

**SURRY COUNTY**  
**TOURISM DEVELOPMENT AUTHORITY**  
(A Component Unit of Surry County, North Carolina)

**Financial Statements**

**June 30, 2021**



**GOULD KILLIAN**  
**CPA GROUP, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

**SURRY COUNTY TOURISM DEVELOPMENT AUTHORITY**  
**(A Component Unit of Surry County, North Carolina)**

**BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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## **Independent Auditors' Report**

Board of Directors  
Surry County Tourism Development Authority  
Dobson, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Surry County Tourism Development Authority (a component unit of Surry County, North Carolina) (the Authority) 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Surry County Tourism Development Authority, as of June 30, 2021, and the changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standard 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.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 19, 2021

## **Management's Discussion and Analysis**

As management of the Surry County Tourism Development Authority, we offer readers of the Surry County Tourism Development Authority's financial statements this narrative overview and analysis of the financial activities of the Surry County Tourism Development 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.

On June 16, 2009, Session Law 2009-112 established Surry County District S, a special taxing district made up of the unincorporated areas of Surry County and to authorize the district to levy a six-percent room occupancy tax. The Surry County Board of County Commissioners adopted a resolution creating the Surry County District S Tourism Development Authority and implemented the six-percent occupancy tax effective September 1, 2009.

### **Financial Highlights**

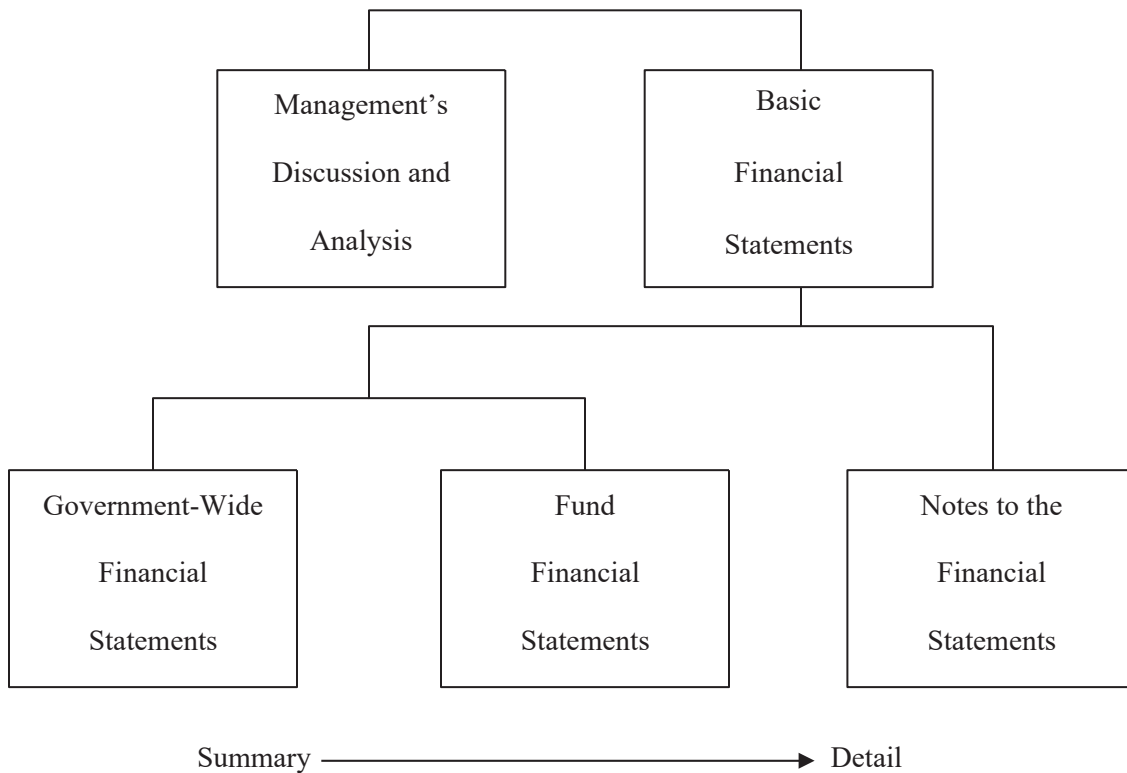
- The assets of the Surry County Tourism Development Authority exceeded its liabilities at the close of the fiscal year by \$134,861 (net position).
- The Authority's total net position increased by \$31,573, which is a result of reduced revenue projections budgeted with the uncertainty of the impact of COVID on the travel industry. Revenues collected were 190% over budget.
- As of the close of the current fiscal year, the Surry County Tourism Development Authority reported ending fund balance of \$134,861, an increase of \$31,573 in comparison with the prior year. Approximately 13% of total fund balance, or \$17,494, is restricted.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Surry County Tourism Development 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.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 5) are **fund financial statements**. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

## Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Authority's finances, 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 consist of governmental activities. The governmental activities include most of the Authority's basic services, such as providing advertising and promoting tourism for Surry County.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## Fund Financial Statements

The fund financial statements (see Figure 2) 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 Surry County Tourism Development 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.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Authority's basic services are accounted for in governmental funds. These funds focus 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 view that helps him or her determine if there are more or less financial resources available to finance the Authority's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (if any) will be described in a reconciliation that is explained in the notes.

The Surry County Tourism Development Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Authority, the management of the Authority, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Authority to obtain funds-identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and changes.

**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 are on pages 14-18 of this report.

**Government-Wide Financial Analysis**

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

**Figure 2**

	<b>Governmental Activities</b>	
	<b><u>June 30, 2021</u></b>	<b><u>June 30, 2020</u></b>
<b>Assets:</b>		
Current and other assets	\$ 150,539	\$ 117,622
<b>Liabilities:</b>		
Current liabilities	15,678	14,334
<b>Net Position:</b>		
Stabilization by State statute	17,494	9,826
Unrestricted	<u>117,367</u>	<u>93,462</u>
Total net position	<u>\$ 134,861</u>	<u>\$ 103,288</u>

As noted earlier, net position may serve, over time, as one useful indicator of an Authority's financial condition. The assets of the Surry County Tourism Development Authority exceeded liabilities by \$134,861, as of June 30, 2021. The Authority's net position increased by \$31,573 for its fiscal year ended June 30, 2021.



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

**Figure 3**

	<b>Governmental Activities</b>	
	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>Revenues:</b>		
General revenues:		
Occupancy taxes	\$ 149,706	\$ 94,020
Total revenues	149,706	94,020
<b>Expenditures/Expenses:</b>		
Economic development:		
Operating expenses	118,133	130,445
Total expenditures/expenses	118,133	130,445
Change in net position	31,573	(36,425)
<b>Net Position:</b>		
Beginning of year - July 1	103,288	139,713
End of year - June 30	\$ 134,861	\$ 103,288

**Governmental Activities.** Governmental activities increased the Authority's net position by \$31,573. Key elements of this decrease are as follows:

- Increase in occupancy tax collections.
- Reduced expenses from the previous year related to wayfinding signs initiative.

**Financial Analysis of the Authority's Funds**

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

**Governmental Funds.** The focus of the Surry County Tourism Development Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the Surry County Tourism Development Authority's financing requirements. Specifically, available fund balance available for appropriation 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 Surry County Tourism Development Authority. At the end of the fiscal year, available fund balance of the General Fund was \$117,367, while total fund balance increased to \$134,861. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 99% of total General Fund expenditures, and total fund balance represents 114% of that same amount.

**General Fund Budgetary Highlights.** During the fiscal year, the Authority made no revisions to its original budget. 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.

