

**Nash County Tourism Development  
Authority  
Financial Statements  
June 30, 2000**

**Pate, Horton & Ess, P.A.  
Certified Public Accountants**

FINANCIAL SECTION

Independent Auditors' Report

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Exhibit

**Pate, Horton & Ess, P.A.**  
**Certified Public Accountants**

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Nash County Tourism Development Authority, a component unit of Nash County, North Carolina, as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Nash County Tourism Development Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Nash County Tourism Development Authority as of June 30, 2000 and 1999, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

*Pate, Horton & Ess, P.A.*

Pate, Horton & Ess, P.A.  
Nashville, North Carolina  
August 10, 2000

Nash County Tourism Development Authority  
Comparative Balance Sheets  
June 30, 2000 and 1999

|   | 2000         | 1999       |                           |
|---|--------------|------------|---------------------------|
| <b>Assets:</b>                                |              |            |                           |
| Cash and investments                          | \$ 956,275   | \$ 604,744 |                           |
| Taxes receivable                              | 30,501       | 264,113    |                           |
| Due from Nash Cultural Center                 | 20,800       | 24,800     |                           |
|   | \$ 1,007,576 | \$ 893,657 | <b>Total assets</b>       |
| <b>Fund Balance:</b>                          |              |            |                           |
| Reserved by State statute                     | \$ 51,301    | \$ 288,913 |                           |
| Unreserved:                                   |              |            |                           |
| Designated for subsequent years' expenditures | 100,000      | 102,752    |                           |
| Undesignated                                  | 856,275      | 501,992    |                           |
|   | \$ 1,007,576 | \$ 893,657 | <b>Total fund balance</b> |

The notes to the financial statements are an integral part of this statement.

**Nash County Tourism Development Authority**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**  
**Years Ended June 30, 2000 and 1999**

|                                 | 2000                | 1999              |
|---------------------------------|---------------------|-------------------|
| <b>Revenues:</b>                |                     |                   |
| Occupancy taxes                 | \$ 693,514          | \$ 507,004        |
| Investment earnings             | 30,681              | 24,822            |
| <b>Total revenues</b>           | <u>724,195</u>      | <u>531,826</u>    |
| <b>Expenditures:</b>            |                     |                   |
| Tourism promotion               | 607,000             | 541,248           |
| General and administrative      | 3,276               | 3,948             |
| <b>Total expenditures</b>       | <u>610,276</u>      | <u>545,196</u>    |
| Revenues over expenditures      | 113,919             | (13,370)          |
| Fund balance, beginning of year | 893,657             | 907,027           |
| Fund balance, end of year       | <u>\$ 1,007,576</u> | <u>\$ 893,657</u> |

The notes to the financial statements are an integral part of this statement

**Nash County Tourism Development Authority  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Year Ended June 30, 2000**

|   | Budget       | Actual       | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------|--------------|--|
| <b>Revenues:</b>                        |              |              |  |
| Occupancy taxes                         | \$ 535,000   | \$ 693,514   | \$ 158,514                             |
| Investment earnings                     | 21,500       | 30,681       | 9,181                                  |
| Total revenues                          | 556,500      | 724,195      | 167,695                                |
| <b>Expenditures:</b>                    |              |              |  |
| Tourism promotion:                      |              |              |  |
| Contributions to:                       |              |              |  |
| Rocky Mount Area Chamber of<br>Commerce | 410,000      | 410,000      | -                                      |
| Country Doctor Museum                   | 10,000       | 10,000       | -                                      |
| North Carolina Wesleyan College         | 25,000       | 25,000       | -                                      |
| Martin Luther King Memorial             | 12,000       | 12,000       | -                                      |
| Downeast Football Classic               | 20,000       | 20,000       | -                                      |
| Tar River Orchestra                     | 20,000       | 20,000       | -                                      |
| Economic development                    | 100,000      | 100,000      | -                                      |
| Utilities-Interstate 64/95 interchange  | 40,000       | -            | 40,000                                 |
| All America City Award Program          | 10,000       | 10,000       | -                                      |
| Miscellaneous                           | 1,500        | -            | 1,500                                  |
| Total tourism promotion                 | 648,500      | 607,000      | 41,500                                 |
| General and administrative:             |              |              |  |
| Advertising, travel and supplies        | 2,100        | 1,676        | 424                                    |
| Professional fees                       | 1,700        | 1,600        | 100                                    |
| Total general and administrative        | 3,800        | 3,276        | 524                                    |
| Total expenditures                      | 652,300      | 610,276      | 42,024                                 |
| Revenues over(under) expenditures       | (95,800)     | 113,919      | 209,719                                |
| Fund balance appropriated               | 95,800       | -            | 95,800                                 |
| Excess of revenues over expenditures    | \$ -         | \$ 113,919   | \$ 113,919                             |
| Fund balance, beginning of year         | 893,657      | 893,657      | -                                      |
| Fund balance, end of year               | \$ 1,007,576 | \$ 1,007,576 | -                                      |

