

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

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**NASH COUNTY TOURISM DEVELOPMENT AUTHORITY**  
**(A Component Unit of Nash County, North Carolina)**

**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**Board Members**

Robbie B. Davis, Chairman  
Linda Snell  
Marvin Johnson  
Tracy Jackson  
Ernestine Neal  
Kent Sanders  
George Griffin  
Peter Varney  
Bill Brantley  
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David Joyner  
Faye Beddingfield-Wiggs  
Bill Lehnes

Director of Finance  
Lynne Hobbs

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Nash County Tourism Development Authority  
Nashville, North Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of Nash County Tourism Development Authority (A Component Unit of Nash County, North Carolina) as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Nash County Tourism Development Authority, as of June 30, 2011, and the respective changes in financial position, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 assurance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.

October 6, 2011

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

This discussion and analysis is provided as an overview of the Nash County Tourism Development Authority's (Authority) financial activities for the fiscal year ended June 30, 2011. 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**

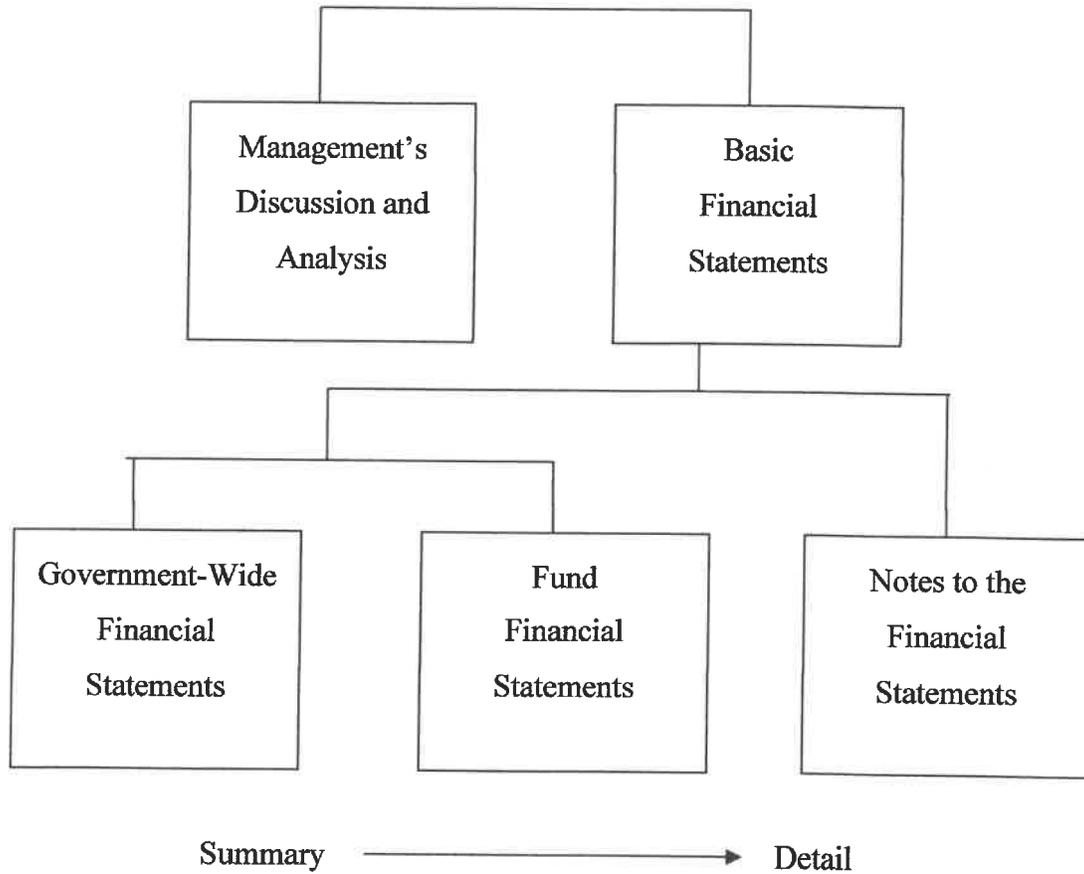
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$358,792 (net assets). Of this amount, \$358,792 (unrestricted net assets) may be used to meet the Authority's ongoing obligations.
- The Authority's total net assets increased by \$42,477, which is a result of expenses for Tourism Promotions and General and Administration expense exceeding revenues.
- As of the close of the fiscal year, the Authority's governmental fund reported an ending fund balance of \$358,792 an increase of \$42,477 in comparison with prior year. 100% of this total amount, or \$358,792, is available for spending at the Authority's discretion. The available fund balance represents approximately 56% of the General Fund expenditures for the fiscal year.

