

**GREATER WILDWOODS
TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY**

**REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS**

AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2016 AND 2015

**GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
The Greater Wildwoods Tourism Improvement
and Development Authority
Wildwood, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Greater Wildwoods Tourism Improvement and Development Authority, State of New Jersey, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Greater Wildwoods Tourism Improvement and Development Authority, State of New Jersey, as of December 31, 2016 and 2015, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Greater Wildwoods Tourism Improvement and Development Authority's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was 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 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, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2017 on our consideration of the Greater Wildwoods Tourism Improvement and Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 26, 2017

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GREATER WILDWOODS TOURISM IMPROVEMENT AND DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") of the GREATER WILDWOODS TOURISM IMPROVEMENT AND DEVELOPMENT AUTHORITY ("Authority") provides an introduction to the major activities affecting the operations of the Authority. The MD&A also provides an introduction and overview to the financial performance and statements of the Authority for the fiscal years ended December 31, 2016, 2015 and 2014. The information contained in the MD&A should be considered in conjunction with the Authority's basic financial statements beginning on page 20.

The Authority's basic financial statements comprise two components: 1) proprietary fund basic financial statements, and 2) notes to those basic financial statements which are essential to a full understanding of the data contained in the basic financial statements. The supplementary information following the basic financial statements and notes thereto contains detailed and separate information pertaining to the Authority's operations.

Regarding supplementary information, of particular note the Authority reports a *Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget* (Schedule 1). That schedule compares the "actual" revenue and expenses to "budget" revenue and expenses, including operating revenues and expenses, and non-operating revenues and expenses where applicable.

The "Budget versus Actual" statement for the Authority's program is a very important tool for staff, as it measures the Authority's financial and operational performance, particularly as it compares to the Annual Budget as adopted by the Authority's Board and approved by the state of New Jersey, Department of Community Affairs.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the Greater Wildwoods Tourism Improvement and Development Authority, those prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to enterprise or proprietary funds of state and local governments. These are the Authority's basic financial statements discussed above.

Pronouncement

The Authority has adopted GASB No. 1 through 80 and related interpretations issued through December 31, 2016. GASB statement 34, and subsequent statements and interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis of supplementary information.

Program

The Authority and tourism district was created by the three local municipalities of the Wildwoods, North Wildwood, Wildwood, and Wildwood Crest on July 1, 1993 pursuant to N.J.S.A. 40:54D 1-44. The act allowed the district to impose a 2% tourism tax on the rental of hotel/motel rooms, prepared food and beverage and certain admissions related to amusements and entertainment. The tax is collected by the State of New Jersey and remitted to the Authority in the form of a check. Those businesses that did not fall under the 2% Tourism Tax were responsible for the payment of a Tourism Development Fee (TDF) as their contribution to the Authority's funding. The TDF was billed to each business along with the mercantile license bill sent out by each municipality.

The Authority's first meeting was held in July of 1994 with the purpose of "providing appropriate public facilities, fixtures and improvements necessary to promote, sustain and expand tourism, to finance the acquisition and/or construction, operation maintenance and support of a convention center facility and to promote, sponsor events and advertise the Greater Wildwoods as a tourist destination and to express opinions and recommendations, when appropriate, to enhance the local tourism climate."

In 1998, Governor Christine Todd Whitman, through state legislation, mandated the New Jersey Sports and Exposition Authority (NJSEA) to oversee the construction of a new convention center in Wildwood, NJ. This \$70 M project was funded by the State of New Jersey. However, the operations, maintenance, sales and marketing efforts of the facility were the responsibility of the NJSEA and their local agent, the Authority. Because of this requirement, 90% of the 2% tourism tax was redirected, by state legislation, to the NJSEA to help offset the costs of operating the new facility.

In May of 2002 acting as the agent for the NJSEA, the Authority opened the new \$70 million convention center in the Wildwoods. The Authority continues to act as the agent for the NJSEA in operating the Wildwoods Convention Center and oversees all day to day operations of the facility.

The Authority, following the completion of an asset assumption agreement with the NJSEA in 1998 that left it with no funds, realized that it's funding for advertising and promotions for the Wildwoods as a vacation destination, as well as it's funding for events and event support had been critically impacted by the legislation mandated by Governor Whitman. The Authority then began work with the business organizations in the Wildwoods on a solution that was to become known as Phase II funding.

A funding strategy was developed and endorsed which would do the following:

1. Implement a new 1.85% tourism assessment on the rental of hotel/motel rooms;
2. Remove the existing cap on tourism development fees.
3. Allow for the food and beverage industry to pay a TDF along with all of the other businesses in the three communities.

The objective of this plan was to ensure that all businesses and rental properties that benefit from increased tourism and events contribute equitably to the Phase II funding initiative.

Phase II tourism funding was approved by the New Jersey Legislature on August 14, 2002 and subsequently by the three municipalities of the Wildwoods. In April 2003 the first part of the phase two funding began with the addition of a 1.85% tourism assessment on hotel/motel room

rentals. Following up on this in 2004 the Authority took over the collection of tourism development fees (TDF's) from the cities of Wildwood and North Wildwood, Wildwood Crest chose to continue collecting the TDF's itself. During 2004 and 2005 the Authority collected roughly 60% of the amounts billed out to Wildwood and North Wildwood. The low collection rate resulted from the Authority's lack of ability to legally enforce collections of the TDF's. As a result the Authority and the three municipalities in early 2006 agreed that the municipalities would take back the responsibility for the collections. As part of the agreement to help offset the administrative costs to the municipalities the Authority agreed to a structure under which each municipality would receive collection fees based on the gross amount of TDF's collected by all three municipalities.

The legislation provided that one half of the 1.85% tourism assessment collected in 2003 be returned equally to the three municipalities to offset beach maintenance appropriations. However, in 2004, in order for the three municipalities to continue to receive 50% of the tourism assessment collected, the municipalities needed to address their local tourism development fee structure and raise fees to equal the amount they collected in 2003 from the 1.85% tourism assessment. Going forward the municipalities can receive a maximum of one half of the 1.85% tourism assessment collections provided the gross amount collected from TDF's exceeds half of that number after the fulfillment of the Authorities obligation under the Omnibus agreement to the City of Wildwood.

With the implementation of the new 1.85% tourism assessment, it was agreed that the hotel/motel industry could not, and should not bear the burden of this new funding alone. Therefore, it was necessary to equitably distribute the responsibility of this new funding throughout the entire business community.

