

**DARE COUNTY TOURISM BOARD**

**FINANCIAL STATEMENTS**

**For the fiscal year ended  
June 30, 2014**

**DARE COUNTY TOURISM BOARD OFFICERS**

**Monica Thibodeau, Chair  
Tim Cafferty, Vice-Chair  
Jodi Hess, Secretary  
Dorie Fuller, Treasurer  
Ervin Bateman, Assistant Treasurer**

**ADMINISTRATION & FINANCIAL STAFF**

**Lee Nettles, Executive Director  
Diane Bognich, Director of Administration  
Cheryl Hannant, Assistant Finance Officer  
Amy Wood, Administrative Specialist/Clerk to Board**

**DARE COUNTY TOURISM BOARD**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2014**

**Table of Contents**

Independent Auditor's Report.....	1
Management Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Funds.....	19
Statement of Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds.....	23
Notes to the Financial Statements.....	24
Schedule of Funding Progress for the Other Postemployment Benefits.....	39
Schedule of Employer Contributions for the Other Postemployment Benefits.....	40
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	41
Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP) – Proprietary Fund – Non-major Event Site.....	45



**JOHNSON, BURGESS,  
MIZELLE & STRAUB, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**Partners:**  
Debbie J. Burgess, CPA  
Richard B. Mizelle, Jr., CPA  
Richard D. Straub, CPA, PC  
Lisa S. Murphy, CPA, PC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Dare County Tourism Board  
Manteo, North Carolina 27954

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dare County Tourism Board, a component unit of Dare County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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 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 financial statement presentation of the financial statements.

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

MEMBERS OF AICPA AND NCACPA

### ***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, the business-type activities, each major fund, and the aggregate remaining fund information of the Dare County Tourism Board as of June 30, 2014, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the general and special revenue funds 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 Other Post Employment Benefit Schedule of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

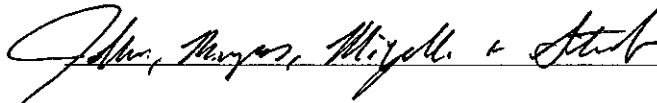
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dare County Tourism Board's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

To the Board of Directors  
Dare County Tourism Board  
Page Three

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

JOHNSON, BURGESS, MIZELLE & STRAUB, LLP  
Certified Public Accountants

A handwritten signature in cursive script, likely representing the firm Johnson, Burgess, Mizelle & Straub, LLP. The signature is written in dark ink and is positioned above a horizontal line.

Kitty Hawk, North Carolina  
October 21, 2014

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

As management of The Outer Banks Visitors Bureau, we offer readers of The Dare County Tourism Board's financial statements this narrative overview and analysis of the financial activities of The Dare County Tourism Board for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Board's financial statements, which follow this narrative.

### **Financial Highlights**

The assets and deferred outflows of resources of The Dare County Tourism Board exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,537,532 (*net position*), which represents an increase of \$ 811,136 over the prior fiscal year.

As of the close of the current fiscal year, The Dare County Tourism Board's governmental funds reported combined ending fund balances of \$12,544,853 an increase of \$778,764 in comparison with the prior year. Of this amount \$7,606,837 (60.6%) is restricted. The restricted amount includes \$6,440,423 that is to be used for projects that help to offset the impact of tourism throughout the county.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,893,551, or 85.8 percent of total general fund expenditures for the fiscal year.

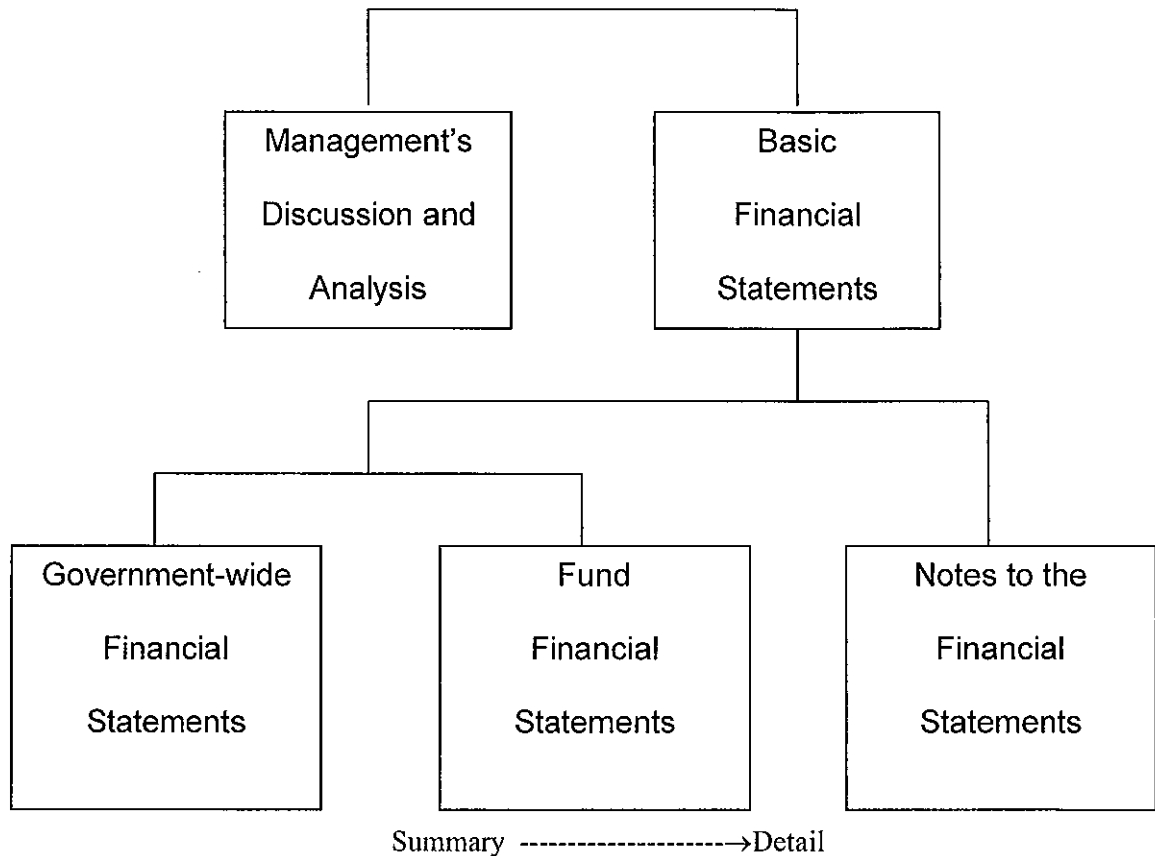
Occupancy and prepared food and beverage tax revenues, which is the primary funding source for the Board, increased \$ 301,500 or 5.1% over the prior year for a total amount collected of \$6,176,401.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Dare County Tourism Board's basic financial statements. The Board's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Board through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of The Dare County Tourism Board.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Board's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Board's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include the Board's basic service which is to promote tourism in Dare County. Occupancy taxes and prepared food and beverage taxes finance most of these activities. The business-type activities are those that the Board charges for rental of the Outer Banks Event Site. The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the Board'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 Dare County Tourism Board, like all other 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 Board's budget ordinance. All of the funds of Dare County Tourism Board can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Board's basic services 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 Board'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 statements.

