



Jacksonville

TOURISM DEVELOPMENT AUTHORITY

— *Receive a Hero's Welcome* —



Jacksonville Tourism Development Authority Annual Financial Report

Fiscal Year ended June 30, 2021

Prepared by the City of Jacksonville NC Finance Department

PO Box 128 • Jacksonville NC 28541-0128

City Hall: 815 New Bridge St • Jacksonville NC 28540

Directors of the Jacksonville Tourism Development Authority

Randy Thomas, Chairman of the Authority

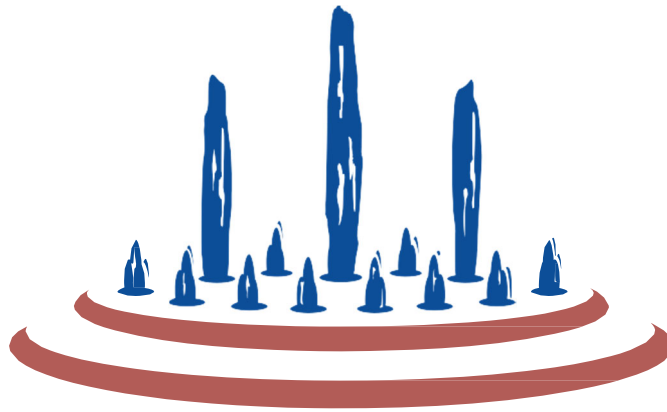
Ken Hagan, Vice Chairman of the Authority

Chris Davis, Director

Rick Young, Director

Robert Warden, Director

Ernie Wright, Director



Jacksonville

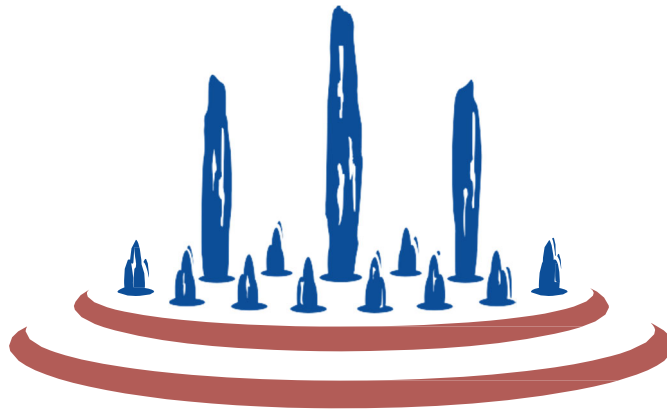
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Contents

Financial Section

Report of Independent Auditor	1 - 2
Management's Discussion and Analysis (Unaudited)	6 - 11
Basic Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Fund	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual-General Fund	17
Notes to the Financial Statements	19 - 23



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FINANCIAL SECTION

- Report of Independent Auditor
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements

Report of Independent Auditor

To the Board of Directors
City of Jacksonville Tourism Development Authority
Jacksonville, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the City of Jacksonville Tourism Development Authority (the "Authority"), a component unit of City of Jacksonville, North Carolina (the "City"), as of and for the year ended June 30, 2021, 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 an opinion 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 of 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 financial presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Authority, a component unit of the City, as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and changes in financial position that are only attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of City of Jacksonville, North Carolina as of June 30, 2021, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

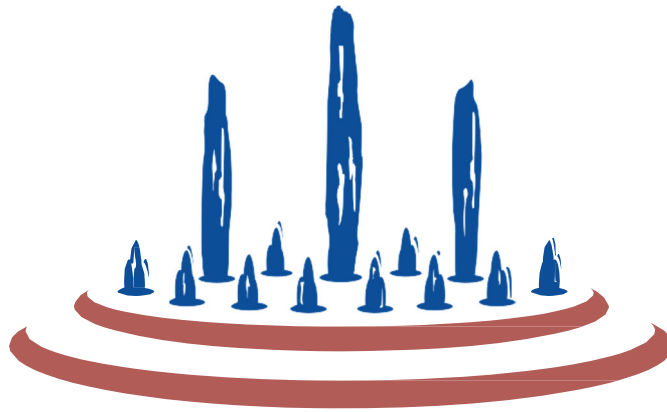
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A"), as listed in the table of contents, 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 MD&A 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.