In August 2011 the City of Wildwood's financial resources to cover maintenance of the bathrooms on the Boardwalk and sufficient police presence at the growing number of special events held on the island and promoted by the Authority could no longer be sustained. As a result the Authority developed a plan to insure the Wildwoods remained a safe, clean and friendly tourist destination. The Authority again brought the 3 Municipalities together and developed a Memorandum of Understanding dated March 23, 2012 that allowed the Municipalities to increase the amount collected in TDF's. With the increase through its event support budget the Authority could allocate those additional TDF funds generated back to each Municipality and the Boardwalk Special Improvement District subject to certain collection criteria. In 2012 the 3 Municipalities implemented the new fee structure; however, North Wildwood had already sent out their 2012 bills and received most of their collections. Despite this fact the Authority realized a 40% increase in collections allowing the Authority to return approximately \$350,000 in funding for public health and safety. The MOU has remained in place through 2016, with all 3 Municipalities collecting under the latest fee structure. In 2016 there was a 3% decrease in overall collections, but the Authority still returned approximately \$352,000 in funding for public health and safety.

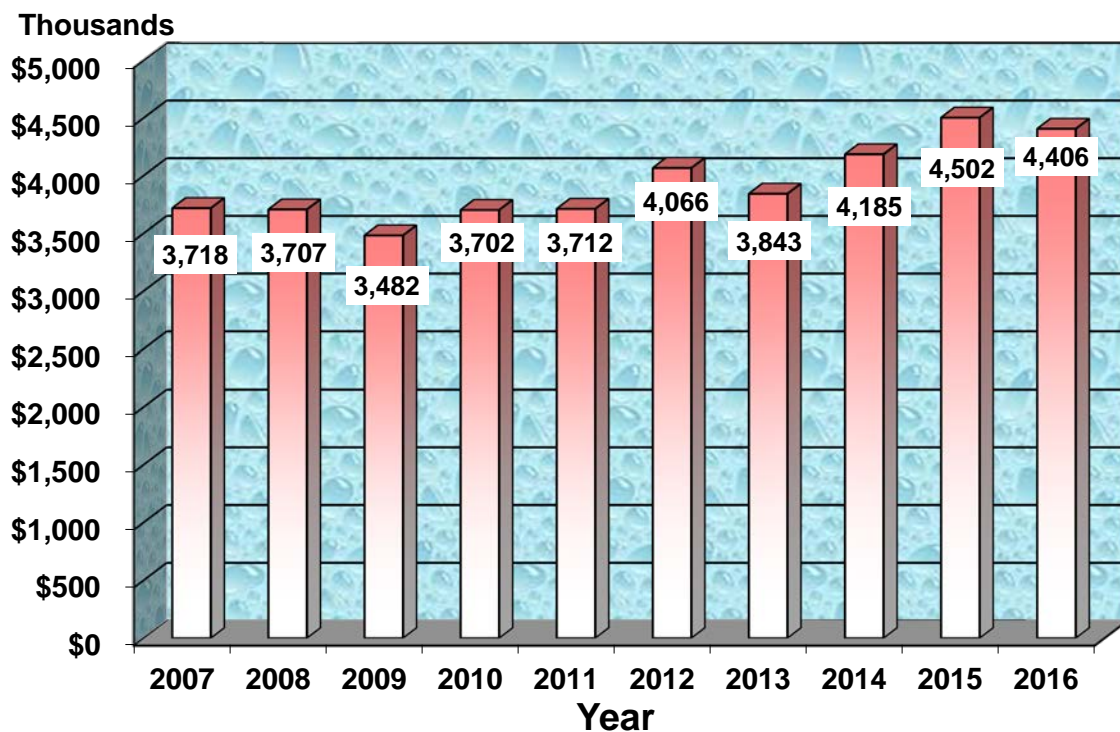
In 2007 The Authority undertook a capital project to enhance the entranceway to the Wildwoods. The project cost totaled \$1,050,000 and was approved by the Local Finance Board in 2005. It was submitted and approved as part of the Authority's budget in 2007. The project was funded by a \$600,000 bond drawn on Crest Savings Bank, a grant totaling \$291,750 from the Casino Reinvestment Development Authority and \$158,250 from the Authority's operating cash reserves. The project consists of an entranceway, turnaround, ramp and Wildwoods sign located between Ocean Avenue and the Boardwalk at Rio Grande Avenue. The Authority decided against bidding advertising rights on the sign in 2008 as they did not want any

commercial involvement in the entranceway. Also in 2008 additional capital investment totaling \$21,730 was made. \$16,480 of that money was for placement of two street lights that were needed as a matter of safety.

Tourism Revenue/Structure

The 2% tourism tax is remitted by entities subject to the tax as outlined above along with their regular monthly sales tax to the State of New Jersey. The tax is due to the State by the 20th day of the month following the month for which the tax collection is for. The 2% portion of the tax is then split 90 -10 in accordance with the legislation passed and an omnibus agreement in place between the Authority, the NJSEA, and the three municipalities of the Wildwoods. 90% goes to the NJSEA to offset operating costs associated with the Wildwoods Convention Center. The remaining 10% is given to the Authority for the promotion of the tourism district. The 10% is received in the form of a check from the State with roughly a two month lag. The chart below shows a 10 year history of revenues generated from the tourism tax in its entirety.

