

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



Lake Lure, Chimney Rock &
THE BLUE RIDGE FOOTHILLS
Rutherford County, NC

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)

Basic Financial Statements
For the Year Ended June 30, 2020

Authority Members

Wilard Whitson, Board Chair
Dave Long, 1st Vice Chair
Mary Jaegar-Gale, 2nd Vice Chair
Jeff Geisler, Treasurer
Jim Masek, Secretary
Kitty McCammon
Brandon Higgins
Dave Long
David Hislop
Janet Mason
Dana Bradley
David Hunt, Ex-Officio
Paula Roach, Ex-Officio

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-7
	Basic Financial Statements:	
1	Statement of Net Position	8
2	Statement of Activities	9
3	Balance Sheet - Governmental Fund	10
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	11
5	Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - General Fund	12
	Notes to the Financial Statements	13-19



Independent Auditors' Report

Board of Directors
Rutherford County Tourism Development Authority
Rutherfordton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Rutherford County Tourism Development Authority, a component unit of Rutherford County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Rutherford County Tourism Development Authority, as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
January 25, 2021

Management's Discussion and Analysis

As management of Rutherford County Tourism Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the period July 1, 2019 through June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements which follow this narrative.

Financial Highlights

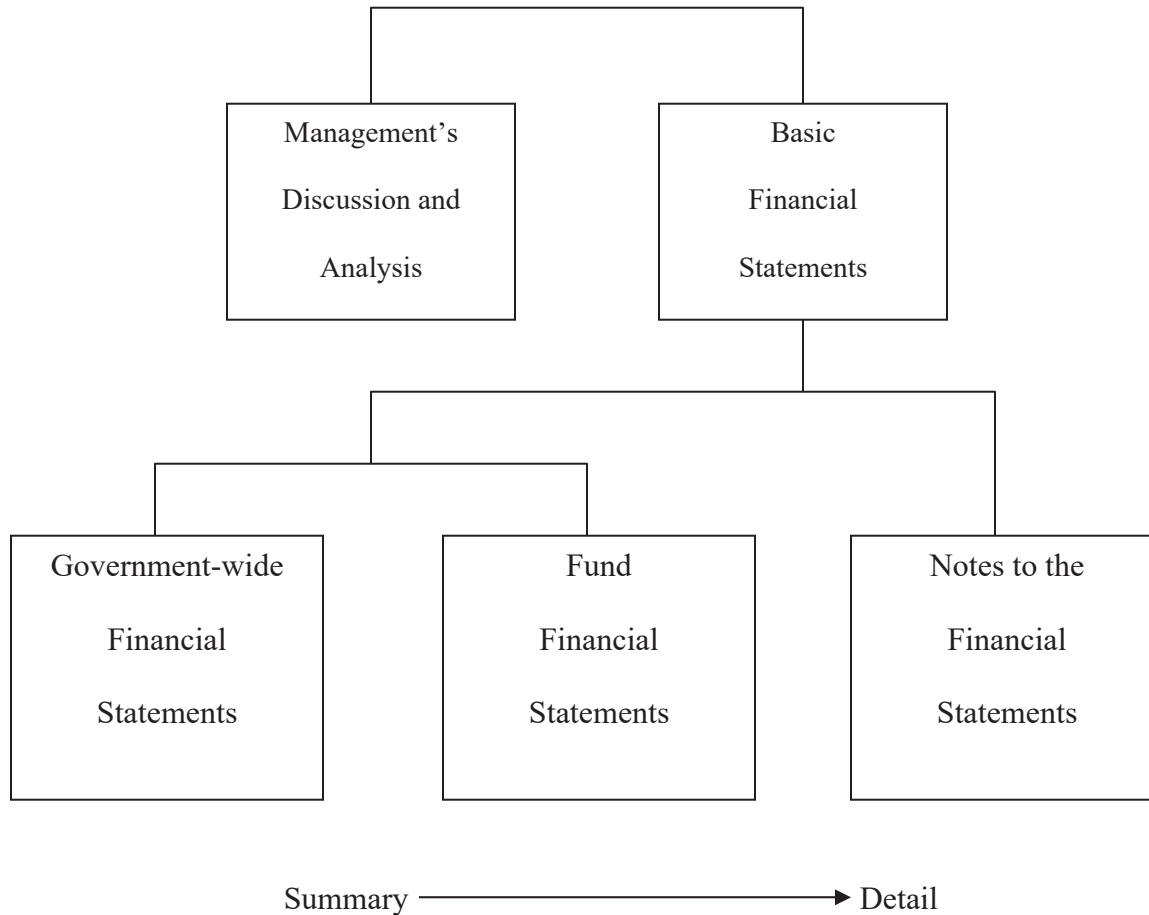
- The assets of the Authority exceeded its liabilities at the close of the year ended June 30, 2020 by \$1,754,201 (*Net Position*).
- The Authority's total Net Position increased by \$366,445.
- The Authority's available fund balance at the end of the year represented approximately 106 percent of total General Fund expenditures.
- Occupancy tax collections were approximately 10% over the budgeted amount but were down approximately 6% compared to the prior fiscal year. These results are attributable primarily to a downturn in tourism upon the onset of COVID-19 spring of 2021 and the impacts of the shutdowns imposed by the State to control the virus.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Authority is considered a special purpose government rather than a general government. In addition, the Authority engages only in governmental activities and operates only one program.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Authority's financial status.