The Dare County Tourism Board adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Board, the management of the Board, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Board to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Board complied with the budget ordinance and whether or not the Board 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 three columns: 1) the original budget as adopted by the board; 2) the actual resources, charges to appropriations, and ending balances



in the General Fund; and 3) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – Dare County Tourism Board has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Dare County Tourism Board uses an enterprise fund to account for rental income, maintenance and other expenses of the Outer Banks Event Site. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The Board reclassified the Travel Guide and Merchandise funds into General Fund as of July 1, 2013. See note 2.D. As a result comparative figures are restated for 2013.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 through 38 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Supplementary information can be found beginning on page 39 of this report.

## Government-Wide Financial Analysis

### The Dare County Tourism Board's Net Position

Figure 2

	Governmental Activities, as restated		Business-Type Activities, as restated		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 12,605,888	\$ 11,791,369	\$ 37,670	\$ 42,474	\$ 12,643,558	\$ 11,833,843
Capital assets	10,355,758	10,278,395	-	-	10,355,758	10,278,395
Total assets	22,961,646	22,069,764	37,670	42,474	22,999,316	22,112,238
Current liabilities	70,399	34,432	800	500	71,199	34,932
Long-term liabilities	390,585	350,910	-	-	390,585	350,910
Total liabilities	460,984	385,342	800	500	461,784	385,842
Net position:						
Net investment in capital assets	10,355,758	10,278,395	-	-	10,355,758	10,278,395
Restricted	7,606,837	6,989,735	-	-	7,606,837	6,989,735
Unrestricted	4,538,067	4,416,292	36,870	41,974	4,574,937	4,458,266
Total net position	\$ 22,500,662	\$ 21,684,422	\$ 36,870	\$ 41,974	\$ 22,537,532	\$ 21,726,396

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of The Dare County Tourism Board exceeded liabilities and deferred inflows by \$22,537,532 as of June 30, 2014. Of the total net position, \$10,355,758, or 45.9%, reflects the Board's net investment in capital assets (e.g. buildings, land and furniture and equipment). The Dare County Tourism Board uses these capital assets to provide services to citizens and visitors to Dare County; consequently, these assets are not available for future spending. An additional portion of the Board's net position, \$7,606,837, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,574,937 is unrestricted.

**Figure 3**

**Dare County Tourism Board Changes in Net Position**

	Governmental Activities, as restated		Business-type Activities, as restated		Total	Total
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 204,309	\$ 217,006	\$ 2,450	\$ 2,325	\$ 206,759	\$ 219,331
General revenues:						
Occupancy taxes	4,054,904	3,850,689			4,054,904	3,850,689
Prepared food and beverage tax	2,121,497	2,024,212			2,121,497	2,024,212
Investment earnings	20,062	30,258	18	46	20,080	30,304
Total revenues	6,400,772	6,122,165	2,468	2,371	6,403,240	6,124,536
<b>Expenses:</b>						
Governing Body	24,553	24,951			24,553	24,951
Promotion and General	4,355,670	4,242,484			4,355,670	4,013,560
Welcoming Function	272,188	266,374			272,188	266,374
Event Site			7,572	31,438	7,572	31,438
Projects	932,121	479,275			932,121	479,275
Total expenses	5,584,532	5,013,084	7,572	31,438	5,592,104	5,044,522
Increase in net position before transfers	816,240	1,109,081	(5,104)	(29,067)	811,136	1,080,014
Fund transfers	-	-	-	-	-	-
Increase in net position	816,240	1,109,081	(5,104)	(29,067)	811,136	1,080,014
Net position, July 1	21,684,422	20,575,341	41,974	71,041	21,726,396	20,646,382
Net position, June 30	<u>\$22,500,662</u>	<u>\$21,684,422</u>	<u>\$ 36,870</u>	<u>\$ 41,974</u>	<u>\$22,537,532</u>	<u>\$21,726,396</u>

**Governmental activities.** Governmental activities increased the Board's net position by \$816,240, thereby accounting for 100.6 percent of the total growth of net position. Of this amount \$ 1,275,075 is reserved for encumbrances. Tax collections increased \$ 301,500 (5.1%) from the prior year, showing a continued growth in the tourism industry. Expenses were planned conservatively and well managed within the budget.

**Business-type activities:** Business-type activities decreased the Board's net position by (\$5,104). The Event Site Fund shows a reduction in net position. Rental revenues have been kept low to encourage the use of the property and have not covered the maintenance and other managerial expenses of the land.

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

As noted earlier, The Dare County Tourism Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of The Dare County Tourism Board's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing The Dare County Tourism Board's financing requirements.

The general fund is the chief operating fund of The Dare County Tourism Board. At the end of the current fiscal year, the Board's fund balance available was \$4,923,410, while total fund balance was \$6,104,430. The Board has determined that management should maintain an available fund balance of 60% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Board. The Board currently has an available fund balance of 108.5 percent of general fund expenditures while total fund balance is 134.6 percent of the same amount.

At June 30, 2014, the governmental funds of Dare County Tourism Board reported a combined fund balance of \$12,544,853, a 6.6 percent increase over last year.

**General Fund Budgetary Highlights:** During the fiscal year, the Board revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources; and 3) increases in appropriations that become necessary to maintain services.

Several budget revisions were made during the year to reallocate line item expenses to better manage line items. There were several budget amendment to increase appropriations in order to allocate more funds to establish a new grant program in General Fund, to fund a year-long visitor profile study and to merge operations from the Travel Guide and Merchandise funds into General Fund.

The occupancy and prepared meals tax revenues were more than budget due to the conservative approach taken during the budgeting process. Dare County had an increase again in travel to the area despite a very cold winter that lengthened many school years in states that are our best markets for visitors. However, there were no major hurricanes and the summer months experienced growth of 5.3 percent over the prior year. These revenues are subjected to many external factors beyond our control including the national economy and the threat of inclement weather. Therefore a conservative budget allows the Board to anticipate any unexpected decreases in revenue.

Promotional and general expenses were less than budgeted amounts, primarily due to a several large grants and a research project being encumbered and not paid out until the next fiscal year. Other factors include lower postage due to expected increases in rates that did not occur, printing and production projects that were done in house and saved money, no unforeseen

legal issues, and the IT department being able to handle problems without outside technical support.

**Proprietary Funds.** The Dare County Tourism Board's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Proprietary Funds at the end of the fiscal year amounted to \$36,870. The total decrease in net position was (\$ 5,104).

The Event Site Fund posted a decrease of net position in the amount of (\$ 5,104). The Board agreed to use the land in Nags Head to try to promote events that drive overnight visitation. The Board continues to believe that events will help to drive overnight visitation and has consciously kept the costs associated with renting the Outer Banks Event Site low for potential rentals. There was one new event booked on the site for Fiscal Year 13-14, a kite flying festival. Once again, the most successful event was the Outer Banks Seafood Festival held in October. Other events that returned to the site were outdoor movie nights and an art fair. The remaining fund balance is for future use in maintaining the land as an event site.

### **Capital Assets**

**Capital assets.** The Dare County Tourism Board's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$10,355,758 (net of accumulated depreciation). These assets include land, buildings and furniture and equipment.

#### **Dare County Tourism Board Capital Assets**

**Figure 4**  
**(net of depreciation)**

	<u><b>Governmental Activities</b></u>
Land	\$ 8,751,360
Construction in Process	70,141
Buildings	1,364,924
Intangible Assets	96,450
Computer equipment	32,013
Furniture and Equipment	40,870
Total	<u><b>\$10,355,758</b></u>

Additional information on the Board's capital assets can be found in note 3.A.4. of the Basic Financial Statements.

