

October 20, 2022

To the Board of
Dare County Tourism Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dare County Tourism Board for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dare County Tourism Board are described in the notes to the financial statements. As described in the notes to the financial statements, the Dare County Tourism Board changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases, in the year ended June 30, 2022. We noted no transactions entered into by Dare County Tourism Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Dare County Tourism Board's financial statements was:

Management's estimate of the pension accrual is based on an actuarial study. We evaluated the key factors and assumptions used to develop the accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure relating to pensions in the financial statements involve estimates from a study performed by actuaries.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Dare County Tourism Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Managements' Discussion, Other Post Employment Benefit's Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and

To the Board of
Dare County Tourism Board
Page Three

Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statements themselves.

Restriction on Use

This information is intended solely for information and the use of the Board of Dare County Tourism Board and management of Dare County Tourism Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Johnson, Mizelle, Straub & Murphy, LLP

Johnson, Mizelle, Straub, & Murphy, LLP
Certified Public Accountants

DARE COUNTY TOURISM BOARD

FINANCIAL STATEMENTS

**For the fiscal year ended
June 30, 2022**

DARE COUNTY TOURISM BOARD OFFICERS

**Tim Cafferty, Chair
Monica Thibodeau, Vice-Chair
Jamie Chisholm, Secretary
Ervin Bateman, Treasurer
Ivy Ingram, Assistant Treasurer**

ADMINISTRATION & FINANCIAL STAFF

**Lee Nettles, Executive Director
Diane Bognich, Director of Administration/Finance Officer
Cheryl Hannant, Assistant Finance Officer
Amy Wood, Administrative Specialist/Clerk to Board**

DARE COUNTY TOURISM BOARD
Annual Financial Report
For the Fiscal Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dare County Tourism Board
Manteo, North Carolina 27954

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dare County Tourism Board, a component unit of Dare County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Dare County Tourism Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dare County Tourism Board as of June 30, 2022, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management's for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

MEMBERS OF AICPA AND NCACPA

To the Board of Directors
Dare County Tourism Board

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, and Other Post Employment Benefit's Schedule of Changes in the Total OPEB Liability and Related Ratios on page 46, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 44 and 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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

To the Board of Directors
Dare County Tourism Board

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dare County Tourism Board's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

JOHNSON, MIZELLE, STRAUB, & MURPHY, LLP
Certified Public Accountants

Johnson, Mizelle, Straub & Murphy, LLP

Kitty Hawk, North Carolina
October 20, 2022

Management's Discussion and Analysis

As management of The Outer Banks Visitors Bureau, we offer readers of The Dare County Tourism Board's financial statements this narrative overview and analysis of the financial activities of The Dare County Tourism Board for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Board's financial statements, which follow this narrative.

Financial Highlights

The assets and deferred outflows of resources of The Dare County Tourism Board exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,811,610 (*net position*), which represents an increase of \$ 3,076,041 over the prior fiscal year.

As of the close of the current fiscal year, The Dare County Tourism Board's governmental funds reported combined ending fund balances of \$20,427,824 an increase of \$4,756,916 in comparison with the prior year. Of this amount \$12,773,149 (62.5%) is restricted. The restricted amount includes \$ 6,770,837 that is to be used for services or programs needed due to the impact of tourism on the county.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,119,075 or 73.9 percent of total general fund expenditures for the fiscal year.

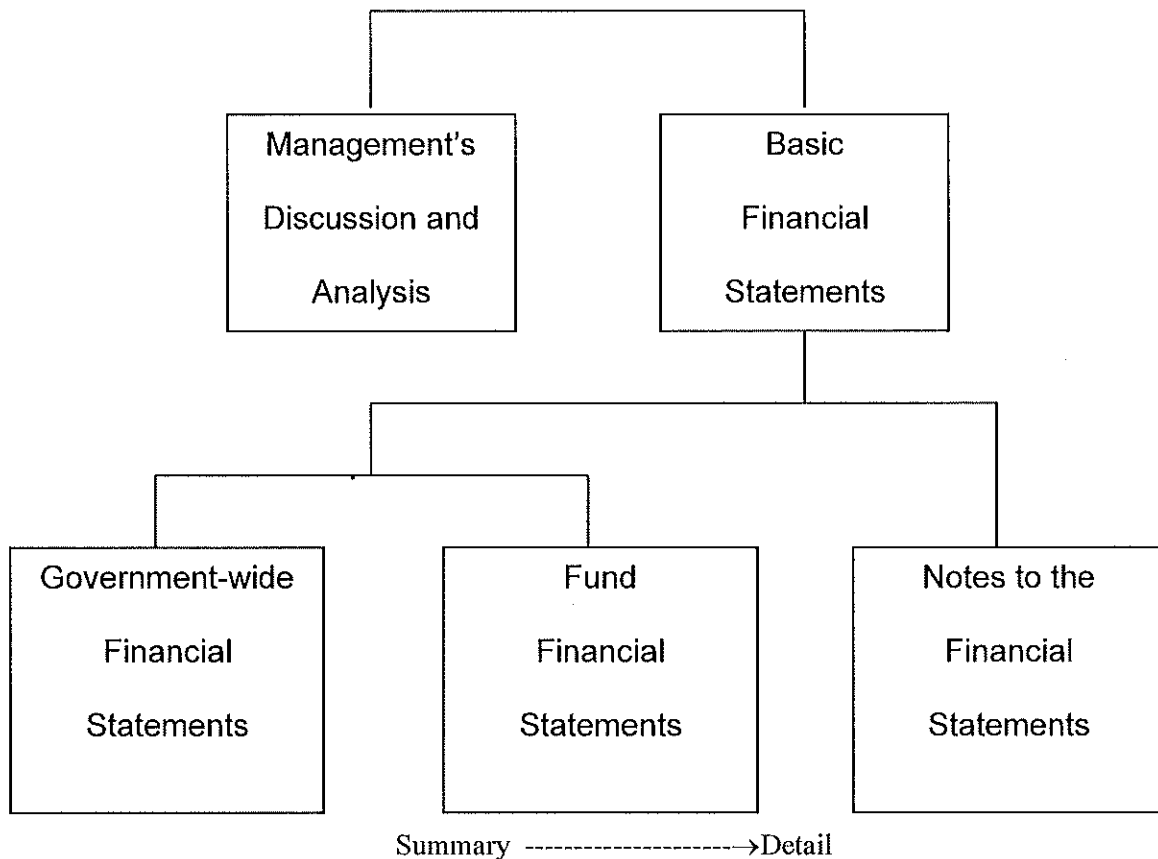
Occupancy and prepared food and beverage tax revenues, which is the primary funding source for the Board, increased \$ 1,069,122 or 10.4% from the prior year for a total amount collected of \$11,365,917.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Dare County Tourism Board's basic financial statements. The Board'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 Board through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of The Dare County Tourism Board.

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 Board's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Board's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund 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. After the notes, **supplemental information** is provided to show details about the Board's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the Board's pension and benefit plans.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Board'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 Board's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include the Board's basic service which is to promote tourism in Dare County. Occupancy taxes and prepared food and beverage taxes finance most of these activities. The business-type activities are those that the Board charges for rental of the Outer Banks Event Site. 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 Board'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 Dare County Tourism Board, 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 Board's budget ordinance. All of the funds of Dare County Tourism Board can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Board'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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Board'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.

The Dare County Tourism Board 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 Board, the management of the Board, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Board to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Board complied with the budget ordinance and whether or not the Board 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 three columns: 1) the original budget as adopted by the board; 2) the actual resources, charges to appropriations, and ending balances in the General Fund; and 3) 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 at the end of the budgetary statement.

Proprietary Funds – Dare County Tourism Board has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Dare County Tourism Board uses an enterprise fund to account for rental income, maintenance and other expenses of the Outer Banks Event Site. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 24 through 43 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Supplementary information can be found beginning on page 44 of this report.

Government-Wide Financial Analysis

The Dare County Tourism Board's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 20,582,768	\$ 15,741,427	\$ 873,285	\$ 323,899	\$ 21,456,053	\$ 16,065,326
Capital assets, as restated	18,432,895	18,795,787	972,666	986,002	19,405,561	19,781,789
Deferred outflows of resources	365,751	374,412	-	-	365,751	374,412
Total assets and deferred outflows of resources	39,381,414	34,911,626	1,845,951	1,309,901	41,227,365	36,221,527
Current liabilities	154,944	70,519	12,100	12,810	167,044	83,329
Long-term liabilities	1,117,334	1,343,296	-	-	1,117,334	1,343,296
Deferred inflows of resources	297,526	59,333	403,986	-	701,512	59,333
Total liabilities and deferred inflows of resources	1,569,804	1,473,148	416,086	12,810	1,985,890	1,485,958
Net position:						
Net investment in capital assets, as restated	18,432,895	18,795,787	972,666	986,002	19,405,561	19,781,789
Restricted	12,773,149	7,862,587	-	-	12,773,149	7,862,587
Unrestricted	6,605,566	6,780,104	457,199	311,089	7,062,765	7,091,193
Total net position	\$ 37,811,610	\$ 33,438,478	\$ 1,429,865	\$ 1,297,091	\$ 39,241,475	\$ 34,735,569

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of The Dare County Tourism Board exceeded liabilities and deferred inflows by \$39,241,475 as of June 30, 2022. Of the total net position, \$19,405,561, or 49.5%, reflects the Board's net investment in capital assets (e.g. buildings, land and furniture and equipment). The Dare County Tourism Board uses these capital assets to provide services to citizens and visitors to Dare County; consequently, these assets are not available for future spending. An additional portion of the Board's net position, \$12,773,149, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 6,605,566 is unrestricted, an decrease of (\$ 174,538).

