

**CABARRUS COUNTY TOURISM
AUTHORITY
d/b/a Cabarrus County Convention And
Visitors Bureau**

**Financial Statements and
Supplementary Information**

Year Ended June 30, 2016

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention and Visitors Bureau
Concord, North Carolina

BOARD MEMBERS

Jennifer Parsley, Chairman
Six year term expires June 30, 2018

Pam Dubois, Treasurer
Three year term expires June 30, 2017

Tammy Trexler Whaley, Secretary
Six year term expires June 30, 2019

Ray Soporowski
Six year term expires June 30, 2017

Angie Brown
Six year term expires June 30, 2018

Tim Hagler
Three year term expires June 30, 2017

Scott Padgett
Six year term expires June 30, 2017

Liz Poole
Three year term expires June 30, 2016

Joel Griffin
Six year term expires June 30, 2018

Vinay Patel
Six year term expires June 30, 2019

Pritesh Nagarji
Six year term expires June 30, 2019

Troy Taylor
Three year term expires June 30, 2019

APPOINTED OFFICIALS

Donna Carpenter, President/ CEO CCVB

John Mills, Executive Vice President - Finance Director

Cabarrus County Tourism Authority
d/b/a Cabarrus County Convention and Visitors Bureau

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POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cabarrus County Tourism Authority
d/b/a Cabarrus County Convention and Visitors Bureau
Concord, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of **Cabarrus County Tourism Authority d/b/a/ Cabarrus County Convention and Visitors Bureau**, as of and for the year ended June 30, 2016, which collectively comprise the Bureau's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, based up on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and the major fund for the **Cabarrus County Tourism Authority d/b/a/ Cabarrus County Convention and Visitors Bureau** as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 5 through 10, and the Local Government Employees' Retirement System Schedules of the Bureau's Proportionate Share of Net Pension Liability and Bureau Contributions, on pages 31 through 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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 as a whole. The Schedule of Revenues and Expenditures and Changes in Fund Balance— Budget vs. Actual is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues and Expenditures and Changes in Fund Balance— Budget vs. Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Potter & Company, P.A.

Potter & Company, P.A.
Concord, North Carolina
October 18, 2016

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

As management of the Cabarrus County Tourism Authority d/b/a/ Cabarrus County Convention and Visitors Bureau (the "Bureau"), we offer readers of the Bureau's financial statements this narrative overview and analysis of the financial activities of the Bureau 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 Bureau's financial statements and notes, which follow this narrative.