### **Economic Factors and Next Year's Budget**

The 2013-2014 fiscal year once again presented a mix of challenges, but Outer Banks tourism offered resilience and growth despite continued negative pressures, both natural and manmade.

The summer months showed growth of 5% over the prior year. The Visitor Bureau received an economic impact research study for Hatteras Island in the Spring of 2013 and began to push out the results to media. Several press outlets picked-up the news of Hatteras Island's economic contribution to Dare and the state, providing timely reinforcement for the argument that infrastructure investments were not only warranted, but also a responsibility. The economic impact study can be found at: <http://www.outerbanks.org/outerbanks-strategic-planning/>

The popularity of the Board's Tourism Assistance and Special Project grants led to a reconfiguration of the grant program, resulting in the Event Grant. The first applications under this new program were received in February. The Board awarded 23 grants to non-profits organization and municipalities to increase shoulder season visitation. The Established Event Developer Grant Program continues to be in place and has enhanced and created several events that continue to draw out of town visitors.

The continuation of the Tourism Summit and growth of events such as the Outer Banks Seafood Festival and Hatteras Storytelling Festival have brought all sectors of the community together. The Summit brings the industry partners together to discuss growing trends in tourism marketing and share ideas before the summer visitor season begins. The festivals, supported by Bureau grants and volunteers throughout the community, bring many out of town guests to the area and showcase the area's unique history and heritage.

The Board launched a year-long visitor profile research study in the spring of 2014. The study provides insight into Outer Banks visitors, i.e. where they come from, what they do here and how much they spend. This information will help the Bureau market to the type of visitors most likely to be attracted to the Outer Banks. The survey also helps the Bureau understand what the visitors are looking for in the off peak seasons. The survey will wrap up in May of 2015.

Many different marketing strategies were implemented in 2013/2104 to keep the Outer Banks in the forefront of potential visitors. The Bureau created the Outer Banks Soul television marketing campaign in the spring of 2014. Commercials appeared in the Triangle and Greenville areas of North Carolina and Hampton Roads area of Virginia.

Social media has been an increasing medium for the Bureau's marketing strategy. All forms of social media have increased fan based over the year. Visit The Outer Banks, the Bureau's Facebook page, launched a campaign to generate 500,000 fans with a 500K Sweepstakes. The page continues to grow and currently has approximately 575,000 fans.

The Bureau also resumed its writer immersion trips allowing journalists to get an up close and personal feel for the area. The journalists have produced articles in magazines, online and blogs helping to promote the area.

The Outer Banks Travel Guide remains the Bureau's official marketing piece. Revenue from ad sales helps to support the guide, however since the revenues have been decreasing, the Bureau has taken a look at both revenues and production expenses. New opportunities for advertising were introduced for the first third of the Guide. Enhanced listings for restaurant and lodging partners also worked to increase the advertising base. The Bureau also trimmed several pages from the guide to lower production and printing costs.

The Outer Banks continues to face problems with accessibility and weather. The closure of one span of the Wright Memorial Bridge from September to May had an impact on traffic coming onto and leaving the Outer Banks. The closure of the Bonner Bridge in November and December for an inspection because of the scouring of sand from the pilings had an economic impact on Hatteras Island. The long, snowy winter experienced by much of the east coast played a role in the slow start to the season. Due to extended school calendars many visitors from our feeder markets were delayed in starting their vacations. Dare County was fortunate, however, to escape impacts of any hurricanes this year.

The Outer Banks Event Site represents an exciting opportunity for the Board, the Visitors Bureau and the community. The Board hired a company, VHB, Inc., to provide strategic design services to accommodate small, medium and large events. During the current year, a master plan was agreed upon for the Outer Banks Event Site. The Board continued the contract with VHB, Inc. to oversee the implementation of the phased plan. The bid for construction of Phase I is currently being advertising and work is scheduled to begin in the 2014/2015 fiscal year. The Board intends to take a more active role in developing the event site in the upcoming years.

### **Budget Highlights for the Fiscal Year Ending June 30, 2015**

The fiscal year budget for 2014-2015 represents a 5% increase over the budget revenue figures for the same time-period, year prior.

As a way for the Bureau to begin moving in the direction of event developing, the Event Marketing line item was increased \$53,000 and reconfigured to include more flexibility in covering costs related to events not already covered by grant programs. This allows the Bureau to take a more active role in developing events instead of just marketing them.

The Bureau budgeted a new revenue stream of \$15,000 for online advertising. The program was tested in July and August for online featured listings on our website, [outerbanks.org](http://outerbanks.org). The ads ran on the lodging, restaurants, things to do, weddings and events pages on our website. The program will launch permanently in January 2015.

Events remain a key strategy for the Visitors Bureau in its attempts to attract overnight visitation during less-than-peak months. The existing event grant programs have grown in popularity with the number of applications increasing. The budget reflects \$318,000 reserved for the grant programs.

Other notable features within the 2014-2015 fiscal year budget are the continued heavier funding of social media, email marketing and press/travel writer destination visits, all of which demonstrated positive return in the prior year. The new fiscal year budget also shows the encumbrance for the new visitor profile research study.

### **Requests for Information**

This report is designed to provide an overview of the Board'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 Director of Finance, Dare County Tourism Board, One Visitors Center Circle, Manteo, NC 27954-9707. You may also call (252)-473-2138, visit our website at [www.outerbanks.org](http://www.outerbanks.org) or send an email to [Bognich@outerbanks.org](mailto:Bognich@outerbanks.org) for more information.

**Dare County Tourism Board**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,332,267	\$ 37,670	\$ 5,369,937
Miscellaneous accounts receivable	951	-	951
Due from other governmental units	1,085,226	-	1,085,226
Accrued interest receivable	6,552	-	6,552
Inventories	14,606	-	14,606
Restricted cash and cash equivalents	6,166,286	-	6,166,286
Total current assets	12,605,888	37,670	12,643,558
Capital assets (Note 1):			
Land	8,751,361		8,751,361
Event Site - Construction in Process	70,141		70,141
Other capital assets, net of depreciation	1,534,256	-	1,534,256
Total capital assets	10,355,758	-	10,355,758
Total assets	\$ 22,961,646	\$ 37,670	\$ 22,999,316
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 61,035	\$ -	\$ 61,035
Unearned revenue	-	800	800
Current portion of long-term liabilities	9,364	-	9,364
Total current liabilities	70,399	800	71,199
Long-term liabilities:			
Accrued vacation and comp	50,864	-	50,864
Other postemployment benefits	339,721		339,721
Total long-term liabilities	390,585	-	390,585
Total liabilities	460,984	800	461,784
<b>NET POSITION</b>			
Net investment in capital assets	10,355,758	-	10,355,758
Restricted for:			
Stabilization by State Statute	7,606,837	-	7,606,837
Unrestricted	4,538,067	36,870	4,574,937
Total net position	\$ 22,500,662	\$ 36,870	\$ 22,537,532

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

**Dare County Tourism Board  
Statement of Activities  
For the Year Ended June 30, 2014**

**Program Revenues**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>
<b>Primary government:</b>		
Governmental Activities:		
Governing Body	\$ 24,553	\$ -
Promotion and General	4,355,670	204,309
Welcoming Function	272,188	-
Projects	932,121	
Total governmental activities (See Note 1)	<u>5,584,532</u>	<u>204,309</u>
Business-type activities:		
Event Site	7,572	2,450
Total business-type activities	<u>7,572</u>	<u>2,450</u>
Total primary government	<u>\$ 5,592,104</u>	<u>\$ 206,759</u>