Several aspects of the Board's financial operations positively influenced the total unrestricted governmental net position:

- Another very strong year for occupancy and prepared meals revenues during the fiscal year. In total they increased \$1,069,122, 10.4 percent, over a record breaking fiscal year 2020-2021.
- A conservative budget and well managed expenses that resulted in some savings in operation costs.

	Governmental Activities		Business-type Activities		Total	Total
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 163,930	\$ 160,785	\$ 64,039	\$ 58,828	\$ 227,969	\$ 219,613
General revenues:						
Occupancy taxes	7,854,228	7,304,760	-	-	7,854,228	7,304,760
Prepared food and beverage tax	3,511,689	2,992,035	-	-	3,511,689	2,992,035
Capital grants and contributions	-	21,500	-	-	-	21,500
Investment earnings	32,626	39,305	21,759	378	54,385	39,683
Total revenues	11,562,473	10,518,385	85,798	59,206	11,648,271	10,577,591
Expenses:						
Governing Body	26,859	22,439	-	-	26,859	22,439
Promotion and General	5,689,131	5,144,802	-	-	5,689,131	5,144,802
Welcoming Function	268,377	231,665	-	-	268,377	231,665
Event Site	-	-	238,504	172,958	238,504	172,958
Projects	919,493	768,670	-	-	919,493	768,670
Total expenses	6,903,860	6,167,576	238,504	172,958	7,142,364	6,340,534
Increase in net position before transfers	4,658,613	4,350,809	(152,706)	(113,752)	4,505,907	4,237,057
Fund transfers	(285,480)	(271,030)	285,480	271,030	-	-
Increase in net position	4,373,133	4,079,779	132,774	157,278	4,505,907	4,237,057
Net position, beginning, previously reported	33,438,477	30,310,279	1,297,091	188,232	34,735,568	30,498,511
Prior period adjustment, correction of error in recording assets	-	(951,581)	-	951,581	-	-
Net position, beginning, as restated	-	29,358,698	-	1,139,813	-	30,498,511
Net position, June 30	<u>\$37,811,610</u>	<u>\$33,438,477</u>	<u>\$ 1,429,865</u>	<u>\$ 1,297,091</u>	<u>\$39,241,475</u>	<u>\$34,735,568</u>

Figure 3

Dare County Tourism Board Changes in Net Position

Governmental activities. Governmental activities increased the Board's net position by \$4,373,133, thereby accounting for 97.1 percent of the total growth of net position. Of this amount \$3,814,036 is reserved for encumbrances. Tax collections increased \$ 1,069,022 (10.4%) from the prior year. The increase was mostly due to very high occupancy receipts as visitors began to return to normal travel patterns as Covid-19 restrictions continued to be lessened. Expenses were planned conservatively and well managed within the budget.

Business-type activities: Business-type activities increased the Board's net position by \$ 132,774. The Event Site Fund accounts for the operating income and expenses of the Outer Banks Event Site. Rental prices have been kept low to encourage the use of the property and have not covered the maintenance and other managerial expenses of the land. The fund also accounts for a lease with an Adventure Park facility that rents a portion of the land and building purchased for future development. Yearly lease payments are \$45,828. The main increase in net position is due to postponing several large expenses since the site was largely unoccupied. A transfer from General Fund will be used to fund activities from the site until rental revenues begin to offset the cost of maintaining the site.

Financial Analysis of the Board's Funds

As noted earlier, The Dare County Tourism Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of The Dare County Tourism Board's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing The Dare County Tourism Board's financing requirements.

The general fund is the chief operating fund of The Dare County Tourism Board. At the end of the current fiscal year, the Board's fund balance available was \$4,119,075, while total fund balance was \$13,656,987. The Board has determined that management should maintain an available fund balance of 60% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Board. The Board currently has an available fund balance of 73.9 percent of general fund expenditures while total fund balance is 244.9 percent of the same amount.

At June 30, 2022, the governmental funds of Dare County Tourism Board reported a combined fund balance of \$20,427,824, a 30.4 percent increase over last year. Meals and occupancy taxes set record highs for the second consecutive year despite the pandemic. The taxes ended with a 10.4 percent increase over the prior year and expenditures were planned and managed within budget.

General Fund Budgetary Highlights: During the fiscal year, the Board revised the budget on several occasions. 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; and 3) increases in appropriations that become necessary to maintain services.

Several budget revisions were made during the year to reallocate line item expenses to better manage line items. There were two budget amendments to increase appropriations in order to increase part time wages, adjust income from different projects, increase cyber security with new VPNs and fund a long-term planning research project.

The occupancy taxes and prepared meals taxes were more than budget due to the conservative approach taken during the budgeting process. Dare County once again experienced a strong year in travel expenditures despite the pandemic. The summer months (approximately 71% of the Board's revenue) experienced growth of 18.35 percent over the prior year. These revenues are subjected to many external factors beyond our control including the national economy and the threat of inclement weather. Therefore a conservative budget allows the Board to anticipate any unexpected decreases in revenue.

Promotional and general expenses were less than budgeted amounts, primarily due to several large grants being encumbered due to continued postponement or cancellation of events because of the pandemic. Other factors include, no unforeseen legal issues, cancellation of the tourism summit, no large print projects, no freight charges on the travel guide and postponed building maintenance.

Proprietary Funds. The Dare County Tourism Board's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Proprietary Funds at the end of the fiscal year amounted to \$1,429,865. The total increase in net position was \$ 132,774.

The Event Site Fund posted an increase of net position in the amount of \$ 132,774. The Board agreed to use the land in Nags Head to try to promote events that drive overnight visitation. The Board continues to believe that events will help to drive overnight visitation and has consciously kept the costs associated with renting the Outer Banks Event Site low for potential rentals, though gradually increasing the rates as amenities are constructed and purchased. Due to COVID-19 some events planned at the site were postponed or cancelled. Revenues also include rent from a tenant running an adventure park. The main expense is for landscaping and maintenance. Event developing for the site was not done again this year due to the pandemic. The remaining fund balance is for future use in maintaining the land as an event site.

Capital Assets

Capital assets. The Dare County Tourism Board's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$19,405,561 (net of accumulated depreciation). These assets include land, buildings and furniture and equipment.

Dare County Tourism Board Capital Assets

Figure 4
(net of depreciation)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$12,261,688	\$649,422
Buildings	4,093,238	323,244
Event Site	1,892,886	-
Intangible Assets	31,816	-
Computer equipment	25,106	-
Furniture and Equipment	128,161	-
Total	<u>\$18,432,895</u>	<u>\$972,666</u>

Additional information on the Board's capital assets can be found in note 3.A.4. of the Basic Financial Statements.

Economic Factors and Next Year's Budget

Fiscal year 2021/2022 still found threats posed by the Covid pandemic, but the availability of vaccines had shifted the discussion from lockdowns and prevention to self-imposed quarantining and an acceptance that people would eventually get the virus; the affects just wouldn't be as severe as before.

Meanwhile, unprecedented visitation to the Outer Banks persisted with records being set monthly for both occupancy and meals collections. The numbers finally started plateauing and occasionally dipping below the prior year's historic highs as the fiscal year wore on, though. Interestingly, data sources began to note fewer people/lower occupancy, yet higher rates were masking the drop and often still showing increases in collections. This phenomenon was not only happening in the Outer Banks but in several destinations that had experienced Covid travel booms the year before. In light of the previous year's historic highs, though, "drops" still felt like a tremendous amount of visitation.

This was particularly the case since the nation and the Outer Banks still struggled with limited workforce, and then the added challenges of supply chain product delays and rising inflation. Local businesses scrapped, clawed and innovated to get the job done and take advantage of the strong visitation as best they could.

The Outer Banks Visitors Bureau made its own operational changes as the threat lessened, opting for a hybrid schedule which allowed full-time staff to continue with some remote work. In terms of marketing, and given several months of record-breaking business, the Bureau opted to delay its fall advertising a few weeks to have more of an impact on late fall and to avoid exacerbating the already-busy late summer, early fall season. Messages continued to highlight open outdoor spaces, uncrowded beaches and drive-to proximity under the campaign theme of "Conveniently located just beyond compare."

Faced with both the added revenue and added strain of years of unprecedented visitation, the Tourism Board recognized the unique opportunity to embark on a Long-Range Tourism Management Planning process (LRTMP). The Board had regularly looked for opportunities to communicate the importance of tourism within the community, recognizing a persisting perception gap between residents and the tourism industry. This gap had only increased during Covid and the ensuing visitation.

The LRTMP was intended to engage the community, to have an honest discussion about both the positive and negative impacts of tourism, to work together to identify the shared values or things about the Outer Banks that make it special, and then to develop a long-range plan to protect or possibly even enhance those characteristics. A consultant group was hired in the fall of 2021 to assist with the LRTMP.

