

# **Carrboro Tourism Development Authority (A Component Unit of the Town of Carrboro, North Carolina)**

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**Financial Statements**

**Year Ended June 30, 2016**

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## **Independent Auditors' Report**

Board of Directors  
Carrboro Tourism Development Authority  
Carrboro, North Carolina

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Carrboro Tourism Development Authority (the "CTDA") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CTDA'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.

### ***Auditors' 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 auditors' 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 financial statement 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 financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Carrboro Tourism Development Authority as of June 30, 2016, and the 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 Management's Discussion and Analysis on pages 3 through 8 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Carrboro Tourism Development Authority. The budgetary schedules are presented for purposes of additional analysis and are 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, based on our audit and the procedures performed as described above, the budgetary schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Dixon Hughes Goodman LLP*

**High Point, North Carolina  
October 31, 2016**

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

As management of the Carrboro Tourism Development Authority (the "CTDA"), we offer readers of the CTDA's financial statements this narrative overview and analysis of the financial activities of the CTDA for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the CTDA's financial statements, which follow this narrative.

### **Financial Highlights**

- The assets of the Carrboro Tourism Development Authority exceeded its liabilities at the close of the fiscal year by \$170,965 (net position).
- The government's total net position increased by \$41,539, due to payments for occupancy taxes collected and remitted to the CTDA by the Town of Carrboro.
- As of the close of the current fiscal year, the Carrboro Tourism Development Authority's governmental fund reported a fund balance of \$170,965. Approximately 32.4% of this total amount, or \$55,453, is restricted.
- Expenditures for activities related to promotion of travel and tourism amounted to 68% of total expenditures.
- Approximately one quarter, 26.8%, of expenditures were to support Community Events as follows:

#### **Community Events Funded in 2016**

<b>Community Event</b>	<b>Organization</b>	<b>Amount</b>
Freight Train Blues Series	Town of Carrboro	\$ 8,000
People's Pepper Festival	Farmers Market	1,817
Future Islands Concert	Cat's Cradle	5,000
Shimmer - The Art of Light	Chapel Hill Downtown Partnership	5,000
Elf Craft Fair	The Arts Center	2,670
Tomato Day	Farmers Market	1,400
Building Awareness of Radio Station	WCOM	2,500
Cardinal Directions Beer Festival	Steel String Brewery	4,000
Small Plate Crawl	Carolina Epicurean Events	3,000
Carrboro Cheer	Town Economic and Community Dev.	<u>3,050</u>
Total		<u>\$ 36,437</u>

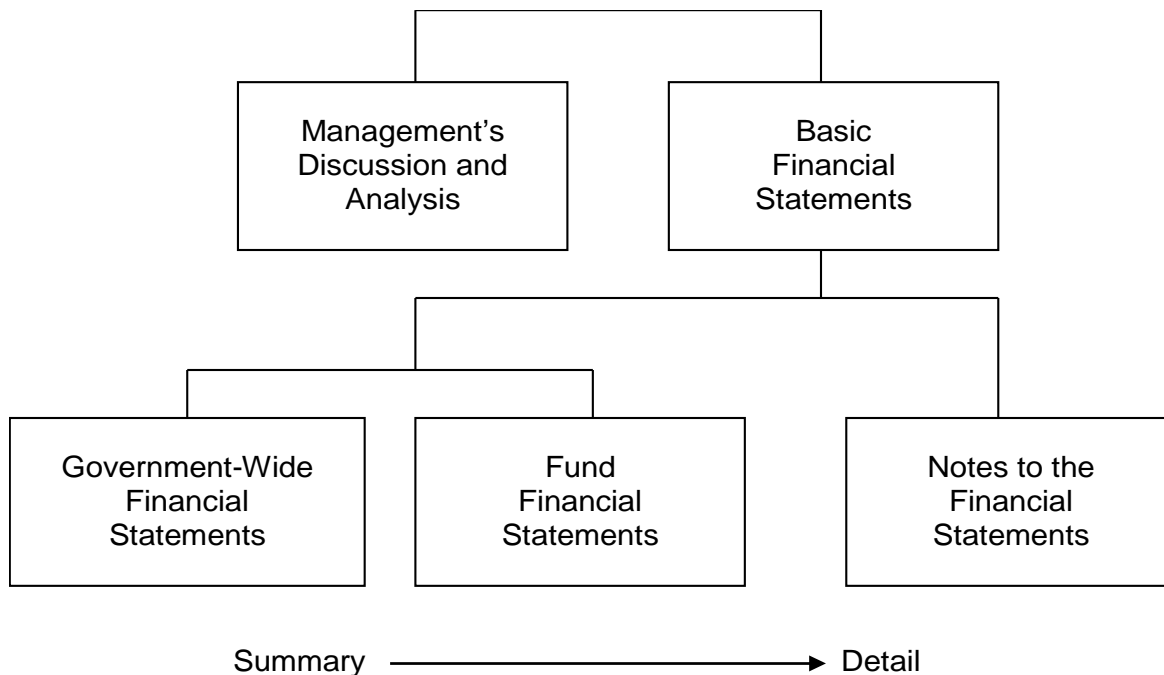
The CTDA also provided financial support for three of the Town's signature events:

Music Festival	\$ 11,000
Film Festival	9,200
Poetry Festival	2,000

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Carrboro Tourism Development Authority's basic financial statements. The CTDA'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 CTDA through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Carrboro Tourism Development Authority.

**Required Components of Annual Financial Report  
Figure 1**



### ***Basic Financial Statements***

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information about the CTDA's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the CTDA'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 statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplementary information** is provided to show details about the CTDA'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 CTDA'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 CTDA's financial status as a whole.

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

The government-wide statements are comprised of governmental activities. The governmental activities include the CTDA's basic services, such as the promotion of tourism. Occupancy taxes levied by the Town of Carrboro finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

***Fund Financial Statements***

The fund financial statements (see Figure 1) provide a more detailed look at the CTDA'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 Carrboro Tourism Development Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the CTDA's budget ordinance. The one fund of the Carrboro Tourism Development Authority can be placed into one category: governmental funds.

**Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Carrboro Tourism Development Authority's basic services are accounted for in a governmental fund. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that 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 CTDA's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund is described in a reconciliation that is a part of the fund financial statements.

**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 are on pages 17 through 20 of this report.

***Government-Wide Financial Analysis***

**The Carrboro Tourism Development Authority's Net Position  
Figure 2**

	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>
Current assets	\$ 178,965	\$ 135,787
Total assets	178,965	135,787
Current liabilities	8,000	6,361
Total liabilities	8,000	6,361
Net position:		
Restricted	55,453	46,003
Unrestricted	115,512	83,423
Total net position	\$ 170,965	\$ 129,426

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Carrboro Tourism Development Authority exceeded liabilities by \$170,965 as of June 30, 2016. The CTDA's net position increased by \$41,539 for the fiscal year ended June 30, 2016. An additional portion of the Carrboro Tourism Development Authority's net position, \$55,453, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$115,512 is unrestricted.

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

	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>
Revenues:		
Payments from Town of Carrboro	\$ 177,534	\$ 155,570
Expenses:		
Travel and tourism	135,995	114,613
Increase in net position	41,539	40,957
Net position, July 1	129,426	88,469
Net position, June 30	\$ 170,965	\$ 129,426

**Governmental Activities.** Governmental activities increased the CTDA's net position by \$41,539, thereby accounting for the total increase in the net position of the Carrboro Tourism Development Authority. The key element for this increase was payments of occupancy taxes collected and remitted to the CTDA by the Town of Carrboro.

## **Carrboro Tourism Development Authority Management's Discussion and Analysis**

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### ***Financial Analysis of the CTDA's Funds***

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

**Governmental Funds.** The focus of the Carrboro Tourism Development Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Carrboro Tourism Development Authority's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Carrboro Tourism Development Authority. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$114,929 while total fund balance reached \$170,965. The CTDA currently has an available unassigned fund balance of \$114,929.

At June 30, 2016, the governmental fund of the Carrboro Tourism Development Authority reported a combined fund balance of \$170,965.