Component units:

General revenues:

    Taxes:

        Other taxes

    Transfers

    Investment earnings

        Total general revenues, special items, and transfers

        Change in net position

Net position-beginning, as restated

Net position-ending

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



**Exhibit 2**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (24,553)	\$ -	\$ (24,553)
(4,151,361)	-	(4,151,361)
(272,188)	-	(272,188)
(932,121)	-	(932,121)
(5,380,223)	-	(5,380,223)
-	(5,122)	(5,122)
-	(5,122)	(5,122)
(5,380,223)	(5,122)	(5,385,345)
6,176,401	-	6,176,401
-	-	-
20,062	18	20,080
-	-	-
6,196,463	18	6,196,481
816,240	(5,104)	811,136
21,684,422	41,974	21,726,396
\$ 22,500,662	\$ 36,870	\$ 22,537,532

**Dare County Tourism Board  
Balance Sheet  
Governmental Funds  
June 30, 2014**

	Major Funds		Total Governmental Funds
	General	Special Revenue	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,332,267	-	\$ 5,332,267
Restricted cash and cash equivalents		\$ 6,166,286	6,166,286
Miscellaneous accounts receivable	951	-	951
Due from other governmental units	813,919	271,307	1,085,226
Accrued interest receivable	3,722	2,830	6,552
Inventory	14,606	-	14,606
Total assets	<u>\$ 6,165,465</u>	<u>\$ 6,440,423</u>	<u>\$ 12,605,888</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 61,035	\$ -	\$ 61,035
Total liabilities	<u>61,035</u>	<u>-</u>	<u>61,035</u>
<b>FUND BALANCES</b>			
Non Spendable			
Inventories	14,606	-	14,606
Restricted			
Stabilization by State Statute	1,166,414	6,440,423	7,606,837
Assigned			
Designated for subsequent year's expenditures	1,029,859	-	1,029,859
Unassigned	3,893,551	-	3,893,551
Total fund balances	<u>6,104,430</u>	<u>6,440,423</u>	<u>12,544,853</u>

Amounts reported for governmental activities in the Statement of Net Position  
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 10,355,758

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (399,949)

Net position of governmental activities \$ 22,500,662

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

**Dare County Tourism Board**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
<b>REVENUES</b>			
Tax Revenues			
Occupancy	\$ 3,041,178	\$ 1,013,726	\$ 4,054,904
Prepared Food and Beverage	1,591,123	530,374	2,121,497
Ad sales - Travel Guide	156,600		156,600
Sale of merchandise	44,874		44,874
Other Revenues	2,835	-	2,835
Investment income	10,428	9,634	20,062
Total revenues	4,847,038	1,553,734	6,400,772
<b>EXPENDITURES</b>			
Current:			
Governing Body	24,553	-	24,553
Promotion and General	4,221,088	1,875	4,222,963
Welcoming Function	272,188	-	272,188
Projects	-	932,121	932,121
Capital outlay	18,478	151,705	170,183
Total expenditures	4,536,307	1,085,701	5,622,008
Excess (deficiency) of revenues over expenditures	310,731	468,033	778,764
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	310,731	468,033	778,764
Fund balances-beginning as restated	5,793,699	5,972,390	11,766,089
Fund balances-ending	\$ 6,104,430	\$ 6,440,423	\$ 12,544,853

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

**Exhibit 4**  
**(continued)**

**Dare County Tourism Board**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

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

Net changes in fund balances - total governmental funds	\$ 778,764
Governmental funds report capital outlays 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 outlays in the current period:	77,363
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.	
Other post-retirement benefits	(32,956)
Compensated absences	<u>(6,931)</u>
Total changes in net position of governmental activities	<u>\$ 816,240</u>

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

**Dare County Tourism Board**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2014**

	<b>General Fund</b>			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Occupancy tax	\$ 2,608,833	\$ 2,608,833	\$ 3,041,178	\$ 432,345
Prepared Food and Beverage	1,331,568	1,331,568	1,591,123	259,555
Ad Sales - Travel Guide	-	162,950	156,600	(6,350)
Merchandise sales	-	43,785	44,874	1,089
Other	1,000	1,000	2,835	1,835
Investment earnings	21,000	11,630	10,428	(1,202)
Total revenues	3,962,401	4,159,766	4,847,038	687,272
<b>Expenditures:</b>				
Current:				
Governing Body	29,565	29,565	24,553	5,012
Promotional and General	4,451,828	4,880,163	4,234,763	645,400
Welcoming	303,546	303,546	276,991	26,555
Projects	-	-	-	-
Total expenditures	4,784,939	5,213,274	4,536,307	676,967
Revenues over (under) expenditures	(822,538)	(1,053,508)	310,731	1,364,239
<b>Other financing sources (uses):</b>				
Transfers from other funds	14,280	-	-	-
Transfers to other funds	(15,000)	-	-	-
Appropriated Fund Balance	823,258	1,053,508	-	(1,053,508)
Total other financing sources (uses)	822,538	1,053,508	-	(1,053,508)
Revenues and other sources over (under) expenditures and other uses	-	-	310,731	310,731
Fund balances, beginning of year, restated	-	-	5,793,699	
Fund balances, end of year	\$ -	\$ -	\$ 6,104,430	

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

Exhibit 5

Special Revenue Fund			
Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 869,611	\$ 869,611	\$ 1,013,726	\$ 144,115
443,856	443,856	530,374	86,518
-	-	-	-
-	-	-	-
-	-	-	-
10,000	7,500	9,634	2,134
1,323,467	1,320,967	1,553,734	232,767
-	-	-	-
1,875	1,875	1,875	-
-	-	-	-
6,767,777	6,866,685	1,083,826	5,782,859
6,769,652	6,868,560	1,085,701	5,782,859
(5,446,185)	(5,547,593)	468,033	6,015,626
-	-	-	-
5,446,185	5,547,593	-	(5,547,593)
5,446,185	5,547,593	-	(5,547,593)
-	-	468,033	468,033
-	-	5,972,390	
\$ -	\$ -	\$ 6,440,423	

**Exhibit 6**

**Dare County Tourism Board  
Statement of Net Position  
Proprietary Funds  
June 30, 2014**

	<b>Non-Major Event Site</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 37,670	\$ 37,670
Accounts receivable		-
Inventory		-
Total current assets	<u>37,670</u>	<u>37,670</u>
Total assets	<u>\$ 37,670</u>	<u>\$ 37,670</u>
<b>LIABILITIES</b>		
Current liabilities:		
Security Deposits	\$ 800	\$ 800
Accounts payable		-
Total current liabilities	<u>800</u>	<u>800</u>
Total liabilities	<u>800</u>	<u>800</u>
<b>NET POSITION</b>		
Unrestricted	36,870	36,870
Total net position	<u>\$ 36,870</u>	<u>\$ 36,870</u>
Total liabilities and net position	<u>\$ 37,670</u>	<u>\$ 37,670</u>