Tourism and its promotion through legislatively established Destination Marketing Organizations (Visitors Bureaus), had historically and overwhelmingly emphasized demand generation. Dare County's legislation is unique in that it also provides funding for grant programs and allocates funds directly to the county and towns to offset the negative impacts of tourism, but still, the LRTMP recognizes that more can be done beyond just economic considerations to also factor in environmental and societal impacts as well. This is a monumental effort that is intended to steer the influences of tourism for years to come.

Partnerships and collaboration are a key to the planning, but also to the Visitors Bureau's current work. An example of which was found in the Bureau's partnering with Chamber to bring in renowned community planning speaker, Doug Griffiths.

The Bureau also initiated a program working with the local high school Careers and Technical Education (CTE) programs to expose and involve high school students more with local tourism careers. The resulting "Careers Beyond the Counter" effort connects the tourism industry with the schools, developing a speaker's bureau and encouraging industry internships that are more aligned with student curriculums. This long-term program is intended to grow workforce over time and without adding further strain to the destination's workforce housing challenges.

The Board also deepened its resolve to work with others on important tourism-related projects such as the Mid Currituck Bridge, where the Board joined a lawsuit through an amicus brief.

The previous fiscal year's significant accomplishment of developing a shared vision for an Event Center concept was now being shared more broadly, including a presentation to the Chamber of Commerce Board and at a Visitors Bureau-led public meeting in Nags Head. The initial response was positive. Consistent with other initiatives like the LRTMP and "Careers Beyond the Counter" program, a strength of the Event Center's planning was its consideration of the local population, incorporating a culinary training kitchen and accommodating uses like concerts, galas and sporting activities rather than just concentrating on visitor-centric activities like meetings and conventions. The Event Center remains one of the Board's most important projects, offering the potential for a more stable year-round tourism economy, one which doesn't rely on three summer months to produce 70% of the year's revenue.

With the attitudes toward Covid having turned a corner, events that had been previously encumbered (within the Tourism Board's Event Grant program) resumed and without incident.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Public meetings and momentum for the Event Center concept continued with presentations at town commissioner and council meetings throughout the Outer Banks. The Tourism Board took a significant preparatory step in securing a legal opinion regarding the use of Restricted Fund dollars for possible construction and operation of the Center. The legal opinion offered clear assurance that Restricted Fund dollars could be used to support construction and operation.

Still, the Board faces the challenge of how best to leverage an annual revenue stream to pay for larger upfront amounts. While the Tourism Board now had clarity on how the Restricted Fund dollars could be used, the Board's legislated authority does not include the ability to take out a loan. Preliminary discussions have taken place with Dare County to explore an arrangement of some kind.

Next steps in Event Center planning will include discussions with the Town of Nags Head regarding permitting and the work needed to resolve discrepancies between the concept and the Town's Unified Development Ordinance. As these efforts move forward, steps will be taken to reach a final design.

Separate, but related, the Visitors Bureau and Board continued its planning for a soundside Boardwalk. A public meeting was held specifically for the Boardwalk. The public meeting

was a prerequisite for pursuing state grant funding. Another related condition involved the provision that a municipality needed to own the land on which the project was located. The Tourism Board entered into an agreement with the County, extending a long-term easement that was conditional upon grant funding being received.

Other longer-term projects, like the “Careers Beyond the Counter” program made progress as well, with initial commitments coming together for travel industry partners to speak and offer internships directly with the high school CTE groups.

With regard to Covid’s lingering impacts, the Outer Banks continued to move toward “normal” with practically all events that had been previously disrupted by Covid now taking place. The most significant challenges associated with transitioning beyond Covid involved trying to budget realistically, how quickly and to what extent would collections regulate? Beyond Covid, other national trends associated with inflation, gas prices and a much higher cost of living stand to impact budget as well. The Tourism Board has commissioned a salary study to evaluate full-time staff positions and the compensation relative to today’s cost of living. The study is expected to provide recommendations during the ’22-23 fiscal year.

The unprecedented popularity of the Outer Banks -- driven in part by Covid but also by unplanned boosts in visibility from the internationally distributed Netflix Outer Banks series -- started waning as seen in falling web traffic and lower ad results. As with its attempts to budget realistically, the Bureau recognized the need to evaluate results over the last few years instead of just the most recent ones.

As the Bureau improved its perspective looking to the past, it began pursuing fundamental shifts in how the destination is promoted moving forward.

One of the lessons observed during Covid was that more visitation was not necessarily the answer. Rather, the Bureau concentrated its efforts behind identifying and attracting more conscientious visitors – visitors who respected the fragility of the Outer Banks and were open to assuming a higher degree of responsibility in preserving and enhancing this special place. The previous marketing partnership between the Bureau and OBX Forever, the Outer Banks NPS Friends group, was expanded through shared social media events that featured NPS rangers and connected our respective audiences.

Another way in which the marketing was redirected to encourage more conscientious visitation was to develop a campaign that tells the story of the OBX through the eyes of enthusiast audiences, such as, birders, surfers and anglers. These enthusiasts are more apt to pursue their passions during non-summer months – a key goal of the Tourism Board – but enthusiasts are also more attuned to the uniqueness of the Outer Banks (and willing to take steps to keep it that way).

Another fundamental shift was initiated through the Bureau’s dedicated effort to raise the visibility of local non-profit organizations. The Board and Bureau had always offered support to these organizations through grant programs, like the Event Grant and Tourism Impact Grant. Despite the millions reinvested in the community through these programs, however, the Board recognized a lack of awareness and even resistance to acknowledge the Board’s positive impact within the community.

The Bureau believed that by moving the conversation beyond dollars and instead focusing on the work of the non-profits, the Tourism Board’s true intentions of benefitting local citizens will be felt more directly. The Bureau is in the unique position to connect hundreds of thousands of visitors with local non-profits, and in doing so, expand the resources of the non-

profit organizations. By building out Non-profit listings on outerbanks.org, for instance, we create a place where visitors can learn about local volunteer opportunities: at events, physical attractions and as participants at “voluntourism” projects like beach clean-ups.

As visitors are made more aware of the non-profit’s efforts and opportunities to become directly involved, we believe visitors will become more conscientious and attuned to how they can help keep the OBX OBX. Visitors increasingly want more authentic and enriching experiences. By providing these connections to the place, the Visitors Bureau can utilize the power of tourism for the greater benefit of the local population.

The overall effort is more than an ad campaign; it’s a fundamental shift in how tourism “promotion” can be steered to create a more sustainable future for the destination, extending beyond economic concerns while still addressing the legislated mandate of driving overnight visitation during less-than-peak months.

The Long-Range Tourism Management Plan process (LRTMP) has entered its next phase with the deployment of Key Stakeholder and Resident surveys. These qualitative studies will be accompanied by one-on-one interviews, focus groups and town hall meetings to ensure that plans are aligned with the local population. The process will also involve economic modeling to better understand and predict the effects of different tourism approaches.

In terms of marketing, and beyond the enthusiast effort previously mentioned, the Bureau has invested in research opportunities, such as, through Google Analytics, Zartico, Key Data and Arrivalist. These 3rd party data companies allow us to better predict and evaluate different visitor segments.

Partnerships continue to weigh heavily into our planning, taking advantage of opportunities through tie-ins with the state tourism office, Flip.to remarketing and companies like Shady Rays sunglasses. These joint efforts allow us to reach new audiences more efficiently.

Marketing media continues to evolve, and the Visitors Bureau remains at the forefront, shifting dollars away from traditional television and toward streaming services such as Hulu, YouTube, Pandora and Peacock. Likewise, in the social space, the Bureau is developing its first extensive TikTok campaign in conjunction with a company called Matador, a relationship that was started in the last fiscal year and now expanded.

These marketing adjustments allow us to learn more about current and prospective visitors and to share a more complete story of the Outer Banks with them.

Taken as a whole, we may very well look back on these years as being the most pivotal in the history of Dare County tourism, a time when tourism moved beyond simply being an effective economic engine and became more of a true force for good in our towns and villages.

Requests for Information

This report is designed to provide an overview of the Board’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 Director of Finance, Dare County Tourism Board, One Visitors Center Circle, Manteo, NC 27954-9707. You may also call (252)-473-2138, visit our website at www.outerbanks.org or send an email to Bognich@outerbanks.org for more information.