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Authority's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Authority's financial status as a whole.

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

The government-wide statements are comprised of a single category – governmental activities. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Authority's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes of North Carolina or the Authority's budget ordinance. All of the funds of the Authority belong in one category, governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's activities 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 the current financial resources focus and the modified accrual basis of accounting. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Authority's programs.

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document. The budget authorizes the Authority to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance.

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 13 through 19 of this report.

Government-Wide Financial Analysis

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

Figure 2

	Governmental Activities	
	2020	2019
Assets:		
Total current assets	\$ 1,802,223	\$ 1,398,897
Leasehold improvements, net	72,560	96,747
Total assets	<u>1,874,783</u>	<u>1,495,644</u>
Liabilities:		
Total current liabilities	120,582	107,888
Total liabilities	<u>120,582</u>	<u>107,888</u>
Net Position:		
Net investment in capital assets	72,560	96,747
Restricted	248,755	191,843
Unrestricted	1,432,886	1,099,166
Total net position	<u>\$ 1,754,201</u>	<u>\$ 1,387,756</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$1,754,201 as of June 30, 2020. The Authority's net position increased by \$366,445 during the fiscal year ended June 30, 2020.

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

Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Occupancy tax	\$ 1,496,848	\$ 1,601,508
Interest earned	19,416	23,101
Other revenue	238,997	42,820
Total revenues	<u>1,755,261</u>	<u>1,667,429</u>
Expenses		
Economic and physical development	1,388,816	1,199,571
Total expenses	<u>1,388,816</u>	<u>1,199,571</u>
Change in Net Position	366,445	467,858
Net Position - beginning	1,387,756	919,898
Net Position - ending	<u>\$ 1,754,201</u>	<u>\$ 1,387,756</u>

Financial Analysis of the Authority's Funds

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

Governmental Funds. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Authority's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the only operating fund of the Authority. At the end of the fiscal year, available fund balance of the General Fund was \$1,443,466, and the fund balance restricted for stabilization by state statute was \$248,755. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 106 percent of total General Fund expenditures, while total fund balance also represents 124 percent of that same amount.

General Fund Budgetary Highlights. During fiscal year 2019-2020, the Visitor Information Network project continued to be implemented as a multi-year initiative to help with information and directional signage throughout the County. The project is anticipated to be completed by Spring 2021. The Rutherford Bound Tourism Master Plan moved forward beyond the planning phase with some projects in Rutherfordton and Lake Lure. Rutherford Bound is a long-range project to provide visitor information and development of the County's tourism assets in partnership with the local towns

Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2021

The TDA plans for the continued growth and continues implementation of the Tourism Master Plan, Rutherford Bound. Due to COVID-19, revenue projections during budget preparations were adjusted for FYE2021. Recent collections continue to be up 44% this fall which is attributable to the great weather and increased travel following the initial COVID-19 shutdowns in Rutherford County and North Carolina. Many visitors this summer/fall have traveled more regionally and increased travel as they can remote work anywhere, which has had a huge positive impact to tourism. Collections as a result of legislation has also had a positive impact as AirBNB, Expedia and HomeAway and other remote/online travel organization are now collecting taxes for their participants resulting in better reporting compliance.

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, Rutherford County Tourism Development Authority, 146 North Main Street, Rutherfordton, NC 28139.

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

Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,553,438
Receivables	248,755
Prepaid expenses	30
Total current assets	1,802,223
Noncurrent assets:	
Leasehold improvements, net	72,560
Total assets	1,874,783
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	109,972
Compensated absences	10,610
Total current liabilities	120,582
NET POSITION	
Net investment in capital assets	72,560
Restricted for stabilization by State statute	248,755
Unrestricted	1,432,886
Total net position	\$ 1,754,201

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

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

Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Total Governmental Activities
Economic development	\$ 1,388,816	\$ 10,330	\$ 223,667	\$ (1,154,819)
Total	\$ 1,388,816	\$ 10,330	\$ 223,667	(1,154,819)
General revenues:				
				1,496,848
				19,416
				5,000
				1,521,264
				366,445
				1,387,756
				\$ 1,754,201

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

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

Balance Sheet
Governmental Fund
June 30, 2020

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,553,438
Receivables	248,755
Prepaid expenses	30
Total assets	\$ 1,802,223
LIABILITIES	
Accounts payable and accrued expenses	\$ 109,972
Total liabilities	109,972
FUND BALANCE	
Nonspendable - prepaid expenses	30
Restricted:	
Stabilization by State statute	248,755
Unspent grant proceeds	100,000
Assigned for strategic plan implementation	304,931
Unassigned	1,038,535
Total fund balance	1,692,251
Total liabilities and fund balance	\$ 1,802,223

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

Total fund balance	\$ 1,692,251
--------------------	--------------

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.