### ***Economic Factors and Next Year's Budgets and Rates***

By authority of the General Assembly Chapter 439, Part XIV of the 2001 Session Laws, the Carrboro Board of Aldermen adopted a resolution on January 15, 2013 establishing a hotel room occupancy tax at 3 percent. The enabling legislation requires the tax to be paid on the gross receipts derived from the rental of any room, lodging or accommodation furnished by a hotel, motel, inn, tourist camp or similar place within the Town of Carrboro that is subject to sales tax imposed by the state under GS 105-164.4(a)(3). This tax is in addition to any state and local sales tax or the Orange County occupancy tax.

The enabling legislation requires that the Town of Carrboro create a Tourism Development Authority to promote travel and tourism in the Town of Carrboro. The responsibility for the distribution and expenditure of the tax is vested within the Carrboro Tourism Development Authority, of which one-third of the membership must be persons affiliated with businesses that collect the tax in Carrboro.

The Tourism Development Authority is required to pay the Town of Carrboro a fee for administering the tax, which is deducted from the proceeds before the Town remits them to the CTDA. At least two-thirds of the remaining proceeds must be used to promote travel and tourism in Carrboro. The other third shall be used for tourism-related expenditures. To promote travel and tourism means "to advertise or market an area of activity, publish and distribute pamphlets and other materials, conduct market research, or engage in similar promotional activities that attract tourists or business travelers to the area. The term includes administrative expenses incurred in engaging in these activities." Tourism-related expenditures are "expenditures that, in the judgment of the CTDA, are designed to increase the use of lodging facilities, meeting facilities, and convention facilities in the town by attracting tourists or business travelers to the town. The term includes tourism related capital expenditures."

Several economic factors will impact the Town's ability to collect the 3% occupancy tax for distribution to the Carrboro Tourism Development Authority:

- Visitors to Orange County, North Carolina spent \$184 million dollars in 2016, an increase of 1.54% from 2015. If this trend continues, growth in payroll and tax receipts will continue.
- Increasing taxable sales. Retail sales in North Carolina are trending upward and consumer confidence is high. Local sales taxes for the fiscal year ending June 30, 2017 are expected to grow by 4.0% from those for the fiscal year ended June 30, 2016.
- Low unemployment rate of 4.7%, which is below the state average.
- Increased visitor spending. Orange County has seen a 7.75% increase in visitor spending over the previous year.

**Carrboro Tourism Development Authority  
Management's Discussion and Analysis**

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***Budget Highlights for the Fiscal Year Ending June 30, 2017***

The Carrboro Tourism Development authority has adopted a General Fund budget in the amount of \$170,170 for fiscal year ending June 30, 2017. The primary source of revenues will continue to be the hotel/motel occupancy tax levied by the Town at the rate of 3% of the gross receipts from the rental of any room, lodging, or accommodations. These receipts net of the Town's administrative fee will be distributed by the Town to the CTDA on a quarterly basis.

***Requests for Information***

This report is designed to provide an overview of the Carrboro Tourism Development Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, c/o Carrboro Tourism Development Authority, Carrboro, North Carolina, or by telephone at (919) 918-7439.

## ***Basic Financial Statements***

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**Carrboro Tourism Development Authority**  
**Statement of Net Position**  
**June 30, 2016**

**Exhibit 1**

	<u>Governmental Activities</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 122,929	\$ 122,929
Receivables		
Accounts receivable	3,370	3,370
Due from Town of Carrboro	51,991	51,991
Due from other governments	92	92
Prepaid items	<u>583</u>	<u>583</u>
Total assets	<u>178,965</u>	<u>178,965</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>8,000</u>	<u>8,000</u>
<b>NET POSITION</b>		
Restricted for Stabilization by State Statute	55,453	55,453
Unrestricted	<u>115,512</u>	<u>115,512</u>
Total net position	<u>\$ 170,965</u>	<u>\$ 170,965</u>

**Carrboro Tourism Development Authority**  
**Statement of Activities**  
**Year Ended June 30, 2016**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Travel and tourism	\$ 135,995	\$ -	\$ -	\$ -	\$ (135,995)
Total governmental activities	<u>\$ 135,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(135,995)</u>
General revenues:					
Payments from Town of Carrboro					<u>177,534</u>
Total general revenues					<u>177,534</u>
Change in net position					41,539
Net position, beginning					<u>129,426</u>
Net position, ending					<u>\$ 170,965</u>