Dare County Tourism Board
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,406,395	\$ 454,151	\$ 12,860,546
Miscellaneous accounts receivable	2,915	-	2,915
Lease receivable	-	40,734	40,734
Due from other governmental units	1,852,785	-	1,852,785
Accrued interest receivable	6,485	7,261	13,746
Inventories	7,302	-	7,302
Restricted cash and cash equivalents	6,306,886	-	6,306,886
Total current assets	20,582,768	502,146	21,084,914
Non-current assets:			
Lease receivable	-	371,139	371,139
Capital assets (Note 1):			
Land	12,261,688	649,422	12,911,110
Event Site, net of depreciation	1,892,887	-	1,892,887
Other capital assets, net of depreciation	4,278,320	323,244	4,601,564
Total capital assets	18,432,895	972,666	19,405,561
Total assets	39,015,663	1,845,951	40,861,614
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	230,936	-	230,936
Other post employment benefits deferrals	134,815	-	134,815
Total deferred outflows of resources	365,751	-	365,751
LIABILITIES			
Current liabilities:			
Accounts payable	154,944	-	154,944
Unearned revenue	-	12,100	12,100
Total current liabilities	154,944	12,100	167,044
Long-term liabilities:			
Accrued vacation and comp	74,637	-	74,637
Net pension liability	151,979	-	151,979
Other postemployment benefits	890,718	-	890,718
Total long-term liabilities	1,117,334	-	1,117,334
Total liabilities	1,272,278	12,100	1,284,378
DEFERRED INFLOWS OF RESOURCES			
Leases	-	403,986	403,986
Pension deferrals	253,318	-	253,318
Other post employment benefits deferrals	44,208	-	44,208
Total deferred inflows of resources	297,526	403,986	701,512
NET POSITION			
Net investment in capital assets	18,432,895	972,666	19,405,561
Restricted for:			
Stabilization by State Statute	12,773,149	-	12,773,149
Unrestricted	6,605,566	457,199	7,062,765
Total net position	\$ 37,811,610	\$ 1,429,865	\$ 39,241,475

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

Exhibit 2

Dare County Tourism Board
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Primary government:					
Governmental Activities:					
Governing Body	\$ 26,859	\$ -	\$ (26,859)	\$ -	\$ (26,859)
Promotion and General	5,689,131	163,930	(5,525,201)	-	(5,525,201)
Welcoming Function	268,377	-	(268,377)	-	(268,377)
Projects	919,493	-	(919,493)	-	(919,493)
Total governmental activities (See Note 1)	6,903,860	163,930	(6,739,930)	-	(6,739,930)
Business-type activities:					
Event Site	238,504	64,039	-	(174,465)	(174,465)
Total business-type activities	238,504	64,039	-	(174,465)	(174,465)
Total primary government	\$ 7,142,364	\$ 227,969	(6,739,930)	(174,465)	(6,914,395)
Component units:					
General revenues:					
Taxes:					
Other taxes			11,365,917	-	11,365,917
Transfers			(285,480)	285,480	-
Investment earnings			32,626	21,759	54,385
Total general revenues, special items,			11,113,063	307,239	11,420,302
Change in net position			4,373,133	132,774	4,505,907
Net position-beginning, previously reported			34,390,058	345,510	34,735,568
Restatement			(951,581)	951,581	-
Net position, beginning as restated			33,438,477	1,297,091	34,735,568
Net position-ending			\$ 37,811,610	\$ 1,429,865	\$ 39,241,475

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

**Dare County Tourism Board
Balance Sheet
Governmental Funds
June 30, 2022**

	Major Funds		Total Governmental Funds
	General	Special Revenue	
ASSETS			
Cash and cash equivalents	\$ 12,406,395	-	\$ 12,406,395
Restricted cash and cash equivalents		\$ 6,306,886	6,306,886
Miscellaneous accounts receivable	2,915	-	2,915
Due from other governmental units	1,389,589	463,196	1,852,785
Accrued interest receivable	5,730	755	6,485
Inventory	7,302	-	7,302
Total assets	<u>\$ 13,811,931</u>	<u>\$ 6,770,837</u>	<u>\$ 20,582,768</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 154,944	\$ -	\$ 154,944
Total liabilities	<u>154,944</u>	<u>-</u>	<u>154,944</u>
FUND BALANCES			
Non Spendable			
Inventories	7,302	-	7,302
Restricted			
Stabilization by State Statute	6,002,312	6,770,837	12,773,149
Assigned			
Designated for subsequent year's expenditures	3,528,298	-	3,528,298
Unassigned	4,119,075	-	4,119,075
Total fund balances	<u>\$ 13,656,987</u>	<u>\$ 6,770,837</u>	<u>20,427,824</u>

Amounts reported for governmental activities in the Statement of Net Position
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 18,432,895
Deferred outflows of resources related to pensions are not reported in the funds	230,936
Deferred outflows of resources related to OPEB are not reported in the funds	134,815
Pension deferrals reported as deferred inflows of resources are not reported in the funds	(253,318)
OPEB deferrals reported as deferred inflows of resources are not reported in the funds	(44,208)
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds:	
Accrued liabilities	(74,637)
Net pension	(151,979)
Net OPEB liability	(890,718)
Net position of governmental activities	<u>\$ 37,811,610</u>

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

Dare County Tourism Board
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
REVENUES			
Tax Revenues			
Occupancy	\$ 5,890,671	\$ 1,963,557	\$ 7,854,228
Prepared Food and Beverage	2,633,767	877,922	3,511,689
Website advertising	130,682	-	130,682
Ad sales - Travel Guide	24,000	-	24,000
Sale of merchandise	7,958	-	7,958
Other Revenues	1,290	-	1,290
Investment income	21,445	11,181	32,626
Total revenues	8,709,813	2,852,660	11,562,473
EXPENDITURES			
Current:			
Governing Body	26,859	-	26,859
Promotion and General	5,255,924	3,250	5,259,174
Welcoming Function	265,094	-	265,094
Projects	-	919,493	919,493
Capital outlay	27,432	22,025	49,457
Total expenditures	5,575,309	944,768	6,520,077
Excess (deficiency) of revenues over expenditures	3,134,504	1,907,892	5,042,396
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(285,480)	-	(285,480)
Total other financing sources (uses)	(285,480)	-	(285,480)
Net change in fund balance	2,849,024	1,907,892	4,756,916
Fund balances-beginning	10,807,963	4,862,945	15,670,908
Fund balances-ending	\$ 13,656,987	\$ 6,770,837	\$ 20,427,824

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

Exhibit 4
(continued)

Dare County Tourism Board
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 4,756,916
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay expenditures that were capitalized	49,457	
Depreciation expense for government assets	(412,348)	
Asset impairment loss	<u>-</u>	(362,891)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	87,104
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	23,163
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(49,834)	
OPEB plan expense	(73,127)	
Compensated absences	<u>(8,198)</u>	(131,159)

Total changes in net position of governmental activities	<u><u>\$ 4,373,133</u></u>
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The notes to the financial statements are an integral part of this statement.

Dare County Tourism Board
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	General Fund				Special Revenue Fund			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Occupancy tax	\$ 3,776,018	\$ 3,874,051	\$ 5,890,671	\$ 2,016,620	\$ 1,258,672	\$ 1,291,349	\$ 1,963,557	\$ 672,208
Prepared Food and Beverage	1,746,832	1,746,832	2,633,767	886,935	582,278	582,278	877,922	295,644
Website advertising revenue	100,000	100,000	130,682	30,682	-	-	-	-
Ad Sales - Travel Guide	35,000	25,000	24,000	(1,000)	-	-	-	-
Merchandise sales	3,000	7,000	7,958	958	-	-	-	-
Other	1,000	1,000	1,290	290	-	-	-	-
Investment earnings	50,150	50,150	21,445	(28,705)	23,000	23,000	11,181	(11,819)
Total revenues	5,712,000	5,804,033	8,709,813	2,905,780	1,863,950	1,896,627	2,852,660	956,033
Expenditures:								
Current:								
Governing Body	31,183	31,183	26,859	4,324	-	-	-	-
Promotional and General	7,267,615	7,317,603	5,270,478	2,047,125	3,750	3,750	3,250	500
Welcoming	300,120	342,165	277,972	64,193	-	-	-	-
Projects	-	-	-	-	6,056,202	6,088,879	941,518	5,147,361
Total expenditures	7,598,918	7,690,951	5,575,309	2,115,642	6,059,952	6,092,629	944,768	5,147,861
Revenues over (under) expenditures	(1,886,918)	(1,886,918)	3,134,504	5,021,422	(4,196,002)	(4,196,002)	1,907,892	6,103,894
Other financing sources (uses):								
Transfers to other funds	(285,480)	(285,480)	(285,480)	-	-	-	-	-
Appropriated Fund Balance	2,172,398	2,172,398	-	(2,172,398)	4,196,002	4,196,002	-	(4,196,002)
Total other financing sources (uses)	1,886,918	1,886,918	(285,480)	(2,172,398)	4,196,002	4,196,002	-	(4,196,002)
Revenues and other sources over (under) expenditures and other uses	-	-	2,849,024	2,849,024	-	-	1,907,892	1,907,892
Fund balances, beginning of year	-	-	10,807,963		-	-	4,862,945	
Fund balances, end of year	\$ -	\$ -	\$ 13,656,987		\$ -	\$ -	\$ 6,770,837	