Leasehold improvements, net	72,560
-----------------------------	--------

Compensated absences are not due and payable in the current period and therefore are not reported in the funds.

	(10,610)
--	----------

Net position of governmental activities	\$ 1,754,201
---	--------------

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the year ended June 30, 2020

	<u>General Fund</u>
REVENUES	
Occupancy tax revenue	\$ 1,496,848
Contributions from towns	109,687
Interest earned	19,416
Grant revenue	113,980
Vistor guide	10,330
Miscellaneous revenue	5,000
Total revenues	<u>1,755,261</u>
EXPENDITURES	
Economic development	<u>1,361,922</u>
Revenues over expenditures	393,339
Fund balance, beginning	<u>1,298,912</u>
Fund balance, ending	<u><u>\$ 1,692,251</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - governmental fund	\$ 393,339
Depreciation expense is the allocation of the cost of capital assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(24,187)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>(2,707)</u>
Total change in net position of governmental activities	<u><u>\$ 366,445</u></u>

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

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

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Revenues:				
Occupancy tax	\$ 1,354,285	\$ 1,354,285	\$ 1,491,687	\$ 137,402
Penalties and interest	-	-	5,161	5,161
Contributions from towns	-	-	109,687	109,687
Interest earned	-	-	19,416	19,416
Grant revenue	-	100,000	113,980	13,980
Vistor guide	20,000	14,000	10,330	(3,670)
Website ads	-	6,000	-	(6,000)
Miscellaneous revenue	-	-	5,000	5,000
Total revenues	<u>1,374,285</u>	<u>1,474,285</u>	<u>1,755,261</u>	<u>280,976</u>
Expenditures:				
General tourism	414,362	368,062	350,742	17,320
Professional services	18,400	20,400	18,693	1,707
Public relations and marketing	425,350	480,500	395,334	85,166
Facilities	15,800	30,100	19,290	10,810
Tourism related special projects	500,373	1,154,983	577,863	577,120
Total expenditures	<u>1,374,285</u>	<u>2,054,045</u>	<u>1,361,922</u>	<u>692,123</u>
Revenues over (under) expenditures	-	(579,760)	393,339	973,099
Other financing sources:				
Appropriated fund balance	-	579,760	-	(579,760)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>393,339</u>	<u>\$ 393,339</u>
Fund balance, beginning			<u>1,298,912</u>	
Fund balance, ending			<u>\$ 1,692,251</u>	

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

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Rutherford County Tourism Development Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Rutherford County Tourism Development Authority (the "Authority") was created on June 17, 1991 by sections 5 and 6 of chapter 577 of the 1991 Session Laws by Rutherford County to levy a room occupancy tax and by resolution of Rutherford County, North Carolina, under the authority of the North Carolina General Assembly. The act was modified by the provisions of Session Law 2011-115, House Bill 414. The Authority is responsible for promoting travel and tourism in the area. The Authority receives revenue through a six percent occupancy tax which is levied by Rutherford County. The Authority remitted approximately 2.5% of the occupancy taxes collected for the year to the County to cover administrative costs. The members of the Authority are appointed by Rutherford County, North Carolina. The Authority is included as a component unit in the reporting entity of Rutherford County, North Carolina under GASB Statement 61. In addition, Rutherford County provides some administrative functions for the Authority including the Authority's accounting function and the labor force necessary for the Authority to carry out its mission of promoting tourism.

B. Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government of the Authority. The entity only has governmental activities financed through taxes and other non-exchange transactions. The statement of activities presents direct expenses and general revenues of the Authority. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including occupancy taxes, are presented as general revenues.

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

The Authority has the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The General Fund is the Authority's only fund for the year ended June 30, 2020.

C. Measurement Focus, Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

The Authority recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The Authority considers all revenues available if they are collected within 90 days after year end.

D. Budgetary Data

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at fiscal year end.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the line item level for all annually budgeted funds. Any revisions that alter total expenditures of any fund must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Estimates

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

F. Assets, Liabilities and Fund Equity**Deposits**

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

Cash and Cash Equivalents

All bank deposits are demand deposits and are considered cash and cash equivalents.