10 Year History - 2% Tourism Tax

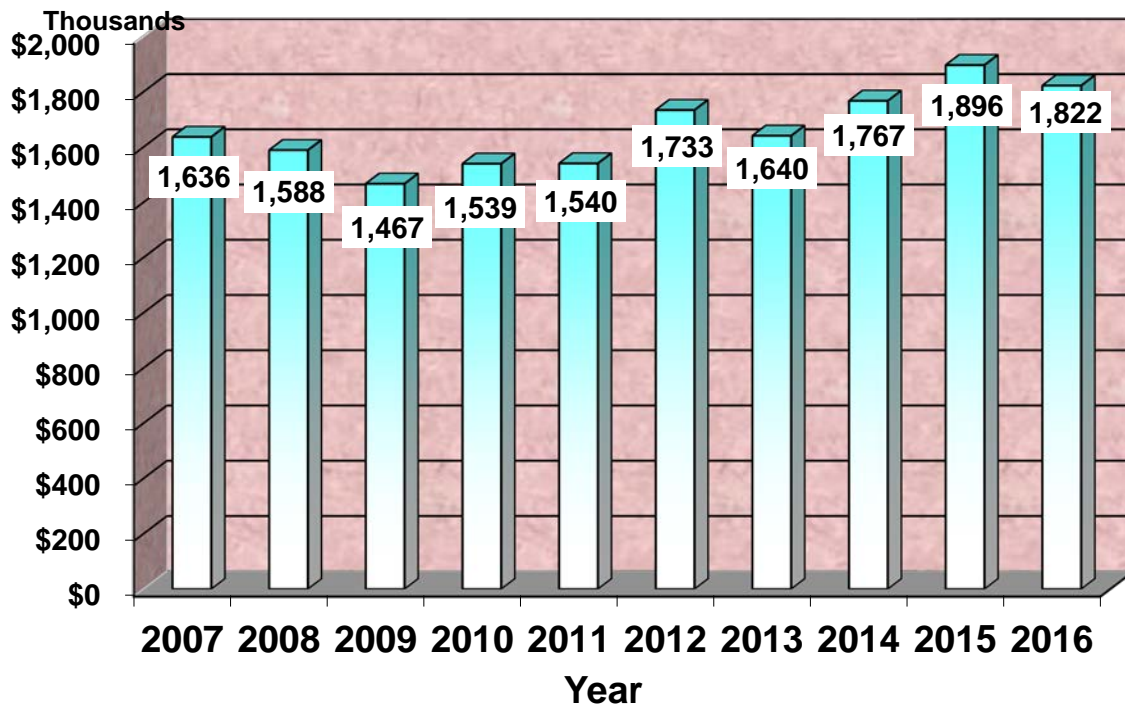


Tourism Assessment Revenue/Structure

Tourism assessment means an assessment on the rent for every occupancy of a room or rooms in a hotel subject to taxation pursuant to subsection (d) of section 3 of the "Sales and Use Tax Act" P.L. 1966. Collection of the 1.85% tax began in April 2003, the collection process is the same as that of the tourism tax, however all the revenues generated by the 1.85% tax go to the Authority for the promotion of the district as a tourist destination. The Authority at year end then disperses by check the portion of the 1.85% assessment that the municipalities are entitled to in

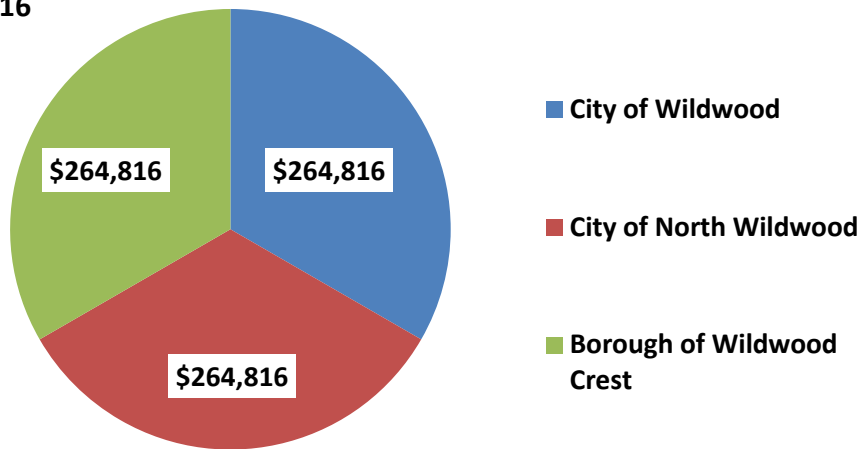
accordance with the terms of the phase II funding legislation. Using 2004 as a base year the TDF collections amounted to 78% of the 1.85% tax. For the years 2005 through 2008 the municipalities would have been entitled to receive 78% of the 50% available funds for disbursement. With the changes in 2006 to the collection of TDF's the municipalities are again entitled to a maximum of 50% of the 1.85% collections after payment of the Authority's obligation to the City of Wildwood as outlined in the omnibus agreement signed by GWTIDA, NJSEA and the three municipalities of the Wildwoods in 1998. They are not restricted by the base year calculation that was used in 2004 and 2005. The chart below shows a history of the 1.85% tax.

10 Year History - 1.85% Hospitality Tax

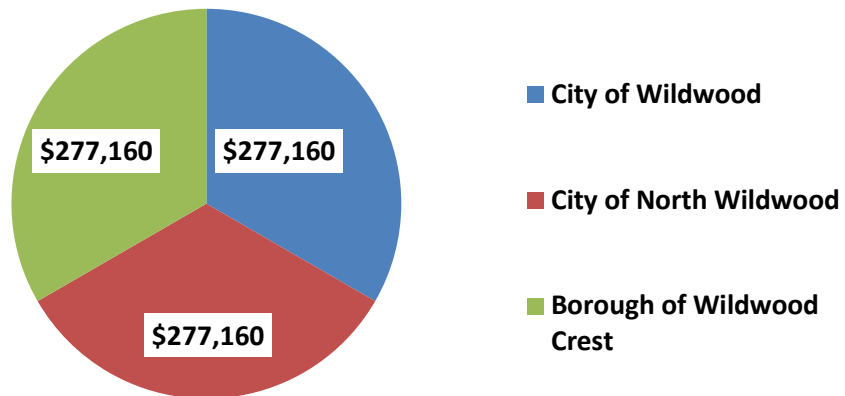


With the changes to the TDF structure in 2012 it is likely that the Municipalities will continue to receive full entitlement to their share of the 1.85% tax in the future as long as they comply with the legislation in place. Below is a chart showing the distribution of the eligible portion of the 1.85% tax for 2016, 2015 and 2014.