### **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 basic financial statements present two different views of the Authority through the use of government-wide statements and fund financial statements.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through E) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements, and 2) the budgetary comparison 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 Nash County 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 two government-wide statements report the Authority's net assets and how they have changed. Net assets are the difference between total assets and total liabilities. Measuring net assets is one way to gauge the Authority's financial condition.

## **Fund Financial Statements**

The fund financial statements provide more detailed look at the 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. Currently, the Authority only maintains a General Fund.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Currently, the Authority's activities are accounted for in one governmental fund, the General Fund. 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 Authority's programs. The relationship between government activities (reported in the Statement of Net Assets 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 Nash County Tourism Development Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the Board members about which tourism promotions to undertake. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in promoting tourism as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board 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.

**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 directly follow the basic financial statements of this report.

**Government-Wide Financial Analysis**

The government-wide financial statements for the period July 1, 2010 through June 30, 2011 are in their ninth year of a new era in financial reporting for authorities and many other units of government across the United States. In the past, authorities and other units of government maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the authority/government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the authority/government. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt, and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the Nash County Tourism Development Authority’s inception period’s financial reporting format, as well as changing the financial reporting of many other units of government. The Authority was required to implement these changes for the fiscal year ended June 30, 2003. The Authority had no GASB 34 reconciling items for the year ended June 30, 2011.

**Nash County Tourism Development Authority’s Net Assets**

**Figure 2**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2011</b>
<b>Current Assets:</b>		
Cash and investments	\$ 312,481	\$ 362,213
Taxes receivable	48,853	-
Total assets	<u>361,334</u>	<u>362,213</u>
<b>Current Liabilities:</b>		
Accounts payable	45,019	3,421
Total liabilities	<u>45,019</u>	<u>3,421</u>
<b>Net Assets:</b>		
Unrestricted	<u>316,315</u>	<u>358,792</u>
Total net assets	<u>\$ 316,315</u>	<u>\$ 358,792</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$358,792 at the close of June 30, 2011. One hundred percent (100%) of the Authority's net assets represent resources that are unrestricted in how they may be used for tourism promotion and related activities.

**Nash County Tourism Development Authority's Changes in Net Assets**

**Figure 3**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2011</b>
<b>Revenues:</b>		
General revenues:		
Occupancy taxes	\$ 625,959	\$ 677,992
Investment income	532	399
Total revenues	<u>626,491</u>	<u>678,391</u>
<b>Expenditures:</b>		
Current:		
Tourism promotion	751,261	630,473
General and administrative	4,770	5,441
Total expenditures	<u>756,031</u>	<u>635,914</u>
Increase (decrease) in net assets	(129,539)	42,477
<b>Net Assets:</b>		
Beginning of year - July 1	<u>445,854</u>	<u>316,315</u>
End of year - June 30	<u>\$ 316,315</u>	<u>\$ 358,792</u>

**Governmental Activities.** The single governmental program activities were responsible for the total increase of \$42,477 in the Authority's net assets. Revenues increased \$51,900 due to an increase in travel and occupancy tax revenue. Expenses decreased due to several one-time expenditures in the prior year.

**Governmental Funds.** The focus of the Authority's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financial requirements. In particular, *unassigned fund balance* may serve as 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 June 30, 2011 fiscal year, the Authority's governmental fund reported an ending fund balance of \$358,792, an increase of \$42,477 in comparison with the prior year.

The \$42,477 increase in the Authority's General Fund balance during the current fiscal year was a result of revenues of \$678,391 exceeding expenditures of \$635,914 in tourism promotion and general activities.

**General Fund Budgetary Highlights.** During the year the revenues exceeded the budget. Revenues exceeded expenditures resulting in an increase to fund balance at June 30, 2011.