Financial Highlights

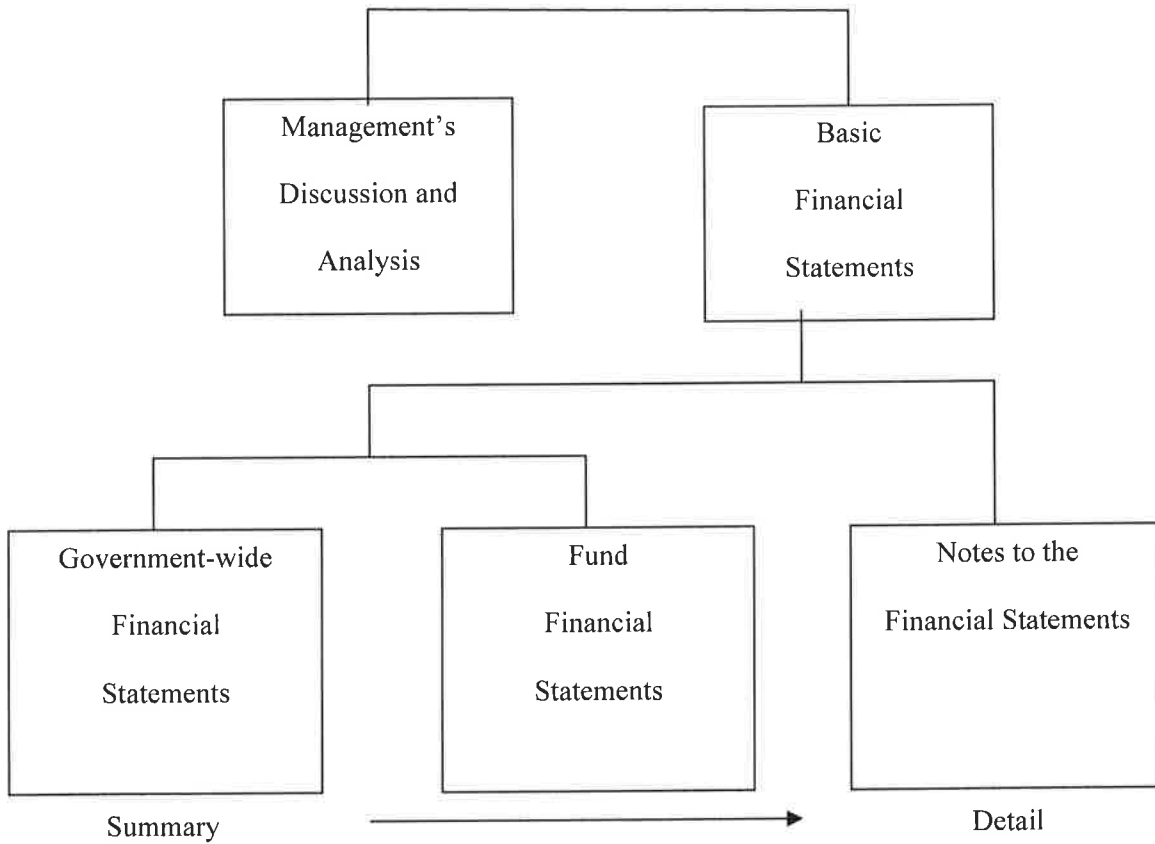
- The assets and deferred outflows of resources of the Bureau exceed the liabilities and deferred inflows of resources at the close of the fiscal year by \$3,538,406 (Net Position).
- The Bureau's total Net Position increased by \$859,882 due primarily to increase in Occupancy Tax revenues.
- The Bureau's total fund balance of \$3,538,406 at the end of the year is made of restricted Tourism Capital Reserves fund of \$1,621,041, restricted Sports Development of \$176,890, Net Investment in Capital Assets of \$242,247, and unrestricted of \$1,498,228.
- The Bureau's revenues increased 10.9%, or \$536,137 from the prior fiscal year mainly from increases in Occupancy Tax revenues. Expenses increased by 9.53%, or \$396,822 primarily due to increases in Sales and Marketing.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Bureau's basic financial statements. The Bureau's basic financial statements consist of three components, 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Bureau is considered a special purpose government rather than a general government. In addition, the Bureau engages only in governmental activities and operates only one program.

Required Components of Annual Financial Reports



CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 Bureau's financial status.

The next statements (Exhibits 3, 4 and 5) are Fund Financial Statements. These statements provide more detail than the government-wide 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.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Bureau'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 Bureau's financial status as a whole.

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

The government-wide statements are comprised of a single category - governmental activities. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Bureau'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 Bureau, like all 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 or the Bureau's budget ordinance. All of the funds of the Bureau belong in 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. The Bureau's activities are accounted for in governmental funds. 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 the current financial resources focus and the modified accrual basis of accounting. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Bureau's programs.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The Bureau adopts an annual budget for its General Fund and Tourism Capital Reserve Fund, as required by the General Statutes. The budget is a legally adopted document. The budget authorizes the Bureau to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the Bureau complied with the budget ordinance.

Notes to the Financial Statements – The notes provide additional information that is essential to fully understanding data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The Governmental Accounting Standards Board (GASB) Statement 34 dictated the changes you see in the Bureau's financial reports, as well as in those of many other units of government.

Net Position
Figure 1

| | 2016 | 2015 |
|------------------------------------|--------------|-------------|
| Current and other assets | \$ 3,511,645 | \$2,730,485 |
| Capital assets | 242,247 | 253,799 |
| Total assets | \$ 3,753,892 | \$2,984,284 |
| Deferred outflows of resources | \$ 79,199 | \$ - |
| Net pension liability | \$ 83,701 | \$ - |
| Other liabilities | 162,253 | 170,127 |
| Total liabilities | 245,954 | 170,127 |
| Net assets: | | |
| Net investment in capital assets | \$ 242,247 | \$ - |
| Restricted for Sports Development | 176,890 | 176,890 |
| Restricted for Tourism Development | 1,621,041 | - |
| Unrestricted | 1,498,228 | 2,637,267 |
| Net position | \$ 3,538,406 | \$2,814,157 |