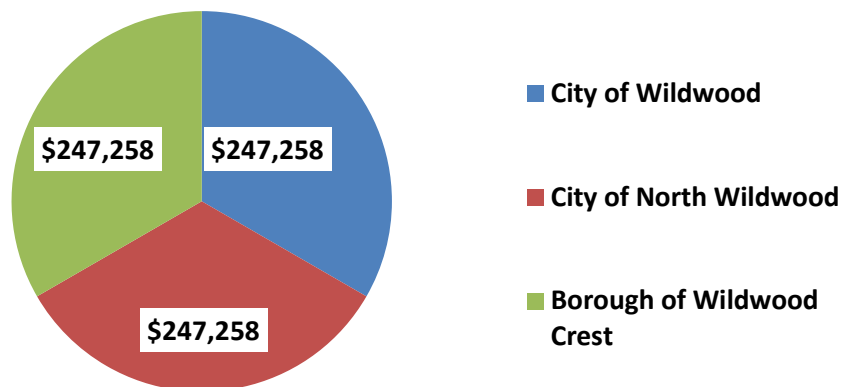
2016



2015



2014

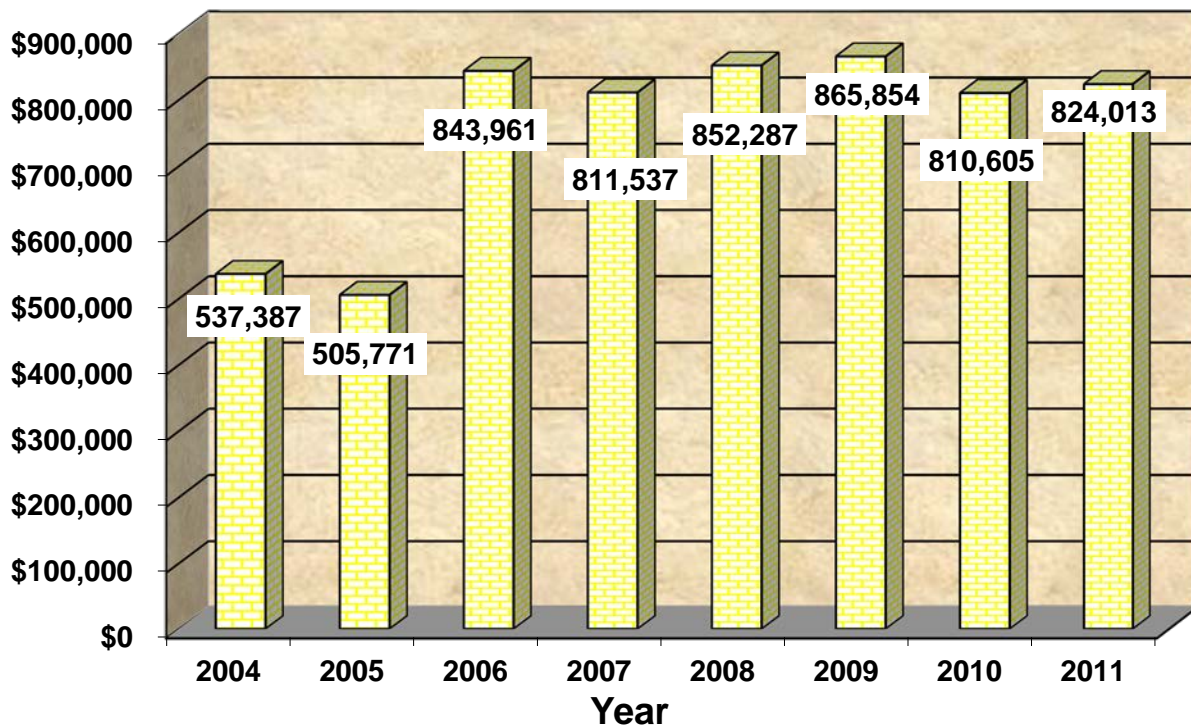


Tourism Development Fee Revenue/Structure

Tourism Development Fees have been in place since the District was formed in 1993, however with the approval of phase II funding in 2002 changes took place aimed at making the assessments more fair and equitable. Up until 2003 these fees were collected by the Municipalities and given to the Authority in November of the year they were collected.

With the changes that took place and the significance of the impact of these changes on the Authority, the Authority hired a Tourism Development Fee Administrator in early 2004. The TDF Administrator was responsible for all billing and collection of TDF fees in Wildwood and North Wildwood. In 2006 the Municipalities again took over the billing and collection process. Our administrator works closely with the municipalities in helping them update their TDF databases and ensuring that those entities subject to the assessments are reporting their business activities accurately to the Municipalities when they obtain their mercantile licenses. Because monies generated from the collection of these fees is dedicated to be used solely for the funding of local events and event support the monies are kept in a separate fund and beginning in 2004 our financial statements reflected both a general fund and a TDF fund. A history of the collection of these fees between 2004 and 2011 is shown below.

8 Year History - Phase II Tourism Development Fees



In 2012 with the introduction of the Memorandum of Understanding between the Authority and the Municipalities that resulted in increased fees we saw collections rise to \$1.18 million. The table below shows the amount collected from TDF's in 2016, 2015 and 2014 along with the amount returned to each Municipality in event support outlined below.

2016:

Municipality	Revenues Collected	Shared Revenues
Wildwood	\$480,620	\$234,102*
North Wildwood	\$412,867	\$84,102
Wildwood Crest	\$289,669	\$34,102
Total Collections:	\$1,183,156	\$352,306

2015:

Municipality	Revenues Collected	Shared Revenues
Wildwood	\$491,223	\$235,443*
North Wildwood	\$421,400	\$85,443
Wildwood Crest	\$300,329	\$35,443
Total Collections:	\$1,212,952	\$356,329

2014:

Municipality	Revenues Collected	Shared Revenues
Wildwood	\$438,109	\$244,488*
North Wildwood	\$455,970	\$94,488
Wildwood Crest	\$317,231	\$44,488
Total Collections:	\$1,211,310	\$383,464

*Includes \$75,000 paid to the Boardwalk Special Improvement District in 2015 and 2016 and \$100,000 paid to the Boardwalk Special Improvement District for 2014.

Required Financial Statements

The Basic Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies, consistent with New Jersey statutes. Specifically, the financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by GASB. Accordingly, the Authority recognizes revenues when earned, not received. Expenses are recognized when incurred, not when they are paid.

The *Statement of Net Position*, the first required statement, and the *Statement of Revenues, Expenses and Changes in Net Position*, the second required statement, report information about the Authority's financial condition. The Authority's net position, i.e., the difference

between assets and liabilities, are a measure of financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Net assets increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase to the Authority's liabilities. Beginning with 2008 the Authority has an asset subject to depreciation that would under normal circumstances have a negative impact on net position. Depreciation decreases the Authority's net position even though it is a non-cash expense.

The third and final required financial statement, the *Statement of Cash Flows*, provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the changes in the cash balance during the reporting period.

Financial Analysis

Table 1
Condensed Statement of Net Position
December 31 2016, 2015 and 2014

Table 1					
Condensed Statement of Net Position					
	2016	2016	2016	2015	2014
ASSETS	<u>General Fund</u>	<u>TDF Fund</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Current Assets:					
Cash and Equivalents	1,595,844	550,357	2,146,201	1,803,938	2,309,777
State of New Jersey Receivable	28,873	-	28,873	124,175	62,944
Municipal Flat Tax Receivable	-	703,086	703,086	723,078	33,920
Event Income Receivable	-	-	-	-	-
Prepaid Assets	5,000	-	5,000	10,000	15,000
Capital Assets	593,451	-	593,451	647,401	701,352
Deferred Outflows	95,586	-	95,586	40,587	5,902
Total Assets	<u>2,318,754</u>	<u>1,253,443</u>	<u>3,572,197</u>	<u>3,349,179</u>	<u>3,128,895</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	15,589	179,302	194,891	170,601	163,911
Contractual Obligations Payable	21,361	-	21,361	48,359	21,621
Restricted Liabilities	30,589	-	30,589	29,455	28,408
Long Term Debt Outstanding	345,915	-	345,915	375,139	403,089
Net Pension Liability	320,787	-	320,787	238,193	187,674
Deferred Inflows	2,876	-	2,876	7,542	15,732
Total Liabilities	<u>737,117</u>	<u>179,302</u>	<u>916,419</u>	<u>869,289</u>	<u>820,435</u>
NET POSITION:					
Investment In Capital Assets					
Net of Debt	217,151	-	217,151	244,297	271,442
Restricted	-	1,074,140	1,074,140	1,059,742	1,025,898
Unrestricted	1,364,486	-	1,364,486	1,175,853	1,208,623
Total Net Position (As Restated)	<u>1,581,637</u>	<u>1,074,140</u>	<u>2,655,778</u>	<u>2,479,891</u>	<u>2,308,459</u>
Total Liabilities & Net Position	<u>2,318,754</u>	<u>1,253,442</u>	<u>3,572,198</u>	<u>3,349,180</u>	<u>3,128,895</u>

Analysis of Net Position

The Authority's assets exceeded its liabilities at the end of December 31, 2016, by approximately \$2,655,778 compared to \$2,479,891 in 2015. Of this amount, approximately \$1,581,637 was unrestricted and available to be used to meet the Authority's ongoing obligations to its customers and creditors. The remaining \$1,074,140 was restricted for the funding of local events and event support.

