



Darrell L. Keller, CPA, PA

THE GROVER TOURISM DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(704) 739-0771

**The Grover Tourism Development Authority
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June 30, 2018**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of
The Grover Tourism Development Authority
Grover, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Grover Tourism Development Authority, North Carolina (a component unit of the Town of Grover) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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 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 The Grover Tourism Development Authority, North Carolina, as of June 30, 2018, and the respective changes in financial position 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 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 my 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.

Darrell L Keller, CPA, PA

Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
October 30, 2018

THE GROVER TOURISM DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

June 30, 2018

As management of the Grover Tourism Development Authority (the Authority), we offer readers of the Grover TDA's financial statements this narrative overview and analysis of the financial activities of the Grover TDA for the fiscal year June 30, 2018. We encourage readers to consider the information presented. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

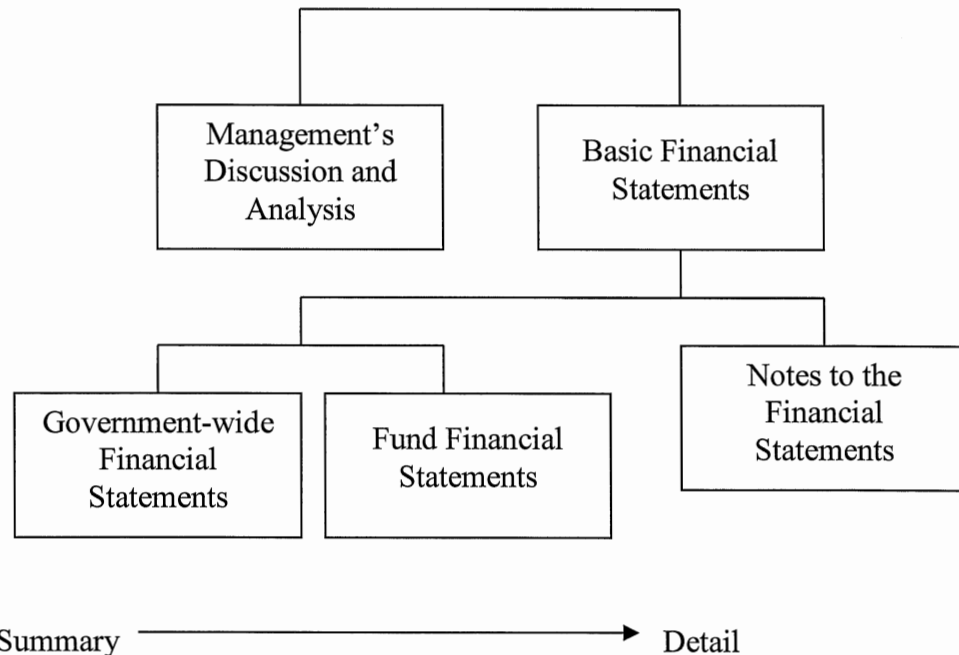
- The Authority is a component unit of the Town of Grover.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,321 (*net position*).
- As of the close of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$2,321. 95.05% of this amount, \$2,206, is available for spending at the Authority's discretion (*unassigned net position*).

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



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 are comprised of a single category – governmental activities.

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

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

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one governmental type of fund.

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

The combined fund and government-wide financial statements can be found on pages 8 and 9 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the combined statements. The notes can be found on pages 11 through 16 of this report.

Government-wide Financial Analysis - As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Authority, assets exceeded liabilities by \$2,321 at the close of the fiscal year.

**The Grover Tourism Development Authority’s Net Position
Figure 2**

	Governmental Activities		Total	Activities
	2018	2017	2018	2017
Current and Other Assets	\$ 2,321	\$ 3,571	\$ 2,321	\$ 3,571
Capital Assets			-	-
Total Assets	<u>2,321</u>	<u>3,571</u>	<u>2,321</u>	<u>3,571</u>
Current and Other Liabilities	-	-	-	-
Long-term Liabilities Outstanding	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	-	-	-	-
Restricted	115	246	115	246
Unrestricted	2,206	3,325	2,206	3,325
Total Net Position	<u>\$ 2,321</u>	<u>\$ 3,571</u>	<u>\$ 2,321</u>	<u>\$ 3,571</u>

