capital assets, net of accumulated depreciation/amortization	<u>43,725</u>
Total assets	<u>1,771,597</u>
Liabilities:	
Accounts payable	30,861
Current portion of long-term debt	<u>44,124</u>
Total liabilities	<u>74,985</u>
Net Position:	
Net investment in capital assets	(399)
Restricted for:	
Stabilization by state statute	211,868
Tourism promotion and related expenditures	<u>1,485,143</u>
Total net position	<u>\$ 1,696,612</u>

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

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Total</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities:					
Economic and physical development	\$ 2,360,006	\$ 33,747	\$ -	\$ -	\$ (2,326,259)
Interest on long-term debt	<u>1,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,323)</u>
Total governmental activities	<u>\$ 2,361,329</u>	<u>\$ 33,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,327,582)</u>
General Revenues:					
Intergovernmental revenue:					
Occupancy tax					1,978,427
Investment earnings					<u>76,435</u>
Total general revenues					<u>2,054,862</u>
Change in net position					(272,720)
Net Position:					
Beginning of year - July 1					<u>1,969,332</u>
Ending of year - June 30					<u>\$ 1,696,612</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023

	<u>General Fund</u>
Assets:	
Cash and investments	\$ 1,513,086
Due from primary government	211,368
Prepaid items	2,918
Other receivables	500
Total assets	<u>\$ 1,727,872</u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	<u>\$ 30,861</u>
Fund Balance:	
Non-spendable:	
Prepaid items	2,918
Restricted for:	
Stabilization by state statute	211,868
Tourism promotion and related expenditures	1,032,697
Assigned:	
Subsequent year's expenditures	<u>449,528</u>
Total fund balance	1,697,011
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	43,725
Liabilities not due and payable in the current period and, therefore, are not recorded in governmental funds	<u>(44,124)</u>
Net position of governmental activities	<u>\$ 1,696,612</u>

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

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

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

	<u>General Fund</u>
Revenues:	
Occupancy tax	\$ 1,978,427
Investment earnings	76,435
Sales and services	<u>33,747</u>
Total revenues	<u>2,088,609</u>
Expenditures:	
Economic and physical development	2,316,281
Capital outlay	87,450
Debt service:	
Principal	43,326
Interest	<u>1,323</u>
Total expenditures	<u>2,448,380</u>
Revenues over (under) expenditures	(359,771)
Other Financing Sources (Uses):	
Lease liabilities issued	<u>87,450</u>
Net change in fund balance	(272,321)
Fund Balance:	
Beginning of year - July 1	<u>1,969,332</u>
Ending of year - June 30	<u>\$ 1,697,011</u>

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

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

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

Amounts reported for governmental activities in the
Statement of Activities (Exhibit B) are different because:

Net changes in fund balance - governmental fund	\$ (272,321)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather is is an increase in capital assets	87,450
Depreciation/amortization expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(43,725)
Debt principal payments are reported as expenditures in the government funds statement. However, in the Statement of Activities, these transactions are not expenses, rather they are a decrease in liabilities.	43,326
Issuance of lease liabilities provide current financial resources to government funds. The transaction does not have an effect on net position.	<u>(87,450)</u>
Total change in net position of governmental activities	<u>\$ (272,720)</u>

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

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/Under</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Occupancy tax	\$ 2,267,559	\$ 2,230,109	\$ 1,978,427	\$ (251,682)
Investment earnings	2,000	2,000	76,435	74,435
Sales and services	33,500	33,500	33,747	247
Total revenues	<u>2,303,059</u>	<u>2,265,609</u>	<u>2,088,609</u>	<u>(177,000)</u>
Expenditures:				
Economic and physical development	2,258,409	2,343,359	2,316,281	27,078
Capital outlay	-	87,450	87,450	-
Debt service:				
Principal	44,650	43,326	43,326	-
Interest	-	1,324	1,323	1
Total expenditures	<u>2,303,059</u>	<u>2,475,459</u>	<u>2,448,380</u>	<u>27,079</u>
Revenues over (under) expenditures	<u>-</u>	<u>(209,850)</u>	<u>(359,771)</u>	<u>(149,921)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	122,400	-	(122,400)
Lease liabilities issued	-	87,450	87,450	-
Total other financing sources (uses)	<u>-</u>	<u>209,850</u>	<u>87,450</u>	<u>(122,400)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(272,321)</u>	<u>\$ (272,321)</u>
Fund Balance:				
Beginning of year - July 1			<u>1,969,332</u>	
Ending of year - June 30			<u>\$ 1,697,011</u>	