As noted earlier, Net Position may serve over time as one useful indicator of a government's financial condition. The assets of the Bureau exceeded liabilities by \$3,538,406 as of June 30, 2016. The Bureau's Net Position increased by \$859,882 for the fiscal year ended June 30, 2016.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Changes in Net Position
Figure 2

| | Governmental Activities | |
|-----------------------------------|-------------------------|--------------|
| | June 30, | |
| | 2016 | 2015 |
| Revenues: | | |
| General revenues: | | |
| Occupancy tax | \$ 5,343,668 | \$ 4,865,215 |
| Advertising fees | 36,280 | 34,850 |
| Other income | 61,278 | 5,158 |
| Earned interest | 3,202 | 3,068 |
| Total revenues | 5,444,428 | 4,908,291 |
| Expenses: | | |
| Economic and physical development | 4,584,546 | 4,187,724 |
| Total expenses | 4,584,546 | 4,187,724 |
| Increase (decrease) in net assets | 859,882 | 720,567 |
| Net position - beginning | 2,814,157 | 2,093,590 |
| Restatement | (135,633) | - |
| Net position - as restated | 2,678,524 | 2,093,590 |
| Net position - ending | \$ 3,538,406 | \$ 2,814,157 |

Financial Analysis of the Bureau's Funds

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

Governmental Funds-The focus of the Bureau's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Bureau'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 operating fund of the Bureau. At the end of the fiscal year, unassigned fund balance of the General Fund was \$1,602,396. The committed portion of the General Fund that relates to Sports Development at the end of fiscal year was \$176,890. The Tourism Capital Reserve fund is to fund capital projects, sales and marketing, and tourism development of the Bureau. At the end of the fiscal year, committed fund balance of the Tourism Capital Reserve Fund was \$1,621,041.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Economic Factors and Next Year's Budgets

The following key economic indicators reflect the growth and prosperity of the travel industry in Cabarrus County.

- Room Demand. Cabarrus County continues to set room demand occupancy records. In calendar 2015 hotel Occupancy was 65.5%.
- Average Daily Rate. Cabarrus County continues to set Average Daily Rate records. In calendar 2016 Average Daily Rate was \$100.28.
- Visitor mix. The strength of Cabarrus County's room demand lies in its ability to have a diverse visitor mix of leisure travelers, corporate travel, and group travel. Each segment represents about 1/3 of the total visitation. Cabarrus County is conveniently located along I-85 and its access to Charlotte makes it attractive to corporate travel.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Occupancy Taxes are expected to increase to \$5,462,223. This increase is due to an analysis of hotel Occupancy and Average Daily Rates. Room Demand is expected to increase by 5% as 2 new hotel properties under construction will come online. Homewood Suites anticipates an opening of December 2016, while Uptown Suites anticipates an opening of January 2017. Over the last 2 calendar years 2014-2015 hotel revenue has increased by 15.6% and 7.6% respectively.

The Bureau has hired marketing agency EMA, Eric Mower and Associates. Marketing has budgeted \$1,200,000 to work with this new agency to increase overall awareness and expansion of the brand.

Capital Outlay expenses are not budgeted and any fixed assets to be purchased will be voted on and approved by the full Board to be appropriated through Tourism Capital Reserves.

Requests for Information

This report is designed to provide an overview of the 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 Finance Director, Cabarrus County Convention and Visitors Bureau, 10099 Weddington Rd Ste 102, Concord, NC 28027.

