

HILLSBOROUGH TOURISM DEVELOPMENT AUTHORITY

REPORT TO THE BOARD OF DIRECTORS

JUNE 29, 2023



ASSURANCE, TAX & ADVISORY SERVICES



June 29, 2023

Board of Directors
Hillsborough Tourism Development Authority
Hillsborough, North Carolina

Attention: Matthew Hughes, Chairman

We are pleased to present this report related to our audit of the financial statements of Hillsborough Tourism Development Authority (the Authority) as of and for the year ended June 30, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Authority.

PBMares, LLP

PBMares, LLP

TABLE OF CONTENTS

Required Communications	1
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Exhibits

Exhibit A—Significant Written Communications Between Management and Our Firm

- Representation Letter

REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated September 12, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated September 12, 2022, as an attachment to the above referenced arrangement letter, regarding the planned scope and timing of our audit and identified significant

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any applicable significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are aware the Town of Hillsborough, the contracted administrative and financial services for the Authority, engaged an outside professional CPA firm to assist in closing the books for the fiscal year ended June 30, 2022.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached as Exhibit A.

EXHIBIT A

Significant Written Communications Between Management and our Firm



June 29, 2023

PBMares, LLP
3621 John Platt Drive
Morehead City, North Carolina 28557

This representation letter is provided in connection with your audit of the basic financial statements of Hillsborough Tourism Development Authority (the Authority) as of and for the year ended June 30, 2022, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of June 29, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 12, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as amended.
9. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
10. Components of net position and fund balance (restricted and unrestricted) are properly classified and, if applicable, approved.
11. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.
12. We have no knowledge of any uncorrected misstatements in the financial statements.
13. We have requested an unsecured electronic copy of the auditor's report and agree that the auditor's report will not be modified in any manner.

Information Provided

14. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.

- c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
- 17. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
- 18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
- 19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
- 20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- 21. We have disclosed to you the identity of all of the Authority's related parties and all the related-party relationships and transactions of which we are aware.
- 22. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.

23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

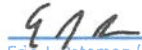
24. With respect to supplementary information presented in relation to the financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such information.
- b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

25. With respect to Management's Discussion and Analysis presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

Hillsborough Tourism Development Authority



Eric J. Peterson (Jun 29, 2023 17:31 EDT)

Eric Peterson, Town of Hillsborough Town Manager



Dave McCole, Finance Director