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

**TRANSYLVANIA COUNTY
TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF TRANSYLVANIA 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 Transylvania 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 Transylvania County to levy a room occupancy and tourism development tax, and the Transylvania County Commissioners adopted a resolution levying this tax on August 25, 1986, authorized by Chapter 969 of the 1985 Session Laws. The Transylvania County Commissioners created the Transylvania County Tourism Development Authority (a component unit of Transylvania County, North Carolina) as a public authority under the Local Government Budget and Fiscal Control Act. The Authority is composed of seven voting members, serving without compensation and appointed by the County Commissioners, the Brevard City Council, and the Brevard Chamber of Commerce. The Board of the Transylvania County Tourism Development Authority approves the budget of the Authority. The Authority is a component unit of the County and discretely reported in the financial statements of the County. Quarterly reports are to be made to the County Commissioners. The Authority may contract with any person, firm, or organization to advise and assist in carrying out its duty to promote travel, tourism, and conventions for Transylvania County.

Transylvania County Commissioners, Brevard City Council, and Brevard Chamber of Commerce appoint the governing board of the Authority, and the Authority operates within the County’s boundaries for the benefit of the County’s residents. The County is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and designate its own management.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government, which is a single program government. These statements include the financial activities of the government. The governmental activities are financed primarily through occupancy taxes and to a small extent through advertising revenues. The Authority has no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenue for the Authority’s single program 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.

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

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

Fund Financial Statements. The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on the major governmental fund.

The Authority reports the following major governmental fund:

General Fund. The General Fund is the Authority's primary and only operating fund. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary source of revenue is occupancy taxes levied and collected by Transylvania County. The primary expenditures are for tourism development.

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

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 current financial resources measurement funds and the modified accrual basis of accounting.

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from Transylvania County's occupancy tax is recognized in the fiscal year for which the taxes are levied.

Amounts reported as program revenues include 1) charges to customers or applicants 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 as 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. Room occupancy taxes collected and held by Transylvania County and taxes receivable by Transylvania County on behalf of the Authority at year-end to be remitted to the Authority, are recognized as revenue. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from leases are reported as other financing sources. The Authority considers all revenues available if they are collected within 60 days after year-end.

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

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

D. Budgetary Data

As required by the Local Government Budget and Fiscal Control Act (G.S. 159, Article 3), the governing board must adopt an annual balanced budget for all funds by July 1. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions, as required by G.S. 159-26(c). Appropriations are made at the functional level and are amended as necessary by the governing board. Expenditures may not exceed appropriations at the functional level for the General Fund. All annual appropriations lapse at year-end. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

Deposits

All deposits of the Authority are made in Board-designated official depositories and are collateralized as required by North Carolina General Statute [159-31]. The Authority may designate, as an official depository, any bank or savings and loan 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.

Investments

State law G.S. 159-30 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 County and TDA's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

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.

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

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

Accounts Receivable

Accounts receivable come from occupancy taxes, which are centrally collected by Transylvania County and disbursed to the Authority the following month. All receivables of the Authority are deemed collectible, thus no allowance for doubtful accounts has been recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as items are used. Prepaid items for the Authority's governmental funds are treated using the consumption method.

Capital Assets

The Authority's capital assets include certain right-to-use lease assets. These right-to-use lease assets arise in association with agreements where the Authority reports a lease (only applies when the Authority is a lessee), in accordance with the requirements of GASB 87.

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

Net Position/Fund Balance

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.

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

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

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.

Prepaid Items – portion of fund balance that is not an available resource because it represents prepaid amounts, 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 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 of 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 stated 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 non-spendable. 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 Promotion and Related Expenditures – portion of fund balance restricted by law to promote travel, tourism, and conventions in the Authority.

Committed Fund Balance. The committed fund balance classification includes amounts that can only be used for the 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.

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

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

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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Subsequent Years’ Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

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

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 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 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 not adopted a formal fund balance policy.