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

Exhibit 7

**Dare County Tourism Board**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Non-Major Event Site	Total
<b>OPERATING REVENUES</b>		
Lease income	\$ 2,450	2,450
Other operating revenues	-	-
Total operating revenues	<u>2,450</u>	<u>2,450</u>
<b>OPERATING EXPENSES</b>		
Insurance	454	454
Repairs and maintenance	5,914	5,914
Office expenses	-	-
Other operating expenses	1,204	1,204
Total operating expenses	<u>7,572</u>	<u>7,572</u>
Operating income (loss)	<u>(5,122)</u>	<u>(5,122)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	18	18
Total nonoperating revenue	<u>18</u>	<u>18</u>
(expenses)	<u>18</u>	<u>18</u>
Income (loss) before contributions and transfers	<u>(5,104)</u>	<u>(5,104)</u>
Change in net position	(5,104)	(5,104)
<b>Total net position - beginning</b>	<u>41,974</u>	<u>41,974</u>
<b>Total net position - ending</b>	<u>\$ 36,870</u>	<u>36,870</u>

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



**Dare County Tourism Board  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014**

	<b>Non-Major Event Site</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,750	\$ 2,750
Cash paid for goods and services	(7,572)	(7,572)
Net cash provided (used) by operating activities	(4,822)	(4,822)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	18	18
Net increase (decrease) in cash and cash equivalents	(4,804)	(4,804)
Balances-beginning of the year	42,474	42,474
Balances-end of the year	\$ 37,670	\$ 37,670
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ (5,122)	\$ (5,122)
Increase (decrease) in accounts payable	-	-
Increase (decrease) in security deposits	300	300
Total adjustments	300	300
Net cash provided by operating activities	\$ (4,822)	\$ (4,822)

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

# **DARE COUNTY TOURISM BOARD**

## **Notes to Financial Statements**

**June 30, 2014**

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Dare County Tourism Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

#### **A. Reporting Entity**

The Dare County Tourism Board is a public authority under the Local Government Budget and Fiscal Control Act. The Board was created for the purpose of promoting year-round travel and tourism in Dare County.

#### **Organization of the Dare County Tourism Board**

The Dare County Board of Commissioners adopted a resolution levying an additional room occupancy tax of one percent of gross receipts derived from rental of accommodations, and a prepared food and beverage tax of one percent, to be effective January 1, 1992. Both taxes are defined and authorized by Chapter 177 of House Bill 225, ratified by the North Carolina General Assembly in 1991. Dare County also adopted a resolution creating a Dare County Tourism Board, a public authority under the Local Government Budget and Fiscal Control Act. The composition and duties of the Board, and the use of the occupancy and meals taxes, are outlined in the House Bill noted above.

The Dare County Tourist Bureau, Inc. (a non-profit corporation) was formed in 1952 to promote tourism in Dare County, and received most of its funding from the County of Dare. The organization engaged in numerous tourism promotional activities and operated the Dare County Tourist Bureau in Manteo and The Aycock Brown Welcome Center in Kitty Hawk. The responsibility for these promotional and welcoming activities for Dare County was passed on to the Dare County Tourism Board in 1992.

The thirteen member Tourism Board is appointed to two-year terms by the Dare County Board of Commissioners. These members are selected from nominees of various tourist-related organizations including the Outer Banks Chamber of Commerce, the Dare County Restaurant Association, the Dare County Hotel/Motel Association and the Dare County Board of Realtors and municipalities including Duck, Southern Shores, Kitty Hawk, Kill Devil Hills, Nags Head and Manteo from their respective governing boards, plus one Dare County Commissioner, and two members "at-large" from Dare County. The Tourism Board designates its own management. The Board's most significant funding is a one percent occupancy tax and a one percent prepared food and beverage tax levied by Dare County. The County is not responsible for the debts or entitled to the surpluses of the Board. The Board has the power to approve its own budget and maintains its own accounting system.

#### **B. Basis of Presentation**

**Government-wide Statements:** The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Tourism Board. Governmental activities generally are financed through taxes and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Tourism Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or

## DARE COUNTY TOURISM BOARD

### Notes to Financial Statements

June 30, 2014

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function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Board's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

The Tourism Board reports the following major governmental funds:

**General Fund.** The general fund is the general operating fund for the Board. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. The primary revenue sources are the Dare County one percent occupancy and prepared food and beverage taxes. The primary expenditures are for promotion and welcoming.

**Special Revenue Funds.** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Board has one special revenue fund, the Special Revenue Fund, used to account for twenty-five percent of the occupancy and prepared food and beverage taxes collected, required to be used for services or programs needed due to the impact of tourism on the County. Expenditures are subject to approval by the Dare County Board of Commissioners.

The Tourism Board reports the following non-major enterprise fund:

**Enterprise Funds.** Enterprise funds are used to account for those operations that are (a) financed and operated in manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; (b) or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Event Site Fund accounts for rental income from events held on the site and expenses related to property which is jointly owned with the Town of Nags Head.

The Tourism Board reclassified the activity of two Enterprise Funds into General Fund as of 7/1/13. The Board deemed that the activities were not stand alone type business entities, but instead an extended part of the Organization's promotional activities. The activities were non-major and did not fully cover all expenses with revenue earned. The beginning Fund Balance has been restated in General Fund for these activities.

**DARE COUNTY TOURISM BOARD**  
**Notes to Financial Statements**  
**June 30, 2014**

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

In accordance with North Carolina General Statutes, all funds of the Tourism Board are maintained during the year using the modified accrual basis of accounting.

**Government-wide and Proprietary Fund Financial Statements.** The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include occupancy taxes and prepared food and beverage taxes.

**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, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net position) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total position.

The Board considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are occupancy and prepared food and beverage taxes collected and held by the County at year-end on behalf of the Board.

**D. Budgetary Data**

The Board's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Special Revenue Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions. Budgetary control is exercised in all funds. Appropriations are made at the department level and are amended as necessary by the governing board. The finance officer is authorized to transfer appropriations between line item expenditures within a department, and may transfer items between departments, up to \$5,000. The amended budget as of June 30, 2014, is included in the financial statements.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity**

**1. Deposits and Investments**

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

**DARE COUNTY TOURISM BOARD**  
**Notes to Financial Statements**  
**June 30, 2014**

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also establish time deposit accounts, such as NOW and SuperNow, money market accounts, and certificates of deposit.

State law (G.S. 159-30 (c)) authorizes the board to invest in obligations of the United States or obligations fully guaranteed 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

## **2. Cash and Cash Equivalents**

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

## **3. Restricted Assets**

The assets in the Special Revenue Fund are classified as restricted because their use is restricted by House Bill 225 for services or programs needed due to the impact of tourism on the County.

### Dare County Tourism Board Restricted Cash

Governmental Activities

Special Revenue Fund: \$6,166,286

## **4. Inventory**

The inventories of the Board are valued at cost (first-in, first-out), which approximates market. The Board's General Fund inventory consists of materials held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

## **5. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for all asset classes is \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

## DARE COUNTY TOURISM BOARD

### Notes to Financial Statements

June 30, 2014

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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10 – 40 years
Furniture and equipment	5 – 10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

#### 6. 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. 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 Board currently has no items that meet these criteria.

#### 7. Compensated Absences

The Dare County Tourism Board's personnel policy provides for the accumulation of vacation leave not to exceed thirty days, or as allowed by contractual arrangement. Vacation leave is fully vested when earned, up to the maximum amount. A provision for the amount vested as of June 30, 2014 is included in the accompanying financial statements as a liability in the governmental activities.

The Dare County Tourism Board's personnel policy provides for an unlimited accumulation of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### 8. Net Position/Fund Balances

##### Net Position

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

##### 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 types classify fund balances as follows:

## **DARE COUNTY TOURISM BOARD**

### **Notes to Financial Statements**

**June 30, 2014**

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**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

**Committed Fund Balance** – This classification contains the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Dare County Tourism Board. Any changes or removal of specific purpose requires majority action by the governing body.