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Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position
December 31 2016, 2015 and 2014

	2016	2016	2016	%	2015	2014
	<u>General Fund</u>	<u>TDF Fund</u>	<u>Total</u>	<u>Inc/(Dec)</u>	<u>Total</u>	<u>Total</u>
Operating Revenues:						
2% Tourism Tax	440,585	-	440,585	-2%	450,249	418,489
1.85% Room Tax	1,832,364	-	1,832,364	-3%	1,896,149	1,766,931
Tourism Development Fees	-	1,183,156	1,183,156	-2%	1,212,952	1,211,310
Other Revenues	21,973	810	22,783	75%	13,055	7,458
Total Operating Revenues	2,294,922	1,183,966	3,478,888	-3%	3,572,405	3,404,188
Operating Expenses:						
Personnel	71,930	69,389	141,320	16%	122,141	109,232
Administrative	30,234	300	30,534	-28%	42,540	33,081
Advertising & Promotions	915,415	65,264	980,679	-6%	1,047,378	1,103,761
Event Support	-	944,614	944,614	1%	938,543	979,337
Professional Fees	23,826	90,000	113,826	-4%	119,119	116,815
City of Wildwood	233,190	-	233,190	0%	233,190	283,380
1.85% Tax Distribution	794,449	-	794,449	-4%	831,480	741,775
Depreciation Expense	53,950	-	53,950	0%	53,950	53,950
Total Operating Expenses	2,122,994	1,169,567	3,292,562	-3%	3,388,341	3,421,331
Operating Income	171,928	14,399	186,326	-1%	184,064	(17,143)
Non Operating Revenue						
Interest Income	6,449	-	6,449	19%	5,441	5,847
Interest Expense	(16,887)	-	(16,887)	7%	(18,073)	(19,216)
Total Non Operating Revenue	(10,438)	-	(10,438)	17%	(12,632)	(13,369)
Change In Net Position	161,490	14,399	175,887	-3%	171,432	(30,513)
Net Position - Beginning of Year (As Restated)	1,420,149	1,059,742	2,479,891	7%	2,308,459	2,338,972
Net Position - End of Year	1,581,639	1,074,140	2,655,778	7%	2,479,891	2,308,459

Analysis of Changes in Net Assets

The Authority's 2016 total net position improved 7.05% as compared to 2015. 2016 was the second consecutive year since 2007 that both of the Authority's funds generated income from operations in the same year. The General Fund had net income of \$160,344 while the TDF fund generated net income of \$14,399. The main reason for being able to achieve these numbers is because over the 3 years our tax collections have gone up approximately 12% while our operating expenses and our budgets have remained stable. If a similar trend continues in 2017 we believe that in order to stay competitive in the marketplace and maintain one of the

Authority's main objectives' which is growing the number of visitors to the Wildwoods we will need to consider increasing and expanding our destination advertising campaigns. On the TDF side the Authority will continue to look at events that can help promote the image of the Wildwoods while attracting visitors and appealing to different demographics.

Operating and Non Operating Revenues

General Fund

The Authority's revenue streams decreased slightly from 2015. The 2% tax was down 2% compared to 2015 or \$9,664. The 1.85% tax was also down by 3% or \$63,785 under our 2015 totals. It should be noted that our 2015 tax collections were the best on record. Interest income was up 19% on account of the improving financial climate where interest rates on deposits are creeping higher. The Authority ended its cash management policy of investing surplus cash in CD's in 2014 due to the fact that the interest rate available in the cash management fund is identical to the rates available from CD's. Other Revenues were up 75% compared to 2015 with a total of \$22,784 being collected versus \$13,055 in 2015. These revenues are primarily made up from the sale of our mailing lists to local hotels. 2016 also included the final payment of five from a revised agreement with Sturdy Savings Bank who acquired Sun Bank's branches in Cape May County during 2015 for its sponsorship of the Marquee, which calls for a payment of \$4,330 each year through 2017. This amount is included as part of Other Revenues.

TDF Fund

The Authority's revenue stream from the TDF's was down 2% in 2016. On a town by town basis the Borough of Wildwood Crest's collections decreased 4% over 2015 while the collections from the City of Wildwood and the City of North Wildwood each dropped 2%.

Authority-wide Expenses

Operating expenses dropped by 3% during the year, primarily due to less money being spent in our two large budget line items, advertising and the 1.85% tax distribution to the Cities. In total, operating expenses amounted to \$3,269,633 as compared to \$3,380,698 in 2015. A detailed analysis of operating expenses follows:

- Personnel expenses saw an increase of 16% in 2016. Of that amount 2% went towards salaries the other 14% was due to increases in the employer health insurance costs and pension liability.
- Administrative expenses were \$30,534 in 2016, a decrease of \$12,006 or 28% compared to 2015. Our expenses on the general fund side were up in 2016 as a result of repairs and improvements to the Rio Grande Avenue Sign which accounted for \$10,574, or the administrative expenses. Insurance costs remained relatively stable in 2016 as compared to 2015. The TDF fund on the other hand was back in line with previous years where refunds were minimal once again at \$300 as compared to \$23K in 2015 due to the refunding of TDF monies to a local business that was incorrectly billed in 2012.