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



**Carrboro Tourism Development Authority**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2016**

**Exhibit 3**

	<u>Major Fund General</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 122,929	\$ 122,929
Receivables		
Accounts receivable	3,370	3,370
Due from Town of Carrboro	51,991	51,991
Due from other governments	92	92
Prepaid items	<u>583</u>	<u>583</u>
 Total assets	 <u><u>\$ 178,965</u></u>	 <u><u>\$ 178,965</u></u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>\$ 8,000</u>	<u>\$ 8,000</u>
 <b>FUND BALANCE</b>		
Nonspendable		
Prepays	583	583
Restricted		
Restricted for Stabilization by State Statute	55,453	55,453
Unassigned	<u>114,929</u>	<u>114,929</u>
 Total fund balance	 <u>170,965</u>	 <u>170,965</u>
 Total liabilities and fund balance	 <u><u>\$ 178,965</u></u>	 <u><u>\$ 178,965</u></u>

**Carrboro Tourism Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2016**

**Exhibit 4**

	<u>Major Fund General</u>	<u>Total</u>
Revenues:		
Payments from Town of Carrboro	\$ 177,534	\$ 177,534
Total revenues	<u>177,534</u>	<u>177,534</u>
Expenditures:		
Promote travel and tourism:		
Community events	36,437	36,437
Carrboro festivals and events	22,200	22,200
Advertising	27,522	27,522
General and administrative	6,466	6,466
Tourism related:		
300 E. Main parking contract	<u>43,370</u>	<u>43,370</u>
Total expenditures	<u>135,995</u>	<u>135,995</u>
Net change in fund balance	41,539	41,539
Fund balance, beginning of year	<u>129,426</u>	<u>129,426</u>
Fund balance, end of year	<u>\$ 170,965</u>	<u>\$ 170,965</u>

**Carrboro Tourism Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2016**

**Exhibit 5**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Payments from Town of Carrboro	<u>\$ 170,111</u>	<u>\$ 170,111</u>	<u>\$ 177,534</u>	<u>\$ 7,423</u>
Total revenues	<u>170,111</u>	<u>170,111</u>	<u>177,534</u>	<u>7,423</u>
Expenditures:				
Promote travel and tourism:				
Community events	52,044	54,044	36,437	17,607
Carrboro festivals and events	22,200	22,200	22,200	-
Advertising	35,000	38,301	27,522	10,779
General and administrative	<u>8,494</u>	<u>8,494</u>	<u>6,466</u>	<u>2,028</u>
Total promote travel and tourism	<u>117,738</u>	<u>123,039</u>	<u>92,625</u>	<u>30,414</u>
Tourism related:				
300 E. Main parking contract	<u>43,370</u>	<u>43,370</u>	<u>43,370</u>	<u>-</u>
Total tourism related	<u>43,370</u>	<u>43,370</u>	<u>43,370</u>	<u>-</u>
Total expenditures	<u>161,108</u>	<u>166,409</u>	<u>135,995</u>	<u>30,414</u>
Revenues over expenditures	9,003	3,702	41,539	37,837
Appropriated to fund balance	<u>9,003</u>	<u>3,702</u>	<u>-</u>	<u>3,702</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>41,539</u>	<u><u>\$ 41,539</u></u>
Fund balance, beginning of year			<u>129,426</u>	
Fund balance, end of year			<u><u>\$ 170,965</u></u>	

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

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## **Notes to the Financial Statements**

### **1. Summary of Significant Accounting Policies**

The accounting policies of the Carrboro Tourism Development Authority conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant accounting policies:

#### **A. Reporting entity**

The Carrboro Tourism Development Authority ("CTDA") was created on January 15, 2013 by resolution of the Town of Carrboro, North Carolina, under the authority of the North Carolina General Assembly as a public authority under the Local Government Budget and Fiscal Control Act. The CTDA is responsible for promoting travel and tourism in the Carrboro area. The CTDA consists of three members appointed by the Town's Board of Aldermen for one-year terms.

The CTDA receives revenue through a three percent occupancy tax, which is levied and collected by the Town of Carrboro. The Town remits the taxes collected to the CTDA, net of administration and collection costs not to exceed three percent of the first \$500,000 of gross proceeds and one percent of the remaining gross proceeds collected each year. Therefore, the CTDA is included in the reporting entity of the Town of Carrboro.

