

ADDENDUM # 1

From: Lena L. Butler, Purchasing Supervisor
To: Auditing Firms
Project: Auditing Services for New Hanover County
Date: November 4, 2014

This addendum includes audit services for the New Hanover County Tourism Development Authority (TDA), a component unit of New Hanover County, into the RFP dated October 17, 2014 for Audit Services for New Hanover County. The decision was made to combine the audit services for New Hanover County and TDA as financial administration and reporting are performed within the New Hanover County Finance Department and having the same audit firm for both entities would provide efficiency in service delivery. TDA’s Basic Financial Statements for the Year Ended June 30, 2014 are attached.

The Audit firm will submit a separate proposal and cost sheet for the audit services of the New Hanover County Tourism Development Authority. The intent is to have the same firm provide audit services for both the County and the TDA; however, each entity reserves the right to request proposals separately at any time following the first year of this contract.

Due to this change, the deadline for questions has been extended as well as the deadline for answering questions.

	ORIGINAL DATES	REVISED DATES
Release Date	<i>Friday, October 17, 2014</i>	
Deadline for Questions	<i>Wednesday, November 5, 2014 by 5:00 PM</i>	Monday, November 10, 2014 by 5:00 PM
Questions to be Answered No Later Than	<i>Thursday, November 13, 2014</i>	Friday, November 14, 2014
Deadline for Receipt of Proposals	<i>Tuesday, November 25, 2014 by 5:00 PM</i> New Hanover County Finance Office 230 Government Center Drive, Suite 165 Wilmington, NC 28403	No Change
Notice of Recommended Firm	Wednesday, January 7, 2015	No Change
NHC Board of Commissioners Approval	Tuesday, January 20, 2015	No Change
TDA Board Approval		Wednesday, January 28, 2015

INTRODUCTION

A. General Information

New Hanover County Tourism Development Authority; hereafter referred to as (TDA), is requesting proposals from qualified firms of certified public accountants to audit the TDA's financial statements for the fiscal year ending June 30, 2015, with the option of auditing its financial statements for each of the four (4) subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards, the standard set forth for financial audits in the Government Accountability Office's (GAO) Government Auditing Standard (and any other applicable procedures for the audit of a government's financial statements prepared in accordance with generally accepted accounting principles), as well as the additional requirements as outlined in Section II.

There is no expressed or implied obligation for the TDA to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Submit your proposal using the format as specified in Section 5 of the original RFP no later than **5:00 PM Tuesday, November 25, 2014** to the following address:

New Hanover County Finance Office
Attn: Lena L. Butler, Purchasing Supervisor
230 Government Center Drive, Suite 165
Wilmington, NC 28403

OR

Submit your proposal by email to: lbutler@nhcgov.com

OR

FAX your proposal to: (910) 798-7806

Proposals will be evaluated and Firms will be notified by **January 7, 2015** of the staff's recommendation of award. It is anticipated that award of contract will be made at the TDA Board Meeting scheduled for **January 28, 2015**.

B. Term of Engagement

The TDA intends to continue the relationship with the auditor for no less than five (5) years on the basis of annual negotiation after the completion of the first year contract; however, the TDA reserves the right to request proposals at any time following the first year of this contract. Accordingly, it is requested that firms prepare proposals for the following years, with Year One (2014-2015) being the only obligated year:

July 1, 2014 to June 30, 2015

July 1, 2015 to June 30, 2016

July 1, 2016 to June 30, 2017

July 1, 2017 to June 30, 2018

July 1, 2018 to June 30, 2019

I. NATURE OF SERVICES REQUIRED

1. The Auditor shall audit the financial statements of the TDA for the fiscal year ended June 30, 2015 and express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

2. The audit must be conducted in accordance with generally accepted auditing standards, Government Auditing Standards, July 2011 revisions issued by the Comptroller General of the United States; Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, including revisions published in Federal Register June 27, 2003 and June 26, 2007; the State Single Audit Implementation Act of 1996, and any other applicable procedures for the audit of a government's financial statements prepared in accordance with GAAP.
3. The Auditor shall examine the balance sheets, statements of revenue, expenses and changes in net assets and the statement of cash flows of the TDA.
4. The Auditor will prepare most year-end adjusting journal entries. The Auditor will be ultimately responsible for the preparation, typing, proofing, printing, and copying of the Basic Financial Statement, supplementary information and compliance reports. The Auditor will also complete the unit data input worksheet and submit to the LGC along with the completed financial statements.
5. The Auditor shall conduct his/her examination and render his/her report in accordance with generally accepted auditing standards. The examination shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances, except as follows:
 - a. It is agreed that generally accepted auditing standards include a review of the TDA's system of internal control and accounting as same related to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor will make a written report, which may or may not be a part of the written report of audit, to the TDA setting forth his/her findings, together with his/her recommendations for improvement. All matters defined as "reportable conditions" in AU 325 of the AICPA Professional Standards will be communicated to the TDA in writing.
6. The Auditor shall, after completing his/her examination, submit to the TDA a written report of audit at a meeting of the TDA Board of Directors and/or the TDA Executive Committee. This report shall include, at least, the basic financial statements and notes thereto prepared in accordance with generally accepted accounting principles, supplementary information requested by the TDA or required for full disclosure under the law and the auditors opinion on the material presented. The Auditor shall furnish **twenty-five (25)** copies of the report to the TDA as soon as practical after the close of the accounting period.
7. The audit shall be performed and the final report of audit submitted to the TDA Board of Directors for approval by **September 30, 2015**.

