

**Carson City Culture & Tourism Authority
Agenda Report**

Date Submitted: 11/13/19

Agenda Date Requested: 11/18/19

Time Requested: 10 Minutes

To: Carson City Culture & Tourism Authority - Board of Directors

From: David Peterson, Executive Director

Subject Title: Discussion and possible action to approve the FY19 Annual Audit Report & Financial Statement

Staff Summary: Eide Bailly LLP will present the FY19 Audit Report and CTA Financial Statements as of June 30, 2019, for possible approval by the CTA Board.

Type of Action Requested:

Resolution

Ordinance

Formal Action/Motion

Other (Specify) Presentation Only

Recommended Board Action: I move to approve the Carson City Culture & Tourism Authority's audit report and Financial Statements for FY19.

Applicable Statute, Code, Policy, Rule or Regulation: n/a

Fiscal Impact: n/a

Explanation of Impact: n/a

Funding Source: n/a

Supporting Material: FY19 CCCTA Independent Audit Report (Eide Bailly LLP)

Prepared By: Chris Kipp, Operations Manager



November 7, 2019

Board of Directors and Management
Carson City Culture & Tourism Authority
Carson City, Nevada

We have audited the financial statements of Carson City Culture & Tourism Authority as of and for the year ended June 30, 2019, and have issued our report thereon dated November 7, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 1, 2019, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Carson City Culture & Tourism Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Carson City Culture & Tourism Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the estimates relating to pension and OPEB information and the related assets and liabilities.

Management's estimate of the pension and OPEB information is based on the actuarial report and the Carson City's allocation worksheets. We evaluated the key factors and assumptions used to develop the pension information and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Carson City Culture & Tourism Authority's financial statements relate to: pension and OPEB information.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Record impact of prior year audit entries to the current year - \$53,569
- Reclassify interest payment on V&T Bond payment to principal - \$20,378
- Record prior period adjustment for 1% Culture and Arts payment to Carson City that was misposted to professional services - \$36,645
- Reclassified and grossed up the room tax revenue and report the taxes in the capital project funds - \$820,647

The following adjustments were proposed to report the changes for the government-wide financial statements:

- Record opening balance differences for the government-wide statements - \$1,283,648
- Record change in accrued vacation - \$35,874
- Record depreciation expense - \$6,882
- Report change in pension accounts: deferred outflows, deferred inflows and net pension liability - \$6,114
- Report change in OPEB accounts: deferred outflows, deferred inflows and net OPEB liability - \$22,948

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Carson City Culture & Tourism Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 7, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification. The error related to a payment that was due to Carson City for the 1% Culture and Arts room taxes that was misposted to professional services and due to the misposting a liability was recorded incorrectly in the amount of \$36,645.

Modification of the Auditor's Report

We have modified the report to include an emphasis of a matter due to the material prior period adjustment which is discussed above.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Carson City Culture & Tourism Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Carson City Culture & Tourism Authority's auditors.

This report is intended solely for the information and use of the governing body and management of Carson City Culture & Tourism Authority and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Reno, Nevada



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June 30, 2019

Carson City Culture and Tourism Authority

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Independent Auditor's Report

To the Board of Directors
Carson City Culture and Tourism Authority
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the fund information of Carson City Culture and Tourism Authority (fka Carson City Visitors Bureau) (Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the fund information of the Carson City Culture and Tourism Authority, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Prior Year Financial Statements

The financial statements of Carson City Culture and Tourism Authority as of and for the year ended June 30, 2018, were audited by Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018, and whose report dated November 5, 2018, expressed an unmodified opinion on those financial statements. As discussed in Note 12 to the financial statements, an error resulting in an overstatement to an intergovernmental payable and the related expenses as of June 30, 2018, was discovered by management during the year. Accordingly, the 2018 financial statements have been restated to correct this error. Kohn & Company LLP reported on the 2018 financial statements before the restatement.

As part of our audit of the 2019 financial statements, we also audited the adjustment described in Note 12 that was applied to restate the 2018 summarized comparative financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2018 financial statements of the Company other than with respect to these adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, pension information and other postemployment benefit information on pages 4-6, 30, 31, and 32, respectively, 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 management discussion and analysis, pension information and other postemployment benefit 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.

The general fund budgetary comparison 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 general fund budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements.