- Advertising and promotions expenses were \$980,679 in 2016 as compared to \$1,047,378 in 2015; a decrease of \$66,699 or 6% lower than FY 2015. In 2016 we cut back on creative expenses and we also started to shift our focus by reducing our presence in print media and increasing our online presence and digital footprint. We also knew we would be conducting an RFP for media services and so we used the same ad campaign in 2016 as we had in 2015. The RFP did result in a new ad agency for 2017.
- Event Support spending increased from \$938,543 in 2015 to \$944,614 in 2016, an increase of \$6,071 or 1%. The Municipalities received a total of \$102,306, which was \$4,022 less than in 2015. This was due to the TDF collections being off by 2% as compared to 2015. The balance of the monies after payment of the other obligations under the "Memorandum of Understanding" amounted to \$538,508 which funded 43 events in 2016 as compared to \$582,215 used to fund 49 events in 2015.
- Professional Fees amounted to \$113,826 in 2016 as compared to \$119,119 in 2015 a decrease of \$5,293 or 4%. \$90,000 of this amount is for collection fees paid to the municipalities that remained the same as in 2015. Legal, audit and patent attorney fees were close to 2015 levels. In 2016, the Authority extended its agreement with Triad Associates for professional services on the C5 project to obtain a recurring State of New Jersey grant to assist GWTIDA in its mission of funding tourism improvement and development projects in the district.
- As part of the Omnibus agreement to build the Convention Center, the Authority agreed to fund the annual lease payment of the parking lots to the City of Wildwood. The agreement states that the amount owed be adjusted for inflation every 10 years. The first adjustment took place in 2012 increasing the amount owed from \$183,000 annually to \$233,190 annually. The current payment will be made annually through 2021.
- In 2016 the 1.85% tax distribution amounts to \$794,449. This amount is \$37,031 less than in 2015. In 2016 the distribution is only limited by the permitted percentage of the 1.85% tax. Since the tourism development fee collections exceeded the allowable amount permitted for disbursement to the Municipalities there is no limitation imposed.

Table 3
Condensed Statement of Cash Flows
December 31, 2016, 2015 and 2014

	2016	2016	2016	2015	2014
	<u>General Fund</u>	<u>TDF Fund</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Cash Flows from Operating Activities					
2% Tourism tax	454,981	-	454,981	442,494	435,294
1.85% Room Tax	1,913,268	-	1,913,268	1,842,674	1,880,275
Tourism Development Fees	-	1,203,148	1,203,148	523,795	1,517,721
Other Receipts	21,974	810	22,784	13,055	8,410
Payments to Vendors	(1,041,546)	(1,027,207)	(2,068,753)	(2,160,388)	(2,329,468)
Payments to Municipalities	(1,054,637)	(90,000)	(1,144,637)	(1,127,932)	(1,171,828)
Net Cash provided by Operating Activities	294,040	86,751	380,791	(466,302)	340,404
Cash Flows from (to) Capital Financing Activities					
Principal Paid On Capital Debt	(27,951)		(27,951)	(26,804)	(25,666)
Interest Paid on Capital Debt	(17,026)		(17,026)	(18,172)	(19,311)
Net Cash used by Capital Financing Activities	(44,977)	-	(44,977)	(44,976)	(44,977)
Cash Flows from Investing Activities					
Interest Income	6,449	-	6,449	5,441	5,847
Net Increase in Cash and Cash Equivalents	255,512	86,751	342,263	(505,837)	301,274
Cash & Cash Equivalents at January 1	1,340,333	463,606	1,803,938	2,309,777	2,008,503
Cash & Cash Equivalents at December 31	1,595,844	550,357	2,146,201	1,803,940	2,309,777

Analysis of Cash Flows

The Authority made all of its contractual payments on time and in the required amounts.

Of the \$2.1 million in cash and cash equivalents at December 31, 2016, \$1.6 million is available for operations and current obligations. The remaining \$550K has been reserved or restricted for the funding of local events and event support.

Contacting the Authority's Financial Management

This financial report is designed to provide the Greater Wildwoods Tourism Improvement and Development Authority board members, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact either the Authority's Executive Director or Finance Manager at the Greater Wildwoods Tourism Improvement and Development Authority 4501 Boardwalk, Wildwood NJ 08260, telephone 609-729-9000.

BASIC FINANCIAL STATEMENTS

GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,146,201	\$ 1,803,938
Accounts Receivable:		
State of New Jersey Tourism Tax	13,060	27,457
State of New Jersey Room Tax	15,813	96,718
Flat Tax Assessments	703,086	723,078
Prepaid Expenses	5,000	10,000
	<u>2,883,161</u>	<u>2,661,191</u>
TOTAL CURRENT ASSETS		
CAPITAL ASSETS:		
Property, Plant and Equipment	593,451	647,401
	<u>593,451</u>	<u>647,401</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT		
TOTAL ASSETS	<u>\$ 3,476,612</u>	<u>\$ 3,308,592</u>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Outflows - Expected vs Actual Experience	5,966	5,682
Deferred Outflows - Assumption Change	66,450	25,580
Deferred Outflows - Expected vs Actual Earnings	12,232	-
Deferred Outflows - Proportion Change	10,938	9,325
	<u>95,586</u>	<u>40,587</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES		
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>3,572,198</u>	<u>3,349,178</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31**

	<u>2016</u>	<u>2015</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 194,892	\$ 170,601
Contractual Obligations Payable	<u>21,361</u>	<u>48,359</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS	<u>216,253</u>	<u>218,959</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued Interest Payable	1,350	1,489
Current Maturities of Long-term Debt	<u>29,239</u>	<u>27,966</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>30,589</u>	<u>29,455</u>
LONG TERM OBLIGATIONS:		
Long Term Portion of Loan Payable	345,915	375,139
Net Pension Liability	<u>320,787</u>	<u>238,193</u>
TOTAL LIABILITIES	<u>913,544</u>	<u>861,745</u>
DEFERRED INFLOW OF RESOURCES:		
Deferred Inflows of Resources - Difference in Earnings	-	3,830
Deferred Inflows of Resources - Change in Proportion	<u>2,876</u>	<u>3,712</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>2,876</u>	<u>7,542</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>916,420</u>	<u>869,287</u>
<u>NET POSITION</u>		
Net Invested in Capital Assets	217,151	244,297
Restricted for:		
Tourism Development	1,074,140	1,059,742
Unrestricted	<u>1,364,487</u>	<u>1,175,853</u>
TOTAL NET POSITION	<u>2,655,778</u>	<u>2,479,891</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,572,198</u>	<u>\$ 3,349,178</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
DECEMBER 31**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
2% Room Tax from State of New Jersey	\$ 440,585	\$ 450,249
1.85% Tourism Tax from State of New Jersey	1,832,364	1,896,149
Tourism Development Fees	1,183,156	1,212,952
Other Income	<u>22,782</u>	<u>13,055</u>
TOTAL OPERATING REVENUES	<u>3,478,886</u>	<u>3,572,405</u>
OPERATING EXPENSES:		
Personnel	141,320	122,141
Administrative	30,534	42,540
Advertising and Promotions	980,679	1,047,378
Event Support	944,614	938,543
Professional Fees	23,826	29,119
TDF Collection Fees	90,000	90,000
City of Wildwood - Parking Lot Lease	233,190	233,190
1.85% Tax Distribution	794,449	831,480
Depreciation	<u>53,950</u>	<u>53,950</u>
TOTAL OPERATING EXPENSES	<u>3,292,562</u>	<u>3,388,341</u>
LOSS FROM OPERATIONS	<u>186,324</u>	<u>184,064</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	6,449	5,441
Interest Expense	<u>(16,887)</u>	<u>(18,073)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(10,438)</u>	<u>(12,632)</u>
Change in Net Position	175,887	171,432
NET POSITION - BEGINNING	<u>2,479,891</u>	<u>2,308,459</u>
NET POSITION - ENDING	<u>\$ 2,655,778</u>	<u>\$ 2,479,891</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
DECEMBER 31**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
2% Tourism Tax	\$ 454,981	\$ 442,494
1.85% Room tax	1,913,268	1,842,674
Tourism Development Fees	1,203,148	523,795
Other Receipts	22,784	13,055
Payments to Suppliers and Vendors	(2,068,753)	(2,160,388)
Payments to Municipalities	<u>(1,144,637)</u>	<u>(1,127,932)</u>
Net Cash Provided by (Used in) Operating Activities	<u>380,791</u>	<u>(466,303)</u>
CASH ACTIVITIES FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Paid on Capital Debt	(27,951)	(26,804)
Interest Paid on Capital Debt	<u>(17,026)</u>	<u>(18,172)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(44,977)</u>	<u>(44,977)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	<u>6,449</u>	<u>5,441</u>
Net Cash Provided by Investing Activities	<u>6,449</u>	<u>5,441</u>
Net increase/(decreases) in cash and cash equivalents	342,263	(505,839)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,803,938</u>	<u>2,309,777</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ <u><u>2,146,201</u></u>	\$ <u><u>1,803,938</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (Loss)	\$ 186,324	\$ 184,064
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	<u>53,950</u>	<u>53,950</u>
	240,274	238,014
Changes in assets and liabilities:		
Receivables, net	120,293	(745,388)
Accounts and other payables	<u>20,224</u>	<u>33,427</u>
	\$ <u><u>380,791</u></u>	\$ <u><u>(473,947)</u></u>

The Accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. GENERAL

The Greater Wildwoods Tourism Improvement and Development Authority, hereinafter called the "Authority," was created by ordinances adopted by the City of Wildwood, the City of North Wildwood, and the Borough of Wildwood Crest. The Authority was established July 1, 1993.

The objectives and purposes of the Authority shall be "to provide appropriate public facilities and improvements necessary to promote and sustain tourism, to finance the acquisition, maintenance, operation and support of convention center facilities and to promote and advertise the Greater Wildwoods as a tourist destination in order to enhance the local tourism climate."

Funds are provided through a 2% tourism tax and a 1.85% room tax collected by the State of New Jersey. An annual Tourism Development Fee is also collected. The annual Tourism Development Fee is collected by the three municipalities from local businesses not subject to the sales and tourism tax and paid over to the Authority. Fifty percent (50%) of the 1.85% room tax received by the Authority is payable to the three municipalities referred to above in the first paragraph.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Financial Statements

The financial statements of the Authority have been prepared on a full accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The Authority's financial statements include the accounts of all operations of the Authority. As set forth in Government Accounting Standards Board (GASB) 14, as amended by GASB 61, financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Authority issues separate financial statements from the municipalities of the Wildwoods and is not a component unit of any other entity.

The Authority has adopted GASB No. 1 through 66 and related interpretations issued through December 31, 2016. GASB statement 34 and subsequent Statements and Interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis supplementary information. GASB statement 63 requires that new terminology be used. The term "Net Assets" is replaced with "Net Position".

C. Budget/Budgetary Control

An annual budget is prepared each year for the operations of the Greater Wildwoods Tourism Improvement and Development Authority. The budget is prepared using the accrual basis of accounting. Unexpended appropriations for annually budgeted funds lapse at year-end.

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Revenues

Revenues are recognized in the accounting period in which they are earned and become measurable.

E. Expenses

Expenses are recognized on the accrual basis and are recognized in the period incurred, if measurable. The encumbrance method of accounting is not acceptable for financial reporting under GAAP and is not used.

F. Capital Assets

Property, plant and equipment are stated at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation will be determined on a straight-line basis for all plant and equipment. Depreciation will be provided over the following estimated useful lives of the assets

The cost and accumulated depreciation of all property, plant and equipment retired or otherwise disposed of are removed from the accounts and any resulting gain or loss is included in income.

G. Cash, Cash Equivalents and Investments

The Authority's investments practices are governed by New Jersey State Statute 40A:5-15. Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds and a maturity date not greater than 12 months from the date of purchase. In addition, the Authority can invest in direct debt securities of the United States or obligations guaranteed by the United States, bonds and other obligations of the local Authority or bonds or obligations of school Authorities of which the Authority is a part or within which the Authority is located unless such investments are expressly prohibited by law.

H. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Authority's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Authority's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Authority's financial reporting.

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Recent Accounting Pronouncements Not Yet Effective (Continued)

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the Authority's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73". This statement is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Authority's financial reporting, however will affect the disclosure of pension related items.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Authority's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Authority's financial reporting.

3. LONG-TERM DEBT

Rio Grande Project Resolution

The Greater Wildwoods Tourism, Improvement and Development Authority adopted a resolution on June 16, 2005, authorizing the funding in the amount of \$600,000 for the development of an entryway at Rio Grande Avenue. The funding for this project was approved by the Local Finance Board of the State of New Jersey on October 12, 2005.

Loan Dated March 21, 2007

\$600,000 Bank Loan, dated March 21, 2007, due in 240 monthly payments through April 1, 2027 bearing interest at 4.290%, payable on the first day of the month commencing on May 1, 2007. As security for the loan, in the event of a default, the Authority has pledged to the Bank, all rights, title and interest in and to cash generated by the Authority's 1.85% tourism tax on all goods and services sold in the City of Wildwood. The balance remaining as of December 31, 2016 is \$375,154. The loan is with Crest Savings Bank.

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR LOANS
ISSUED AND OUTSTANDING**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 29,240	\$ 15,737	\$ 44,977
2018	30,537	14,439	44,977
2019	31,893	13,084	44,977
2020	33,273	11,703	44,977
2021	34,784	10,192	44,977
2022-2026	198,473	26,412	224,885
2027	16,954	137	17,091
Total	\$ <u>375,155</u>	\$ <u>91,704</u>	\$ <u>466,859</u>

The following schedule represents the changes in the Long-term Debt:

							Amounts Due
	Outstanding	Issues or	Payments or	Outstanding			Within
	12/31/2015	Additions	Expenditures	12/31/2016			One Year
Loans Payable	\$ 403,105	\$ -	\$ 27,951	\$ 375,155	\$		29,240
	\$ <u>403,105</u>	\$ <u>-</u>	\$ <u>27,951</u>	\$ <u>375,155</u>	\$		<u>29,240</u>

4. NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

On December 23, 1997, Governor Whitman signed legislation that named the New Jersey Sports and Exposition Authority (NJSEA) as the Authority to construct the convention center facility in the Wildwoods.