8. The Auditor will submit a draft of the Financial Statement to be reviewed in detail by the TDA Finance Officer. This draft should be submitted in time to allow ample review and corrections.
9. The working papers shall be retained and made available upon request for no less than three years from the date of the audit report.
10. In the event that circumstances arise during the audit that requires work to be performed in excess of the original estimates, any additional costs will be negotiated prior to commencement of the work and an amended contract will be approved by the TDA.

PROPOSER GUARANTEES

The proposer certifies he/she can and will provide and make available, as a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official: _____
Name (typed): _____
Title: _____
Firm: _____
Date: _____

PROPOSER WARRANTIES

- A. Proposer warrants that he/she is willing and able to comply with State of North Carolina laws with respect to foreign (non-state of North Carolina) corporations.

- B. Proposer warrants that he/she is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions or any officers, employees or agents thereof.

- C. Proposer warrants that he/she will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the TDS.

- D. Proposer warrants that all information provided in connection with this proposal is true and accurate.

Signature of Official: _____
Name (typed): _____
Title: _____
Firm: _____
Date: _____

**NEW HANOVER COUNTY
TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES
CONVENTION & VISITORS BUREAU**
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

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**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Board Members

Kim Hufham, President/CEO
Carl Marshburn, Chairman
Frank Jones, Vice-Chairman
Charles Pennington, Secretary
Jonathan Barfield Jr.
Bill Blair
Anne E. Brodsky
Neal Johnson
Michael Wade Keeler
Dean Lambeth
Connie Majure-Rhett
Nicolas Montoya
LeAnn Pierce
Angela Rhodes
Bill Saffo
Dan Wilcox

Finance Director

Lisa Wurtzbacher

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**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Hanover County Tourism Development Authority
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the New Hanover County Tourism Development Authority (A Component Unit of New Hanover County, North Carolina) (the "Authority") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the accompanying financial statements of the major fund of the New Hanover County Tourism Development Authority as of and for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority as of June 30, 2014, 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 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, 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 the New Hanover County Tourism Development Authority. The budgetary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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. In our opinion, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 10, 2014

**New Hanover County Tourism Development Authority
DBA Wilmington and Beaches Convention & Visitors Bureau**

**Management's Discussion and Analysis
June 30, 2014**

As management of the New Hanover County Tourism Development Authority (A Component Unit of New Hanover County, North Carolina) (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. 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