**Assigned fund balance** – This classification is the portion of fund balance that Dare County Tourism Board intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the budget officer to transfer appropriations as contained under the following conditions:

- a) He/she may transfer amounts between line item expenditures within a department without limitation and without a report being required. These changes should not result in increases in recurring obligations such as salaries.
- b) He/she may transfer amounts up to \$5,000 between departments, including contingency appropriations, within the same fund. He/she must make an official report on such transfers at the next regular meeting of the Governing Board.
- c) He/she may not transfer any amounts between funds, except as approved by the Governing Body in the Budget Ordinance as amended.

**Unassigned fund balance** – This classification is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Board has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Executive Director has authority to deviate from this policy if it is in the best interest of the Board.

The Board has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Board in such a manner that available fund balance is at least equal to or greater than 60% of budgeted expenditures. Any portion of the general fund balance in excess of 60% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Board in a future budget.

# **DARE COUNTY TOURISM BOARD**

## **Notes to Financial Statements**

**June 30, 2014**

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### **NOTE 2. DETAILED NOTES ON ALL FUNDS**

#### **A. ASSETS**

##### **1. Deposits**

All of the Board deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Board's agent in the Board's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the Board's agent in the Board's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board 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 Board has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce the standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Board complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. As a means of monitoring risk, the Board works to keep not more than 60% of funds in one depository and no more than 25% in a single investment.

At June 30, 2014, the Board's deposits had a carrying amount of \$10,606,614 and a bank balance of \$10,800,841. Of the bank balance, \$1,500,000 was covered by federal depository insurance, and \$ 9,300,841 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2014, the Board had cash on hand of \$8,100.

##### **2. Restricted Assets**

Money in the Special Revenue Fund is classified as restricted assets because its use is restricted to services or programs needed due to the impact of tourism on the county per North Carolina General Assembly House Bill 225.

##### **3. Investments**

At June 30, 2014, the Dare County Tourism Board had \$921,509 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Board has no policy regarding credit risk.

##### **4. Due from Other Governmental Units**

The Board has recognized an amount due from other governmental units which is comprised of the June, 2014 occupancy tax receipts in the amount of \$ 777,029 and the meals tax receipts of \$ 308,197 for a total receivable of \$1,085,226.



**DARE COUNTY TOURISM BOARD**  
**Notes to Financial Statements**  
**June 30, 2014**

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**5. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 8,742,078	\$ 9,282	\$ -	\$ 8,751,360
Construction in Process-Event Site	-	70,141	-	70,141
Total capital assets not being depreciated	8,742,078	79,423		8,821,501
<b>Capital assets being depreciated:</b>				
Buildings	1,901,379	72,282	-	1,973,661
Intangible assets	149,750	-	-	149,750
Computer equipment	195,790	13,415	(76,716)	132,489
Furniture and equipment	323,957	5,063	(29,832)	299,188
Total capital assets being depreciated	2,570,876	90,760	(106,548)	2,555,088
<b>Less accumulated depreciation for:</b>				
Buildings	564,536	44,201	-	608,737
Intangible assets	26,650	26,650	-	53,300
Computer equipment	164,071	13,122	(76,716)	100,476
Furniture and equipment	279,301	8,848	(29,832)	258,317
Total accumulated depreciation	1,034,558	92,821	(106,548)	1,020,831
Total capital assets being depreciated, net	1,536,318	(2,061)	(0)	1,534,257
<b>Governmental activity capital assets, net</b>	<u>\$10,278,396</u>	<u>\$ 77,362</u>	<u>\$ (0)</u>	<u>\$10,355,758</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Promotion and General \$ 92,820

**B. LIABILITIES**

**1. Pension Plan Obligations**

**a. North Carolina Local Governmental Employees' Retirement System**

Plan Description. Dare County Tourism Board contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the

## DARE COUNTY TOURISM BOARD

### Notes to Financial Statements

June 30, 2014

authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 3512 Bush Street, Raleigh, North Carolina, 27609, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The Board is required to contribute at an actuarially determined rate. For the Board, the current rate is 7.07% of annual covered payroll. The contribution requirements of members and of the Board are established and may be amended by the North Carolina General Assembly. The Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$49,532, \$46,013, and \$68,755. The contributions made by the Board equaled the required contributions for each year.

#### **b. Deferred Compensation Plan**

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, which is available to all Board employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Board has complied with changes in the law, which governs the Board's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the Board. Effective for the current fiscal year and in accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the Board's Deferred Compensation Plan is no longer reported within the Board's Agency Funds.

#### **c. Other Post-Employment Benefits**

##### **Health Care Benefits**

**Plan Description.** According to a Dare County Tourism Board resolution, the Board provides post-retirement health care benefits to retirees of the Board who participate in the North Carolina Local Governmental Employees' Retirement System (System), have at least five years of creditable service with the Board and were hired prior to June 30, 2008. For all employees hired on or after June 30, 2008, the Board provides post-retirement health care benefits to retirees who participate in the System and have 20 years of creditable service. When a retiree becomes eligible for Medicare, the Board will pay up to \$400 per month for the cost of supplementary health care policy. The Board may amend the benefit provisions.

Membership of the plan consisted of the following at June 30, 2014:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet	
Receiving benefits	0
Active plan members	<u>11</u>
Total	14

**Funding Policy.** The Board pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Board has chosen to fund the healthcare benefits on a pay as you go basis.

**DARE COUNTY TOURISM BOARD**  
**Notes to Financial Statements**  
**June 30, 2014**

For the fiscal year ended June 30, 2014 the Board made payments of \$ 9,152 for post-retirement health benefit premiums, or 1.9% of covered payroll. Employees contributed \$330 for dental care.

**Summary of Significant Accounting Policies.** Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Annual OPEB Cost and Net OPEB Obligation.** The Board's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Board's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 41,543
Interest on net OPEB obligation	12,645
Adjustment to annual required contribution	<u>(12,080)</u>
Annual OPEB cost (expense)	42,108
Contributions made	<u>( 9,152)</u>
Increase (decrease) in net OPEB obligation	32,956
Net OPEB obligation, beginning of year	<u>316,129</u>
Net OPEB obligation, end of year	<u>\$ 349,085</u>

The Board's annual cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 42,108	21.7%	\$ 349,085
2013	\$ 42,054	28.7%	\$ 316,129
2012	\$ 40,796	34.2%	\$ 286,135
2011	\$ 40,739	20.5%	\$ 259,271

**Funded Status and Funding Progress.** As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$471,538. The covered payroll was \$ 640,100, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 73.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and

## DARE COUNTY TOURISM BOARD

### Notes to Financial Statements

June 30, 2014

include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.5 to 5.00 percent annually. The investment rate included a 3.0 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

#### 2. Other Employment Benefits

**Death Benefit Plan.** The Board has elected to provide death benefits to employees through the Death Benefit Retirement Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$ 50,000. All death benefit payments are made by the Death Benefit Plan and not by the Board. The Board does not determine the number of eligible participants. The Board has no liability beyond the payment of monthly contributions, which were \$0 for the fiscal year ended June 30, 2014. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Years Relief	FY Contributions Resume
less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The Dare County Tourism Board will have a two year reprieve. Contributions will resume in the fiscal year beginning July 1, 2015.