### **Economic Factors and Next Year's Budgets and Rates**

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

- The Authority continues to engage in print advertising, hosting media writers, participating in the familiarization tours, and assisting with print and development of visitor guides. These efforts have effectively increased visibility of Surry County.
- A wayfinding signage campaign will continue to give direction to areas of interest to increase tourism to key areas.
- The efforts of the Tourism Partnership of Surry County, that the Surry County Tourism Development Authority and the municipal Tourism Development Authorities financially support, continue to work together to increase tourism in Surry County.
- The Authority provides marketing and capital grants to tourism-related entities.

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities:** Media campaigns through familiarization tours and print advertising are continued efforts to increase tourism to the area. This includes working with travel writers to increase the visibility of Surry County as a tourist destination. A wayfinding signage campaign has also been initiated throughout the area that will continue to lead to areas of interest county-wide. The Authority will continue to support area events to ensure that they are successful, thus promoting tourism.

### **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 Finance Officer, Surry County, PO Box 1467, 114 West Atkins St, Dobson, NC 27017.

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

**Exhibit 1**

Statement of Net Position  
June 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 133,045
Accounts receivable	<u>17,494</u>
Total assets	<u>150,539</u>
<b>LIABILITIES</b>	
Accounts payable	<u>15,678</u>
<b>NET POSITION</b>	
Restricted for stabilization by State statute	17,494
Unrestricted	<u>117,367</u>
Total net position	<u>\$ 134,861</u>

The accompanying notes are an integral part of these financial statements.

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

**Exhibit 2**

Statement of Activities  
For the year ended June 30, 2021

<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>
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Economic development	\$ 118,133	\$ -	\$ -	\$ -	\$ (118,133)
General revenues:					
Occupancy tax					<u>149,706</u>
Change in net position					31,573
Net position, beginning of year					<u>103,288</u>
Net position, end of year					<u>\$ 134,861</u>

The accompanying notes are an integral part of these financial statements.

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

**Exhibit 3**

Balance Sheet  
Governmental Fund  
June 30, 2021

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 133,045
Accounts receivable	17,494
Total assets	<u>\$ 150,539</u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 15,678</u>
<b>FUND BALANCE</b>	
Restricted for stabilization by State statute	17,494
Assigned for subsequent year's expenditures	20,801
Unassigned	96,566
Total fund balance	<u>134,861</u>
 Total liabilities and fund balance	 <u>\$ 150,539</u>

The accompanying notes are an integral part of these financial statements.

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

**Exhibit 4**

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the year ended June 30, 2021

	<b>General Fund</b>
<b>REVENUES</b>	
Occupancy revenue	\$ 149,706
Total revenues	<u>149,706</u>
<b>EXPENDITURES</b>	
Economic development:	
Tourism operations	<u>118,133</u>
Total expenditures	<u>118,133</u>
Revenues over expenditures	31,573
Fund balance, beginning of year	<u>103,288</u>
Fund balance, end of year	<u>\$ 134,861</u>

The accompanying notes are an integral part of these financial statements.

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

**Exhibit 5**

General Fund  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
For the year ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive/ (Negative)</b>
Revenues:				
Occupancy tax	\$ 78,750	\$ 78,750	\$ 149,706	\$ 70,956
Total revenues	<u>78,750</u>	<u>78,750</u>	<u>149,706</u>	<u>70,956</u>
Expenditures:				
Surry County Tourism Partnership	49,902	49,902	49,902	-
Marketing and promotions	24,368	24,368	42,425	(18,057)
Professional services	11,100	11,100	14,539	(3,439)
Rent - buildings and equipment	100	100	-	100
Insurance and bonding	200	200	175	25
Supplies and materials	750	750	68	682
Travel and training	1,000	1,000	-	1,000
Postage	500	500	-	500
Printing and copying	5,000	5,000	-	5,000
Small equipment	25,000	25,000	10,423	14,577
Miscellaneous	300	300	601	(301)
Total expenditures	<u>118,220</u>	<u>118,220</u>	<u>118,133</u>	<u>87</u>
Revenues over (under) expenditures	<u>(39,470)</u>	<u>(39,470)</u>	<u>31,573</u>	<u>71,043</u>
Other financing sources:				
Appropriated fund balance	<u>39,470</u>	<u>39,470</u>	<u>-</u>	<u>(39,470)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	31,573	<u>\$ 31,573</u>
Fund balance, beginning of year			<u>103,288</u>	
Fund balance, end of year			<u>\$ 134,861</u>	

The accompanying notes are an integral part of these financial statements.