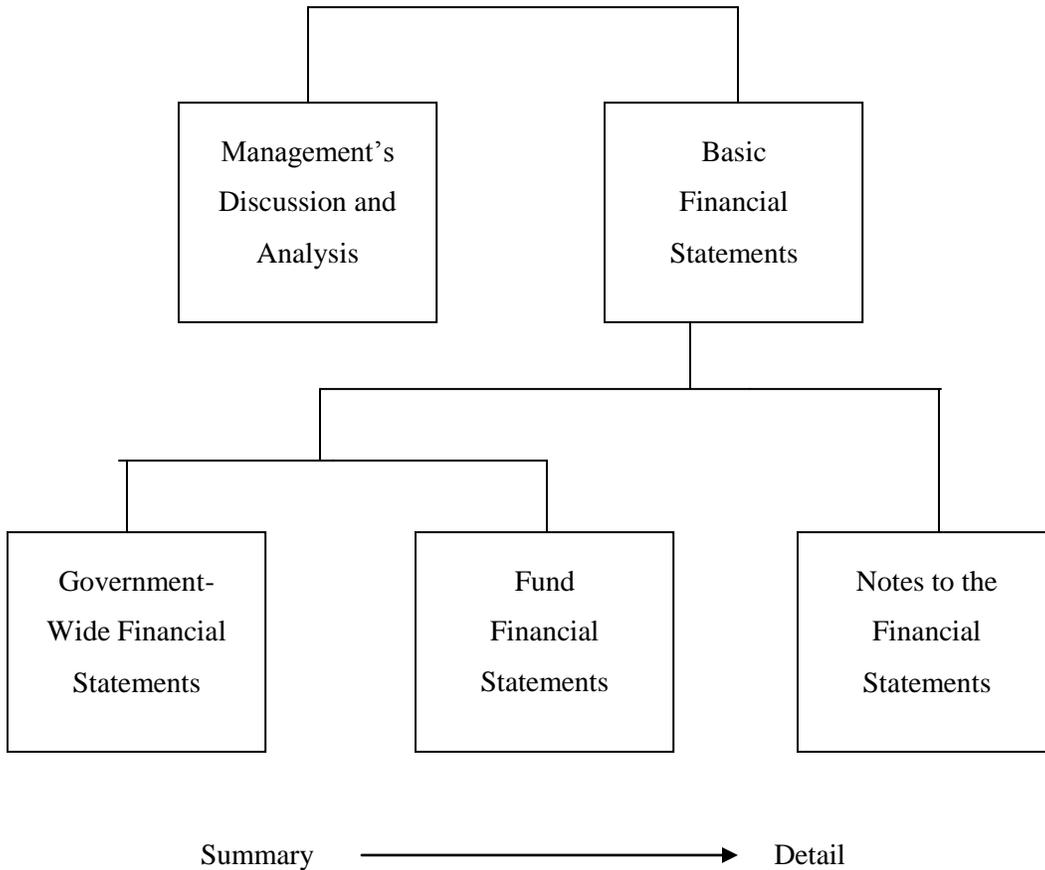
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,443,800 (net position). Of this amount, \$166,493 (unrestricted net position) may be used to meet the Authority's ongoing obligations.
- The Authority's total net position increased by \$284,839 due to an increase in room occupancy tax revenues.
- As of the close of the fiscal year, the Authority's governmental fund reported a combined ending fund balance of \$2,407,119, an increase of \$283,926 in comparison with the prior 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 (see Figure 1). The basic financial statements present two different views of the Authority through the use of government-wide statements and fund financial statements. The Authority is considered a special purpose government rather than a general government. The Authority operates one fund and engages only in governmental activities.

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 G) 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. After the notes, **Supplemental Information** is provided to show details about the Authority's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The governmental activities include the Authority's promotion of tourism to the area. Room occupancy taxes finance these activities.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's activities are accounted for in one governmental fund, its General Fund. This fund focuses on how assets can readily be converted into cash 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Authority adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the Authority, and the decisions of the New Hanover County Tourism Development Authority Board members about which services to provide and how to pay for them. It also authorizes the Authority to obtain funds from identified sources to finance these current period activities. 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 providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

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 \$2,443,800 at the close of June 30, 2014. The Authority’s net position increased by \$284,839 for the fiscal year ended June 30, 2014. The assets of the Authority are primarily current assets (98.34%). Capital assets (1.66%) consist of furniture, equipment, and computers needed to deliver promotional services to the County and municipalities.

Authority’s Net Position

Figure 2

	Governmental Activities		
	2014	2013	2012
Assets:			
Current and other assets	\$ 2,510,146	\$ 2,299,730	\$ 2,369,077
Capital assets	42,444	34,082	37,105
Total assets	<u>2,552,590</u>	<u>2,333,812</u>	<u>2,406,182</u>
Liabilities:			
Current and other liabilities	<u>108,790</u>	<u>174,851</u>	<u>176,558</u>
Net Position:			
Net investment in capital assets	42,444	34,082	37,105
Restricted	2,234,863	2,051,954	2,120,159
Unrestricted	<u>166,493</u>	<u>72,925</u>	<u>72,360</u>
Total net position	<u>\$ 2,443,800</u>	<u>\$ 2,158,961</u>	<u>\$ 2,229,624</u>

Several particular aspects of the Authority’s financial operations influenced the total unrestricted governmental net position:

- Continued successful execution of marketing plans for the County-at-large and the three beach towns that participate in the second 3% funding.
- Continued success in leveraging the County-at-large and the three beach towns as one unit to be able to take advantage of bigger discounts.
- Overall controlled plan for budgeted expenditures for promotions and tourism activities during the year were rigorously controlled.
- Room occupancy taxes increased during the year by \$248,424.