Chemy Bekaert LLP

Raleigh, North Carolina
October 25, 2021

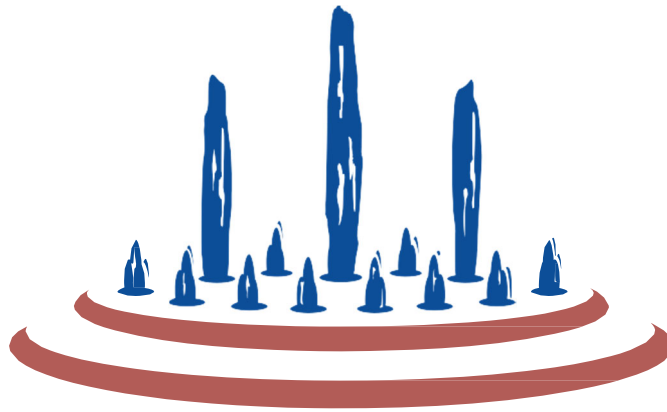


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Management's Discussion and Analysis (unaudited)



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Jacksonville Tourism Development Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2021

As management of Jacksonville Tourism Development Authority ("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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

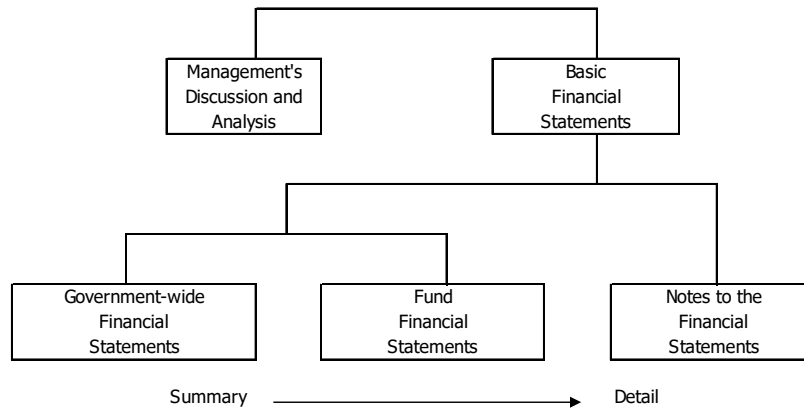
- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$3,786,022 (net position).
- As of the close of the current fiscal year, the Authority's ending net position of \$3,786,022 includes \$143,333 for stabilization by state statute, \$973,310 to be spent on tourism promotion and \$2,669,379 remains for other tourism related expenditures.
- Occupancy Tax and Penalty collections increased by \$105,602 or 9.7%. This increase in collections is attributable to the recovery from the COVID-19 pandemic, as well as large construction projects under way in the area. The monthly revenue collections continued to dip below the prior year levels through February 2021. Beginning in March of 2021, the collections rebounded to exceed pre-COVID-19 amounts, when compared to the same months in prior years.
- Administration and Tourism Promotion expenses decreased by 19.9% as the Authority refined the process of tourism promotion awards and events were cancelled due to the pandemic.
- Other Tourism Related expenses increased by \$90,800. In addition to the ongoing support for the Sturgeon City Environmental Education Center, the Authority transferred funds to support wayfinding and location signage.

Overview of the Financial Statements

This discussion and analysis are 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. The following diagram shows how the required components of the basic financial statements are arranged and relate to one another.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements 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 are **Fund Financial Statements**. These statements focus on the activities of the operations of the Authority. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statement, and 2) the budgetary comparison statement.

The next section is **Notes to the Basic 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 it has changed. Net position is the difference between the Authority's total assets plus any deferred outflows and total liabilities plus any deferred inflows. Measuring net position is one way to gauge the Authority's financial condition.

The Authority has only one governmental activity which is reported in the government-wide statements. The governmental activity includes all of the Authority's basic services. Room occupancy taxes finance most of this activity.

The government-wide financial statements can be found on the first two statements 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 North Carolina General Statutes, or the Authority's budget ordinance. The General Fund of the Authority is a governmental fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Authority's basic services are accounted for in a governmental fund. 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 determine if there are more or less financial resources available to finance the Authority's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements when there is a difference.

The Authority adopts an annual budget for its General Fund, as required by North Carolina General Statutes. The budget is a legally adopted document which incorporates input from the citizens of the City of Jacksonville, North Carolina, management of the Authority and the decisions of the Authority, about which services to provide and how to pay for them. The budgetary statement provided for the operating fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown on the reconciliation 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 begin on page 19 of this report.