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

**Dare County Tourism Board
Statement of Net Position
Proprietary Funds
June 30, 2022**

	Major Event Site	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 454,151	\$ 454,151
Lease receivable	40,734	40,734
Accrued interest receivable	7,261	7,261
Total current assets	<u>502,146</u>	<u>502,146</u>
Non-current assets:		
Lease receivable, non-current	371,139	371,139
Capital Assets:		
Land and land improvements	649,422	649,422
Buildings, net of depreciation	323,244	323,244
Total capital assets	<u>972,666</u>	<u>972,666</u>
Total non current assets	<u>1,343,805</u>	<u>1,343,805</u>
Total assets	<u>\$ 1,845,951</u>	<u>\$ 1,845,951</u>
LIABILITIES		
Current liabilities:		
Site Damage Deposits	\$ 5,200	\$ 5,200
Unearned rental income	6,900	6,900
Total current liabilities	<u>12,100</u>	<u>12,100</u>
Total liabilities	<u>12,100</u>	<u>12,100</u>
DEFERRED INFLOW		
Leases	403,986	403,986
NET POSITION		
Invested in capital assets, net of related debt	972,666	972,666
Unrestricted	457,199	457,199
Total net position	<u>1,429,865</u>	<u>1,429,865</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,845,951</u>	<u>\$ 1,441,965</u>

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

Exhibit 7

**Dare County Tourism Board
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022**

	Major Event Site	Total
OPERATING REVENUES		
Site rental income	\$ 24,130	\$ 24,130
Lease income - GASB 87	34,615	34,615
Lease income - variable	5,094	5,094
Other operating revenues	200	200
Total operating revenues	<u>64,039</u>	<u>64,039</u>
OPERATING EXPENSES		
Other professional fees	15,648	15,648
Insurance	8,554	8,554
Utilities	24,442	24,442
Repairs and maintenance	173,798	173,798
Depreciation	13,336	13,336
Other operating expenses	2,726	2,726
Total operating expenses	<u>238,504</u>	<u>238,504</u>
Operating income (loss)	<u>(174,465)</u>	<u>(174,465)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	492	492
Interest revenue - GASB 87	21,267	21,267
Total nonoperating revenue (expenses)	<u>21,759</u>	<u>21,759</u>
Income (loss) before contributions and transfers	<u>(152,706)</u>	<u>(152,706)</u>
Transfer from General Fund	<u>285,480</u>	<u>285,480</u>
Change in net position	132,774	132,774
Total net position - beginning	345,510	345,510
Prior Period Adjustment	951,581	951,581
Beginning net position as restated	1,297,091	1,297,091
Total net position - ending	<u>\$ 1,429,865</u>	<u>\$ 1,429,865</u>

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

**Dare County Tourism Board
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022**

	Major Event Site	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 62,052	\$ 62,052
Cash paid for goods and services	(231,778)	(231,778)
Net cash provided (used) by operating activities	(169,726)	(169,726)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from General Fund	285,480	285,480
Net cash provided (used) by noncapital financing activities	285,480	285,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	14,498	14,498
Net increase (decrease) in cash and cash equivalents	130,252	130,252
Balances-beginning of the year	323,899	323,899
Balances-end of the year	\$ 454,151	\$ 454,151
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (174,465)	\$ (174,465)
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,336	13,336
Changes in assets, deferred inflows of resources and liabilities:		
(Increase) decrease in lease receivable	(411,873)	(411,873)
Increase (decrease) in accounts payable	(6,610)	(6,610)
Increase (decrease) in site damage deposits	(1,000)	(1,000)
Increase (decrease) in unearned revenue	6,900	6,900
Increase (decrease) in deferred inflows	403,986	403,986
Total adjustments	4,739	4,739
Net cash provided by operating activities	\$ (169,726)	\$ (169,726)

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

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Dare County Tourism Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

The Dare County Tourism Board is a public authority under the Local Government Budget and Fiscal Control Act. The Board was created for the purpose of promoting year-round travel and tourism in Dare County.

Organization of the Dare County Tourism Board

The Dare County Board of Commissioners adopted a resolution levying an additional room occupancy tax of one percent of gross receipts derived from rental of accommodations, and a prepared food and beverage tax of one percent, to be effective January 1, 1992. Both taxes are defined and authorized by Chapter 177 of House Bill 225, ratified by the North Carolina General Assembly in 1991. Dare County also adopted a resolution creating a Dare County Tourism Board, a public authority under the Local Government Budget and Fiscal Control Act. The composition and duties of the Board, and the use of the occupancy and meals taxes, are outlined in the House Bill noted above.

The Dare County Tourist Bureau, Inc. (a non-profit corporation) was formed in 1952 to promote tourism in Dare County, and received most of its funding from the County of Dare. The organization engaged in numerous tourism promotional activities and operated the Dare County Tourist Bureau in Manteo and The Aycock Brown Welcome Center in Kitty Hawk. The responsibility for these promotional and welcoming activities for Dare County was passed on to the Dare County Tourism Board in 1992.

The thirteen member Tourism Board is appointed to two-year terms by the Dare County Board of Commissioners. These members are selected from nominees of various tourist-related organizations including the Outer Banks Chamber of Commerce, the Dare County Restaurant Association, the Dare County Hotel/Motel Association and the Dare County Board of Realtors and municipalities including Duck, Southern Shores, Kitty Hawk, Kill Devil Hills, Nags Head and Manteo from their respective governing boards, plus one Dare County Commissioner, and two members "at-large" from Dare County. The Tourism Board designates its own management. The Board's most significant funding is a one percent occupancy tax and a one percent prepared food and beverage tax levied by Dare County. The County is not responsible for the debts or entitled to the surpluses of the Board. The Board has the power to approve its own budget and maintains its own accounting system.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Tourism Board. Governmental activities generally are financed through taxes and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Tourism Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – governmental and proprietary – are presented. The Board has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

The Tourism Board reports the following major governmental funds:

General Fund. The general fund is the general operating fund for the Board. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. The primary revenue sources are the Dare County one percent occupancy and prepared food and beverage taxes. The primary expenditures are for promotion and welcoming.

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Board has one special revenue fund, the Special Revenue Fund, used to account for twenty-five percent of the occupancy and prepared food and beverage taxes collected, required to be used for services or programs needed due to the impact of tourism on the County. Expenditures are subject to approval by the Dare County Board of Commissioners.

The Tourism Board reports the following major enterprise fund:

Enterprise Funds. Enterprise funds are used to account for those operations that are (a) financed and operated in manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; (b) or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Event Site Fund accounts for lease income from a vendor, rental income from events held on the site and expenses related to property which is jointly owned with the Town of Nags Head.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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. Nonexchange transactions, in which the

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include occupancy taxes and prepared food and beverage taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net position) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total position.

The Board considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are occupancy and prepared food and beverage taxes collected and held by the County at year-end on behalf of the Board.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Special Revenue Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions. Budgetary control is exercised in all funds. Appropriations are made at the department level and are amended as necessary by the governing board. The finance officer is authorized to transfer appropriations between line item expenditures within a department, and may transfer items between departments, up to \$5,000. The amended budget as of June 30, 2022, is included in the financial statements.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by State Law (G.S. 159-31). The Board may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. The Board may also establish time deposit accounts, such as NOW and SuperNow, money market accounts, and certificates of deposit.

State law (G.S. 159-30 (c)) authorizes the Board to invest in obligations of the United States or obligations fully guaranteed 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 Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The North Carolina Capital Management Trust (NCCMT) Government

DARE COUNTY TOURISM BOARD

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Portfolio, a SEC-registered (2a-7) money market mutual fund is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The assets in the Special Revenue Fund are classified as restricted because their use is restricted by House Bill 225 for services or programs needed due to the impact of tourism on the County.

4. Lease Receivable

The Board's lease receivable in the enterprise fund is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Board receives variable lease payments for common area management payments. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Inventory

The inventories of the Board are valued at cost (first-in, first-out), which approximates market. The Board's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for all asset classes is \$1,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10 – 40 years
Event Site	10 – 20 years
Furniture and equipment	5 – 10 years
Computers	5 years

DARE COUNTY TOURISM BOARD

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7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meets this criterion, pension deferrals and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has three items that meets this criterion, leases, deferrals of pension expense and OPEB deferrals.

8. Compensated Absences

The Dare County Tourism Board's personnel policy provides for the accumulation of vacation leave not to exceed thirty days, or as allowed by contractual arrangement. Vacation leave is fully vested when earned, up to the maximum amount. The Board has assumed a first-in, first out method of using accumulated compensated time. A provision for the amount vested as of June 30, 2022 is included in the accompanying financial statements as a current liability in the governmental activities.

The Dare County Tourism Board's personnel policy provides for an unlimited accumulation of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are 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, or 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:

Nonspendable 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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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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.

Restricted for services or programs – portion of fund balance that is restricted by House Bill 225 for services or programs due to the impact of tourism on the County.

Committed Fund Balance – This classification contains the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Dare County Tourism Board. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – This classification is the portion of fund balance that Dare County Tourism Board 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. The governing body approves the appropriation; however the budget ordinance authorizes the budget officer to transfer appropriations as contained under the following conditions:

- a) He/she may transfer amounts between line item expenditures within a department without limitation and without a report being required. These changes should not result in increases in recurring obligations such as salaries.
- b) He/she may transfer amounts up to \$5,000 between departments, including contingency appropriations, within the same fund. He/she must make an official report on such transfers at the next regular meeting of the Governing Board.
- c) He/she may not transfer any amounts between funds, except as approved by the Governing Body in the Budget Ordinance as amended.

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.

The Board has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local 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

DARE COUNTY TOURISM BOARD

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balance and lastly unassigned fund balance. The Executive Director has authority to deviate from this policy if it is in the best interest of the Board.

