

**TOWN OF SEVEN DEVILS
TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of the Town of Seven Devils)**

Financial Statements

June 30, 2021

(with Independent Auditor's Report thereon)

**S. Gillespie, P.A.
Certified Public Accountant
PO Box 725, 29 Beams Drive
Spruce Pine, North Carolina 28777**

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)**

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S. Gillespie, P.A.

Certified Public Accountant

Independent Auditor's Report

Town of Seven Devils Tourism Development Authority
Town of Seven Devils, North Carolina
Seven Devils, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Seven Devils Tourism Development Authority, as of and for the year then ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Seven Devils Tourism Development 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Seven Devils Tourism Development Authority as of June 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 6 through 11 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Town of Seven Devils Tourism Development Authority. The introductory section, combining and individual fund statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2021 on our consideration of Town of Seven Devils Tourism Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Seven Devils Tourism Development Authority's internal control over financial reporting and compliance.

S. Gillespie, P.A.
August 17, 2021

TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)
Management's Discussion and Analysis
June 30, 2021

As management of the Town of Seven Devils Tourism Development Authority (TDA), we offer readers of the TDA's financial statements this narrative overview and analysis of the financial activities for the period July 1, 2020 through June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the TDA's financial statements, which follow this narrative.

Financial Highlights

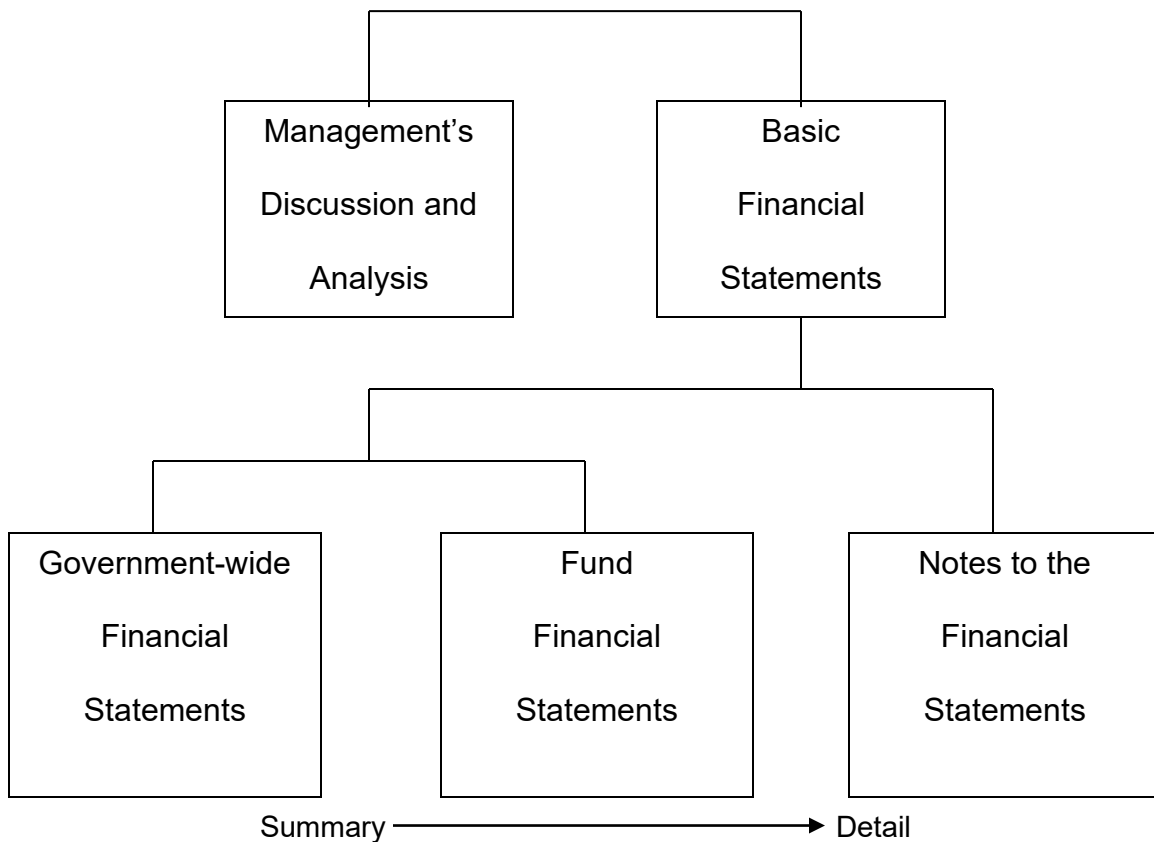
- The assets of the Town of Seven Devils Tourism Development Authority exceeded its liabilities at the close of the fiscal year by \$162,436 (*net position*).
- The government's total net position increased by \$16,285 for the current year.
- The TDA's unassigned net fund balance at the end of the year represented 33% of total General Fund expenditures.
- The Town of Seven Devils Tourism Development Authority has no debt at June 30, 2021.
- Seven Devils TDA provided the Town of Seven Devils with funding in the amount of \$327,236 which was used for purchase of land for parks and recreation, equipment, salary supplement, and various other items.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The TDA'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 TDA 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 Town of Seven Devils Tourism Development Authority.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through E) are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the TDA's government. These statements provide more detail than the government-wide statements. There is one part to the Fund Financial Statements: 1) the governmental funds statements. Budgetary information required by the General Statutes can also be found in this part of the statements.