#### 3. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in three self-funded risk financing pools administered by the Risk Management Agency of the North Carolina League of Municipalities. Through these pools, the Board obtains general liability and auto liability coverage of \$ 1 million per occurrence, property coverage up to

# DARE COUNTY TOURISM BOARD

## Notes to Financial Statements

June 30, 2014

the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Board upon request.

The Board carries commercial insurance coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Board carries flood insurance through the National Flood Insurance Plan (NFIP). The Board has purchased \$500,000 of coverage for its building and contents through NFIP because the property is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the Board's employees that have access to \$100 or more at any given time of the Board's funds are covered under a blanket bond in the amount of \$25,000. The finance officer is individually bonded for \$50,000.

### 4. Long-Term Obligations

The following is a summary of the changes in general long-term debt for the year ended June 30, 2014:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Accrued vacation & comp	\$ 43,933	\$ 6,931	\$ -	\$ 50,864	\$ 0
Other postemployment benefits	<u>316,129</u>	<u>42,108</u>	<u>9,152</u>	<u>349,085</u>	<u>9,364</u>
Total long-term liabilities	<u>\$360,062</u>	<u>\$ 49,039</u>	<u>\$ 9,152</u>	<u>\$ 399,949</u>	<u>\$ 9,364</u>

### C. EXPENDITURES

#### Operating Leases

In December 2012, the Board upgraded its mailing machine and postage meter and bought out the previous lease and entered into a new lease for a period of forty-eight months, with quarterly payments of \$ 5,700. During 2014, \$22,800 was paid in rent expense. In July 2009, the Board leased a new copier for a period of 41 months with payments of \$420 with the option to continue on a month to month basis after the lease expires. During 2014, \$ 3,780 was paid in rent expense. In April 2014, the Board entered into a new copier lease and the prior lease was bought out. The new lease is for a period of 63 months with payments of \$400 per month with the option to continue on a month to month basis after the lease expires. Rent expense for 2014 was \$1,199.

The future minimum lease payments are as follows:

2015	27,596
2016	27,596
2017	27,596
2018	16,196
2019	<u>4,796</u>

**DARE COUNTY TOURISM BOARD****Notes to Financial Statements****June 30, 2014**

\$103,780

**D. CHANGE IN BASIS OF ACCOUNTING – FUND RECLASSIFICATION**

During the fiscal year ended June 30, 2014, the Board determined that the Merchandise and Travel Guide Enterprise Funds should be reclassified into General Fund as marketing and promotions function. The budget was amended to include the revenue and expenditures of these operations in General Fund. Beginning Fund Balance was adjusted as follows.

**GOVERNMENTAL FUNDS STATEMENTS:**

	General Fund	Special Revenue Fund	Total Governmental Funds
Fund Balance as previously stated	\$5,695,983	\$5,972,390	\$11,668,373
Increase for Merchandise activity	79,570		79,570
Increase for Travel Guide activity	18,146		18,146
Beginning Fund Balance restated	\$5,793,699	\$5,972,390	\$11,766,089

**PRIMARY GOVERNMENT STATEMENTS:**

	Governmental Activities	Business-Type Activities	Total
Fund Balance as previously stated	\$21,586,706	\$ 139,690	\$21,726,396
Increase/Decrease for Merchandise activity	79,570	(79,570)	-
Increase/Decrease for Travel Guide activity	18,146	(18,146)	-
Beginning Fund Balance restated	\$21,684,422	\$ 41,974	\$21,726,396

**E. NET INVESTMENT IN CAPITAL ASSETS**

	Governmental Funds
Capital Assets	\$10,355,758
Less: Long-term Debt	0
Net Investment in Capital Assets	\$10,355,758

**F. FUND BALANCE**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<b>Total fund balance-General Fund</b>	<b>\$ 6,104,430</b>
<b>Less:</b>	
<b>Inventories</b>	14,606
<b>Stabilization by State Statute</b>	1,166,414
<b>Appropriated Fund Balance in 2014 budget</b>	1,029,859
<b>Working Capital / Fund Balance Policy</b>	3,235,063
<b>Remaining Fund Balance</b>	658,488

The Board has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Board in such a manner that available fund balance is at least equal to or greater than 60% of budgeted expenditures.

# DARE COUNTY TOURISM BOARD

## Notes to Financial Statements

June 30, 2014

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The encumbrances are included in the Stabilization by State Statute amount above.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Special Revenue Fund</i>
	\$ 333,216	\$ 941,859

### Special Revenue Fund-Reserve For Future Capital Projects

Though the entire fund balance in the Special Revenue Fund is restricted by state statute, the Board designates 70% of the 25% of the amount of occupancy and meals tax transferred to the special revenue fund for future capital projects. During the current year \$1,073,657 was transferred for future capital projects. Additionally, all interest earnings in the special revenue fund are designated for "green space" acquisition. During the current year there was \$ 7,654 of interest revenue designated for "green space" acquisition. During 2006, the designations for natural, historic and cultural resources and infrastructure were capped at \$500,000. For fiscal year ended June 30, 2009, \$2,663,977 was transferred from multiple long-term line items to the multi-purpose line item to purchase land to be held for future use. The money will be repaid to the appropriate line items by increasing the allocation percentage over the next 3-5 years.

Activity for future capital projects was as follows during the year ended June 30, 2014:

<u>Project</u>	<u>Balance July 1, 2013</u>	<u>Current Year Additions</u>	<u>Current Year Expenses/Transfers/ Adjustments</u>	<u>Balance June 30, 2014</u>
Multi-purpose Facility	\$ 2,460,458	\$ 966,291	\$ (79,423)	\$ 3,347,326
Natural, historic, cultural	500,000	0	(141,351)	358,649
Infrastructure	456,581	0	(96,731)	359,850
Green Space	621,675	115,019	-	736,694
Total	\$ 4,038,714	\$ 1,081,310	\$ (317,505)	\$ 4,802,519

### NOTE 5. COMMITMENTS

In October 2010, the Board entered into a contract with MMG Worldwide to provide internet advertising services beginning October 1, 2010 and ending December 31, 2011. The contract may be automatically renewed for successive one-year terms thereafter. The contract was renewed until December 31, 2013. MMG Worldwide will receive an 11% commission on all gross media purchases and a monthly charge of \$1,000 to develop a custom measurement process.

On February 27, 2014, the Board entered into a contract with VHB Engineering for the design of the Outer Banks Event Site at a cost of \$350,000. The work is scheduled for completion in March of 2015.

### NOTE 6. JOINT VENTURES

On April 12, 2007, the Board purchased a piece of property with the Town of Nags Head to be held for future use. On November 14, 2009, the Board purchased an adjoining two parcels with the Town of Nags Head. The Board owns 65.2% and 82.1% of the properties, respectively. The three parcels are being held as a possible multi-purpose facility site. The site is currently being used by parties as an event site. Revenues from rental fees and expenditures related to the site are held in an enterprise fund by the Outer Banks Visitors Bureau. A memorandum of understanding formalizing the cost and revenue sharing for the property was finalized and signed on March 17, 2011.

# **DARE COUNTY TOURISM BOARD**

## **Notes to Financial Statements**

**June 30, 2014**

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### **NOTE 7. SUMMARY OF EFFECTS OF SUBSEQUENT EVENTS**

The Board acts as an in-house advertising agency and for the fiscal year July 1, 2014-June 30, 2015, the Board has entered into advertising insertion orders with various media totaling \$782,767.

On July 14, 2014, the Dare County Tourism Board reached an agreement with Quad Graphics for the printing of 425,000 copies of The 2015 Travel Guide and related materials for the total cost of \$164,095 plus freight.