The Grover Tourism Development Authority's Changes in Net Position
Figure 3

	Governmental		Total	
	2018	2017	2018	2017
Revenues				
Program revenues				
Operating grants and contributions	\$ -	\$ -	\$ -	\$ -
Capital grants and contributions	-	-	-	-
General revenues				
Occupancy Tax	1,936	3,049	1,936	3,049
Grants and contributions not restricted to specific programs	-	-	-	-
Other	-	-	-	-
Total Revenues	1,936	3,049	1,936	3,049
Expenses				
Economic Development	3,186	4,442	3,186	4,442
Total Expenses	3,186	4,442	3,186	4,442
Increase/(decrease) in net position before transfers	- 1,250	- 1,393	- 1,250	- 1,393
Transfers	-	-	-	-
Increase/ (decrease) in net position	(1,250)	(1,393)	(1,250)	- 1,393
Net position, July 1	3,571	4,964	3,571	4,964
Net position, June 30	\$ 2,321	\$ 3,571	\$ 2,321	\$ 3,571

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

The general fund is the operating fund of the Authority. At the end of the fiscal year, the Authority reported an ending fund balance of \$2,321. 95.05 percent of this amount represents unreserved fund balance, which is available for spending at the Authority's discretion. The remainder of the fund balance \$115 is reserved by North Carolina General Statutes.

General Fund Budgetary Highlights – The primary source of income for the Authority is occupancy tax.

Capital Assets and Debt Administration - At June 30, 2018, the Authority had no investments in capital assets and no debt.

Economic Factors and Next Year's Budget - With no new hotels, motels, or bed and breakfasts expected to open in the immediate future, budgeted revenues are expected to remain stable. There was a decrease this year in the amount of stays at the Inn in Town which resulted in a decrease in occupancy tax. The Authority has taken this decrease into account when budgeting for the upcoming year.

Requests for Information - This report is designed to provide an overview of the Town'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 Finance Officer, Grover Tourism Development Authority, P.O. Box 189, Grover, NC 28073.

Basic Financial Statements

The Grover Tourism Development Authority
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2018

Exhibit A

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments	\$ 2,152	\$ -	\$ 2,152
Accounts receivable:			
Intergovernmental	115	-	115
Events	-	-	-
Prepaid Expenses	54	-	54
Capital assets:			
Land and other nondepreciable assets	-	-	-
Other assets, net of depreciation	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	2,321	-	\$ 2,321
LIABILITIES			
Accounts payable	-	-	-
Unearned revenue	-	-	-
Long term liabilities:			
Due within one year	-	-	-
Due after one year	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-
FUND BALANCES/NET POSITION			
Fund balances:			
Restricted			
Stabilization by State statute	115	(115)	-
Non-spendable			
Prepaid expenses	-	-	-
Assigned			
Minimum Bank Balance	-	-	-
Appropriated in 2017 Budget	-	-	-
Unassigned, reported in:			
General Fund	2,206	(2,206)	-
Total fund balances	<hr/>	<hr/>	<hr/>
	2,321	(2,321)	-
Total liabilities and fund balances	<hr/>	<hr/>	<hr/>
	\$ 2,321		
Net Position:			
Net Investment in capital assets		-	-
Restricted for		-	-
Stabilization by State Statute		115	115
Unrestricted		<hr/>	<hr/>
		2,206	2,206
Total net position	<hr/>	<hr/>	<hr/>
	\$ -	\$ -	\$ 2,321

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

**The Grover Tourism Development Authority
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund
Balance/Statement of Activities
For the Year Ended June 30, 2018**

Exhibit B

	General Fund	Adjustments	Statement of Activities
Revenues:			
Occupancy tax	\$ 1,936	\$ -	\$ 1,936
Event revenue	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	1,936	-	1,936
Expenditures/expenses:			
Economic development:			
Operations	3,186	-	3,186
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures/expenses	3,186	-	3,186
Excess/deficiency of revenues over expenditures	(1,250)	-	(1,250)
Fund balances/net position:			
Beginning of year	3,571	-	3,571
End of year	\$ 2,321	\$ -	\$ 2,321

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

The Grover Tourism Development Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund
For the Year Ended June 30, 2018