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 Town of Seven Devils Tourism Development 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 financial status as a whole.

The government-wide statements report the TDA's net position and how it has changed. Net position is the difference between the total assets and total liabilities. Measuring net position is one way to gauge the TDA's financial condition.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the TDA'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 TDA, 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 Town of Seven Devils Tourism Development Authority are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. This fund focuses on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the TDA's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is required to be described in a reconciliation that is a part of the fund financial statements.

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board members, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges. There were no differences between the budgetary basis of accounting and the modified accrual basis; thus, a reconciliation showing the differences in the reported activities is not shown at the end of the budgetary statement.

Management's Discussion and Analysis (continued)

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.

Government-Wide Financial Analysis

Town of Seven Devils Tourism Development Authority's Net Position

Figure 2

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 126,510	\$ 125,195
Due from other governments	<u>36,884</u>	<u>34,348</u>
Total current assets	163,394	159,543
Current Liabilities:		
Accounts payable	<u>958</u>	<u>-</u>
Total liabilities	958	-
Net Position:		
Restricted by State Statute	36,884	34,348
Unrestricted	<u>125,552</u>	<u>125,195</u>
Total net position	<u>\$ 162,436</u>	<u>\$ 159,543</u>

As noted earlier, net position may serve over time as one useful indicator of the Authority's financial condition. The assets of the TDA exceeded liabilities by \$162,436 as of June 30, 2021. The Authority's net position increased by a net of \$2,893 for the fiscal year ended June 30, 2021. The Town of Seven Devils Tourism Development Authority's total net position balance is unrestricted.

Town of Seven Devils Tourism Development Authority's Changes in Net Position

Figure 3

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Occupancy tax	\$ 395,608	\$ 211,862
Investment income	-	-
Total revenues	<u>395,608</u>	<u>211,862</u>
Expenditures:		
General Government	3,495	2,750
Promotional and tourism expenditures	<u>375,828</u>	<u>120,033</u>
Total expenditures	<u>379,323</u>	<u>122,783</u>
Change in net position	16,285	89,079
Net position, beginning, as restated	<u>146,151</u>	<u>70,464</u>
Net position, ending	<u>\$ 162,436</u>	<u>\$ 159,543</u>

Governmental Activities: Governmental activities increased the Authority's net position by \$16,285.

Financial Analysis of the Town of Seven Devils Tourism Development Authority's Funds

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

Governmental Funds: The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Authority's financing requirements. Specifically, 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 chief operating fund of the Authority. At the end of the period July 1, 2020 through June 30, 2021, unassigned fund balance of the General Fund was

Management's Discussion and Analysis (continued)

\$125,552. Total fund balance was \$162,436, which includes an amount restricted by state statute of \$36,884.

Economic Factors

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

- Occupancy tax revenue of \$395,608, an increase over the prior year of \$183,746
- Although a decline in the 4th quarter of fiscal year 2020 was caused by the Covid19 pandemic, tourism revenue in the area grew at a rapid rate during 20-21 with anticipated further increases for the upcoming fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The Covid19 pandemic is continuing to cause unstable economic conditions as the Delta virus has emerged as a variant of the original disease. Consumers may again be quarantined and advised to stay at home in an effort to curb the spread of this new variant.

Management will continue to closely monitor expenditures and modify the budget as necessary in an effort to offset the effects and continue to serve the Town of Seven Devils.

Requests for Information

This report is designed to provide an overview of the Town of Seven Devils Tourism Development 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 Director of Finance, Town of Seven Devils Tourism Development Authority, 157 Seven Devils Road, Seven Devils, NC 28604 or (828) 963-5343.

TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government Governmental Activities
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 126,510
Due from other governments	36,884
Total current assets	<u>163,394</u>
Liabilities:	
Current Liabilities:	
Accounts payable	<u>958</u>
Total current liabilities	<u>958</u>
Total Liabilities	<u>958</u>
Net Position:	
Restricted by State statute	36,884
Unrestricted	125,552
Total net position	<u><u>\$ 162,436</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 3,495	\$ -	\$ -	\$ -	\$ (3,495)	\$ (3,495)
Promotional and tourism related expenditures	375,828	-	-	-	(375,828)	(375,828)
Total governmental activities	379,323	-	-	-	(379,323)	(379,323)
Total primary government	\$ 379,323	\$ -	\$ -	\$ -	\$ (379,323)	\$ (379,323)
General Revenues:						
Taxes:						
Occupancy taxes					395,608	395,608
Total general revenues and transfers					395,608	395,608
Change in net position					16,285	16,285
Net Position:						
Beginning of year, July 1					159,543	159,543
Restatement:					(13,392)	(13,392)
Beginning of year, July 1, as restated					146,151	146,151
End of year, June 30					\$ 162,436	\$ 162,436

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

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Major Fund General Fund
Assets:	
Cash and cash equivalents	\$ 126,510
Due from other governments	36,884
Total assets	<u>\$ 163,394</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable and accrued liabilities	\$ 958
Total liabilities	<u>958</u>
Fund balances:	
Restricted for:	
Stabilization by State Statute	36,884
Unassigned, General fund	<u>125,552</u>
Total fund balances	<u>162,436</u>
Total liabilities and fund balances	<u>\$ 163,394</u>

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

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Major Fund
	General Fund
Revenues:	
Occupancy taxes	\$ 395,608
Total revenues	<u>395,608</u>
Expenditures:	
Current:	
General government	3,495
Promotional and other tourism related expenditures	<u>375,828</u>
Total expenditures	<u>379,323</u>
Revenues over (under) expenditures	<u>16,285</u>
Net change in fund balance	<u>16,285</u>
Fund Balances:	
Beginning of year, July 1	159,543
Restatement:	<u>(13,392)</u>
Beginning of year, July 1, as restated	<u>146,151</u>
End of year, June 30	<u><u>\$ 162,436</u></u>

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

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Over/(Under)
Revenues:				
Occupancy taxes	\$ 150,000	\$ 385,000	\$ 395,608	\$ 10,608
Total revenues	150,000	385,000	395,608	10,608
Expenditures:				
Current:				
General government	2,900	3,000	3,495	495
Promotional and other tourism related expenditures	147,100	382,000	375,828	(6,172)
Total expenditures	150,000	385,000	379,323	(5,677)
Revenues over (under) expenditures	-	-	16,285	16,285
Other financing (sources) and uses:				
Fund balance appropriated	-	-		-
Net change in fund balance	\$ -	\$ -	16,285	\$ 16,285
Fund Balance:				
Beginning of year, July 1			159,543	
Restatement			(13,392)	
Beginning of year, July 1, as restated			146,151	
End of year, June 30			\$ 162,436	

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

TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY

(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)

Notes to the Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Seven Devils Tourism Development Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The North Carolina General Legislature enacted a law which authorized the Town of Seven Devils to levy a room occupancy and tourism development tax; and the Town Council adopted a resolution levying this tax on September 12, 2005. The Town Council created the Town of Seven Devils Tourism Development Authority (the "Authority") as a public authority under the Local Government Budget and Fiscal Control Act. The Authority is composed of three voting members, serving without compensation and appointed by the Town Council. The Authority may contract with any person, firm or organization to advise and assist in carrying out its duty to promote travel, tourism, and conventions for the Town of Seven Devils.

Government Accounting Standards Board Statement Number 14. "The Financial Reporting Entity", was used to determine that the Authority is a component unit of the Town of Seven Devils. The Town appoints the governing board of the Authority and the Authority operates within the Town's boundaries for the benefit of the Town's residents. The Town is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget, designate its own management, and maintain 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 (the Authority). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for different business-type activities of the Authority and for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)**

Notes to the Financial Statements

June 30, 2021

Statement of Activities.

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

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

The Authority reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Authority. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The General Fund is the Authority's only major fund for the period ended June 30, 2021.

C. *Measurement Focus and Basis of Accounting:*

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all 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

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
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Notes to the Financial Statements

June 30, 2021

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.

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 the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several immaterial amendments to original budget were necessary. 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. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 15-31]. The Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to the 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, an SEC-registered money market mutual fund. Investments are stated at cost or amortized cost.

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
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Notes to the Financial Statements

June 30, 2021

Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

Cash and Cash Equivalents

The Authority 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 Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that are written off in prior years.

Net Position / Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)**

Notes to the Financial Statements

June 30, 2021

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are (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.

- Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute {G.S. 159-8(a)}.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote of the governing body. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance of the Authority intended to be used 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 manager to modify the appropriation by resource within funds.