The Board has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Board in such a manner that available fund balance is at least equal to or greater than 60% of budgeted expenditures. Any portion of the general fund balance in excess of 60% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Board in a future budget.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Dare County Tourism Board's employer contributions are recognized when due and the Dare County Tourism Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. ASSETS

1. Deposits

All of the Board deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Board's agent in the Board'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 Board, these deposits are considered to be held by the Board's agent in the Board'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 Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board 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 Board has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce the standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Board complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. As a means of monitoring risk, the Board works to keep not more than 60% of funds in one depository and no more than 25% in a single investment.

At June 30, 2022, the Board's deposits had a carrying amount of \$13,962,629 and a bank balance of \$14,112,643. Of the bank balance, \$1,250,000 was covered by federal depository insurance, and \$12,862,643 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2022, the Board had cash on hand of \$ 200.

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

2. Restricted Assets

Money in the Special Revenue Fund is classified as restricted assets because its use is restricted to services or programs needed due to the impact of tourism on the county per North Carolina General Assembly House Bill 225.

Dare County Tourism Board Restricted Cash

Governmental Activities

Special Revenue Fund:

\$6,306,886

3. Investments

At June 30, 2022, the Dare County Tourism Board had \$ 5,204,602 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Board has no policy regarding credit risk.

4. Due from Other Governmental Units

The Board has recognized an amount due from other governmental units which is comprised of the June, 2022 occupancy tax receipts in the amount of \$1,366,625 and the meals tax receipts of \$ 486,160 for a total receivable of \$1,852,785.

5. Lease Receivable

In March 2019, the Board took over a lease with an adventure park operating on a portion of the property purchased for a future event center. Under the lease, the vendor pays the Board \$13,800 yearly for the use of the land where their climbing structure is located. The vendor pays \$ 2,244 per month for operating its business within a 1,266 square foot section of a building on the site. The vendor pays an additional \$ 425 per month for common area management fees. The CAM fees are reported as variable lease revenue. The lease receivable is measured as the present value of future minimum rent payments expected to be received during the lease term at a discount rate of 5.5%, which is equal to the unit's incremental borrowing rate.

In fiscal year 2022, the Board recognized \$34,615 of lease revenue and \$21,267 of interest revenue under the lease. In addition, the Board recognized \$ 5,094 in variable lease payments of common area management.

6. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,261,688	\$ -	\$ -	\$ 12,261,688
Total capital assets not being depreciated	12,261,688	-	-	12,261,688
Capital assets being depreciated:				
Buildings	5,289,792	-	-	5,289,792
Event Site	3,252,420	22,025	-	3,274,445
Intangible assets	133,674	-	-	133,674
Computer equipment	185,004	7,620	(66,819)	125,805
Vehicles	24,101	-	-	24,101
Furniture and equipment	380,020	19,812	(23,023)	376,809
Total capital assets being depreciated	9,265,011	49,457	(89,842)	9,224,626
Less accumulated depreciation for:				
Buildings	1,065,818	130,736	-	1,196,554
Event Site	1,144,328	237,231	-	1,381,559
Intangible assets	89,013	12,845	-	101,858
Computer equipment	155,973	11,545	(66,819)	100,699
Vehicles	22,896	1,205	-	24,101
Furniture and equipment	252,885	18,786	(23,023)	248,648
Total accumulated depreciation	2,730,914	412,348	(89,842)	3,053,419
Total capital assets being depreciated, net	6,534,097	(362,891)	-	6,171,207
Governmental activity capital assets, net	\$18,795,785	\$ (362,891)	\$ -	\$18,432,895

Depreciation expense was charged to functions/programs of the primary government as follows:

Promotion and General \$ 412,348

Business-type Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 649,422	\$ -	-	\$ 649,422
Total capital assets not being depreciated	649,442	-	-	649,422
Capital assets being depreciated:				
Buildings	366,585	-	-	366,585
Total capital assets being depreciated	366,585	-	-	366,585
Less accumulated depreciation for:				
Buildings	30,005	13,336	-	43,341
Total capital assets being depreciated, net	336,580	(13,336)	-	323,244
Governmental activity capital assets, net	\$ 986,022	\$ (13,336)		\$ 972,666

Depreciation expense was charged to functions/programs of the enterprise fund as follows:

\$ 13,336

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

B. LIABILITIES

1. Pension Plan Obligations

a. North Carolina Local Governmental Employees' Retirement System

Plan Description. Dare County Tourism Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina, 27609, by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Dare County Tourism Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Dare County Tourism Board's contractually required contribution rate for the year ended June 30, 2022, was 11.35% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Dare County Tourism Board were \$87,104 for the year ended June 30, 2022.

Refunds of Contributions – Board employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

DARE COUNTY TOURISM BOARD**Notes to Financial Statements****June 30, 2022*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2022, the Board reported a liability of \$151,979 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Board's proportion was 0.00991%, which was a decrease of .00142% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Board recognized pension expense of \$49,834. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,350	\$ -
Changes of assumptions	95,482	-
Net difference between projected and actual earnings on pension plan investments	-	217,133
Change in proportion and differences between Board contributions and proportionate share of contributions	-	36,183
Board contributions subsequent to the measurement date	87,104	-
Total	\$ 230,936	\$ 253,316

\$ 87,104 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2022	\$ (520)
2023	(17,967)
2024	(24,554)
2025	(66,444)
2026	-
Thereafter	-
Total	\$ (109,485)

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor of 3.25 percent
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation of 2.5 percent

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	\$ 589,971	\$ 151,979	\$ (208,462)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Other Post-Employment Benefits

Health Care Benefits

Plan Description. According to a Dare County Tourism Board resolution, the Board provides post-retirement health care benefits to retirees of the Board. The Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Prior to June 30, 2008, employees who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Board are eligible for full coverage health care paid 100% by the Board for the retiree. For all employees hired on or after June 30, 2008, the Board provides post-retirement health care benefits to retirees who participate in the System and have 20 years of creditable service. When a retiree becomes eligible for Medicare, the Board will pay up to \$400 per month for the cost of supplementary health care policy if the retiree was hired prior to July 1, 2016. Employees hired after July 1, 2016, are not eligible for Medicare Supplements. All employees have the option of purchasing dental or vision for themselves at the Board's rates.

DARE COUNTY TOURISM BOARD
Notes to Financial Statements
June 30, 2022

Membership of the plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet Receiving benefits	0
Active plan members	<u>9</u>
Total	14

Total OPEB Liability

The Board's total OPEB liability of \$ 890,718 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5-8.41 percent, average, including inflation
Discount rate, prior to measurement date	2.21 percent
Discount rate, at measurement date	2.16 percent
Healthcare cost trend	
Pre-Medicare	7.00 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2031
Medicare	5.125 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2024

The discount rate was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	\$ 871,988
Changes for the year	
Service cost	38,868
Interest	19,909
Changes of benefit terms	-
Differences between expected and actual experience	(6,570)
Changes in assumptions or other inputs	(13,365)
Benefit payments	(20,112)
Net changes	\$ 18,730
Balance at 6/30/2021	\$ 890,718

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

Discount Rate Sensitivity			
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 1,003,790	\$ 890,718	\$ 794,734

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Health Care Cost Trend Rate Sensitivity			
	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 846,729	\$ 890,718	\$ 940,421

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Board recognized OPEB expense of \$73,127. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 15,497	\$ 11,938
Changes of assumptions	96,155	32,270
Benefit payments and service costs made subsequent to the measurement date	\$ 23,163	
Total	\$ 134,815	\$ 44,208

\$ 23,163 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30:		
2023	\$	12,055
2024		13,021
2025		19,542
2026		18,112
2027		4,714
Thereafter		0

2. Other Employment Benefits

Death Benefit Plan. The Board has elected to provide death benefits to employees through the Death Benefit Retirement Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$ 50,000. All death benefit payments are made by the Death Benefit Plan and not by the Board. The Board does not determine the number of eligible participants. The Board has no liability beyond the payment of monthly contributions, which were \$382 for the fiscal year ended June 30, 2022. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

3. Deferred Outflows and Inflows of Resources

The Board has the following deferred outflows of resources:

Contributions to pension plan in current fiscal year	\$ 87,104
Benefit payments and administrative costs for OPEB made subsequent to the measurement date	23,163
Differences between expected and actual experience:	
Pension plan	48,350
OPEB benefits	15,497
Changes of assumptions:	
Pension plan	95,482
OPEB benefits	96,155
Net difference between projected and actual on pension plan investments	0
Total	\$ 365,751

The Board has the following deferred inflows of resources

Differences between expected and actual experience -	
OBEB benefits	\$ 11,938
Changes of assumptions - OPEB benefits	32,270
Net difference between projected and actual on pension plan investments	217,133
Changes in proportion and difference between employer contributions and proportionate share of contributions -	
Pension plan	36,183
Total	\$ 259,524

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in three self-funded risk financing pools administered by the Risk Management Agency of the North Carolina League of Municipalities. Through these pools, the Board obtains general liability and auto liability coverage of \$ 5 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Board upon request.

The Board carries commercial insurance coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Board carries flood insurance through the National Flood Insurance Plan (NFIP). The Board has purchased \$500,000 of coverage for its building and contents through NFIP because the property is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the Board's employees that have access to \$100 or more at any given time of the Board's funds are covered under a blanket bond in the amount of \$25,000. The finance officer and deputy finance officer are individually bonded for \$50,000.