Authority's Changes in Net Position

Figure 3

	Governmental Activities		
	2014	2013	2012
General Revenues:			
Room occupancy taxes:			
First 3%	<u>\$ 1,824,582</u>	<u>\$ 1,695,530</u>	<u>\$ 1,632,289</u>
Second 3%:			
Promotional funds - Carolina Beach	350,525	330,039	318,545
Promotional funds - Wrightsville Beach	473,686	458,093	455,105
Promotional funds - Kure Beach	157,048	145,665	141,883
Tourism activity funds - Carolina Beach	397,660	368,617	292,568
Tourism activity funds - Wrightsville Beach	541,021	513,205	570,164
Tourism activity funds - Kure Beach	<u>177,248</u>	<u>162,198</u>	<u>155,194</u>
Total second 3%	<u>2,097,188</u>	<u>1,977,817</u>	<u>1,933,459</u>
City of Wilmington - Convention Center	<u>300,634</u>	<u>294,739</u>	<u>288,960</u>
Other revenue	<u>2,024</u>	<u>2,729</u>	<u>1,789</u>
Total revenues	<u>4,224,428</u>	<u>3,970,815</u>	<u>3,866,497</u>
Expenditures:			
Marketing and promotion	1,316,620	1,362,106	1,308,535
Administrative	317,507	317,762	310,806
Tourism activity and promotion - Carolina Beach	871,731	660,396	538,465
Tourism activity and promotion - Wrightsville Beach	839,858	1,077,653	897,207
Tourism activity and promotion - Kure Beach	308,690	336,232	275,272
Tourism activity and promotion - City of Wilmington - Convention Center	<u>285,183</u>	<u>287,329</u>	<u>287,643</u>
Total expenditures	<u>3,939,589</u>	<u>4,041,478</u>	<u>3,617,928</u>
Increase (decrease) in net position	284,839	(70,663)	248,569
Net Position:			
Beginning of year - July 1	<u>2,158,961</u>	<u>2,229,624</u>	<u>1,981,055</u>
End of year - June 30	<u>\$ 2,443,800</u>	<u>\$ 2,158,961</u>	<u>\$ 2,229,624</u>

Governmental Activities. The single governmental program activities were responsible for the total increase of \$284,839 in the Authority's net position. Revenues increased \$253,613 due to an increase in travel and occupancy tax revenue. Expenses decreased due to several one-time expenditures in the previous year and conscious efforts to reduce expenditures.

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, fund balance available for appropriation 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 June 30, 2014, the Authority's governmental fund reported an ending fund balance of \$2,407,119, of this amount, \$1,344,298 was available for spending. The Authority currently has an available fund balance of 34.11% of General Fund expenditures.

General Fund Budgetary Highlights. During the fiscal year, the Authority revised the budget on four occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues exceeded budgeted amounts primarily due to an overall increase in room occupancy taxes.

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets as of June 30, 2014, totals \$42,444 (net of accumulated depreciation). These assets include furniture and equipment. Reference should be made to Note 2 of the financial statements.

Economic Factors

The following key economic indicators reflect the prospect for the coming year for the Authority.

- New Hanover County continues to follow the current economic trend of the southeastern United States. Travel and tourism activities have increased from previous years due to the public's confidence in the growing economy.
- Room occupancy taxes increased at a rate of 6.95% for the year due to a recovery in the economy.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. Occupancy taxes continue to increase. The previous three years have been consecutive benchmark years that surpass the previous benchmark year of 2007-2008. The Authority's budget reflects a 2.0% increase for this coming year as compared to fiscal year 2013-2014 actual expenditures.

Requests for Information

This report is designed to provide an overview of the Wilmington and Beaches Convention & Visitors Bureau'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, New Hanover County, 230 Government Center Drive, Wilmington, North Carolina 28403.

NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
	2014
Assets:	
Current assets:	
Cash and investments	\$ 1,435,429
Room occupancy taxes receivable	1,062,821
Prepaid items	11,896
Total current assets	<u>2,510,146</u>
Non-current assets:	
Capital assets	136,473
Less accumulated depreciation	<u>(94,029)</u>
Total non-current assets	<u>42,444</u>
Total assets	<u>2,552,590</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	91,131
Long-term liabilities:	
Due within one year	<u>17,659</u>
Total liabilities	<u>108,790</u>
Net Position:	
Net investment in capital assets	42,444
Restricted for:	
Stabilization by State statute	1,062,821
Promotion activities	382,404
Tourism activities	758,400
Convention Center activities	31,238
Unrestricted	<u>166,493</u>
Total net position	<u>\$ 2,443,800</u>

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

NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Functions/Programs:			
Governmental Activities:			
Promotions:			
Wrightsville Beach	\$ 441,644	\$ -	\$ (441,644)
Carolina Beach	326,132	-	(326,132)
Kure Beach	128,072	-	(128,072)
County-wide	1,634,127	-	(1,634,127)
Tourism activities:			
Wrightsville Beach	398,214	-	(398,214)
Carolina Beach	545,599	-	(545,599)
Kure Beach	180,618	-	(180,618)
City of Wilmington	285,183	-	(285,183)
	<u>\$ 3,939,589</u>	<u>\$ -</u>	<u>(3,939,589)</u>
Total governmental activities			
General Revenues:			
Taxes:			
Room occupancy tax			3,921,770
Interest earnings, unrestricted			2,024
City of Wilmington - Convention Center			<u>300,634</u>
Total			<u>4,224,428</u>
Change in net position			284,839
Net Position:			
Beginning of year - July 1			<u>2,158,961</u>
End of year - June 30			<u>\$ 2,443,800</u>