The capital project funds budget to actual statements on pages 33 and 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate 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 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 individual fund budget to actual statements are 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 November 7, 2019, on our consideration of the 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.



Reno, Nevada
November 7, 2019

Carson City Culture and Tourism Authority
Management's Discussion and Analysis
June 30, 2019

The Carson City Culture and Tourism Authority (fka Carson City Visitors Bureau) (Authority) provides this discussion and analysis of the Authority's Component Unit Financial Report for readers of the Authority's financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2019.

Financial Highlights

- ◆ The assets and deferred outflows exceeded liabilities and deferred inflows at the close of the current fiscal year by \$396,315. There is a deficit in the unrestricted net position of \$462,324.
- ◆ The Authority's *total net position* increased by \$16,710 during the current year. Capital assets, a component of *total net position*, decreased by \$6,882.
- ◆ At the end of the current fiscal year, the Authority's *governmental funds* reported combined total ending fund balances of \$1,739,553 an increase of \$76,301 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Carson City Culture and Tourism Authority's financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. They focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenue, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains three governmental funds. Information is presented separately in the governmental fund *balance sheet* and in the governmental fund *statement of revenue, expenditures, and changes in fund balances* for the general fund and the two capital project funds, both of which are restricted for capital projects or bond payments on the V&T Bonds issued by Carson City. 2% of the transient lodging tax goes into these funds.

The Authority adopts annual appropriated budgets for its funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Notes to 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.

Carson City Culture and Tourism Authority
Management's Discussion and Analysis
June 30, 2019

Financial Analysis of the Authority's Funds

The Authority's overall financial position and operations for the past are summarized as follows based on the information included in the government-wide financial statements:

	<u>June 30, 2019</u>	<u>As Restated June 30, 2018</u>
Assets		
Current and other assets	\$ 1,805,543	\$ 1,750,037
Net capital assets	<u>60,241</u>	<u>67,123</u>
Total assets	<u>1,865,784</u>	<u>1,817,160</u>
Deferred outflows	<u>89,480</u>	<u>107,589</u>
Total assets and deferred outflows	<u>1,955,264</u>	<u>1,924,749</u>
Liabilities		
Current liabilities	65,990	78,123
Long-term liabilities	<u>1,449,940</u>	<u>1,400,104</u>
Total liabilities	<u>1,515,930</u>	<u>1,478,227</u>
Deferred inflows	<u>43,019</u>	<u>66,917</u>
Net Position		
Invested in capital assets	60,241	67,123
Restricted	798,398	777,015
Unrestricted (deficit)	<u>(462,324)</u>	<u>(464,533)</u>
Total net position	<u>\$ 396,315</u>	<u>\$ 379,605</u>
	<u>June 30, 2019</u>	<u>As Restated June 30, 2018</u>
Revenue		
Operating grants and contributions	\$ 102,127	\$ 72,754
General revenue		
Transient lodging taxes	2,133,747	2,137,978
Interest income	<u>36,405</u>	<u>13,807</u>
Total revenue	<u>2,272,279</u>	<u>2,224,539</u>
Expenses		
General government	521,275	538,919
Culture and recreation	762,856	1,087,879
Administrative services and intergovernmental	816,438	286,823
Capital Project Funds	<u>155,000</u>	<u>427,655</u>
Total expenses	<u>2,255,569</u>	<u>2,341,276</u>
Changes in net position	<u>\$ 16,710</u>	<u>\$ (116,737)</u>

Carson City Culture and Tourism Authority
Management's Discussion and Analysis
June 30, 2019

General Fund Budgetary Highlights

Transient lodging taxes are the general fund's primary sources of revenue (94%). In the current year, room tax revenue in the general fund, including the transfer in from the V&T Capital Projects fund of 2% for marketing, increased \$3,983 or 0.3%. Total expenditures were less than the budget by \$170,269 primarily related to less salaries and benefits and intergovernmental expenses.

Capital Asset and Debt Administration

Capital Assets. At year-end, the Authority's investment in capital assets from its governmental activities totaled \$60,241. Capital assets consist of the marketing van, revamped web site, tenant improvements, office equipment, a trailer, and signs.