BASIC FINANCIAL STATEMENTS

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention and Visitors Bureau
STATEMENT OF NET POSITION
June 30, 2016

Exhibit 1

| | Governmental Activities |
|----------------------------------|----------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 3,060,151 |
| Due from County | 433,784 |
| Accounts receivable - other | 17,710 |
| Total Current Assets | 3,511,645 |
| Capital Assets: | |
| Computer equipment | 73,961 |
| Vehicles | 160,897 |
| Leasehold improvements | 202,910 |
| Office equipment | 75,345 |
| Other fixed assets | 7,935 |
| | 521,048 |
| Less Accumulated Depreciation | (278,801) |
| Total Capital Assets, net | 242,247 |
| Total Assets | 3,753,892 |
| DEFERRED OUTFLOWS OF RESOURCES | 79,199 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 29,058 |
| Accrued liabilities | 133,195 |
| Total Current Liabilities | 162,253 |
| Long-term liabilities: | |
| Net pension liability | 83,701 |
| Total Liabilities | 245,954 |
| DEFERRED INFLOWS OF RESOURCES | 48,730 |
| NET POSITION | |
| Net investment in Capital Assets | 242,247 |
| Restricted for: | |
| Sports Development | 176,890 |
| Tourism Capital Reserves | 1,621,041 |
| Unrestricted | 1,498,228 |
| Total Net Position | \$ 3,538,406 |

The accompanying notes are an integral part of this statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention and Visitors Bureau
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenues and Changes in Net Position |
|--|-------------------|------------------|--|---|
| | | Program Fees | Operating Grants and Contributions | |
| Economic and physical development | \$ 4,584,546 | \$ 7,127 | \$ 5,343,668 | \$ 766,249 |
| Total | \$ 4,584,546 | \$ 7,127 | \$ 5,343,668 | 766,249 |
| | General revenues: | | | |
| | | | | 36,280 |
| | | | | 11,661 |
| | | | | 42,490 |
| | | | | 3,202 |
| Change in net position | | | | 859,882 |
| Net Position - beginning - previously reported | | | | 2,814,157 |
| Restatement | | | | (135,633) |
| Net Position - beginning - as restated | | | | 2,678,524 |
| Net Position - ending | | | | \$ 3,538,406 |

The accompanying notes are an integral part of this statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a/ Cabarrus County Convention and Visitors Bureau
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2016

Exhibit 3

| | Major Funds | | Total Governmental Funds |
|---|--------------|------------------------------------|--------------------------------|
| | General Fund | Tourism Capital Reserve Fund | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 1,439,110 | \$ 1,621,041 | \$ 3,060,151 |
| Due from County | 433,784 | - | 433,784 |
| Accounts receivable - other | 17,710 | - | 17,710 |
| Total Current Assets | 1,890,604 | 1,621,041 | 3,511,645 |
| Total Assets | \$ 1,890,604 | \$ 1,621,041 | \$ 3,511,645 |
| LIABILITIES AND FUND BALANCE | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 29,058 | \$ - | \$ 29,058 |
| Accrued liabilities | 82,260 | - | 82,260 |
| Total Current Liabilities | 111,318 | - | 111,318 |
| Total Liabilities | 111,318 | - | 111,318 |
| Fund Balance: | | | |
| Committed For: | | | |
| Sports Development | 176,890 | - | 176,890 |
| Tourism Capital Reserves | - | 1,621,041 | 1,621,041 |
| Unassigned | 1,602,396 | - | 1,602,396 |
| Total Fund Balance | 1,779,286 | 1,621,041 | 3,400,327 |
| Total Liabilities and Fund Balance | \$ 1,890,604 | \$ 1,621,041 | \$ 3,511,645 |

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|--------------|
| Ending fund balance - governmental funds | \$ 3,400,327 |
| Capital assets are not capitalized and are expensed in the funds. | 242,247 |
| Deferred outflows of resources related to pensions | 79,199 |
| Net pension liability | (83,701) |
| Deferred inflows of resources related to pensions | (48,730) |
| Liabilities for compensated absences are not reported in the funds. | (50,936) |
| Net position of the governmental activities | \$ 3,538,406 |

The accompanying notes are an integral part of this statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention and Visitors Bureau
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 2016