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

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU**
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014 AND JUNE 30, 2013**

	<u>2014</u>	<u>2013</u>
Assets:		
Cash and cash equivalents	\$ 1,435,429	\$ 1,312,692
Room occupancy taxes receivable	1,062,821	972,275
Total assets	<u>\$ 2,498,250</u>	<u>\$ 2,284,967</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 91,131</u>	<u>\$ 161,774</u>
Fund Balance:		
Restricted:		
Stabilization by State statute	1,062,821	972,275
Promotion activities	382,404	296,993
Tourism activities	758,400	766,901
Convention Center activities	31,238	15,785
Unassigned	<u>172,256</u>	<u>71,239</u>
Total fund balance	<u>2,407,119</u>	<u>2,123,193</u>
Total liabilities and fund balance	<u>\$ 2,498,250</u>	<u>\$ 2,284,967</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Fund balance	\$ 2,407,119	\$ 2,123,193
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,444	34,082
Prepaid expenses are not available to pay for current period expenditures and, therefore, are not reported in the funds.	11,896	14,763
Some liabilities and accrued vacation are long-term obligations and, therefore, are not reported in the funds.	<u>(17,659)</u>	<u>(13,077)</u>
Net position of governmental activities	<u>\$ 2,443,800</u>	<u>\$ 2,158,961</u>

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

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU**
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>	<u>2013</u>
Revenues:		
Room occupancy taxes	\$ 3,921,770	\$ 3,673,347
Interest income	2,024	2,729
City of Wilmington - Convention Center	300,634	294,739
Total revenues	<u>4,224,428</u>	<u>3,970,815</u>
Expenditures:		
Current:		
Promotions and tourism activities	<u>3,940,502</u>	<u>4,039,358</u>
Net change in fund balance	283,926	(68,543)
Fund Balance:		
Beginning of year - July 1	<u>2,123,193</u>	<u>2,191,736</u>
End of year - June 30	<u>\$ 2,407,119</u>	<u>\$ 2,123,193</u>

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

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balance - governmental fund	\$ 283,926
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,362
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds statement.	(4,582)
Some prepaid expenses in the Statement of Net Position require the use of current assets and are recorded as expenditures in the governmental funds statement.	<u>(2,867)</u>
Change in net position in governmental activities	<u><u>\$ 284,839</u></u>

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

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)**

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:				
Room occupancy taxes - all other	\$ 3,496,092	\$ 3,496,092	\$ 3,787,105	\$ 291,013
Room occupancy taxes - administrative	134,668	134,668	134,665	(3)
City of Wilmington	300,634	300,634	300,634	-
Other income	-	-	2,024	2,024
Total revenues	<u>3,931,394</u>	<u>3,931,394</u>	<u>4,224,428</u>	<u>293,034</u>
Expenditures:				
1st 3%:				
County-wide promotions	1,709,812	1,709,812	1,635,040	74,772
2nd 3%:				
Carolina Beach promotions	312,188	330,775	326,132	4,643
Wrightsville Beach promotions	443,861	453,590	441,644	11,946
Kure Beach promotions	137,091	137,976	128,072	9,904
Carolina Beach tourism activities	359,322	687,843	545,599	142,244
Wrightsville Beach tourism activities	511,195	719,602	398,214	321,388
Kure Beach tourism activities	157,291	220,046	180,618	39,428
City of Wilmington tourism activities	300,634	316,419	285,183	31,236
Total expenditures	<u>3,931,394</u>	<u>4,576,063</u>	<u>3,940,502</u>	<u>635,561</u>
Revenues over (under) expenditures	-	(644,669)	283,926	928,595
Appropriated fund balance	<u>-</u>	<u>644,669</u>	<u>-</u>	<u>644,669</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	283,926	<u>\$ 283,926</u>
Fund Balance:				
Beginning of year - July 1			<u>2,123,193</u>	
End of year - June 30			<u>\$ 2,407,119</u>	