5. Long-Term Obligations

The following is a summary of the changes in general long-term debt for the year ended June 30, 2022:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Accrued vacation & comp	\$ 66,439	\$8,198	\$ -	\$ 74,637	\$ -
Net pension liability	404,869	-	252,890	151,979	-
Other postemployment benefits	<u>871,988</u>	<u>58,777</u>	<u>40,047</u>	<u>890,718</u>	-
Total long-term liabilities	<u>\$ 1,343,296</u>	<u>\$252,473</u>	<u>\$ 24,678</u>	<u>\$ 1,117,334</u>	<u>\$ -</u>

C. INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds at June 30, 2022, consist of the following:

From the General Fund to the Event Site Operating Fund: \$285,480

During the 2022 fiscal year, the Board transferred unrestricted revenues to the Event Site Operating Fund to finance operations at the site.

DARE COUNTY TOURISM BOARD**Notes to Financial Statements****June 30, 2022****D. NET INVESTMENT IN CAPITAL ASSETS**

	Governmental Funds	Business type Activities
Capital Assets	\$18,432,895	\$ 972,666
Less: Long-term Debt	0	0
Net Investment in Capital Assets	\$18,432,895	\$ 972,666

E. FUND BALANCE

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

<i>Total fund balance-General Fund</i>	<i>\$13,656,987</i>
Less:	
Inventories	7,302
Stabilization by State Statute	6,002,312
Appropriated Fund Balance in 2022/2023 budget	3,528,298
Working Capital / Fund Balance Policy	4,119,075
Remaining Fund Balance	\$ 0

The Board has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Board in such a manner that available fund balance is at least equal to or greater than 60% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The General Fund encumbrances are included in the Stabilization by State Statute amount above.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Special Revenue Fund</i>
	\$ 2,319,070	\$ 1,494,966

Special Revenue Fund-Reserve For Future Capital Projects

Though the entire fund balance in the Special Revenue Fund is restricted by state statute, the Board designates 70% of the 25% of the amount of occupancy and meals tax transferred to the special revenue fund for future capital projects. During the current year \$1,980,655 was transferred for future capital projects. During 2006, the designations for natural, historic and cultural resources and infrastructure were capped at \$500,000. In March 2019, the Board voted to discontinue funding of the Natural, Historic, Cultural line item and to transfer remaining funds to the long-term unappropriated line item, which was also capped at \$500,000.

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

Activity for future capital projects was as follows during the year ended June 30, 2022:

Project	Balance July 1, 2021	Current Year Additions	Current Year Expenses/Transfers/ Adjustments	Balance June 30, 2022
Multi-purpose Facility	\$ 1,889,673	\$ 1,880,655	\$ (62,025)	\$ 3,708,303
Infrastructure	461,170	-	(6,125)	455,045
L-T Unappropriated	330,000	100,000	20,560	450,560
Total	\$ 2,680,843	\$ 1,980,655	\$ (47,590)	\$ 4,613,908

NOTE 3. COMMITMENTS

On June 8, 2021 the Board entered into an agreement for professional services for design and engineering of a remodel on the administration building in the amount of \$ 18,500. The project was delayed, but will continue next fiscal year.

On April 15, 2021, the Board entered into an agreement for professional services with Albemarle and Associates, Ltd for design and engineering of a boardwalk along the Soundside Event Site in the amount of \$ 85,550.

On September 16, 2021, the Board renegotiated the landscaping agreement with Grounds Pros Landscape Management to include the properties purchased adjacent to the Event Site and extend the term. The term of the contract is from October 1, 2021 to December 31, 2025. Monthly payments for the term of the contract are \$ 8,613, plus contracted mulching and plantings paid bi-annually of \$ 45,684.

On January 20, 2022, the Board entered into an agreement with Simpleview LLC for website hosting and customer relationship management. The term of the contract is from January 1, 2022 to December 31, 2024. Payments in the amount of \$ 9,325 are made quarterly.

On March 8, 2022, the Board entered into an agreement with the Outer Banks Golf Association for a co-op marketing program beginning June 1, 2022 and ending June 30, 2023 in the amount of \$40,000.

On March 28, 2022, the Board entered into an agreement with Simpleview LLC for conversion rate optimization beginning April 1, 2022 and ending March 30, 2023 in the amount of \$15,000 paid quarterly.

On March 30, 2022 and June 30, 2022, the Board entered into marketing authorizations with Hoffman York in the amount of \$ 103,066 and \$1,275,140 respectively for and fall digital, tv and traditional media and consumer research.

On June 7, 2022, the Board entered into an agreement with Ignite Social Media for social media and management expenses totaling \$396,564 to be paid over twelve months. The contract begins July 1, 2022 and ends June 30, 2023.

On June 28, 2022 the Board entered into an agreement with Martin Armes Communications, Inc for public relation assistance from July 1, 2022 to June 30, 2023 in the amount of \$28,000 to be paid quarterly.

On June 30, 2022 the Board entered into an agreement with MMGY Next Factor, Inc for long range planning development from July 1, 2022 to June 30, 2023 in the amount of \$185,200 to be paid in eleven equal monthly payments.

DARE COUNTY TOURISM BOARD

Notes to Financial Statements

June 30, 2022

NOTE 4. JOINT VENTURES

On April 12, 2007, the Board purchased a piece of property with the Town of Nags Head to be held for future use. On November 14, 2008, the Board purchased an adjoining two parcels with the Town of Nags Head. The Board owns 65.2% and 82.1% of the properties, respectively.

On April 1, 2015, the parties entered into a new memorandum of understanding which designated the site as the Outer Banks Event Site for a period of approximately ten years which began in late 2012. The parties agree that the Dare County Tourism Board shall make all decisions relating to the Site's management and will be responsible for collecting rental proceeds from users of the property and for paying expenses related to the property. The Board accounts for these monies in an Enterprise Fund. The parties agreed that any transfer of their interests in the property can only be made to the other party based on a value determined in accordance with the memorandum of agreement.

The site is currently being developed as an event site. The Dare County Tourism Board is financially responsible for the development. Phase I of development was completed during the summer of 2015 and Phase II was completed in June 2017.

NOTE 5. SUMMARY OF EFFECTS OF SUBSEQUENT EVENTS

To Board contracts on a yearly renewal basis with Hoffman York to provide marketing services for a monthly retainer of \$25,000, plus advertising fees. Advertising of \$1,389,145 has been authorized for the Fall 2022 campaign.

The Board contracts on a yearly renewal basis with Boone Oakley to provide brand marketing for a monthly retainer of \$12,500, plus production fees.

On July 13, 2022, the Board entered into a sponsorship agreement with Down the Road for media content and visual assets in the amount of \$ 5,000.

On August 18, 2022 the Board entered into a contract with the Maps Group for a comprehensive payroll study in the amount of \$ 7,605.

On August 25, 2022, the Dare County Tourism Board reached an agreement with Hoffman York for the printing of 200,000 Travel Guide booklets for a total cost of \$106,000.

On September 20, 2022, the Board entered into an agreement with Matadore Ventures, Inc. for the creation of TikTok contents in the amount of \$180,000 to be paid in three equal installments.

Management has evaluated subsequent events through October 28, 2022, the date on which the financial statements were available to be issued.

NOTE 6. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2022, the Board determined that certain assets related to the leases on the Event Site property should be recorded in the Proprietary Fund instead of the General Fund. Therefore, an adjustment to the beginning fund balance has been made to account for these assets. The net effect of the transfer of assets increased the beginning fund balance in the Proprietary Fund by \$951,581 and reduced the beginning fund balance of the governmental activities on the government-wide statements by the same amount.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Dare County Tourism Board
Board's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years *

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset) (%)	0.99100%	0.01133%	0.01198%	0.01280%	0.01297%	0.01341%	0.01436%	0.01442%	0.01430%
Board's proportion of the net pension liability (asset) (\$)	\$ 151,979	\$ 404,869	\$ 327,164	\$ 303,660	\$ 198,146	\$ 284,604	\$ 64,447	\$ (85,041)	\$ 172,370
Board's covered-employee payroll	\$ 750,345	\$ 794,753	\$ 772,494	\$ 770,482	\$ 770,688	\$ 739,387	\$ 720,571	\$ 700,595	\$ 642,496
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.25%	50.94%	42.35%	39.41%	25.71%	38.49%	8.94%	(12.14%)	26.83%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

**Dare County Tourism Board
Board's Contributions
Required Supplementary Information
Last Nine Fiscal Years**

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 87,104	\$ 75,027	\$ 71,330	\$ 60,219	\$ 58,092	\$ 56,368	\$ 49,687	\$ 50,945	\$ 49,532
Contributions in relation to the contractually required contribution	87,104	75,027	71,330	60,219	58,092	56,368	49,687	50,945	49,532
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 764,723	\$ 750,345	\$ 794,753	\$ 772,494	\$ 770,482	\$ 770,688	\$ 739,387	\$ 720,571	\$ 700,595
Contributions as a percentage of covered-employee payroll	11.39%	10.00%	8.98%	7.80%	7.54%	7.31%	6.72%	7.07%	7.07%