Exhibit 4

| | Major Funds | | |
|---|---------------------|---------------------------------------|--------------------------------|
| | General Fund | Tourism Capital Reserve Fund | Total Governmental Funds |
| Revenues: | | | |
| Occupancy tax revenue | \$ 5,343,668 | \$ - | \$ 5,343,668 |
| Advertising fees | 36,280 | - | 36,280 |
| Items for resale | 7,127 | - | 7,127 |
| Miscellaneous revenues | 11,661 | - | 11,661 |
| Interest on investments | 3,202 | - | 3,202 |
| Total revenues | <u>5,401,938</u> | <u>-</u> | <u>5,401,938</u> |
| Expenditures: | | | |
| Current: | | | |
| Economic and physical development | 4,562,328 | - | 4,562,328 |
| Revenues over expenditures | 839,610 | - | 839,610 |
| Other Financing Sources (Uses) | | | |
| Transfer from (to) other funds | (1,621,041) | 1,621,041 | - |
| Total other financing sources (uses) | <u>(1,621,041)</u> | <u>1,621,041</u> | <u>-</u> |
| Fund balance, beginning of year - as restated | <u>2,560,717</u> | <u>-</u> | <u>2,560,717</u> |
| Fund balance, end of year | <u>\$ 1,779,286</u> | <u>\$ 1,621,041</u> | <u>\$ 3,400,327</u> |

The accompanying notes are an integral part of this statement.

CABARRUS COUNTY TOURISM AUTHORITY
RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|--------------------------|
| Net changes in fund balances - total governmental funds | \$ 839,610 |
| Governmental funds report capital outlay 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 depreciation exceeded capital outlay in the current period. | (54,041) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 72,368 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | |
| Amount of donated assets | 42,490 |
| 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 governmental funds. | |
| Pension expense | (39,132) |
| Compensated absences | <u>(1,413)</u> |
| Total changes in net position of governmental activities | <u><u>\$ 859,882</u></u> |

The accompanying notes are an integral part of this statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO THE FINANCIAL STATEMENT
For the year ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cabarrus County Tourism Authority d/b/a/ Cabarrus County Convention and Visitors Bureau conform to generally accepted accounting principles as applicable to government entities. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Cabarrus County Tourism Authority d/b/a Cabarrus County Convention and Visitors Bureau (the "Bureau") was chartered as the Tourism Development Authority for Cabarrus County by S.L. 1998-112/House Bill 1568 of the 1998 session laws of the North Carolina General Assembly, effective August 20, 1998. The purpose of the Bureau is to promote travel and tourism in Cabarrus County. The Bureau's Board is composed of 12 members. The Cabarrus County Commissioners appoint 3 members to the Bureau's Board. The Cabarrus Regional Chamber of Commerce appoints 3 members to the Bureau's Board. The Bureau appoints the final 6 members to the Board. The budget of the Bureau is approved by the Board of the Bureau, and the Cabarrus County Commissioners concur with the budget. The Bureau is funded through the local hotel occupancy tax.

B. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the governmental 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 Bureau'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: The fund financial statements provide information about the Bureau's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Bureau has the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Bureau.

Tourism Capital Reserve Fund The Tourism Capital Reserve Fund is to fund Capital Projects, Sales and marketing, and Tourism Development of the Bureau.

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus and 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.

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.

The Bureau 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 a government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The Bureau considers all revenues available if they are collected within 60 days after year end.

The Bureau has implemented Governmental Accounting Standards Board GASB Statement Number 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management’s Discussion and Analysis as required supplementary information.

D. Budgetary Data

Budget

Budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at fiscal year end. The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. Any revisions that alter total expenditures of any fund 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 Equity

1. Deposits and Investments

All deposits of the Bureau are made in Board-designated official depositories and are secured as required by G.S. 159-31. The Bureau may designate as an official depository any bank or savings association whose principal office is located in North

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Assets, Liabilities and Fund Equity (cont'd)

Carolina. Also, the Bureau may establish time deposit accounts such as money market accounts, and certificates of deposit.

2. Cash and Cash Equivalents

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

3. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. No provision for bad debt is included in these financial statements because the Bureau considers all accounts receivable to be collectible at June 30, 2016.

4. Capital Assets

All acquisitions of capital assets and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Capital assets are carried at cost. Donations of capital assets are recorded as support at their estimated fair value as established by the donor. Depreciation is computed using the straight-line method as follows:

| | |
|------------------------|----------|
| Computer Equipment | 5 years |
| Vehicles | 5 years |
| Leasehold Improvements | 15 years |
| Office Equipment | 5 years |
| Other fixed assets | 5 years |

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Bureau has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Bureau has one item

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Assets, Liabilities and Fund Equity (cont'd)

that meets the criterion for this category –deferrals of pension expense that result from the implementation of GASB Statement 68.