The notes to the financial statements are an integral part of this statement

1.

Nature of Activities

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

Summary of significant accounting policies

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

A. Reporting entity

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

B Basis of Presentation-Fund Accounting

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The Authority uses the following fund categories (further divided by fund type) and account groups:

GOVERNMENTAL FUNDS are used to account for the Authority's governmental functions. Governmental funds include the following fund types:

General Fund - The General Fund is the only fund of the Authority. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are occupancy taxes and investment earnings. The primary expenditures are for tourism promotion.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, the fund of the Authority is maintained during the year using the modified accrual basis of accounting and is presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related liability is incurred, if measurable, except for claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Authority considers all revenues available if they are collected within 60 days after year-end.

**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 departmental level for all annually budgeted funds and at the object level for the multi-year funds.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.



June 1 - The budget and the budget message shall be submitted to the governing board.  
The public hearing on the budget shall be scheduled at this time.  
July 1 - The budget ordinance shall be adopted by the governing board.

E. Assets, Liabilities, 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 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 nonguaranteed 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 money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

2. 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.

3. Allowance for Doubtful Accounts

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

4. Fund Equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

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

The government fund types classify fund balances as follows:

Reserved:  
Reserved by State statute - portion of fund balance which is NOT available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

Unreserved:  
Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2000-2001 budget ordinance.

Undesignated:  
Portion of total fund balance available for appropriation that is uncommitted at year-end.

F. Comparative Data  
Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations.

II. Detail Notes on Fund

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

Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2000, the Authority's deposits had a carrying amount of \$184,561 and a bank balance of \$184,561. All of the bank balance was covered by federal depository insurance or collateralized under the Pooling Method.

## 2. 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, 2000, the Authority had \$771,714 invested with the North Carolina Capital Management Trust's Cash Portfolio. This amount reflects both the reported value and the fair value. There were no realized or unrealized gains or losses on the Authority's investments during 2000.

## B. Liabilities

### 1. Commitments

On June 30, 2000 the Authority had no material contractual commitments.

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

The finance officer for Nash County is the ex officio finance officer of the Authority. The County carries a \$20,000 fidelity bond on the finance officer.

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.

### 3. Claims and Judgments

There were no claims or judgments against the Authority at June 30, 2000.

## IV. Related Party Transactions

Nash County is responsible for collection and distribution of occupancy tax revenue to the Authority. The taxes collected by the County are remitted, net of collection fees, to the Authority on a quarterly basis. As of June 30, 2000, the Authority had receivables of \$30,501 from Nash County.

**Pate, Horton & Ess, P.A.**  
**Certified Public Accountants**

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State of North Carolina  
Department of the State Treasurer  
Local Government Commission  
325 North Salisbury Street  
Raleigh, North Carolina 27603-1388

Sir or Madam:

This letter is to confirm that a management letter was not issued to the Nash County Tourism Development Authority for the fiscal year ended June 30, 2000.

The Nash County Board of Commissioners selects the Authority's board. Substantially all revenues received by the Authority are occupancy taxes collected by Nash County. All expenditures are budgeted and approved by the Authority's board. All checks have dual signatures; the Authority board's chairman and finance officer. The audited financial statements for Nash County Tourism Development Authority are presented to the Nash County Board of Commissioners for review.

The Authority's board is aware of its responsibilities for the control over the use of funds designated for promoting tourism in Nash County.

*Pate, Horton & Ess, P.A.*

Pate, Horton & Ess, P.A.  
Nashville, North Carolina  
August 10, 2000