

Mooreville Travel and Tourism Authority

(a Component Unit of the Town of Mooreville, North Carolina)

Audited Financial Statements

Year Ended June 30, 2016

Mooresville Travel and Tourism Authority
(a Component Unit of The Town of Mooresville, North Carolina)

June 30, 2016

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**Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)**

June 30, 2016

Board Members

Ron Johnson, Chairman
Four year term expires June 30, 2020

Mitch Abraham
Two year term expires June 30, 2018

Nick Kothadia
One year / Two year term expires June 30, 2017

Commissioner David Coble
Term expires June 30, 2017

Amit Govindji
One year / Four year term expires June 30, 2017

Appointed Officials

Leah Mitcham, Executive Director MCVB

Deborah Hockett, Ex-Officio Finance Director



Independent Auditor's Report

To the Board of Directors
Mooresville Travel and Tourism Authority
Mooresville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Mooresville Travel and Tourism Authority as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 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 from 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.

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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 on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mooresville Travel and Tourism Authority as of June 30, 2016, and the respective changes in financial position 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 three through seven 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 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.

Cobb Engelberg & Company, PA

Certified Public Accountants

Graham, North Carolina

September 6, 2016

Mooresville Travel and Tourism Authority
(a Component Unit of the Town of Mooresville, North Carolina)
Management's Discussion and Analysis
Year Ended June 30, 2016

Management's Discussion and Analysis

As management of the Mooresville Travel and Tourism Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority 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 Authority's financial statements and notes, which follow this narrative.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$1,834,362 (net position).
- The Authority's total net position increased by \$308,829, due to an increase of revenues along with a decrease in expenses during the year.
- As of June 30, 2016 the total fund balance of the general fund was \$1,765,673. This was an increase of \$301,503 compared with the prior year.
- The Authority's revenues increased 4.92%, or \$48,237 from the prior fiscal year due to an increase in Occupancy Tax revenues. Expenditures decreased by \$116,700 from the prior fiscal year; a 13.96% decrease primarily due to a decrease in marketing and promotional expenditures and a decrease in employee benefits.

Overview of the Financial Statements

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

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 Authority'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.

Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)
Management's Discussion and Analysis
Year Ended June 30, 2016

Government-wide Financial Statements

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

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

The 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 Authority's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like all 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 Authority's budget ordinance. All of the funds of the Authority 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 Authority'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 an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Authority's programs. The relationship between government activities reported in the Statement of Net Position and the Statement of Activities and governmental funds is described in a reconciliation that is a part of the fund financial statement.

Mooresville Travel and Tourism Authority
(a Component Unit of the Town of Mooresville, North Carolina)
Management's Discussion and Analysis
Year Ended June 30, 2016

Fund Financial Statements (cont')

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document. The budget authorizes the Authority to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget adopted by the board, 2) the final budget as amended by the board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

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 start on page 13 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority totaled \$1,861,912 as of June 30, 2016. The Authority's net position increased by \$308,829 for the fiscal year ended June 30, 2016.

	Net Position		
	June 30, 2016	2015	Increase (Decrease)
Current and other assets	\$ 1,861,912	\$ 1,543,212	\$ 318,700
Total assets	\$ 1,861,912	\$ 1,543,212	\$ 318,700
Other liabilities	\$ 27,550	\$ 17,679	\$ 9,871
Total liabilities	27,550	17,679	9,871
Net Position:			
Restricted for:			
Economic Development	1,834,362	1,525,533	308,829
Total net position	\$ 1,834,362	\$ 1,525,533	\$ 308,829

**Mooresville Travel and Tourism Authority
(a Component Unit of the Town of Mooresville, North Carolina)
Management's Discussion and Analysis
Year Ended June 30, 2016**

Government-Wide Financial Analysis (cont'd)