6. Compensated Absences

The paid time off (PTO) policy of the Bureau provides for the accumulation of up to 240 hours earned leave with such leave being fully vested when earned. For the Bureau's government-wide fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Bureau has assumed a last-in, first-out method of using accumulated compensation time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

7. Net Position/Fund Balances

Net Position

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

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 governmental fund type classifies 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.

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

Assigned Fund Balance – Portion of fund balance that the Bureau intends to use for specific purposes.

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Assets, Liabilities and Fund Equity (cont'd)

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

8. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Bureau's employer contributions are recognized when due and the Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Income Tax Status

Cabarrus County Tourism Authority is recognized as a Bureau exempt from federal income tax and not subject to private foundation status under Section 501(c)(6) of the Internal Revenue Code.

The Authority has adopted ASC 740-10, effective for audit years ending after December 15, 2009, as it relates to uncertain tax positions for the years ended June 30, 2016 and has evaluated its tax positions for all open tax years. The Bureau is not currently under audit nor has the Bureau been contacted by the Internal Revenue Service.

Based on the evaluation of the Bureau's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended June 30, 2016.

F. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

G. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits

All the deposits of the Bureau are either insured or collateralized. All deposits that exceed the Federal Depository Insurance coverage level are collateralized with securities held by the Bureau's agents in these units' names.

At June 30, 2016, the Bureau's deposits had a carrying amount of \$3,060,151, and a bank balance of \$2,664,796. Of the bank balance, \$250,000 was covered by federal depository insurance for each of the two banks, and \$2,164,796 was covered by collateral.

B. Due from County

Due from County consisted primarily of the occupancy tax payment of \$433,784 due from the Cabarrus County at June 30, 2016.

C. Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

| | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|---|----------------------------|---------------|-----------|-----------------------------|
| Capital assets being depreciated: | | | | |
| Computer equipment | \$ 71,256 | \$ - | \$ - | \$ 71,256 |
| Vehicles | 118,407 | 42,490 | - | 160,897 |
| Leasehold improvements | 199,551 | 3,359 | - | 202,910 |
| Office equipment | 75,345 | 2,705 | - | 78,050 |
| Other fixed assets | 7,935 | - | - | 7,935 |
| Total capital assets being depreciated | <u>472,494</u> | <u>48,554</u> | <u>-</u> | <u>521,048</u> |
| Less accumulated depreciation for: | | | | |
| Computer equipment | 49,523 | 13,907 | - | 63,430 |
| Vehicles | 75,600 | 18,026 | - | 93,626 |
| Leasehold improvements | 42,184 | 13,397 | - | 55,581 |
| Office equipment | 49,801 | 13,189 | - | 62,990 |
| Other fixed assets | 1,587 | 1,587 | - | 3,174 |
| Total accumulated depreciated | <u>218,695</u> | <u>60,106</u> | <u>-</u> | <u>278,801</u> |
| Total capital assets being depreciated, net | <u>\$ 253,799</u> | | | <u>\$ 242,247</u> |

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - DETAIL NOTE ON ALL FUNDS AND ACCOUNT GROUPS (cont'd)

D. Liabilities

Risk Management

The Bureau is exposed to various risks of loss related to torts, theft of assets, errors and omissions, and natural disasters. The Finance Director of the Bureau is bonded by a public official's bond in the amount of \$50,000.

The Bureau's insurance policy is administered by Trey Siner Insurance Group. Through this policy, the Bureau has workers' compensation coverage up to statutory limits and employers' liability coverage up to \$1,000,000. The Bureau also participates in an insurance policy for General Liability coverage up to \$1,000,000 and Directors and Officers liability coverage up to \$1,000,000.

The Bureau has not acquired flood insurance.