Long Term Debt. Although the Authority does not reflect any bond debt on its financial statements, it is committed to utilize 2% of the transient lodging taxes it collects to pay Carson City to service the debt that was incurred to build the Virginia & Truckee Railroad.

Economic Factors

Carson City Culture and Tourism Authority (CTA) will continue to see mid-single digit growth in the coming FY19-20 from a direct visitor spending perspective. With the CTA's re-branding/imaging of the visitor experience, the agency expects to see a different type of visitor that will engage with the arts/culture, history and outdoor recreation opportunities in Carson City. This new visitor will lend itself to higher per visit spending. This is evident by recent ADR and REVPAR monthly increases which are expected to continue into and through FY20. Add to this a new mid-tier extended-stay property that recently opened, with an upscale extended-stay property expected to come online in 2020, and one can see the lodging component of the tourism industry is recognizing the increase in business travelers and the impact of the hospital on the north end of town. The CTA is looking to diversify within the sports world by actively bringing in new softball, baseball and basketball events with new event promoters. In addition, the agency is diving back into the motorcoach/tour bus business in hopes of bringing tour groups to Carson City during the week, to experience the incredible history/heritage and arts/culture facilities and product that is readily available. These factors will all contribute to a healthy and diverse tourism economy moving forward with accompanying TOT growth.

Requests for Information

This financial report is designed to provide a general overview of the Carson City Culture and Tourism Authority finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Carson City Culture and Tourism Authority, 716 North Carson Street, Carson City, Nevada 89701.

Carson City Culture and Tourism Authority

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and investments	\$ 1,459,597
Lodging taxes receivable	284,446
Grants receivable	61,500
Capital assets, net of accumulated depreciation	60,241
	<u>1,865,784</u>
Total assets	1,865,784
Deferred Outflows of Resources	
Pension requirement	80,497
Other postemployment benefits	8,983
	<u>89,480</u>
Total assets and deferred outflows of resources	1,955,264
Liabilities	
Current liabilities	
Accounts payable	52,578
Accrued expenses	13,412
Noncurrent liabilities	
Accrued compensated absences	61,699
Net pension liability	774,771
Other postemployment benefits obligation	613,470
	<u>1,515,930</u>
Total liabilities	1,515,930
Deferred Inflows of Resources	
Pension requirement	39,012
Other postemployment benefits	4,007
	<u>43,019</u>
Total deferred inflows of resources	43,019
Total liabilities and deferred inflows of resources	1,558,949
Net Position	
Invested in capital assets, net of related debt	60,241
Restricted for	
Bond payments	202,873
V&T Railroad	440,525
Unrestricted, undesignated	(307,324)
	<u>396,315</u>
Total Net Position	\$ 396,315

Carson City Culture and Tourism Authority
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue		Total Governmental Activities
		Sales	Operating Grants and Contributions	
Primary government				
Governmental activities				
General government	\$ 532,937	\$ -	\$ 61,500	\$ (471,437)
Culture and recreation	751,194	-	40,627	(710,567)
Intergovernmental	<u>971,438</u>	-	-	<u>(971,438)</u>
Total governmental activities	<u>\$ 2,255,569</u>	<u>\$ -</u>	<u>\$ 102,127</u>	<u>(2,153,442)</u>
General revenue				
Room tax				2,133,747
Interest income				<u>36,405</u>
Total general revenue				<u>2,170,152</u>
Change in Net Position				<u>16,710</u>
Net Position, Beginning of Year, as Previously Reported				342,960
Prior Period Adjustment - Correction of an Error Resulting from an Overstatement of Accounts Payable				<u>36,645</u>
Net Position, Beginning of Year, as Restated				<u>379,605</u>
Net Position, End of Year				<u>\$ 396,315</u>

Carson City Culture and Tourism Authority

Balance Sheet – Governmental Funds

Year Ended June 30, 2019

	General Fund	Capital Projects Fund	V & T Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 827,577	\$ 197,184	\$ 434,836	\$ 1,459,597
Lodging taxes receivable	273,068	5,689	5,689	284,446
Grants receivable	61,500	-	-	61,500
Total Assets	\$ 1,162,145	\$ 202,873	\$ 440,525	\$ 1,805,543
Liabilities				
Accounts payable	\$ 52,578	\$ -	\$ -	\$ 52,578
Accrued expenses	13,412	-	-	13,412
Total liabilities	65,990	-	-	65,990
Fund Balance and Other Credits				
Restricted				
V & T project	-	-	440,525	440,525
Committed				
Bond payments	-	202,873	-	202,873
Unassigned	1,096,155	-	-	1,096,155
Total fund balance and other credits	1,096,155	202,873	440,525	1,739,553
Total Liabilities, Fund Balance and Other Credits	\$ 1,162,145	\$ 202,873	\$ 440,525	\$ 1,805,543