	Changes in Net Position		
	June 30, 2016	2015	Increase (Decrease)
Revenues:			
General revenues:			
Occupancy tax	\$ 1,027,500	\$ 979,263	\$ 48,237
Sales and Service	1,106	2,961	(1,855)
Earned interest	88	71	17
Other non-operating revenue	(364)	-	(364)
Total revenues	<u>1,028,330</u>	<u>982,295</u>	<u>46,035</u>
Expenses:			
Economic and physical development	719,501	836,201	(116,700)
Total expenses	<u>719,501</u>	<u>836,201</u>	<u>(116,700)</u>
Increase (Decrease) in net position	308,829	146,094	162,735
Net position - beginning	<u>1,525,533</u>	<u>1,379,439</u>	<u>146,094</u>
Net position - ending	<u>\$ 1,834,362</u>	<u>\$ 1,525,533</u>	<u>\$ 308,829</u>

Financial Analysis of the Authority's Funds

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

Governmental Funds – The focus of the 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 Authority's financing requirements. Specifically, fund balance available for appropriation 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 only operating fund of the Authority. At the end of the fiscal year, restricted fund balance of the General Fund was \$1,765,673.

General Fund Budgetary Highlights

There were no amendments to the General Fund budget during the year.

Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)
Management's Discussion and Analysis
Year Ended June 30, 2016

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the economic environment in which the Authority operates.

- Domestic tourism in the Town of Mooreville generated an economic impact of \$233.8 million during 2015. There was a 3.2 percent increase compared to 2014.
- During 2015, Iredell County ranked 18th in travel related economic impact among North Carolina's 100 counties. The County has moved up in the ranking from 20th in 2012.

Budget Highlights for the Fiscal Year Ending June 30, 2017

The addition of a new Hotel and Event Center will bring more groups and business meetings to Mooreville.

Youth sports continue to show positive growth. During the current fiscal year a new mountain bike trail at Mazeppa Park was supported by the Authority in addition to a new high school tennis stadium. The Authority is currently looking to purchase land for another soccer facility. The relocation of corporate business to Mooreville continues to grow which creates a positive economic impact on hotels, restaurants, retail, etc.

Request for Information

This report is designed to provide an overview of the 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 Executive Director, 130 Landings Drive, Suite 102, Mooreville, NC 28117.

Mooresville Travel and Tourism Authority
Statement of Net Position
June 30, 2016

Exhibit 1

	Governmental
	Activities
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,021,049
Due from primary government	303,852
Accounts receivable- other	30,000
Prepaid Expenses	300
Total Current Assets	1,355,201
Capital Assets:	
Land	17,692
Furniture and equipment	69,470
Leasehold improvements	37,077
Computer software	7,400
	131,639
Less Accumulated Depreciation	(53,620)
Total Capital Assets, net	78,019
Other Assets:	
Security deposit	2,376
Notes receivable	426,316
Total Other Assets	428,692
Total assets	1,861,912
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	18,220
Current portion of long-term liabilities	1,372
Total current liabilities	19,592
Long-Term Liabilities:	
Due in more than a year	7,958
Total long-term liabilities	7,958
Total Liabilities	27,550
Net Position	
Net investment in Capital Assets	78,019
Restricted:	
Stabilization by State statute	762,544
Economic Development	993,799
Total Net Position	\$ 1,834,362

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

**Mooresville Travel and Tourism Authority
Statement of Activities
Year Ended June 30, 2016**

Exhibit 2

Functions / Programs	Expenses	Sales and Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Economic and physical development	719,501	\$ 1,106	\$ 1,027,500	\$ 309,105
Total	\$ 719,501	\$ 1,106	\$ 1,027,500	309,105
General revenues:				
Investment earnings, unrestricted				88
Loss on Disposal of Capital Assets				(364)
				(276)
Change in net position				308,829
Net Position - beginning				1,525,533
Net Position - ending				\$ 1,834,362

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

Mooresville Travel and Tourism Authority
Balance Sheet - Governmental Fund
June 30, 2016

Exhibit 3

	General Fund
Assets	
Cash and cash equivalents	\$ 1,021,049
Due from primary government	303,852
Accounts receivable- other	30,000
Prepaid expenses	300
Security deposit	2,376
Notes receivable	426,316
Total assets	\$ 1,783,893
Liabilities	
Accounts payable and accrued liabilities	\$ 18,220
Total liabilities	18,220
Fund Balance	
Restricted:	
Stabilization by State statute	762,544
Economic Development	1,003,129
Total Fund Balance	1,765,673
Total Liabilities and Fund Balance	\$ 1,783,893