Government-Wide Financial Analysis

Jacksonville Tourism Development Authority's Net Position

Figure 2

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 3,852,884	\$ 3,256,041
Total assets	<u>3,852,884</u>	<u>3,256,041</u>
Other liabilities	66,862	25,658
Total liabilities	<u>66,862</u>	<u>25,658</u>
Net position:		
Restricted	1,116,643	1,098,234
Unrestricted	2,669,379	2,132,149
Total net position	<u>\$ 3,786,022</u>	<u>\$ 3,230,383</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$3,786,022 at June 30, 2021 and by \$3,230,383 at June 30, 2020. The net position of the Authority is restricted by the enabling legislation as to the purpose for which funds can be spent. Due to a change in this legislation with Session Law S.L.2017-202, effective July 1, 2017 one-third of the net collections are restricted for tourism promotion and the remaining two-thirds shall be spent on any other tourism related expenses.

Jacksonville Tourism Development Authority's Changes in Net Position

Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Occupancy taxes and penalties	\$ 1,198,643	\$ 1,093,041
Interest earned on investments	646	9,448
Total revenues	1,199,289	1,102,489
Expenses:		
Administration and tourism promotion	402,850	502,883
Tourism related expenses	240,800	150,000
Total expenses	643,650	652,883
Increase in net position	555,639	449,606
Net Position:		
Beginning of year, July 1	3,230,383	2,780,777
End of year, June 30	\$ 3,786,022	\$ 3,230,383

In fiscal year 2021, the Authority's revenues exceeded its expenses by \$555,639 and during its fiscal year 2020, revenues exceeded expenses by \$449,606.

Financial Analysis of the Authority's Fund

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

Governmental Fund. 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 financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the operating fund of the Authority. At the end of the current fiscal year, total fund balance was \$3,786,022. The current year's accumulation of fund balance gives the Authority a cushion to level out any future fluctuations in either revenue or expenditures.

Budget Highlights for the Fiscal Year 2021

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

Governmental Activities. Revenues in the current year were more than budget. For the next fiscal year, we anticipate stability in the occupancy tax revenue. Expenditures for this year were \$643,650, decreasing from the prior year by \$9,233, as the Authority continued the process of

looking at how the resources will be spent to promote tourism and there were many events cancelled due to COVID-19.

Budget Highlights for the Fiscal Year 2022

The Authority plans to continue to support ongoing projects such as the Heroes Visitor Center. The Authority is also moving forward with limited signage projects for the coming year.

The Authority has revised its Strategic Implementation Plan to focus on promoting the overall destination of Jacksonville and the surrounding area through targeted digital campaigns and continued State and County partnerships.

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 the Jacksonville Tourism Development Authority, 815 New Bridge Street, Jacksonville, North Carolina 28540.

BASIC
FINANCIAL STATEMENTS

Jacksonville Tourism Development Authority
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments	\$ 3,709,551
Occupancy taxes receivable	143,333
Total assets	3,852,884
 Liabilities	
Accounts payable	66,862
Total liabilities	66,862
 Net Position	
Restricted:	
Stabilization by State Statute	143,333
Tourism promotion	973,310
Unrestricted	2,669,379
Total net position	\$ 3,786,022

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

Jacksonville Tourism Development Authority
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government:					
Governmental Activities:					
Economic and physical development	\$ 643,650	\$ -	\$ -	\$ -	\$ (643,650)
Total governmental activities	<u>\$ 643,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(643,650)</u>
 General Revenues:					
					1,198,643
					646
					<u>1,199,289</u>
Change in net position					555,639
 Net Position:					
					3,230,383
					<u>\$ 3,786,022</u>

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

Jacksonville Tourism Development Authority
Balance Sheet - Governmental Fund
June 30, 2021

	<u>General Fund</u>
Assets	
Cash and investments	\$ 3,709,551
Accounts receivable	143,333
Total assets	<u><u>\$ 3,852,884</u></u>
Liabilities	
Accounts payable	\$ 66,862
Total liabilities	<u>66,862</u>
Fund Balance	
Restricted:	
Stabilization by State Statute	143,333
Tourism promotion	973,310
Unassigned	2,669,379
Total fund balance	<u><u>3,786,022</u></u>
Total liabilities and fund balance	<u><u>\$ 3,852,884</u></u>

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

There are no differences to reconcile to the Statement of Net Position.

Jacksonville Tourism Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund
For the Year Ended June 30, 2021

	General Fund
Revenues:	
Occupancy taxes	\$ 1,195,407
Penalties	3,236
Interest income	646
Total revenue	1,199,289
 Expenditures:	
Administration and tourism promotion	402,850
Tourism related expenditures	240,800
Total expenditures	643,650
Revenue over expenditures	555,639
Net change in fund balance	555,639
 Fund Balance	
Beginning of year, July 1	3,230,383
End of year, June 30	\$ 3,786,022

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

There are no differences to reconcile to the Statement of Activities.