Dare County Tourism Board
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Five Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 38,868	\$ 28,464	\$ 31,129	\$ 32,058	\$ 34,484
Interest	19,909	25,878	24,066	21,657	18,582
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(6,570)	(5,267)	29,054	(2,727)	(6,341)
Changes of assumptions	(13,365)	120,426	24,722	(23,949)	(41,273)
Benefit payments	(20,112)	(16,704)	(16,704)	(16,788)	(12,178)
Net change in total OPEB liability	\$ 18,730	\$ 152,797	\$ 92,267	\$ 10,251	\$ (6,726)
Total OPEB liability - beginning, as restated	871,988	719,191	626,924	616,673	623,399
Total OPEB liability - ending	\$ 890,718	\$ 871,988	\$ 719,191	\$ 626,924	\$ 616,673
 Covered payroll	 737,855	 735,828	 782,255	 767,797	 739,549
Total OPEB liability as a percentage of covered payroll	120.72%	118.50%	91.94%	81.65%	83.39%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

**Dare County Tourism Board
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022**

	2022		Variance	2021
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Tax Revenues:				
Occupancy	\$ 3,874,051	\$ 5,890,671	\$ 2,016,620	\$ 5,478,570
Prepared Food and Beverage	1,746,832	2,633,767	886,935	2,244,026
Total	<u>5,620,883</u>	<u>8,524,438</u>	<u>2,903,555</u>	<u>7,722,596</u>
Other Revenues:				
Merchandise Revenue	7,000	7,958	958	7,320
Sale of Advertising - Travel Guide	25,000	24,000	(1,000)	35,000
Website Advertising	100,000	130,682	30,682	114,456
Grant income	-	-	-	21,500
Other	1,000	1,290	290	4,009
Total	<u>133,000</u>	<u>163,930</u>	<u>30,930</u>	<u>182,285</u>
Investment earnings	<u>50,150</u>	<u>21,445</u>	<u>(28,705)</u>	<u>32,336</u>
Total revenues	<u>5,804,033</u>	<u>8,709,813</u>	<u>2,905,780</u>	<u>7,937,217</u>
Expenditures:				
Governing Body:				
Director compensation		16,900		17,100
Payroll taxes		1,293		1,308
Travel		4,841		563
Director & Officers' Insurance		3,603		3,315
Miscellaneous items		222		153
Total	<u>31,183</u>	<u>26,859</u>	<u>4,324</u>	<u>22,439</u>
Promotional and General				
Personnel:				
Salaries - full time		742,131		720,086
Salaries - part time		87,709		65,382
Payroll taxes		60,531		58,364
Employee insurance		145,638		142,389
Retirement		86,473		75,027
401(k) match		6,810		6,417
Workman's compensation		1,356		1,646
Employee relations		2,218		594
Training		4,086		1,721
Total Personnel	<u>1,200,610</u>	<u>1,136,952</u>	<u>63,658</u>	<u>1,071,626</u>
Services:				
Audit		9,750		7,875
Legal		24,980		8,380
Contract Services		15,858		15,028
Other Professional Services		500		5,165
Administrative Advertising		717		487
Total Services	<u>66,080</u>	<u>51,805</u>	<u>14,275</u>	<u>36,935</u>
Travel Guide:				
Travel Guide production and printing	-	73,900		-
Total Travel Guide	<u>73,900</u>	<u>73,900</u>	<u>-</u>	<u>-</u>

**Dare County Tourism Board
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022**

	2022		2021
	Budget	Actual	Variance Positive (Negative)
			Actual
Merchandise:			
Merchandise purchases		4,868	4,352
Credit card bank charges		654	680
Total Travel Guide	5,990	5,522	468
Other:			
Research		50,400	23,100
Advertising - printed		919,611	1,190,482
Advertising - production fee		71,167	76,614
Advertising - events		23,779	9,779
Advertising - electronic		2,237,408	1,791,687
Community relations		12,007	5,519
Legal notices		100	150
Brochures/production & printing		11,726	13,586
Promotional aids		4,827	1,009
Familiarization tours		58,467	56,258
Group sales		10,783	-
Event Grant program		296,425	73,361
Tousim Summit		1,293	269
Postage		63,099	106,683
Travel		25,604	1,140
Vehicle maintenance		791	545
Registrations		30,995	4,017
Travel show exhibit		941	-
Dues and subscriptions		35,269	25,199
Insurance		19,135	19,925
Telephone		20,084	21,633
Expendable equipment		310	410
Technical support		3,656	2,512
Utilities		6,555	6,378
Cleaning/maintenance supplies		332	697
Building maintenance		3,181	3,822
Equipment service contracts		1,025	2,437
Equipment rental		28,605	22,111
Office supplies		10,714	7,741
Web Site/Internet		38,400	28,629
Bank service charges		1,056	-
Capital Outlay		14,554	29,057
Total Other	5,971,023	4,002,299	1,968,724
Total Promotional & General	7,317,603	5,270,478	2,047,125
			4,638,343

**Dare County Tourism Board
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022**

	2022		2021
	Budget	Actual	Variance Positive (Negative)
			Actual
Welcoming			
Aycock Brown Welcome Center			
Personnel:			
Salaries - part time		79,929	62,236
Payroll taxes		6,033	4,591
Employee insurance		4,164	4,452
Retirement		630	-
Workman's Compensation		150	170
Employee Relations		379	30
Total Personnel	107,390	91,285	16,105
Services:			
Contracted Services		8,590	8,275
Total Services	9,420	8,590	830
Other:			
Uniforms		640	156
Travel		130	-
Insurance		2,740	1,920
Telephone		8,310	8,460
Expendable Equipment		235	-
Utilities		4,468	4,687
Cleaning/maintenance supplies		128	35
Building maintenance		1,718	1,613
Office supplies		2,943	1,199
Capital Outlay		11,587	-
Total Other	43,190	32,899	10,291
Total Welcoming - Aycock Brown Center	160,000	132,774	27,226
Total Welcoming - Aycock Brown Center	160,000	132,774	27,226
Roanoke Island Welcome Center			
Personnel:			
Salaries - part time		116,238	104,107
Payroll taxes		8,983	8,231
Worker's compensation		225	260
Employee relations		430	200
Total	154,405	125,876	28,529
Services:			
Contracted services		1,807	2,091
Total services	2,400	1,807	593

**Dare County Tourism Board
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2022**

	2022		2021
	Budget	Actual	Variance Positive (Negative)
			Actual
Other:			
Uniforms		863	267
Travel		473	415
Insurance		5,480	3,840
Telephone		6,331	5,767
Expendable Equipment		731	-
Utilities		570	606
Cleaning/maintenance supplies		24	189
Building maintenance		-	261
Office supplies		1,752	1,285
Capital Outlay		1,291	-
Total	25,360	17,515	7,845
Total Welcoming - Roanoke Island	182,165	145,198	36,967
Total Welcoming	342,165	277,972	64,193
Total expenditures	7,690,951	5,575,309	2,115,642
Revenues over (under) expenditures	(1,886,918)	3,134,504	5,021,422
Other financing sources (uses):			
Transfers (to) from other funds:			
Event Site	(285,480)	(285,480)	-
Appropriated Fund Balance	2,172,398	-	(2,172,398)
Total	\$ 1,886,918	\$ (285,480)	\$ (2,172,398)
Revenues and other financing sources over expenditures and other financing uses	-	2,849,024	2,849,024
Fund balances:			
Beginning of year, July 1		10,807,963	8,027,901
End of year, June 30		\$ 13,656,987	\$ 10,807,963

**Dare County Tourism Board
Proprietary Fund
Major Event Site Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2022**

	2022		Variance	2021
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Site rental income	\$ 13,800	\$ 24,130	\$ 10,330	\$ 13,000
Lease income	45,600	39,709	(5,891)	45,828
Other income	200	200	-	-
Unappropriated Funds	65,000	-	(65,000)	-
Interest income	200	21,759	21,559	378
Total	<u>124,800</u>	<u>85,798</u>	<u>(39,002)</u>	<u>59,206</u>
Total revenues	<u>124,800</u>	<u>85,798</u>	<u>(39,002)</u>	<u>59,206</u>
Expenditures:				
Event development & marketing	50,000	-	50,000	-
Other professional services	55,000	15,648	39,352	8,090
Insurance	8,550	8,554	(4)	7,200
Utilities	56,375	24,442	31,933	18,374
Repairs and maintenance	220,085	173,798	46,287	137,809
Office expenses	270	-	270	348
Depreciation	-	13,336	(13,336)	-
Unappropriated other expenses	20,000	2,726	17,274	1,137
Total	<u>410,280</u>	<u>238,504</u>	<u>171,776</u>	<u>172,958</u>
Revenues over expenditures	(285,480)	(152,706)	132,774	(113,752)
Other financing (uses):				
Transfers from General Fund	<u>285,480</u>	<u>285,480</u>	-	<u>271,030</u>
Total other financing (uses)	<u>285,480</u>	<u>285,480</u>	-	<u>271,030</u>
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>132,774</u>	<u>\$ 132,774</u>	<u>157,278</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Net income		<u>\$ 132,774</u>		<u>\$ 157,278</u>