Changes in Long-Term Liabilities as follows:

| Governmental activities: | Balance July 1, 2015- as restated | Increases | Decreases | Balance June 30, 2016 | Current Portion of Balance |
|---|-----------------------------------|-----------|-----------|-----------------------|----------------------------|
| Compensated absences | \$49,522 | \$1,413 | \$ - | \$50,935 | \$50,935 |
| Governmental activities long-term liabilities | \$49,522 | \$1,413 | \$ - | \$50,935 | \$50,935 |

E. Occupancy Taxes

Cabarrus County, in accordance with state law (S.L. 1999-112), transfers the proceeds of a room occupancy tax 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 County that is subject to sales tax imposed by the state under G.S. 105-164.4(a)(3). This tax is in addition to any state or local sales tax. This tax does not apply to accommodations furnished by nonprofit, charitable, educational, or religious Bureaus. The occupancy tax transferred from Cabarrus County represents 99% of total revenues and other financing sources of the Bureau.

F. Restated Fund Balance

The Bureau's fund balance at June 30, 2015 was restated in Exhibit 4 as follows:

| | |
|---|--------------|
| Fund balance, beginning of year | \$ 2,814,157 |
| Capital asset, net balance improperly included in the financial statements for the year ended June 30, 2015 | (253,440) |
| Fund balance, beginning of year – as restated | \$2,560,717 |

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - RELATED PARTY TRANSACTIONS

A board member, Tim Hagler, is Vice President of Community Relations for Charlotte Motor Speedway. The Bureau paid Charlotte Motor Speedway \$500,000 during the year ended June 30, 2016, under a marketing agreement.

A board member, Ray Soporowski, is General Manager of Concord Mills. The Bureau paid Concord Mills \$20,000 during the year ended June 30, 2016, under a marketing agreement.

A board member, Jennifer Parsley, is the owner of Adventures in Motorsports. The Bureau paid Adventures in Motorsports \$1,800 during the year ended June 30, 2016, for assistance with destination tours.

NOTE 4- RETIREMENT PLAN

A. Local Governmental Employees' Retirement System

Plan Description. The Bureau is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60.

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4- RETIREMENT PLAN (cont'd)

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Bureau employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Bureau's contractually required contribution rate for the year ended June 30, 2014, was 7.34% and for June 30, 2015 was 7.74% of compensation, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Bureau were \$72,368 for the year ended June 30, 2016.

Refunds of Contributions – Bureau employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Bureau reported a liability of \$83,701 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Bureau's proportion of the net pension liability was based on a projection of the Bureau's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined.

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4- RETIREMENT PLAN (cont'd)

At June 30, 2015, the Bureau's proportion was 0.01865%, which was a decrease of .00033% from their proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Bureau recognized pension expense of \$39,131. At June 30, 2016, the Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 19,674 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 23,829 |
| Changes in proportion and differences between Bureau contributions and proportionate share of contributions | 6,831 | 5,227 |
| Bureau contributions subsequent to the Measurement date | <u>72,368</u> | <u>-</u> |
| Total | <u>\$ 79,199</u> | <u>\$ 48,730</u> |

\$72,368 reported as deferred outflows of resources related to pensions resulting from Bureau contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---------------------|-------------|
| 2017 | \$ (26,849) |
| 2018 | (26,849) |
| 2019 | (26,841) |
| 2020 | 38,640 |
| 2021 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|----------------------|
| Inflation | 3.0 percent |
| Salary increases including inflation and productivity factor | 4.25 to 8.55 percent |
| Investment rate of return, net of pension plan investment expense, including inflation | 7.25 percent |

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4- RETIREMENT PLAN (cont'd)

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

| | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------|----------------------|--|
| Fixed Income | 29.0% | 2.2% |
| Global Equity | 42.0% | 5.8% |
| Real Estate | 8.0% | 5.2% |
| Alternatives | 8.0% | 9.8% |
| Credit | 7.0% | 6.8% |
| Inflation Protection | 6.0% | 3.4% |
| | <u>100.0%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4- RETIREMENT PLAN (cont'd)

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Bureau's proportionate share of the net pension asset to changes in the discount rate. The following presents the Bureau's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Bureau's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---------------------------|-----------------------------|---------------------------|
| Bureau's proportionate share of the net pension liability (asset) | \$ 583,652 | \$ 83,700 | \$ (337,498) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

A. NC401(k) Annuity Program

The Bureau also offers a NC401(K) tax deferred annuity program. Eligible employees can contribute to the plan from their salary. The Bureau currently contributes 5% of the employees' salary. The amount paid to the retirement program by the Bureau during the year ended June 30, 2016 was \$49,108.

