

Jackson County Tourism Development Authority

A Component Unit of Jackson County

Financial Statements

Year Ended June 30, 2016



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Jackson County Tourism Development Authority (a Component Unit of Jackson County) (the "Authority") as of and for the year ended June 30, 2016, 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.

Auditors' 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended June 30, 2016, 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 Management's Discussion and Analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Dixon Hughes Goodman LLP

Asheville, North Carolina
November 8, 2016

Management's Discussion and Analysis

The Jackson County Tourism Development Authority (the "Authority") was established on January 1, 2013. As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2016. This information should be read in conjunction with the financial statements that follow this section.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$546,117 (net position).
- The Authority's total net position increased by \$120,853 primarily due to increased occupancy tax revenue.
- As of the close of the fiscal year, the Authority's governmental fund reported an ending fund balance of \$546,117. \$375,564 is available for spending at the Authority's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged in a single governmental program, the fund financial statements and the government-wide statements are combined using a single columnar format that reconciles the individual fund financial data in a separate column on the face of the financial statements. The financial statements also include notes that explain some of the information and provide more detailed data.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The government-wide statements are comprised of a single category - governmental activities.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position. However, other non-financial information, such as number of rooms available to rent and changes in the facilities that rent the rooms, should be considered when determining the financial health of the Authority.

The *Statement of Activities* presents information showing how the Authority's net position changed during the current period. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

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. All of the Authority's services are reported in a governmental fund, the General Fund, which focuses on how money flows into and out of the fund and the balance left at year end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the Authority's general governmental operations and the basic services it provides. Governmental financial information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs.

The combined fund and government-wide financial statements can be found on pages 6 and 7 of this report.

Jackson County Tourism Development Authority
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Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the combined statements. The notes can be found on pages 9-11 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$546,117 at the close of the most recent fiscal year.

By far, the largest portion of the Authority's net position, \$425,564 (78 percent), is in unrestricted net position. Unrestricted net position is the portion of net position that can be used to finance day-to-day operations. The remaining amount, \$120,553 (22 percent), represents resources that are subject to external restrictions on how they may be used.

Table 1
Statements of Net Position
Governmental Activities

	<u>2016</u>	<u>2015</u>
Current assets	<u>\$ 555,960</u>	\$ 491,574
Liabilities	<u>9,843</u>	66,310
Net position:		
Restricted	120,553	105,836
Unrestricted	<u>425,564</u>	319,428
Total net position	<u>\$ 546,117</u>	\$ 425,264

Table 2
Changes in Net Position
Governmental Activities

	<u>2016</u>	<u>2015</u>
Revenues:		
General revenues:		
Room occupancy taxes	\$ 932,220	\$ 838,096
Miscellaneous	<u>4,210</u>	2,873
Total revenues	<u>936,430</u>	840,969
Expenses:		
Economic Development	<u>815,577</u>	844,690
Change in net position	120,853	(3,721)
Net position, July 1	<u>425,264</u>	428,985
Net position, June 30	<u>\$ 546,117</u>	\$ 425,264

**Jackson County Tourism Development Authority
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Management's Discussion and Analysis**

Governmental Fund Financial Analysis

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

The General Fund is the operating fund of the Authority. At the end of the fiscal year ended June 30, 2016, the Authority reported an ending fund balance of \$546,117, an increase of \$120,853 compared to the previous year. Approximately 69 percent of this total amount (\$375,564) represents unassigned fund balance, which is available for spending at the Authority's discretion. Approximately 9 percent (\$50,000) of the fund balance is assigned for subsequent year's expenditures. The remainder of the fund balance (\$120,553) is reserved to indicate that it is not available for new spending because it has already been committed to comply with the provisions of the North Carolina General Statutes.

General Fund Budgetary Highlights

The Authority revised the budget one time in the current period to increase revenues and expenditures due to increased occupancy tax collected from an increased number of visitors to the area. There were increases in advertising, promotion, and public relations expenditures.

Economic Factors and Next Year's Budget

During the current period, occupancy tax collections were higher due to increased visitors. The Authority has budgeted a slight increase for the coming year.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Jackson County Tourism Development Authority Finance Officer, 401 Grindstaff Cove Road, Sylva, North Carolina, 28779.

BASIC FINANCIAL STATEMENTS

Jackson County Tourism Development Authority
A Component Unit of Jackson County
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2016

Exhibit "A"

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash	\$ 435,407	\$ -	\$ 435,407
Room occupancy taxes receivable	120,553	-	120,553
Total assets	<u>\$ 555,960</u>	<u>-</u>	<u>555,960</u>
Liabilities:			
Accounts payable	<u>\$ 9,843</u>	<u>\$ -</u>	<u>\$ 9,843</u>
Fund balance:			
Restricted:			
Stabilization by State Statute	120,553	(120,553)	-
Assigned:			
Subsequent year's expenditures	50,000	(50,000)	-
Unassigned	<u>375,564</u>	<u>(375,564)</u>	<u>-</u>
Total fund balance	<u>546,117</u>	<u>(546,117)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 555,960</u>		
Net position:			
Restricted for:			
Stabilization by State Statute		120,553	120,553
Unrestricted		<u>425,564</u>	<u>425,564</u>
Total net position		<u>\$ -</u>	<u>\$ 546,117</u>

See accompanying notes.