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

Ending fund balance - governmental funds	\$ 1,765,673
Capital assets are not capitalized and are expensed in the funds.	78,019
Liabilities for compensated absences are not reported in the funds.	(9,330)
Net position of the governmental activities	\$ 1,834,362

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

Mooresville Travel and Tourism Authority
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund
For the Year Ended June 30, 2016

Exhibit 4

	General Fund
Revenues:	
Revenue from primary government	\$ 1,027,500
Sales and services	1,106
Interest	88
	1,028,694
Expenditures:	
Economic and physical development:	
Salaries and employee benefits	155,691
Marketing and promotions	460,196
Other operating expenditures	111,304
	727,191
Total Expenditures	727,191
Revenues over (under) expenditures	301,503
Fund Balances - beginning of year	1,464,170
	1,464,170
Fund Balance - end of period	\$ 1,765,673

**Reconciliation of the Statement of Activities to the Statement of Revenues
Expenditures and Changes in Fund Balance – Governmental Fund**

Total net change in fund balances - governmental funds	\$ 301,503
Amounts reported for governmental activities in the statement of activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:	
Loss on disposal of capital assets	(364)
Depreciation	(9,562)
Compensated Absences	(1,440)
Capital Asset purchases reported as expenditures in the governmental fund	18,692
Change in net position of governmental activities	\$ 308,829

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

Mooreville Travel and Tourism Authority
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year ended June 30, 2016

Exhibit 5

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Revenue from primary government	\$ 910,000	910,000	\$ 1,027,500	\$ 117,500
Sales and services	940	940	1,106	166
Interest	60	60	88	28
Total revenues	911,000	911,000	1,028,694	117,694
Expenditures:				
Economic and physical development:				
Salaries and employee benefits	198,000	198,000	155,691	42,309
Marketing and promotions	591,860	591,860	460,196	131,664
Other operating expenditures	121,140	121,140	111,304	9,836
Total Expenditures	911,000	911,000	727,191	183,809
Revenues over (under) expenditures	-	-	301,503	301,503
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Revenues and OFS over (under) expenditures and OFU	<u>\$ -</u>	<u>\$ -</u>	301,503	<u>\$ 301,503</u>
Fund Balances, beginning			<u>1,464,170</u>	
Fund Balances, ending			<u>\$ 1,765,673</u>	

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

Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Significant Accounting Policies

The accounting policies of the Mooreville Travel and Tourism Authority 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 Mooreville Travel and Tourism Authority (the "Authority") was chartered as the Tourism Development Authority for the Town of Mooreville by S.L. 1999-258/House Bill 764 of the 1999 session laws of the North Carolina General Assembly, effective July 8, 1999. The purpose of the Authority is to solicit and service meetings and other related group businesses. Its purpose is also to engage in visitor promotions which generate overnight stays for the Mooreville/Lake Norman area, thereby enhancing and developing the economic fabric of the area. The Authority's Board of Directors is appointed by the Town of Mooreville's Board of Commissioners. The Authority is funded through the local hotel occupancy tax. The Town provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. The Authority is a component unit of the Town of Mooreville and is reported in the financial statements of the Town.

B. Basis of Presentation

Government-Wide Statements: The statement of net assets 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 Authority'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, if any 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 Authority's funds. The emphasis of fund financial statements is on major governmental funds.

Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Significant Accounting Policies (cont'd)

B. Basis of Presentation (cont'd)

The Authority has the following major governmental fund:

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

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 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 a government provides (or receives) value to (or 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

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 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.

**Mooresville Travel and Tourism Authority
 (a Component Unit of the Town of Mooresville, North Carolina)
 Notes to the Financial Statements
 June 30, 2016**

Note 1- Summary of Significant Accounting Policies (cont'd)

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 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 money market accounts, and certificates of deposit.

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).

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 Authority considers all accounts receivable to be collectible at June 30, 2016.

Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Significant Accounting Policies (cont'd)

E. Assets, Liabilities and Fund Equity (cont 'd)

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. Depreciation is computed using primarily the straight-line method as follows:

Asset Class	Estimated Useful Life
Furniture and equipment	5-15 years
Leasehold improvements	15 years
Computer software	3 years

5. Compensated Absences

The sick leave policy of the Authority provides for 40 hours a year, and the unused hours carry over from year to year, and are fully vested when earned. For the Authority's government-wide fund, an expense and a liability for these compensated absences and the salary-related payments are recorded as the leave is earned. 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.

The vacation policy of the Authority provides for a range of ten to twenty days earned vacation leave based on years of employment. No vacation time will be paid out, sold or carried over from year to year. Since the Authority does not have any obligation for the accumulated vacation leave until it is actually taken, no accrual for vacation leave has been made.

6. Net Position/Fund Balances

Net Position

Net Position in the government-wide financial statements is classified as restricted and unrestricted. Restricted net assets 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.

Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Significant Accounting Policies (cont'd)

E. Assets, Liabilities and Fund Equity (cont'd)

6. Net Position/Fund Balances (cont'd)

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 Authority'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 Authority intends to use for specific purposes.

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

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.

Mooresville Travel and Tourism Authority
(a Component Unit of the Town of Mooresville, North Carolina)
Notes to the Financial Statements
June 30, 2016

Note 2 - Detail Notes on all Funds and Account Groups

G. Subsequent Events

Management has evaluated subsequent events through September 6, 2016, the date the financial statements were available to be issued. The Authority is also in the negotiation stages for a land purchase to be used for soccer fields.

A. Deposits

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Depository Insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. 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 agents in their names. 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 under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance.

At June 30, 2016, the Authority's deposits had a carrying amount of \$1,021,049, and a bank balance of \$1,031,332. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$781,332 was covered by collateral held by the State Treasurer's pooling Method.

B. Accounts Receivable

Accounts receivable consisted of the quarterly occupancy tax payment of \$303,852 due from the Town of Mooresville at June 30, 2016.

Mooreville Travel and Tourism Authority
(a Component Unit of the Town of Mooreville, North Carolina)
Notes to the Financial Statements
June 30, 2016

Note 2 -Detail Note on all Funds and Account Groups (cont'd)

C. Capital Assets

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

	Balance			Balance
	July 1, 2015	Increases	Decreases	June 30, 2016
Capital assets not being depreciated:				
Land	\$ -	17,692	-	\$ 17,692
Capital assets being depreciated:				
Furniture and equipment	97,075	1,000	28,605	69,470
Leasehold improvements	37,077	-	-	37,077
Computer software	7,400	-	-	7,400
Total capital assets being depreciated	141,552	1,000	28,605	113,947
Less accumulated depreciation for:				
Furniture and equipment	66,208	5,117	28,241	43,084
Leasehold improvements	2,432	2,225	-	4,657
Computer software	3,659	2,220	-	5,879
Total accumulated depreciation	72,299	9,562	28,241	53,620
Total capital assets being depreciated, net	69,253			60,327
Capital Assets, net	\$ 69,253			\$ 78,019

D. Note Receivable

The Authority had a \$426,316 outstanding promissory note receivable dated February 29, 2012 due from Mooreville BB Holdings, LLC at June 30, 2016. This note is noninterest bearing, and is payable on or before August 1, 2016. This note is secured by a Deed of Trust on 170.77 acre parcel of land wherein the Authority holds a third lien. Two payments were made by the Authority to Mooreville BB Holdings, LLC totaling \$426,316. The first payment of \$150,000 was made on August 31, 2010 and the second payment of \$276,316 was made on July 11, 2011. These payments were to be used to develop a 25 field baseball park called America's Park. America's Park was never developed, and therefore this note receivable was created to reimburse the Authority for the above payments. Should America's Park, LLC not fulfill the purchase of the above parcel of land from Mooreville BB Holdings, LLC, on or before the due date of this note, the Authority will cancel this promissory note in exchange for a 7% interest in property. The fair market value of the 7% interest in the property is estimated by the Authority to equal the outstanding promissory note receivable. The note was paid in full on August 2, 2016.