This legislation became effective on February 23, 1998. As of this effective date, The Greater Wildwoods Tourism Improvement and Development Authority was to turn over all of its assets to the Sports Authority. The Sports Authority would also assume all of GWTIDA's liabilities.

GWTIDA's staff personnel are employed by the New Jersey Sports and Exposition Authority and are paid by the New Jersey Sports and Exposition Authority. GWTIDA reimburses the NJSEA for three employees who work on GWTIDA activities. GWTIDA's mission is to advertise, promote and enhance tourism in the Wildwoods. NJSEA's mission is to own, operate, construct and maintain the convention facility.

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital Assets Being Depreciated:				
Improvements	\$ 1,077,859	\$ -	\$ -	\$ 1,077,859
Total capital assets being depreciated	1,077,859	-	-	1,077,859
Less:				
Accumulated Depreciation	430,457	53,951	-	484,408
Total Capital Assets being Depreciated Net of Accumulated Depreciation	647,402	(53,951)	-	593,451
Capital Assets - Net	\$ 647,402	\$ (53,951)	\$ -	\$ 593,451

6. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the Authority's bank balance of \$2,158,078.10 as of December 31, 2016, \$0 was uninsured and uncollateralized.

Investments

For the year ended December 31, 2016, the Authority had no investments.

7. PENSION AND RETIREMENT PLANS

Substantially all of the Authority's employees participate in the Public Employees' Retirement System, which is administered by the New Jersey Division of Pensions and Benefits. The plan has a Board of Trustees that is primarily responsible for its administration. According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at - <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Plan Descriptions - The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

7. PENSION AND RETIREMENT PLANS – (Continued)

employer plan. Membership is mandatory for substantially all full time employees of the State or any county, Authority, school Authority or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007, plan members enrolled in the PERS are required to contribute 7.06% through June 30, 2016, and 7.20% thereafter, of employees' annual compensation as defined. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus assets not longer exist.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

At December 31, 2016, the Authority reported a liability of \$320,787 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Authority's proportion was 0.00108311061%, which was an increase of 2.08% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Authority recognized pension expense of \$22,929. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience		
Changes of assumptions	\$ 66,450	
Net difference between projected and actual earnings on pension plan investments	18,198	
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>10,938</u>	<u>2,876</u>
Total	<u>\$ 95,586</u>	<u>2,876</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (Continued)

Year ended June 30,		
2017	\$	20,981
2018	\$	20,981
2019	\$	23,985
2020	\$	20,072
2021	\$	6,691
Total	\$	<u>92,710</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (Continued)

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	179.00%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions.

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (Continued)

expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ 384,432	320,787	\$ 268,299

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

9. NET POSITION

Of the \$2,655,778 Net Position at December 31, 2016, \$217,151 represents Investments in Capital Assets, \$1,074,140 is Restricted for Tourism Development and \$1,364,487 is Unrestricted.

10. LITIGATION

According to the Authority's Solicitor, there are no claims in existence against the Authority that would materially effect the Authority's financial position.

11. RISK MANAGEMENT

The Authority is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property, and Liability Insurance – The Authority maintains commercial insurance for property, liability and surety bonds.

From time to time, the Authority may be a defendant in legal proceedings relating to its operations as an authority.

**GREATER WILDWOODS TOURISM IMPROVEMENT AND
DEVELOPMENT AUTHORITY**
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

12. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2016 through April 26, 2017, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Authority that would require disclosure.

GENERAL COMMENTS AND RECOMMENDATIONS



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
The Greater Wildwoods Tourism Improvement
and Development Authority
Wildwood, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of The Greater Wildwoods Tourism Improvement and Development Authority, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 26, 2017

**GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified Opinion**

Internal control over financial reporting:

1) Material Weakness identified? **NO**

2) Significant Deficiencies identified? **NO**

Non-Compliance material to Financial
Statements noted? **NO**

**II. FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS WHICH ARE REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS**

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

MANAGEMENT RESPONSES

Management is required to respond to findings and recommendations in the audit report. A corrective action plan is required to be filed with the Division of Local Government Services, Department of Community Affairs, State of New Jersey within 45 days of the filing of this report, if any findings and recommendations are noted in the audit report.

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

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OTHER SUPPLEMENTARY INFORMATION

**GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY**
SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2015

	Years Ended		
	December 31		December 31,
	2016		2015
	Revised Budget	Actual	Actual
REVENUES:			
2% Tourism Tax	\$ 424,805	\$ 440,585	\$ 450,249
1.85% Room Tax	1,789,145	1,832,364	1,896,149
Tourism Flat Tax	1,215,000	1,183,156	1,212,952
Interest on Investments	5,000	6,449	5,441
Miscellaneous	12,000	22,784	13,055
	<u>\$ 3,445,950</u>	<u>\$ 3,485,336</u>	<u>\$ 3,577,846</u>
EXPENSES:			
Salaries and Fringe	\$ 115,200	\$ 141,320	\$ 122,141
Operating Costs	2,160,400	2,045,827	2,118,461
Professional Fees	35,000	23,826	29,119
Contractual Obligations	1,011,168	1,027,639	1,064,670
	<u>3,321,768</u>	<u>3,238,611</u>	<u>3,334,391</u>
Total costs funded by operating revenues			
Interest Expense	<u>17,026</u>	<u>16,887</u>	<u>18,073</u>
Other Costs Funded By			
Operating Revenues:			
Principal Maturity	<u>27,951</u>	<u>27,951</u>	<u>26,804</u>
	<u>27,951</u>	<u>27,951</u>	<u>26,804</u>
Total costs funded by operating revenues	<u>3,366,745</u>	<u>3,283,449</u>	<u>3,379,268</u>
Add: Excess	<u>79,205</u>	<u>201,888</u>	<u>198,578</u>
	<u>\$ 3,445,950</u>	<u>\$ 3,485,336</u>	<u>\$ 3,577,846</u>

**GREATER WILDWOODS TOURISM IMPROVEMENT
AND DEVELOPMENT AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2016**

Tom Byrne	Wildwood	Board Chairperson
Robert Del Monte	North Wildwood	Board Member
Paul Reidenbach	Wildwood	Board Member
Joseph D. Montello	Wildwood	Board Member
Jim Barnabei	North Wildwood	Board Member
George Greenland	North Wildwood	Board Member
Jack Morey	Wildwood Crest	Board Member
Robert Patterson	Wildwood Crest	Board Member
Mary Nell Murphy	Wildwood Crest	Board Member
John Siciliano		Executive Director, Chief Financial Officer
Jeffrey April		Solicitor

All employees are covered by an "Employee Dishonesty Bond" to the limits of \$400,000 for the policy period. This policy is with Zurich American Insurance Company. There is also a Directors and Officers Liability policy with Great American Insurance Company with a limit of \$2,000,000.