#### **Economic Factors**

- Unemployment in the State of North Carolina was 10.4% as of June 30, 2011; however, the Nash County unemployment rate remained constant at 12.7%.
- The Nash County area's hotel/lodging accommodation gross rental revenues were \$23,722,582, \$21,695,767, \$22,234,690 for the 2011, 2010 and 2009 fiscal years, respectively.
- Nash County maintained its current 5% occupancy tax rate of which 3% is distributed to the Authority and 2% to the City of Rocky Mount.

#### **Budget Highlights for the Fiscal Year Ending June 30, 2012**

The Authority's management considered several factors when setting the fiscal year 2012 budget including the economy. Occupancy tax receipts, which form the backbone of the revenues that support the Authority's programs, are projected to increase 8% in 2012. Occupancy taxes have shown some improvement from prior year. Budgeted expenditures are expected to decrease slightly by \$8,057. The Authority will continue to enhance efforts to promote tourism and travel within Nash County by seeking new opportunities to draw individuals to the community.

#### **Requests for Information**

This report is designed to provide an overview of the Nash County Tourism 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, Nash County Tourism Development Authority, 120 West Washington Street, Suite 3072, Nashville, North Carolina 27856.

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

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 362,213
Taxes receivable	<u>-</u>
Total assets	<u>362,213</u>
<b>Liabilities:</b>	
Accounts payable	<u>3,421</u>
<b>Net Assets:</b>	
Unrestricted	<u>\$ 358,792</u>

*The accompanying notes are an integral part of the financial statements.*

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>Functions/Programs:</b>	<b>Charges for Services</b>	<b>Total Governmental Activities</b>	
<b>Governmental Activities:</b>			
Economic and physical development	\$ 630,473	\$ -	\$ (630,473)
General and administrative	<u>5,441</u>	<u>-</u>	<u>(5,441)</u>
 Total	 <u>\$ 635,914</u>	 <u>\$ -</u>	 <u>(635,914)</u>
 <b>General Revenues:</b>			
Taxes:			
Room occupancy tax			677,992
Interest earnings, unrestricted			<u>399</u>
 Total			 <u>678,391</u>
 Change in net assets			 42,477
 <b>Net Assets:</b>			
Beginning of year - July 1			<u>316,315</u>
 End of year - June 30			 <u>\$ 358,792</u>

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 362,213
Total assets	<u>\$ 362,213</u>
<b>Liabilities and Fund Balance:</b>	
<b>Liabilities:</b>	
Accounts payable	<u>\$ 3,421</u>
<b>Fund Balance:</b>	
Unassigned	<u>358,792</u>
Total fund balance	<u>358,792</u>
Total liabilities and fund balance	<u>\$ 362,213</u>

*The accompanying notes are an integral part of the financial statements.*

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>
<b>Revenues:</b>	
Room occupancy taxes	\$ 677,992
Investment earning	399
Total revenues	<u>678,391</u>
<b>Expenditures:</b>	
Current:	
General and administrative	5,441
Tourism promotion	<u>630,473</u>
Total expenditures	<u>635,914</u>
Revenues over (under) expenditures	42,477
<b>Fund Balance:</b>	
Beginning of year - July 1	<u>316,315</u>
End of year - June 30	<u>\$ 358,792</u>

*The accompanying notes are an integral part of the financial statements.*

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

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Room occupancy tax	\$ 600,000	\$ 600,000	\$ 677,992	\$ 77,992
Investment income (loss)	-	-	399	399
Miscellaneous	-	-	-	-
Total revenues	<u>600,000</u>	<u>600,000</u>	<u>678,391</u>	<u>78,391</u>
<b>Expenditures:</b>				
Administration	4,700	4,700	5,441	(741)
Economic and physical development:	<u>633,258</u>	<u>633,258</u>	<u>630,473</u>	<u>2,785</u>
Total expenditures	<u>637,958</u>	<u>637,958</u>	<u>635,914</u>	<u>2,044</u>
Revenues over (under) expenditures	<u>(37,958)</u>	<u>(37,958)</u>	<u>42,477</u>	<u>80,435</u>
Appropriated fund balance	<u>37,958</u>	<u>37,958</u>	<u>-</u>	<u>37,958</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>42,477</u>	<u>42,477</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>316,315</u>	
End of year - June 30			<u>\$ 358,792</u>	

*The accompanying notes are an integral part of the financial statements.*

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**1. Summary of Significant Accounting Policies**

The accounting policies of the Nash County Tourism Development Authority (the "Authority") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Authority is a governmental entity established effective July 1, 1987 under a State Senate Bill of the State of North Carolina. Operations of the Authority are to promote travel, tourism, and conventions in the County, sponsor tourist-related events and activities in the County, and to finance tourist-related capital projects in the County.