Accounts Receivable

The Authority's revenue comes from the collection of a hotel occupancy tax. The tax is paid in the month following the retail sales. Therefore, any tax on hotel stays through June 30 that has not been collected by the County is considered receivable by the Authority.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. 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. The costs associated with wayfinding signs are not capitalized.

Net Position/Fund Balance***Net Position***

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are imposed by law through State statute.

Fund Balance

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.

Prepaid items – Portion of fund balance not available for appropriation because it presents the year-end balance of prepaid items that are not expendable resources.

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation 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 35-J-56 and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by the Authority's board of directors. Any changes or removal of specific purpose requires majority action by the board of directors. The Authority does not have any amounts that fall into this classification.

Assigned Fund Balance – portion of fund balance that the Authority intends to use for specific purposes.

Unassigned – the portion of total fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Authority does not have a revenue spending policy that provides guidance for programs with multiple revenue sources. The Authority does not have a minimum fund balance policy for the General Fund.

Note 2 - Deposits

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling

Method. The Authority has no formal policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying the deposits are properly secured.

At June 30, 2020, the Authority's deposits had a carrying amount and bank balance of \$1,553,438. Because these funds are held by Rutherford County in their central depository account, it is not possible to determine the amounts covered under Federal Depository Insurance versus the amount covered by collateral held under the pooling method. Therefore, all balances will be considered to be covered by collateral held under the pooling method.

Note 3 – Receivables

The receivable balance at June 30, 2020 was \$248,755. Rutherford County collects occupancy taxes that are applicable to the fiscal year in which they are levied. The outstanding receivable represents unremitted net occupancy tax collections on room nights through June 30, 2020. In management's opinion, an allowance for uncollectible amounts is not required.

Note 4 – Capital Assets

The Authority's capital assets consist of leasehold improvements for the Lake Lure welcome center. The Authority incurred costs \$241,867 on the project. The welcome center leasehold improvements were completed in July 2013.

Depreciation is calculated over the 10 year life of the lease. Accumulated depreciation on the improvements is \$169,307 as of June 30, 2020. Depreciation expense for the fiscal year ended June 30, 2020 was \$24,187.

Note 5 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks of loss are handled through commercial insurance coverage.

In accordance with G.S. 159-29, the Authority's finance officer, which has access to \$100 or more of the Authority's funds at any given time, is performance bonded through a commercial surety bond in the amount of \$50,000.

Note 6 – Occupancy Taxes

The Authority, in accordance with State law (S.L. 1998-112), collects the proceeds of a room occupancy tax of six percent of the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the County that is subject to sales tax imposed by the State under G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax.

The occupancy tax, along with related penalties and interest, collected by the Authority represents substantially all revenues and other financing sources of the Authority.

Note 7 – Liabilities**A. Compensated Absences**

The vacation policies of the Authority provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Authority's statement of net position, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the Authority provide for an unlimited accumulation of earned 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 Authority has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the Authority.

The following is a summary of changes in compensated absences for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ 7,903	\$ 7,600	\$ 4,893	\$ 10,610	\$ 10,610

B. Operating Leases

As of June 30, 2020, the Authority was obligated under two operating leases.

The Authority has an operating lease for the Lake Lure welcome center building. The original lease term was through June 30, 2020 with an option to renewing an additional 5 years. This lease is through the Town of Lake Lure at a cost of \$1 per year. The Authority exercised the option to renew for an additional 5 year term through June 30, 2024.

In April 2016, the Authority entered into an operating lease agreement with the Town of Rutherfordton to operate a visitor's center in the Woodrow Jones Building. The option to extend the lease shall be exercised month-to-month at a cost of \$500 per month.

Note 8 – Local Government Employees' Retirement System

The Authority is staffed and managed by employees of the County. The County 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 provides retirement and survivor benefits. The County is responsible for reporting requirements for all related benefits and includes all related assets and liabilities on the County's government-wide financial statements in accordance with GASB 67 and 68.

Note 9 – Contractual Commitments

Wayfinding Project – The Authority developed a master plan to place wayfinding signage around the County to help identify and promote local attractions and strengthen the Rutherford County area. The remaining financial commitment with this project is approximately \$97,000 as of June 30, 2020.

Note 10 – Uncertainties from the COVID-19 Pandemic

The COVID-19 pandemic in the United States, including Rutherford County, North Carolina, where the Authority is located, has caused severe business disruptions as state and local governments have declared states of emergency and issued stay-at-home orders for all but the most essential activities. As a result, economic uncertainties have arisen which are likely to negatively impact the Authority in various ways.

Revenue losses could continue to occur. Occupancy tax revenue is particularly vulnerable to economic uncertainties. Other financial impacts could occur, though such potential impacts are unknown at this time. The overall financial statement impact and duration of the COVID-19 pandemic cannot be reasonably estimated at this time.