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	\$ 1,697,011
Less:	
Prepays	2,918
Stabilization by state statute	<u>211,868</u>
Available fund balance	<u><u>\$ 1,482,225</u></u>

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimate and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. A significant area, where estimates are made, is allowance for doubtful accounts.

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

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

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Authority are either insured or collateralized under the Pooling Method. 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 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 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 \$306,346 and a bank balance of \$306,346. 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

At June 30, 2023, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-3 Years</u>
North Carolina Investment Pool	Fair Value - Level 1	<u>\$ 1,206,740</u>	<u>\$ 1,206,740</u>	<u>N/A</u>

The Authority’s investment in the North Carolina Investment Pool (NCIP) is rated AAAM by Standard and Poor’s (S&P) Investor Service. The Authority has no policy regarding credit risk.

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

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

Accounts Receivable

Accounts receivable come from occupancy taxes, which are centrally collected by Transylvania 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, 2023, deemed uncollectible.

Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Depreciable/Amortizable Assets:				
Right-to-use lease assets	\$ -	\$ 87,450	\$ -	\$ 87,450
Less Accumulated Depreciation/Amortization:				
Right-to-use lease assets	-	43,725	-	43,725
Depreciable/amortizable assets, net	-	43,725	-	43,725
Capital assets, net	<u>\$ -</u>	<u>\$ 43,725</u>	<u>\$ -</u>	<u>\$ 43,725</u>

Depreciation/amortization expense was charged to Tourism Promotion.

B. Liabilities

Payables

Payables at the Tourism Development Authority's level at June 30, 2023 were as follows:

	<u>Vendors</u>
Governmental Activities:	
General Fund	<u>\$ 30,861</u>

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

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

Long-Term Obligations

Leases

The Authority has an agreement to lease office space. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception.

On July 1, 2022, the Authority entered into a 24-month lease as lessee for the Visitor's Center-TDA. An initial lease liability was recorded in the amount of \$87,450. As of June 30, 2023, the value of the lease liability is \$44,124. The Authority is required to make monthly fixed payments of \$3,721. The lease has an interest rate of 2.1940%. The value of the right-to-use lease asset as of June 30, 2023 is \$87,450 with an accumulated amortization of \$43,725.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 44,124	\$ 526	\$ 44,650

The following is a summary of changes in the Authority's long-term obligations for the fiscal year ended June 30, 2023:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Governmental Activities:					
Lease liabilities issued	\$ -	\$ 87,450	\$ (43,326)	\$ 44,124	\$ 44,124

Net Investment in Capital Assets

The total net investment in capital assets as of June 30, 2023, is composed of the following elements:

	Governmental Activities
Capital assets, net of accumulated depreciation/amortization	\$ 43,725
Less: capital debt	
Gross debt	44,124
Net investment in capital assets	<u>\$ (399)</u>

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

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

C. Risk Management

The Authority is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. The Authority does not carry commercial insurance to cover these risks of loss. Since the Authority is a component unit of Transylvania County, the County's insurance coverage for these risks also covers the Authority. The Authority does not carry flood insurance.

In accordance with G.S. 159-29, Transylvania County's employees that administer and have access to \$100 or more of the Authority's funds at any given time are performance bonded through a commercial surety bond. Transylvania County's Finance Director, who is responsible for accounting of the Authority's funds, is bonded separately under a surety bond for the Authority for \$50,000. Effective with the bond renewal on July 1, 2023, the TDA increased the bonding for the Finance Director to \$275,000 in order to comply with S.L. 2022-53, Section 9(a).

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.

D. Revenue

Occupancy Taxes

In accordance with state law [S.L. 2005-88], a room occupancy tax of five percent 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 except those 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 or for 90 or more continuous days to the same person. This tax is in addition to any state or local sales tax. Gross proceeds of the tax are collected by Transylvania County and remitted to the Authority. Collection costs are set in the state law at three percent of the first \$500,000 of gross proceeds collected each year and one percent of the remaining gross receipts collected each year.

Occupancy tax distribution for the year ended June 30, 2023 was as follows:

Occupancy tax distribution	\$ <u>1,978,427</u>
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E. Subsequent Events

Subsequent to year-end, the Authority approved a \$250,000 contract for the Ecusta Trail Project, which is funded with local funds of the Authority. Total expenditures for this project are planned for \$1,000,000 over the next several years, as needed.