The Board of Commissioners of Nash County, North Carolina, selects the governing board of the Authority and, in accordance with the State Senate Bill, the Finance Officer for Nash County also serves as Finance Officer for the Authority. The Authority designates its own management, and approves its own budget. In addition, the County provides no financial support to the Authority, is not obligated for the Authority's debts, or entitled to any surpluses of the Authority. Nash County, North Carolina, is accountable for the Authority because it appoints the Authority's governing board; however, Nash County, North Carolina, is not financially accountable for the Authority. Therefore, the Authority is reported as a component unit to Nash County, North Carolina's financial statements.

**B. Basis of Presentation**

*Government-Wide Statements.* The Statement of Net Assets and the Statement of Activities display information about the government. These statements include the financial activities of the overall government. Government activities generally are financed through taxes and other non-exchange transactions. The Statement of Activities presents direct expenses and program revenue for the function of the Authority's government activity. 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 (a) fees and charges paid by the recipients of goods and services offered by the program and (b) grants and contributions that are restricted to the 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 Authority has only one governmental fund: the General Fund.

**General Fund**

The General Fund is the only 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 primary revenue sources are occupancy taxes and investment earnings. The primary expenditures are for tourism promotion.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**C. Measurement Focus and Basis of Accounting**

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. The Authority considers all revenues available if they are collected within 60 days after year-end.

There were no modifications to be made between the accrual basis of accounting in the government-wide financial statements and the modified accrual basis of accounting in the governmental fund financial statements.

**D. Budgetary Data**

The Authority's budget is 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 the General Fund. All budget amendments must be approved by the governing board. During the year, several amendments to the 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**E. Assets, Liabilities, and Fund Balance**

**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. 159-31]. The Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina.

Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposits.

State Law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Authority's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

**Cash and Cash Equivalents**

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

**Allowance for Doubtful Accounts**

Allowances for doubtful accounts are not maintained on any types of receivables as they are not material in amount to the financial statements.

**Net Assets/Fund Balances**

**Net Assets**

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

**NASH COUNTY TOURISM DEVELOPMENT AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Fund Balances**

The government fund types classify fund balances as follows:

**Restricted Fund Balance**

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

**Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Authority's governing body (highest level of decision making authority, the Board). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

**Assigned Fund Balance**

Assigned fund balance is the portion of fund balance that the Authority intends to use for specific purposes. The Authority's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

**Unassigned Fund Balance**

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

The Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: federal funds, State funds, local funds, and Authority funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Authority or when required by grant or other contractual agreements.

The Authority has not officially adopted a fund balance policy

**Use of 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. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**2. Detail Notes on Fund**

**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 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 their 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no policy regarding custodial credit risk for deposits 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, 2011, the Authority's deposits had a carrying amount of \$175,434 and a bank balance of \$124,400. All of the bank balance was covered by federal depository insurance or collateralized under the Pooling Method.

**Investments**

The investments in the North Carolina Capital Management Trust are exempt from risk categorization, because the Authority does not own any identifiable securities, but is a shareholder of a percentage of the fund.

At June 30, 2011, the Authority had \$186,779 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority has no policy regarding credit risk.

**B. Liabilities**

**Risk Management**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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's Board is covered under Nash County's public officials' liability policy. The County participates in a financing pool through the risk management agency of the North Carolina Association of County Commissioners. Through this pool, the County obtains general liability coverage of \$2 million per occurrence.

In accordance with G.S. 159-29, Authority employees that have access to \$100 or more at any given time of Authority funds are performance bonded through a commercial surety bond. The Finance Officer is bonded under a surety bond for \$50,000.

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.