Jackson County Tourism Development Authority
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Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance/Statement of Activities
Year Ended June 30, 2016

Exhibit "B"

	General Fund	Adjustments	Statement of Activities
Revenues:			
Room occupancy taxes	\$ 932,220	\$ -	\$ 932,220
Miscellaneous	4,210	-	4,210
Total revenues	936,430	-	936,430
Expenditures/expenses:			
Economic Development:			
Operating expenditures/expenses	815,577	-	815,577
Change in fund balance/net position	120,853	-	120,853
Fund balance/net position:			
Beginning of year, July 1	425,264	-	425,264
End of year, June 30	<u>\$ 546,117</u>	<u>\$ -</u>	<u>\$ 546,117</u>

See accompanying notes.

Jackson County Tourism Development Authority
A Component Unit of Jackson County
Statement of Revenues, Expenditures, and Changes in Fund
Balance – Budget and Actual – General Fund
Year Ended June 30, 2016

Exhibit "C"

	Original Budget	Final Budget	Actual	Variance with Final Budget– Positive (Negative)
Revenues:				
Room occupancy taxes	\$ 825,000	\$ 900,000	\$ 932,220	\$ 32,220
Miscellaneous	3,000	3,000	4,210	1,210
Total revenues	828,000	903,000	936,430	33,430
Expenditures:				
Economic development:				
Operating expenditures	824,660	895,160	815,577	79,583
Revenues under expenditures	3,340	7,840	120,853	113,013
Other financing uses				
Contingency	(3,340)	(7,840)	-	7,840
Net change in fund balance	\$ -	\$ -	120,853	\$ 120,853
Fund balance:				
Beginning of year, July 1			425,264	
End of year, June 30			\$ 546,117	

See accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The North Carolina General Legislature enacted a law which authorized Jackson County (the "County") to levy a room occupancy and tourism development tax, and the Board of Commissioners adopted a resolution levying this tax on November 19, 2012. The Board of Commissioners created the Jackson County Tourism Development Authority (the "Authority") as a public authority under the Local Government Budget and Fiscal Control Act. The Authority is a component unit of Jackson County. The Authority is governed by a 19-member Board of Directors, all who serve without compensation. The 15 voting members are appointed by the Board of Commissioners. The four ex-officio members are comprised of a member of the Board of Commissioners, the County finance officer and the executive directors of the Jackson County Chamber of Commerce and the Cashiers Area Chamber of Commerce. Monthly reports are to be provided to the Board of Commissioners. The Authority may contract with any person, firm or organization to advise and assist in carrying out its duty to promote travel and tourism for Jackson County.

Basis of Presentation—Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

Basic Financial Statements: The governmental fund balance sheet/statement of net position and the statement of governmental fund revenue, expenditures, and changes in fund balance/statement of activities display information about the Authority. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Authority reports the following major governmental fund:

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

Measurement Focus, Basis of Accounting

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

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

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

The Authority considers all revenues available if they are collected within 60 days after year-end.

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Notes to Financial Statements

Budgetary Data

As required by the Local Government Budget and Fiscal Control Act (G.S. 159, Article 3), the governing board must adopt by July 1 an annual balanced budget ordinance for all funds.

The 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). All appropriations lapse at the end of the period.

Expenditures may not legally exceed appropriations at the department level. All amendments that increase revenues must be approved by the governing Board.

Assets, Liabilities and Net Position/Fund Balances

Deposits and Investments. All deposits of the Authority are made in board-designated official depositories and are collateralized as required by G.S. 159-31. The Authority may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(C)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by any North Carolina local government or public authority; obligations of certain states in the United States; obligations of the State of North Carolina; bonds and notes of non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund.

Net Position. Net position in government-wide financial statements are classified as 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 Balance. In the governmental fund financial statements, fund balance is composed of two 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:

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

Assigned Fund Balance

This classification includes amounts that have been budgeted for by the Authority's governing board.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted fund balance. The governing Board approves the appropriation and any change to appropriations by resource must be approved by the governing board.

Unassigned Fund Balance

This classification includes the portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds.

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Notes to Financial Statements

The Authority does not have a formal revenue spending policy. However, it is the Authority's practice to use resources in the following hierarchy: occupancy tax revenues and local Authority funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, and then from unassigned fund balance.

2. Detail Notes on All Funds

Deposits

All of the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Authority under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no policy regarding custodial credit risk for deposits.

At year-end, the Authority's deposits had a carrying amount and bank balance of \$435,357. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$185,357 in interest bearing deposits were covered by collateral held under the Pooling Method. The Authority had cash on hand at year-end in the amount of \$50.

3. Fund Balance

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

Total fund balance--General Fund	\$ 546,117
Less: Stabilization by State Statute	<u>(120,553)</u>
Remaining available fund balance	<u>\$ 425,564</u>

The Authority does not have a formal minimum fund balance policy. There were no outstanding encumbrances at June 30, 2016.

4. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage in the current year and claims have not exceeded coverage in any of the past three fiscal years.

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