**SURRY COUNTY TOURISM DEVELOPMENT AUTHORITY**  
**(A COMPONENT UNIT OF SURRY COUNTY, NORTH CAROLINA)**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**Note 1- Summary of Significant Accounting Policies**

The accounting policies of the Surry 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 Surry County Tourism Development Authority is a component unit of Surry County, North Carolina. Surry County appoints the members of the Authority’s governing board. The Authority receives revenue through a six percent occupancy tax, which is levied and collected by Surry County. The County remits the taxes collected to the Authority. The Authority, which has a June 30 year-end, is presented as if it were a governmental fund. The transactions of the management of the Authority are included in the accompanying basic financial statements. The accompanying basic financial statements include all funds required by generally accepted accounting principles. As required by generally accepted accounting principles, these financial statements are reported as a discretely presented component unit of the County.

**B. Basis of Presentation**

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government (Authority). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues of the Authority. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the Authority’s funds. Separate statements for each fund are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**The Authority reports the following major governmental fund:**

*General Fund.* The Operations Fund is the general operating fund of the Authority. The Operations Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue source is the occupancy tax remitted to the Authority. The primary expenditures are for the advertising and promoting tourism in the County.



### C. Measurement Focus and Basis of Accounting

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

*Government-Wide Fund Financial Statements.* The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Operating funds are accounted for on the cash basis of accounting during the year and converted to the modified accrual basis of accounting at year-end. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for principal and interest not matured on general long-term debt, which is recognized when due and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

### D. Budgetary Data

The Local Government Budget and Fiscal Control Act require the governing board to adopt an annual balanced budget ordinance by July 1. All annual appropriations lapse at fiscal year-end. Budgetary control is exercised and appropriations are made and amended as necessary by the governing board. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level. The budget shown in the financial statements is the budget as amended at June 30, 2021.

### E. Assets, Liabilities, and Fund Equity

*Deposits and Investment.* 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; 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value.

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

### **Net Position/Fund Balances**

*Net Position.* Net position in 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 externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

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

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 in tact.

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

*Committed Fund Balance.* Committed fund balance is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Surry County Tourism Development Authority's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

*Assigned Fund Balance.* Assigned fund balance is the portion of fund balance that the Surry County Tourism Development Authority intends to use for specific purposes.

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

The Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: federal funds, State funds, local 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 officially adopted a fund balance policy.

**Fund Balance Available for Appropriation**

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

Total fund balance - General Fund	\$ 134,861
Less:	
Stabilization by State statute	<u>17,494</u>
Total available fund balance	<u>\$ 117,367</u>

**F. Estimates**

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

**Note 2- Detail Notes on All Funds**

**A. Assets**

*Deposits.* All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Commission’s agents in the unit’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority’s agent in its name.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential

exists for under-collateralization, 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 formal policy regarding custodial credit risks 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 the deposits are properly secured.

At June 30, 2021, the Authority's deposits had a carrying amount of \$133,045 and a bank balance of \$133,045. The Authority's deposits are part of Surry County's central depository, therefore it is not practicable to determine the extent of federal depository insurance applicable specifically to Authority funds. As such, all of the Authority's bank balance was considered to be covered under the pooling method.

## B. Liabilities

*Payables.* Payables at the government-wide level at June 30, 2021 were as follows:

Accounts payable	<u>\$ 15,678</u>
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*Risk Management.* The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries no commercial insurance for all other risk of loss.

In accordance with G.S. 159-29, the Authority's Finance Officer is individually bonded for \$50,000. All employees are insured with a commercial carrier for theft and other related crimes up to \$250,000. The Authority is not covered by flood insurance.