Exhibit C

	Original Budget	Final Budget	Actual	Variance with Final Positive/Negative
Revenues:				
Occupancy tax	\$ 3,000	\$ 3,000	\$ 1,936	\$ (1,064)
Event revenue	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>1,936</u>	<u>(1,064)</u>
Expenditures/expenses:				
Economic development:				
Legal/Professional	725	725	725	-
Community Events/Development	3,100	3,100	2,164	936
Bond	225	225	175	50
Office Expense (Bank Fees)	100	100	60	40
Tourism Pamphlets	200	200	62	138
Total expenditures/expenses	<u>4,350</u>	<u>4,350</u>	<u>3,186</u>	<u>1,164</u>
Excess/deficiency of revenues over expenditures	<u>(1,350)</u>	<u>(1,350)</u>	<u>(1,250)</u>	<u>100</u>
Other financing sources (uses):				
Fund balance appropriated	1,350	1,350	-	(1,350)
Total	<u>1,350</u>	<u>1,350</u>	<u>-</u>	<u>(1,350)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(1,250)</u>	<u>\$ (1,250)</u>
Fund balances/net position:				
Beginning of year			3,571	
End of year			<u>\$ 2,321</u>	

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

The Grover Tourism Development Authority, Grover, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

A. Reporting Entity

The North Carolina General Legislature enacted a law, which authorized the Town of Grover to levy a room occupancy and tourism development tax; and the town council adopted a resolution levying this tax on December 17, 2012. The Authority is composed of three voting members, serving without compensation and appointed by the town council.

The Authority is a component unit of the Town of Grover. The Town appoints the three members of 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, designates its own management, and it maintains its own accounting system.

B. Basis of Presentation

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

The Authority reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Authority. The General Fund accounts for all financial resources of the general government. The primary revenue source is occupancy tax.

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 property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. All amendments 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. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. 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 deposit.

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by 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 reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs is considered to be \$500 for all assets. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	40
Improvements	25
Vehicles	5
Furniture and equipment	10
Computer equipment	3

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet the criterion for this category.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities type statement of net position.

6. Net Position/Fund Balances

Net Position

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

Fund 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 balance 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 that is not an available resource because it represents the year-end balance of funds expended for future use.

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 which is not available for appropriation under State law [G.S. 159-8(a)].

Committed Fund Balance-portion of fund balance that can only be used for specific purpose imposed by majority vote of Authority's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance-portion of fund balance that Grover Tourism Development Authority intends to use for specific purposes

Subsequent year's expenditures-portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$2,500.

Minimum bank balance-portion of fund balance that is assigned by the board so the Authority will receive free checking account services.

Unassigned Fund Balance-the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Grover Tourism Development Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-authority fund, 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.

II. Stewardship, Compliance, and Accountability

None

III. Detail Notes on All Funds

A. Assets

1. 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 the Authority's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact 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.

At June 30, 2018, the Authority's deposits had a carrying amount of \$2,152 and a bank balance of \$2,352. Of the bank balance, \$2,352 was covered by federal depository insurance.

2. Capital Assets

Primary Government

There was no capital asset activity for the year ended June 30, 2018.

3. 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 no insurance at this time. The Authority does not carry flood insurance since it owns no real property. The Authority carries a fidelity bond in the amount of \$50,000 on the finance director

B. Fund Balance

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

<u>Total fund balance-General Fund</u>	<u>\$2,321</u>
Less;	
Stabilization by State Statute	115
Prepaid expenses	-
Assigned for minimum bank balance	-
Appropriated Fund Balance in 2019 Budget	885
Working Capital / Fund Balance Policy	319
<u>Remaining Fund Balance</u>	<u>1,002</u>

The Authority has adopted a minimum fund balance policy which instructs management to conduct the business of the Authority in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

III. Related Organization

The three-member board of the Grover Tourism Development Authority is appointed by the Town of Grover. The Town is accountable for the Authority because it appoints the governing board; however, the Town is not financially accountable for the Authority. The finance officer of the Town is also the ex-officio finance officer of the Authority as required by state statute.

The Chairman of the Authority board is also the owner of the hotel located within the Authority's jurisdiction. The Authority is economically dependent on this hotel for 100% of its tax revenues. Should the hotel close, the Authority would have no remaining source of income.