Jacksonville Tourism Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Occupancy taxes	\$ 975,000	\$ 1,115,000	\$ 1,195,407	\$ 80,407
Penalties	-	-	3,236	3,236
Interest income	-	700	646	(54)
Total revenue	<u>975,000</u>	<u>1,115,700</u>	<u>1,199,289</u>	<u>83,589</u>
Expenditures				
Administration	25,850	33,105	32,302	(803)
Tourism promotion	316,352	510,381	370,548	(139,833)
Tourism related expenditures	632,798	722,714	240,800	(481,914)
Total expenditures	<u>975,000</u>	<u>1,266,200</u>	<u>643,650</u>	<u>(622,550)</u>
Revenue over (under) expenditures	<u>-</u>	<u>(150,500)</u>	<u>555,639</u>	<u>(706,139)</u>
Other financing sources (uses):				
Appropriated fund balance	-	150,500	-	(150,500)
Total other financing sources (uses)	<u>-</u>	<u>150,500</u>	<u>-</u>	<u>(150,500)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>555,639</u>	<u>\$ 555,639</u>
Fund Balance				
Beginning of year, July 1			<u>3,230,383</u>	
End of year, June 30			<u>\$ 3,786,022</u>	

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

**NOTES TO THE
FINANCIAL STATEMENTS**

Jacksonville Tourism Development Authority

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

The Jacksonville Tourism Development Authority (the Authority) promotes activities and programs aiding and encouraging travel, tourism, and conventions in Jacksonville, North Carolina. The Authority is funded by the room occupancy tax which was levied by resolution of the City Council of the City of Jacksonville, NC on April 30, 2010. Each month the Authority receives three percent occupancy tax of the gross receipts from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the City limits that is subject to sales tax imposed by the State under G.S. 105-164.4(a)(3), but does not apply to accommodations provided by nonprofit, educational, or religious organizations when furnished in furtherance of their nonprofit function. Effective July 1, 2017, one-third of the net proceeds of the occupancy tax are required to be used for tourism promotion and the remaining two-thirds shall be used for any other tourism related expense. The Authority is a separate governmental entity whose board members are appointed by the City of Jacksonville. The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting. The following is a summary of the more significant accounting policies:

Reporting Entity:

For financial reporting purposes, in conformity with GASB Codification Section 2100, the Authority is a component unit of the City of Jacksonville, NC and is included as such in the City's annual comprehensive financial report.

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. The Authority's activities are financed through room occupancy taxes and investment income.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to the Authority's particular function. All of the Authority's revenues are currently generated from taxes and investment earnings and as such, are presented as general revenues.

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

The Authority has the following fund category (further divided by fund type):

Governmental Funds are used to account for the Authority's general governmental activities. Governmental funds include the following fund type:

General Fund – The General Fund is the general operating fund of the Authority. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue source for the General Fund is occupancy taxes. The primary

Jacksonville Tourism Development Authority

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

expenditures are for economic development that stimulates tourism.

The General Fund is the Authority's only fund for the period ended June 30, 2021.

Measurement Focus and Basis of Accounting:

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

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus 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. Non-exchange transactions in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include the occupancy tax. On an accrual basis, revenue from the tax is recognized in the fiscal year in which it is collected by the establishments.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred.

The Authority considers all revenues available if they are collected within 90 days after year end. Room occupancy taxes collected by establishments prior to June 30, but remitted after June 30 to the City on behalf of the Authority, are recognized as revenue if received within 90 days.

Budgetary Data:

Budgets are generally adopted by July 1, as required by the Local Government Budget and Fiscal Control Act (North Carolina G.S. 159, Article 3). An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year end. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions. Expenditures may not legally exceed appropriations at the department level for the General Fund. Any budget amendments during the year must be approved by the Authority's Board. Amendments are required for any revisions that alter total expenditures of the department. There were two significant amendments to the budget for FY21. The first was to anticipate additional marketing funds being needed and the second was to anticipate the increased revenues from Occupancy Tax.

Assets, Liabilities, and Fund Equity

Deposits and Investments:

All deposits of the Authority are made in Board-designated official depositories and are secured as required by State law [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; bonds and notes of any North Carolina local government or public authority;

Jacksonville Tourism Development Authority

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Authority's investments are reported at fair value as determined by quoted market prices. 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.

