

**Nash County Tourism Development
Authority
Financial Statements
June 30, 2002**

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

Nash County Tourism Development Authority
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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, 2002 and 2001, 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 financial statements based on our audits.

We conducted our audits in accordance with U.S. 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, 2002 and 2001, and the results of its operations for the years then ended in conformity with U.S. generally accepted accounting principles.

PATE, HORTON & ESS, P.A.

Pate, Horton & Ess, P.A.
Nashville, North Carolina
October 9, 2002

**Nash County Tourism Development Authority
Comparative Balance Sheets
June 30, 2002 and 2001**

	2002	2001
Assets:		
Cash and investments	\$ 562,828	\$ 982,620
Taxes receivable	45,975	23,747
Due from Nash Cultural Center	18,800	18,800
Total assets	\$ 627,603	\$ 1,025,167
Liabilities and Fund Balance:		
Accounts payable	4,351	3,768
Total liabilities	4,351	3,768
Fund Balance:		
Reserved by State statute	64,775	42,547
Unreserved:		
Designated for subsequent years' expenditures	50,000	325,000
Undesignated	508,477	653,852
Total fund balance	623,252	1,021,399
Total liabilities and fund balance	\$ 627,603	\$ 1,025,167

The notes to the financial statements are an integral part of this statement.
Exhibit 1

Nash County Tourism Development Authority
Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenues:		
Occupancy taxes	\$ 629,665	\$ 610,237
Investment earnings	15,000	44,961
Total revenues	<u>644,665</u>	<u>655,198</u>
Expenditures:		
Tourism promotion	1,037,751	638,102
General and administrative	5,061	3,273
Total expenditures	<u>1,042,812</u>	<u>641,375</u>
Revenues over expenditures	(398,147)	13,823
Fund balance, beginning of year	<u>1,021,399</u>	<u>1,007,576</u>
Fund balance, end of year	<u>\$ 623,252</u>	<u>\$ 1,021,399</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, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Occupancy taxes	\$ 595,000	\$ 629,665	\$ 34,665
Investment earnings	22,000	15,000	(7,000)
Total revenues	<u>617,000</u>	<u>644,665</u>	<u>27,665</u>
Expenditures:			
Tourism promotion:			
Contributions to:			
Rocky Mount Area Chamber of Commerce	440,000	440,000	-
North Carolina Wesleyan College	25,000	25,000	-
Downeast Football Classic	20,000	20,000	-
Tar River Orchestra	20,000	20,000	-
Economic development	473,833	473,833	-
Utilities-Interstate 64/95 interchange	50,000	50,418	(418)
Miscellaneous	8,970	8,500	470
Total tourism promotion	<u>1,037,803</u>	<u>1,037,751</u>	<u>52</u>
General and administrative:			
Advertising, travel and supplies	2,600	2,034	566
Professional fees	3,030	3,027	3
Total general and administrative	<u>5,630</u>	<u>5,061</u>	<u>569</u>
Total expenditures	<u>1,043,433</u>	<u>1,042,812</u>	<u>621</u>
Revenues over(under) expenditures	(426,433)	(398,147)	28,286
Fund balance appropriated	426,433	-	426,433
Excess of revenues over expenditures	\$ -	\$(398,147)	\$(398,147)
Fund balance, beginning of year	<u>1,021,399</u>		
Fund balance, end of year		<u>\$ 623,252</u>	

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 fund 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 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 (from) another party without receiving (or giving) equal or nearly equal value in return. 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 functional 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 approprable 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 2002-2003 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 Town'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, 2002, the Authority's deposits had a carrying amount of \$160,223 and a bank balance of \$239,489. 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, 2002, the Authority had \$402,605 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 2002.

B. Liabilities

1. Commitments

On June 30, 2002 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, 2002.

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 monthly basis. As of June 30, 2002, the Authority had receivables of \$45,975 from Nash County.