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

NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:				
Room occupancy taxes - all other	\$ 3,401,291	\$ 3,401,291	\$ 3,563,125	\$ 161,834
Room occupancy taxes - administrative	110,223	110,223	110,222	(1)
City of Wilmington	294,739	294,739	294,739	-
Other income	-	-	2,729	2,729
Total revenues	<u>3,806,253</u>	<u>3,806,253</u>	<u>3,970,815</u>	<u>164,562</u>
Expenditures:				
1st 3%:				
County-wide promotions	1,696,949	1,708,519	1,677,748	30,771
2nd 3%:				
Carolina Beach promotions	305,313	385,810	367,966	17,844
Wrightsville Beach promotions	434,819	551,129	530,119	21,010
Kure Beach promotions	137,039	178,976	173,082	5,894
Carolina Beach tourism activities	343,891	600,559	292,430	308,129
Wrightsville Beach tourism activities	489,931	739,706	547,534	192,172
Kure Beach tourism activities	153,572	218,349	163,150	55,199
City of Wilmington tourism activities	294,739	303,742	287,329	16,413
Total expenditures	<u>3,856,253</u>	<u>4,686,790</u>	<u>4,039,358</u>	<u>647,432</u>
Revenues over (under) expenditures	(50,000)	(880,537)	(68,543)	811,994
Appropriated fund balance	<u>50,000</u>	<u>880,537</u>	<u>-</u>	<u>880,537</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(68,543)	<u>\$ (68,543)</u>
Fund Balance:				
Beginning of year - July 1			<u>2,191,736</u>	
End of year - June 30			<u>\$ 2,123,193</u>	

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

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NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

The accounting policies of the New Hanover 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

On October 3, 2002, the North Carolina State Legislature approved the legislation enabling the establishment of the Authority (House Bills 1707 and 1720). Effective January 1, 2003, the New Hanover County Board of Commissioners created the New Hanover County Tourism Development Authority. The Board of County Commissioners appoints the remaining ten Board members with the five ex-officio elected members, which are a member of the Board of County Commissioners, the Mayor of the City of Wilmington, the Mayor of the Town of Carolina Beach, the Mayor of the Town of Kure Beach, and the Mayor of the Town of Wrightsville Beach as the Authority’s Board. The Authority is a discrete component unit of New Hanover County, North Carolina. The Authority continues the promotional efforts of the former Cape Fear Coast Convention and Visitors Bureau (CVB), Inc. a governmental not-for-profit organization exempt from income taxes under section 501(c)(6) of the Internal Revenue Code. Effective December 31, 2002, the CVB was dissolved and the assets and liabilities were transferred to the Authority. The Authority promotes tourism in the County and its electing municipalities.

Under the enabling legislation, New Hanover County, the City of Wilmington, and the Towns of Wrightsville Beach, Carolina Beach, and Kure Beach can elect to levy specified room occupancy taxes to be collected by New Hanover County and be partially retained by the County and partially remitted to the Authority for use in specified activities. The Authority operates as a special purpose government engaged in governmental activities under Governmental Accounting Standards Board (GASB) Statement No. 34.

On October 26, 2011, the New Hanover County Tourism Development Authority began doing business as the Wilmington and Beaches Convention & Visitors Bureau.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the government (the Authority). These statements include the financial activities of the overall government. Governmental 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.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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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 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. This is the Authority's primary and only operating fund. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

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 and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues, if applicable, 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 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.

Room occupancy taxes collected and held by New Hanover County and taxes receivable by New Hanover County on behalf of the Authority at year-end to be remitted to the Authority are recognized as revenue. The Authority considers all revenues available if they are collected within 60 days after year-end.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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.

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.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in the Statement of Net Position. The Authority accounts for such payments on the purchase method in the fund financial statements; and as such, these costs are considered expenditures when incurred.

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 are as follows: equipment, \$1,000; all computers are capitalized regardless of cost. The costs of normal maintenance or repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of the Authority is depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment	5-10 years

Compensated Absences

The vacation policy of the Authority generally provides for the accumulation of up to one year's earned vacation leave with such leave being fully vested when earned. For the Authority's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. In the government fund financial statements, compensated absences are recognized when they are due to be paid.

The Authority's sick leave policy provides for an accumulation of up to 240 hours of earned sick leave. Sick leave does not vest. Since the Authority does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in 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, laws or regulations of other governments, or imposed by law through State statute.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The government fund types classify fund balances as follows:

Non-Spendable 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.

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)].

Restricted for Promotion Activities – portion of fund balance that is restricted by revenue source for promotion activities.

Restricted for Tourism Activities – portion of fund balance that is restricted by revenue source for tourism activities.

Restricted for Convention Center Activities – portion of fund balance that is restricted by revenue source for Convention Center activities.

Committed Fund Balance. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 non-Authority 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 Tourism Development Authority Board of Directors established a fund balance goal of 25% of expenditures for tourism promotion and 16.67% for tourism related activities.

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.

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Authority are either insured or collateralized under the Pooling Method. 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.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

At June 30, 2014, the Authority's deposits had a carrying amount of \$395,054 and a bank balance of \$437,249. Of the bank balance, \$281,954 was covered by federal depository insurance, and \$155,295 was covered by collateral held 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, 2014, the Authority had \$1,040,375 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.