Net Position and Fund Equity:

Net position in the government-wide fund financial statements are classified as restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statutes.

Fund Balances:

In the governmental fund financial statements, fund balance is categorized in up to 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. The Authority had no non-spendable fund balance at June 30, 2021.

Restricted fund balance- this classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. At June 30, 2021 the restricted fund balance totaled \$1,116,643. The Authority's restricted fund balance consists of:

Tourism promotion – portion of fund balance that the North Carolina legislation, that authorized the City of Jacksonville to establish the Authority and collect the occupancy tax, has restricted for tourism promotion.

Stabilization by State Statute – portion of fund balance that is restricted by State law [G.S. 159-8(a)].

Committed fund balance – this classification is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Jacksonville Tourism Development Authority's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The Authority has no committed fund balance at June 30, 2021.

Assigned fund balance – this classification is the portion of fund balance that the Jacksonville Tourism Development Authority intends to use for specific purposes, but does not require a change or removal by the Authority's Board of Directors. At June 30, 2021 there was no assigned fund balance.

Unassigned fund balance – this classification is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. At June 30, 2021 there was

Jacksonville Tourism Development Authority

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

an unassigned fund balance of \$2,669,379.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

Note 2. Detail Notes on all Funds and Account Groups

At June 30, 2021 cash and investments comprises the following:

Deposits:

All the deposits of local governments in North Carolina are required to be either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are separately collateralized with securities held by the Authority's agents in the Authority's name. Under the Pooling Method, which is a statewide collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in 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 agents. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no policy regarding the 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, 2021, the carrying amount of the Authority deposits was \$551,922. The bank balance was \$517,045, of which, \$250,000 was covered by federal depository insurance and \$267,045 in deposits was covered by collateral held under the Pooling Method (State Treasurer).

Investments:

At June 30, 2021, the Jacksonville Tourism Development Authority had \$3,157,629 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority has no policy regarding credit risk.

Jacksonville Tourism Development Authority

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Note 3. Risk Management

In accordance with G.S. 159-29, the Authority has obtained a Public Employees Blanket Bond with a limit of \$50,000 to cover the City of Jacksonville's employees who handle the Authority's cash. The Authority's finance officer is individually bonded for \$50,000. The Authority carries commercial coverage for operational and statutory requirements.

Note 4. Related Party Transactions

The Authority is affiliated with the City of Jacksonville. The Authority has no employees; therefore, all administrative functions are performed by City of Jacksonville employees. The Authority's revenues are collected by employees of the City of Jacksonville and deposited into the Authority's account. The Authority's expenditures are also processed by City staff and then reimbursed by the Authority. The Authority reimbursed the City for administrative costs up to the amount allowed in the enabling State legislation. The amount paid to the City for this administration fee during the year ended June 30, 2021 was \$22,025.

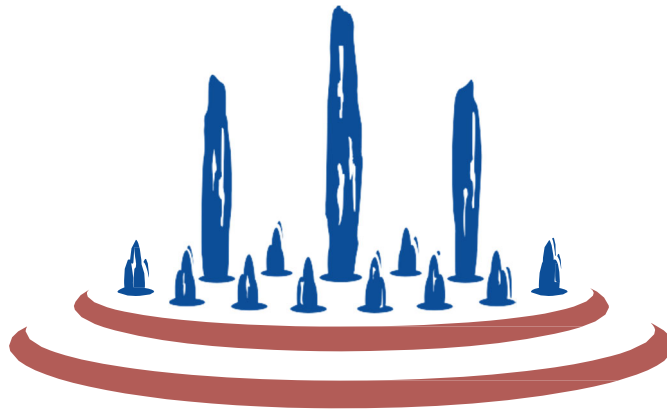
On February 23, 2012, the Authority agreed to fund \$150,000 annually for the repayment of debt owed by the City of Jacksonville associated with the construction of the Sturgeon City Environmental Education Center. While the Authority has no legal obligation related to the City's debt, it anticipates continuing this funding through the maturity of the City's debt, April 1, 2032. During the year ended June 30, 2021, the Authority paid the City \$150,000.

Note 5. Disclosure of Significant Contingencies

As a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen, which may negatively impact operating results of the Tourism Development Authority through the next fiscal year. These uncertainties include, but is not limited to, a decrease in occupancy tax revenue. Other financial impacts could occur, though such potential impact is unknown at this time.

Note 5. Subsequent Events

The Authority has evaluated subsequent events through October 25, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.



Jacksonville

TOURISM DEVELOPMENT AUTHORITY

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