Mooreville Travel and Tourism Authority
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Notes to the Financial Statements
June 30, 2016

Note 2 -Detail Note on all Funds and Account Groups (cont'd)

E. Liabilities

Risk Management

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

The Authority's insurance policy is administered by Auto Owners Insurance Co. Through this policy, the Authority has workers' compensation coverage up to statutory limits and employers' liability coverage up to \$1,000,000.

The Authority has not acquired flood insurance.

Changes in Long-Term Liabilities as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental activities:					
Compensated absences	\$ 7,890	\$ 1,440	\$ -	\$ 9,330	\$ 1,372
Governmental activity long-term liabilities	<u>\$ 7,890</u>	<u>\$ 1,440</u>	<u>\$ -</u>	<u>\$ 9,330</u>	<u>\$ 1,372</u>

F. Lease Agreement

The Authority renewed their lease agreement with Langtree HUD Development Company, LLC in June 2016 for their office space in the Langtree Development. A security deposit of \$2,376 was paid in April 2014, and remains on the books. The renewal expires June 30, 2017. Lease payments include the base rent of \$2,376 plus estimated common area maintenance (CAM) payment of \$594, for a total monthly lease payment of \$2,970. Rent expense for the year ended June 30, 2016 totaled \$35,665. The following is a schedule by years of minimum payment required under the Langtree HUD Development Company, LLC lease:

Year ended June 30, 2017 \$ 35,640

Mooresville Travel and Tourism Authority
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Notes to the Financial Statements
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Note 2 -Detail Note on all Funds and Account Groups (cont'd)

G. Pension Plan Obligations

The Authority contributed to a SIMPLE IRA plan during the year ended June 30, 2016. The plan provides retirement benefits to employees of the Authority. Member and employer contributions of \$2,080 and \$2,051 were made to the SIMPLE IRA plan during the year ended June 30, 2016, respectively.

H. Occupancy Taxes

The Town of Mooresville, the primary government, in accordance with state law (S.L. 1999-258), transfers the proceeds of a room occupancy tax of 4% of 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 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 organizations. The total occupancy tax rate levied by the Town of Mooresville, when combined with the rate of room occupancy tax levied by Iredell County, may not exceed 6%. The occupancy tax transferred from the primary government represents 99.9% of total revenues and other financing sources of the Authority.

Note 3 - Related Party Transactions

A. Mazeppa Park Road Agreement

A Memorandum of Agreement was signed between the Town of Mooresville and the Authority on March 24, 2009, obligating the Authority to invest a total of \$1,500,000 in the Mazeppa Park Road, a recreational facility built by the Town. The Agreement required an initial payment of \$500,000 to be paid to the Town upon the Town's approval of the contract for the park and the issuance of a notice to proceed to the contractor. The initial payment of \$500,000 was made by the Authority during the year ended June 30, 2009. Upon completion of the park, this Agreement also requires the Authority to pay the Town an agreed upon amount of \$120,000 per year for 10 years, totaling \$1,200,000. The Authority has made 5 of the above agreed up payments to date. The Authority may choose to pay the balance per the Agreement, early, at which time a reduced agreed upon balance would be determined. There were no plans by the Authority to pay this Agreement early as of the release of these financial statements. The original agreement incorrectly stated a total of \$1,500,000 instead of the total of \$1,700,000. The agreement will be updated to reflect an accurate total.

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Notes to the Financial Statements
June 30, 2016**

Note 3 - Related Party Transactions (cont'd)

A. Mazeppa Park Road Agreement(cont'd)

Payments due under this agreement are as follows:

Years ended June 30		
2017	\$	120,000
2018		120,000
2019		120,000
2020		120,000
2021		120,000
Total	\$	<u>600,000</u>

B. Transactions with Primary Government

Occupancy tax revenues of \$1,027,500 from the Town of Mooresville are included in the financial statements for the year ended June 30, 2016. As disclosed in Note 2, the Authority has an occupancy tax payment due from the Town of Mooresville in the amount of \$303,852 at June 30, 2016. The Authority also paid the Town \$24,812 for the Recreation Trails program and \$72,523 for the Edgemoor Park tennis courts.