Accounts Receivable and Customer Concentration

The Authority received approximately 100% of its revenue from New Hanover County during the year ending June 30, 2014, under room occupancy tax levies of New Hanover County, the Town of Carolina Beach, the Town of Kure Beach, and the Town of Wrightsville Beach. Effective January 1, 2003, room occupancy tax funds are earmarked for the Authority and are no longer the ownership of the local governments. Receivables consist totally of room occupancy taxes collected on behalf of the Authority. At June 30, 2014, the Authority was owed room occupancy tax collections from New Hanover County in the amount of \$1,062,821.

The Authority does not recognize an allowance for doubtful accounts.

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activity:				
Capital assets being depreciated:				
Equipment	\$ 120,748	\$ 17,425	\$ 1,700	\$ 136,473
Less accumulated depreciation for:				
Equipment	<u>86,666</u>	<u>9,063</u>	<u>1,700</u>	<u>94,029</u>
Governmental activities				
capital assets, net	<u>\$ 34,082</u>	<u>\$ 8,362</u>	<u>\$ -</u>	<u>\$ 42,444</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

B. Liabilities

Accounts Payable

At June 30, 2014, the Authority owed accounts payable of \$28,760 and accrued expenses of \$62,371, totaling \$91,131. These amounts are for expenditures for the year ended June 30, 2014, and are due and payable as of that date.

Fund Balances

Restricted Fund Balances. The enabling legislation provides for the levy of two, 3% room occupancy taxes. The first 3% is dedicated to the promotion of tourism for the entire County.

The second 3% tax includes specific collections within the City of Wilmington, as well as Carolina, Kure, and Wrightsville beaches. The second 3% tax has specific usage requirements. Funds collected within the three beaches are divided 50% for tourism promotion and 50% for tourism-related activity expenditures. As of June 30, 2014, \$382,404 is restricted for promotion (\$174,301 for Wrightsville Beach, \$134,972 for Carolina Beach, \$73,131 for Kure Beach) and \$758,400 is restricted for tourism activities (\$442,488 for Wrightsville Beach, \$229,331 for Carolina Beach, and \$86,581 for Kure Beach).

The City of Wilmington's second 3% funds are earmarked for the debt service and maintenance of a convention center located in downtown Wilmington. These funds are being remitted to the City of Wilmington for that purpose. During the current year, the City remitted \$300,634 for Convention Center promotional activities of which the Authority spent \$285,181. As of June 30, 2014, \$31,238 is restricted for Convention Center activities for the City of Wilmington.

Retirement Plan

The Authority maintains a simplified employee pension plan, a non-contributory defined contribution plan. An employee must have been employed full time by the Authority for at least three of the last five years to qualify for the plan and be at least 21 years of age.

During the year ended June 30, 2014 and 2013, the Authority's contributions to the plan totaled \$49,327 and \$48,912, representing 10% for fiscal year 2014 and 10% for 2013, of eligible employees' salaries.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Long-Term Obligations

Changes in long-term liabilities of the Authority during the year ended June 30, 2014, are as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due Within One Year</u>
Accrued vacation pay	\$ 13,077	\$ 4,582	\$ -	\$ 17,659	\$ 17,659

Accrued vacation is included in long-term liabilities in the Statement of Net Position.

The Authority is committed under an operating lease for a building facility. For the year ended June 30, 2014 and 2013, the total lease expenditures under the operating lease totaled \$50,974 and \$50,974 respectively. The future minimum lease commitments under the operating lease are as follows:

	<u>Year Ending June 30</u>	<u>Total</u>
	2015	\$ 50,974
	2016	50,974
	2017	<u>50,974</u>
	Total	<u>\$ 152,922</u>

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 obtains Commercial General Liability insurance for all risk of loss. Through this, the Authority obtains coverage in the amount of \$1,000,000 each occurrence. No claims have been experienced under these policies for any of the past two years.

In accordance with G.S. 159-29, all Authority's employees including those employees that have access to \$100 or more at any given time of the Authority's funds are covered under a \$10,000 Employee Dishonesty blanket policy. The Authority's Board is covered under a Directors and Officers liability policy in the amount of \$1,000,000 each claim. 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.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
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FOR THE YEAR ENDED JUNE 30, 2014**

Subsequent Events

On July 22, 2014, the General Assembly passed HB1059 amending the New Hanover County District U (unincorporated) room occupancy tax distribution requirements. All District U proceeds collected prior to July 1, 2014, will be remitted to the NHC Tourism Development Authority within 30 days of the enabling legislation to be used for tourism-related expenditures within the district. All proceeds collected on or after July 1, 2014, will be remitted to the NHC Tourism Development Authority. Two-thirds of the proceeds collected after July 1, 2014 will be used for tourism promotion and one-third will be used for tourism-related expenditures within the district.