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

2. Violation of Local Act Requirements for Spending Occupancy Tax

Occupancy taxes were levied by the Town of Seven Devils for use in promoting tourism and tourism related expenditures. The governing board established criteria for spending as follows: *The Authority shall use at least two-thirds of the funds remitted to it under this subsection to promote travel and tourism in the Town of Seven Devils and shall use the remainder for tourism-related expenditures.*

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)**

Notes to the Financial Statements

June 30, 2021

During the year under audit, the Authority expended approximately ninety nine (99%) of the occupancy taxes remitted for the purpose of tourism related expenditures. This is in violation of the criteria established to spend only 34% of these funds on tourism related expenditures.

3. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in their names. 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 agents in their names. 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 policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Authority's deposits had a carrying amount of \$126,510 and a bank balance of \$127,199. Of the bank balance, \$127,199 was covered by federal depository insurance.

TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)

Notes to the Financial Statements

June 30, 2021

Receivables – Allowances for Doubtful Accounts

Due from other governments shown in Exhibit A at June 30, 2021 were as follows:

Occupancy taxes collected by the Town of Seven Devils	\$31,964
Refundable sales tax	<u>4,920</u>

Total	\$36,884
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B. Liabilities

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority carries commercial coverage for all other risks of loss that provide coverage for general liability in the amount of \$1,000,000. There have been no significant reductions in insurance coverage in the prior three years, and settled claims have not exceeded coverage.

The Authority does not carry flood insurance.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any give time of the Authority's funds are performance bonded through a commercial surety bond. Employees, including the finance officer, that have access to funds are individually bonded for \$50,000 each.

Fund Balance

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

Total fund balance-General Fund	\$ 162,436
Less:	
Stabilization by State Statute	36,884
Remaining Fund Balance	<u>125,552</u>

**TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SEVEN DEVILS)**

Notes to the Financial Statements

June 30, 2021

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 17, 2021, the date which the financial statements were available to be issued.

5. RESTATEMENTS

Prior Period Adjustment

During the fiscal year ended June 30, 2021 the TDA determined that accounts receivable was overstated on the prior year audit in the amount of \$13,392. An adjustment to beginning net position was made to correct the overstatement.



S. Gillespie, P.A.

Certified Public Accountant

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Directors
Town of Seven Devils Tourism Development Authority
Seven Devils, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Town of Seven Devils Tourism Development Authority (the Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Seven Devils Tourism Development Authority's basic financial statements, and have issued our report thereon dated August 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Seven Devils Tourism Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a

reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tourism Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 21-1.

Town of Seven Devils Tourism Development Authority's Response to Findings

The Town of Seven Devils Tourism Development Authority's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed

in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S. Gillespie

S. Gillespie, P.A.
Spruce Pine, North Carolina
August 17, 2021

TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY**Schedule of Findings and Questioned Costs****For the Year Ended June 30, 2021**

I. Summary of Auditor's Results

- A. An unqualified opinion was issued on the financial statements of Town of Seven Devils Tourism Development Authority.
- B. Our audit of the financial statements disclosed no significant deficiencies in internal controls.
- C. Our audit of the financial statements disclosed no instance of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that is material to the financial statements.
- D. There were no major federal or State programs for the Town of Seven Devils Tourism Development Authority.

**II. Findings related to the Audit of the Financial Statements of Town of Seven Devils Tourism Development Authority
Carolina**

Finding 21-1*Compliance*

- Criteria: According to the creating documents of the TDA: The Authority shall use at least two-thirds of the funds remitted to it under this subsection to promote travel and tourism in the Town of Seven Devils and shall use the remainder for tourism-related expenditures.
- Condition: The Authority expended 99% of occupancy taxes remitted for tourism-related expenditures.
- Effect: Expenditures exceeded the 34% limit required by enabling legislation.
- Cause: The governing body did not closely examine the language limiting use of funds when approving the budgeted projects for the year.
- Recommendation: The governing board should monitor expenditures to make sure the funds are correctly disbursed according to the enabling legislation which created the Authority.

Management Response: The Board agrees with this finding.

TOWN OF SEVEN DEVILS TOURISM DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

III. Findings and Questioned Costs Related to the Audit of Federal and State Awards

None

IV. Status of Prior Year Findings

N/A

**Town of Seven Devils Tourism Development Authority
Corrective Action Plan
For the Fiscal Year Ended June 30, 2021**

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2021 – 1 Compliance

Name of contact person: Anne Fontaine, Chair

Corrective Action: The governing board will monitor future expenditures to make sure the funds are correctly disbursed according to the enabling legislation which created the Authority.

Proposed Completion Date: The Board will immediately implement the above procedures.

Section III – Federal Award Findings and Questioned Costs

Not applicable.

Section IV – State Award Findings and Questioned Costs

Not applicable.