NOTE 5 - LEASES

The Bureau leases its office space, computers, servers, and a copier under operating leases. Lease expense for the year ended June 30, 2016 was \$176,521.

-Continued-

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a CABARRUS COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - LEASES (cont'd)

Future minimum lease payments under the operating leases for office space and equipment as of June 30, 2016 are as follows:

| <u>Years ending June 30,</u> | | |
|------------------------------|----|---------------|
| 2017 | \$ | 49,811 |
| 2018 | | 25,878 |
| 2019 | | 1,490 |
| 2020 | | - |
| 2021 | | - |
| Thereafter | | - |
| | \$ | <u>77,179</u> |

NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Bureau implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2016. The implementation of the statement required the Bureau to record beginning net pension liability and the effects on net position of contributions made by the Bureau during the measurement period (fiscal year ending June 30, 2015). As a result, net position for the governmental activities decreased by \$135,633.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention and Visitors Bureau
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2016

Schedule 1

| | Original Budget | Final Budget | Actual | Variances Positive (Negative) |
|--|--------------------|--------------|--------------|-------------------------------------|
| Revenues: | | | | |
| Occupancy Tax | \$ 4,793,407 | \$ 4,793,407 | \$ 5,343,668 | \$ 550,261 |
| Advertising revenues | 25,000 | 25,000 | 36,280 | 11,280 |
| Items for resale | 3,275 | 3,275 | 7,127 | 3,852 |
| Miscellaneous revenue | - | - | 11,661 | 11,661 |
| Interest on investments | 3,300 | 3,300 | 3,202 | (98) |
| Fund Balance appropriated | - | 77,721 | - | (77,721) |
| Total revenues | 4,824,982 | 4,902,703 | 5,401,938 | 499,235 |
| Expenditures: | | | | |
| Economic and physical development: | | | | |
| Salaries and employee benefits | 1,449,878 | 1,449,878 | 1,353,259 | 96,619 |
| Administration | 664,430 | 664,430 | 606,601 | 57,829 |
| Advertising | 704,915 | 694,915 | 595,762 | 99,153 |
| Events | 130,500 | 140,500 | 133,695 | 6,805 |
| Agreements | 994,775 | 994,775 | 980,003 | 14,772 |
| Sales and Marketing | 880,484 | 958,205 | 893,008 | 65,197 |
| Total expenditures | 4,824,982 | 4,902,703 | 4,562,328 | 340,375 |
| Revenues over (under) expenditures | - | - | 839,610 | 839,610 |
| Other Financing Sources (Uses) | | | | |
| Transfer from (to) other funds | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Expenditures and other uses over revenues and other sources | \$ - | \$ - | 839,610 | \$ 839,610 |
| Fund balance, beginning of year - as restated | | | 2,560,717 | |
| Fund balance, end of year | | | \$ 3,400,327 | |

The accompanying notes are an integral part of this statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention And Visitors Bureau
SCHEDULE OF BUREAU CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
For the Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Contractually required contribution | \$ 72,368 | \$ 72,383 |
| Contributions in relation to the contractually required contribution | <u>72,368</u> | <u>72,383</u> |
| Contribution deficiency (excess) | \$ <u>-</u> | \$ <u>-</u> |
| Bureau's covered-employee payroll | \$ <u>985,940</u> | \$ <u>935,181</u> |
| Contributions as a percentage of covered-employee payroll | 7.34% | 7.74% |

The accompanying notes are an integral part of this statement.

CABARRUS COUNTY TOURISM AUTHORITY
d/b/a Cabarrus County Convention And Visitors Bureau
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BUREAU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
For the Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|---------------------|
| Bureau's proportion of the net pension liability (asset) | 0.0187% | 0.0190% |
| Bureau's proportionate share of the net pension liability (asset) | \$ <u>83,700</u> | \$ <u>(104,754)</u> |
| Bureau's covered-employee payroll | \$ <u>985,940</u> | \$ <u>935,181</u> |
| Bureau's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll | 8.49% | -11.20% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.09% | 102.64% |

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30

The accompanying notes are an integral part of this statement.