**NEW HANOVER COUNTY TOURISM DEVELOPMENT AUTHORITY
DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU**
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Variance Final Budget Over/Under</u>
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Room occupancy taxes 1st 3%	\$ 1,575,144	\$ 1,689,917	\$ 114,773
Room occupancy taxes 2nd 3%:			
Carolina Beach	671,510	748,185	76,675
Wrightsville Beach	955,056	1,014,707	59,651
Kure Beach	294,382	334,296	39,914
City of Wilmington - Convention Center	300,634	300,634	-
Administrative revenue	134,668	134,665	(3)
Other income	-	2,024	2,024
Total revenues	<u>3,931,394</u>	<u>4,224,428</u>	<u>293,034</u>
County-Wide Expenditures:			
Marketing/promotions:			
Salaries and wages	375,026	372,044	2,982
Health insurance	46,397	45,551	846
Retirement benefits	26,400	26,496	(96)
Payroll taxes	31,545	27,672	3,873
Advertising	399,589	389,698	9,891
Brochures	14,800	7,000	7,800
Contracted services	72,055	59,968	12,087
Telephone	12,152	12,990	(838)
Postage	22,500	15,767	6,733
Dues and memberships	10,060	10,100	(40)
Education and training	1,000	1,260	(260)
Equipment repairs and maintenance	1,000	1,000	-
Office supplies	2,125	1,479	646
Photography and video	11,580	7,201	4,379
Trade shows	17,650	15,390	2,260
Travel	7,450	8,043	(593)
Promotions and tourism	185,769	175,622	10,147
Capital outlay	16,000	14,977	1,023
Total	<u>1,253,098</u>	<u>1,192,258</u>	<u>60,840</u>

DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU

(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

GENERAL FUND**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Variance Final Budget Over/Under
	Final	Actual	
Visitor information services:			
Salaries and wages	104,397	104,298	99
Health insurance	7,600	7,476	124
Retirement benefits	3,304	3,318	(14)
Payroll taxes	8,744	7,892	852
Contracted services	1,900	2,107	(207)
Maintenance - equipment	250	-	250
Office supplies	500	184	316
Total	<u>126,695</u>	<u>125,275</u>	<u>1,420</u>
Administrative expenditures:			
Salaries and wages	137,792	136,452	1,340
Health insurance	12,000	11,786	214
Retirement benefits	13,316	13,209	107
Payroll taxes	11,252	10,332	920
Bank charges	1,200	67	1,133
Insurance	16,400	8,637	7,763
Contracted services	56,260	60,915	(4,655)
Office supplies	23,500	19,982	3,518
Rent	43,474	43,474	-
Telephone	1,800	1,811	(11)
Travel	3,750	3,745	5
Equipment repairs	6,775	7,097	(322)
Contingency	2,500	-	2,500
Total	<u>330,019</u>	<u>317,507</u>	<u>12,512</u>
Total County-wide expenditures	<u>1,709,812</u>	<u>1,635,040</u>	<u>74,772</u>
Direct Expenditures for 2nd 3%:			
Marketing/promotions:			
Carolina Beach	330,775	326,132	4,643
Wrightsville Beach	453,590	441,644	11,946
Kure Beach	137,976	128,072	9,904

DBA WILMINGTON AND BEACHES CONVENTION & VISITORS BUREAU
(A COMPONENT UNIT OF NEW HANOVER COUNTY, NORTH CAROLINA)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Variance Final Budget Over/Under</u>
	<u>Final</u>	<u>Actual</u>	
Tourism activities:			
Carolina Beach	687,843	545,599	142,244
Wrightsville Beach	719,602	398,214	321,388
Kure Beach	220,046	180,618	39,428
Total direct expenditures for 2nd 3%	<u>2,549,832</u>	<u>2,020,279</u>	<u>529,553</u>
City of Wilmington Convention Center Expenditures:			
Salaries and wages	98,406	97,910	496
Health insurance	13,106	13,473	(367)
Payroll taxes	7,762	5,892	1,870
Advertising	51,000	50,538	462
Contract labor	2,500	6,457	(3,957)
Rent	7,500	7,500	-
Dues	1,330	1,610	(280)
Promotions	89,899	62,603	27,296
Supplies	4,416	4,435	(19)
Trade shows	25,000	20,280	4,720
Postage	3,000	-	3,000
Telephone	2,500	3,372	(872)
Travel	10,000	10,843	(843)
Equipment - maintenance	-	270	(270)
Total Convention Center expenditures	<u>316,419</u>	<u>285,183</u>	<u>31,236</u>
Total expenditures	<u>4,576,063</u>	<u>3,940,502</u>	<u>635,561</u>
Revenues over (under) expenditures	(644,669)	283,926	(342,527)
Appropriated fund balance	<u>644,669</u>	<u>-</u>	<u>644,669</u>
Net change in fund balance	<u>\$ -</u>	<u>283,926</u>	<u>\$ 283,926</u>
Fund Balance:			
Beginning of year - July 1		<u>2,123,193</u>	
End of year - June 30		<u>\$ 2,407,119</u>	

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