#### **B. Government-wide and fund financial statements**

Government-wide Financial Statements, the statement of net position and the statement of activities display information about the government entity. These statements include the financial activities of the overall governmental entity.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the CTDA's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

*Fund Financial Statements* provide information about the CTDA's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The CTDA reports the following major governmental fund:

The **General Fund** is the general operating fund of the CTDA. It accounts for all financial resources.

#### **C. Measurement focus and basis of accounting**

*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. Nonexchange transactions, in which the CTDA gives (or receives) value without directly receiving (or giving) equal value in exchange, include payments from the Town of Carrboro. Payments from the Town of Carrboro are recognized as revenue in the fiscal year in which all eligibility requirements have been satisfied.

## **Carrboro Tourism Development Authority**

### **Notes to Financial Statements**

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*Governmental fund financial statements* 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. Loan disbursements are reported as expenditures and loan repayments are reported as revenues in governmental funds.

The CTDA recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The CTDA considers all revenues available if they are collected within 90 days after year end.

#### ***D. Budgetary data***

Budgets are adopted as required by state statute. An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Any revisions that alter total expenditures of any fund 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, and net position or equity***

##### ***(1.) Deposits and investments***

All deposits of the CTDA are made in board-designated official depositories and are secured as required by G.S. 159-31. The CTDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the CTDA 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 CTDA 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, an SEC-registered mutual fund. Investments are stated at fair value.

##### ***(2.) Cash and cash equivalents***

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

##### ***(3.) Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

##### ***(4.) Net position/fund balance***

Net position in government-wide financial statements is classified as restricted and unrestricted. Restricted net position represents 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.

## **Carrboro Tourism Development Authority**

### **Notes to Financial Statements**

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#### ***Fund balances***

In the governmental fund financial statements, fund balance may be 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 balances 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.

*Prepays* - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not expendable, available resources.

**Restricted fund balance** - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for stabilization by state statute* - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

**Committed fund balance** - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Board's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

**Assigned fund balance** - portion of fund balance that the CTDA intends to use for specific purposes.

**Unassigned fund balance** - portion of fund balance that has not been restricted, committed, or assigned to specific purposes.

## **2. Detail Notes on All Funds**

### **A. Deposits**

*Deposits.* All deposits of the CTDA 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 CTDA's agents 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 CTDA, these deposits are considered to be held by the CTDA's agent in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest-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 CTDA or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the CTDA 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 CTDA has no policy regarding custodial credit risks for deposits.

At June 30, 2016, the CTDA's deposits had a carrying amount of \$122,929 and a bank balance of \$124,104. All of the bank balance was covered by federal depository insurance.

***B. Risk management***

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The CTDA acquired risk insurance through the Interlocal Risk Financing Fund of North Carolina with the North Carolina League of Municipalities.

The Finance Officer is bonded for \$50,000.

The CTDA does not carry flood insurance.

The CTDA has no employees.



## ***Supplementary Information***

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**Carrboro Tourism Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2016**

**Schedule 1**

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:			
Payments from Town of Carrboro	<u>\$ 170,111</u>	<u>\$ 177,534</u>	<u>\$ 7,423</u>
Total revenues	<u>170,111</u>	<u>177,534</u>	<u>7,423</u>
Expenditures:			
Promote travel and tourism:			
Community events	54,044	36,437	17,607
Carrboro festivals and events	22,200	22,200	-
Advertising	38,301	27,522	10,779
General and administrative	<u>8,494</u>	<u>6,466</u>	<u>2,028</u>
Total promote travel and tourism	<u>123,039</u>	<u>92,625</u>	<u>30,414</u>
Tourism related:			
300 E. Main parking contract	<u>43,370</u>	<u>43,370</u>	<u>-</u>
Total tourism related	<u>43,370</u>	<u>43,370</u>	<u>-</u>
Total expenditures	<u>166,409</u>	<u>135,995</u>	<u>30,414</u>
Revenues over expenditures	3,702	41,539	37,837
Appropriated to fund balance	<u>3,702</u>	<u>-</u>	<u>3,702</u>
Net change in fund balance	<u>\$ -</u>	<u>41,539</u>	<u>\$ 41,539</u>
Fund balance, beginning of year		<u>129,426</u>	
Fund balance, end of year		<u>\$ 170,965</u>	