On September 2, 2014, the Board entered into an agreement with EVP Tour to host a beach volleyball tournament in May 2015. The bid fee is \$10,000.



## Required Supplementary Financial Data

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Notes to the Required Schedules for the Other Postemployment Benefits.

**Dare County Tourism Board  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/12	-	471,538	471,538	0%	640,100	73.7%
12/31/10	-	359,913	359,913	0%	620,054	58.0%
6/30/10	-	681,976	681,976	0%	602,888	113.1%
6/30/09	-	565,262	565,262	0%	753,432	75.0%

**Dare County Tourism Board  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	41,543	22.0%
2013	41,543	29.0%
2012	40,796	34.2%

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**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	
Pre-Medicare trend rate	8.5-5.0%
Post Medicare trend rate	6.25-5.0%
Year of Ultimate trend rate	2018
*Includes inflation at	3.0%
Cost-of living adjustments	None

## Individual Fund Statements and Schedules

**Dare County Tourism Board**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2014

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
<b>Revenues:</b>				
Tax Revenues:				
Occupancy	\$ 2,608,833	\$ 3,041,178	\$ 432,345	\$ 2,888,017
Prepared Food and Beverage	1,331,568	1,591,123	259,555	1,518,159
Total	<u>3,940,401</u>	<u>4,632,301</u>	<u>691,900</u>	<u>4,406,176</u>
Other Revenues:				
Merchandise Revenue	43,785	44,874	1,089	-
Sale of Advertising - Travel Guide	162,950	156,600	(6,350)	-
Other	1,000	2,835	1,835	3,170
Total	<u>207,735</u>	<u>204,309</u>	<u>(3,426)</u>	<u>3,170</u>
Investment earnings	11,630	10,428	(1,202)	17,988
Total revenues	<u>4,159,766</u>	<u>4,847,038</u>	<u>687,272</u>	<u>4,427,334</u>
<b>Expenditures:</b>				
Governing Body:				
Director compensation		17,000		17,000
Payroll taxes		1,429		1,308
Professional services		-		128
Travel		2,658		2,769
Director & Officers' Insurance		2,985		2,875
Miscellaneous items		481		871
Total	<u>29,565</u>	<u>24,553</u>	<u>5,012</u>	<u>24,951</u>
Promotional and General				
Personnel:				
Salaries - full time		629,154		610,410
Salaries - part time		69,959		69,554
Payroll taxes		52,874		50,621
Employee insurance		139,569		143,743
Retirement		47,048		43,733
Workman's compensation		2,044		2,240
Employee relations		1,190		1,668
Training		8,317		9,279
Total Personnel	<u>964,070</u>	<u>950,155</u>	<u>13,915</u>	<u>931,248</u>
Services:				
Audit		5,625		5,625
Legal		6,265		7,240
Contract Services		15,028		15,028
Other Professional Services		-		1,820
Administrative Advertising		322		250
Total Services	<u>38,225</u>	<u>27,240</u>	<u>10,985</u>	<u>29,963</u>

**Dare County Tourism Board  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

	2014		2013
	Budget	Actual	Variance Positive (Negative) Actual
Other:			
Research		31,941	28,000
Advertising - printed		746,039	719,757
Advertising - production fee		42,109	54,951
Adversting - events		81,140	81,923
Advertising - electronic		1,240,332	1,192,480
Advertising - internet agency fee		134,779	108,989
Public relations		20,807	16,103
Legal notices		426	345
Brochures/production & printing		19,677	36,327
Promotional aids		5,587	5,443
Familiarization tours		35,373	28,952
Group sales		10,118	17,645
Community appreciation		15,000	14,828
Special Projects Grant program		104,763	130,337
Tourism Assistance Grant program		67,652	63,000
Event Grant program		6,731	-
Established Event Developer Grant		92,500	46,250
Tousim Summit		13,290	13,035
Postage		151,406	153,666
Travel		26,980	39,424
Vehicle maintenance		2,659	3,983
Registrations		26,686	20,646
Travel show exhibit		4,631	1,023
Dues and subscriptions		25,285	27,010
Insurance		13,455	11,792
Telephone		21,647	22,944
Expendable equipment		1,533	128
Technical support		1,441	5,994
Utilities		8,806	8,404
Cleaning/maintenance supplies		1,497	1,183
Building maintenance		4,261	3,988
Equipment service contracts		2,014	860
Equipment rental		31,082	30,217
Equipment repairs		194	-
Office supplies		13,247	16,391
Web Site/Internet		32,133	26,692
Travel Guide production and printing		149,692	-
Travel Guide freight		26,398	-
Merchandise purchases		28,802	-
Credit card bank charges		1,579	-
Capital Outlay		13,675	13,834
Total Other	3,877,868	3,257,367	620,501
Total Promotional & General	4,880,163	4,234,762	645,401

**Dare County Tourism Board  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Welcoming</b>				
Aycock Brown Welcome Center				
Personnel:				
Salaries - full time		35,265		33,705
Salaries - part time		66,922		66,443
Payroll taxes		8,330		7,606
Employee insurance		7,600		7,791
Retirement		2,484		2,279
Workman's Compensation		385		335
Employee Relations		385		333
Training		186		566
Total Personnel	125,828	121,557	4,271	119,058
Services:				
Contracted Services		7,920		7,920
Total Services	7,920	7,920	-	7,920
Other:				
Uniforms		286		269
Postage		96		93
Travel		126		236
Dues and subscriptions		258		30
Insurance		2,175		1,985
Telephone		3,537		4,328
Expendable Equipment		195		213
Utilities		5,197		4,723
Cleaning/maintenance supplies		500		186
Building maintenance		1,233		1,061
Equipment repairs		250		-
Office supplies		2,956		2,432
Capital Outlay		1,241		898
Total Other	23,631	18,050	5,581	16,454
Total Welcoming - Aycock Brown Center	157,379	147,527	9,852	143,432
 Roanoke Island Welcome Center				
Personnel:				
Salaries - part time		99,326		100,396
Payroll taxes		8,378		7,683
Worker's compensation		400		355
Employee relations		595		633
Training		299		647
Total	122,191	108,998	13,193	109,714
Services:				
Contracted services		2,014		1,888
Total services	2,340	2,014	326	1,888

**Dare County Tourism Board  
Proprietary Fund  
Non-Major Event Site Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2014**

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Operating revenues:				
Lease income	\$ -	\$ -	\$ -	\$ -
Other income	2,450	2,450	-	2,325
Unappropriated Funds	6,430	-	(6,430)	-
Interest income	20	18	(2)	46
Total	<u>8,900</u>	<u>2,468</u>	<u>(6,432)</u>	<u>2,371</u>
Total revenues	<u>8,900</u>	<u>2,468</u>	<u>(6,432)</u>	<u>2,371</u>
<b>Expenditures:</b>				
Other professional services	0	-	-	-
Insurance	1,000	454	546	218
Utilities	1,800	1,204	596	857
Repairs and maintenance	6,000	5,914	86	30,363
Office expenses	100	-	100	-
Total	<u>8,900</u>	<u>7,572</u>	<u>1,328</u>	<u>31,438</u>
Revenues over expenditures	-	(5,104)	(5,104)	(29,067)
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>(5,104)</u>	<u>\$ (5,104)</u>	<u>(29,067)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Net income		<u>\$ (5,104)</u>		<u>\$ (29,067)</u>