Carson City Culture and Tourism Authority
 Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds
 Year Ended June 30, 2019

Reconciliation of the Balance Sheet to the Statement of Net Position

Fund Balance and Other Credits - Governmental Funds	\$ 1,739,553
<p>Amounts reported for governmental activities in the statement of net assets are different because</p>	
<p style="padding-left: 20px;">Capital assets used in governmental activities are not financial resources and, therefore, are not in the governmental funds</p>	
Governmental capital assets	92,211
Less accumulated depreciation	(31,970)
<p style="padding-left: 20px;">Deferred outflows of resources - requirements are not financial resources, and, therefore, are not in the governmental funds</p>	
Pension requirement	80,497
Other postemployment benefits obligation	8,983
<p style="padding-left: 20px;">Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds</p>	
Noncurrent accrued compensated absences	(61,699)
Net pension liability	(774,771)
Other postemployment benefits obligation	(613,470)
<p style="padding-left: 20px;">Deferred inflows of resources - pension requirement are not financial resources, and, therefore, are not in the governmental funds</p>	
Pension requirement	(39,012)
Other postemployment benefits obligation	(4,007)
Net Position of Governmental Activities	\$ 396,315

Carson City Culture and Tourism Authority
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2019

	General Fund	Capital Projects Fund	V&T Capital Projects Fund	Total Governmental Funds
Revenue				
Room taxes	\$ 1,313,101	\$ 410,323	\$ 410,323	\$ 2,133,747
Intergovernmental revenue	61,500	-	-	61,500
Miscellaneous	40,627	-	-	40,627
Investment income	19,590	3,031	13,784	36,405
Total revenue	<u>1,434,818</u>	<u>413,354</u>	<u>424,107</u>	<u>2,272,279</u>
Expenditures				
Current				
General government	471,117	-	-	471,117
Culture and recreation	753,423	-	-	753,423
Intergovernmental	410,683	405,755	155,000	971,438
Total expenditures	<u>1,635,223</u>	<u>405,755</u>	<u>155,000</u>	<u>2,195,978</u>
Other Financing Sources (Uses)				
Transfer in (out)	410,323	-	(410,323)	-
Change in Fund Balances	209,918	7,599	(141,216)	76,301
Fund Balance, Beginning of Year, as previously reported	849,592	195,274	581,741	1,626,607
Prior Period Adjustment - Correction of an error resulting from an overstatement of accounts payable	36,645	-	-	36,645
Fund Balance, Beginning of Year, as Restated	<u>886,237</u>	<u>195,274</u>	<u>581,741</u>	<u>1,663,252</u>
Fund Balance, End of Year	<u>\$ 1,096,155</u>	<u>\$ 202,873</u>	<u>\$ 440,525</u>	<u>\$ 1,739,553</u>

Carson City Culture and Tourism Authority

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances to the Statement of
 Activities
 Year Ended June 30, 2019

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities		
Net change in fund balance and other credits - governmental funds		\$ 76,301
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures		
However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives		
Plus capital assets purchased in the current year	\$ -	
Less current year depreciation	<u>(6,882)</u>	(6,882)
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		
Change in long-term accrued compensated absences		(35,875)
Pension expense - change in pension liability		6,114
Other postemployment benefits expense		<u>(22,948)</u>
Change in Net Position of Governmental Activities		<u>\$ 16,710</u>

Note 1 - Summary of Significant Accounting Policies

The Carson City Culture and Tourism Authority's (Authority) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Reporting Entity

The financial statements present the financial position and results of operations of those funds under the direct jurisdiction of the Board of Directors of the Authority. The Authority is not considered to be financially accountable for any other governmental entity since no other entities are considered to be controlled by or dependent on the Authority. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. The Authority's financial statements are included in the general-purpose financial statements of Carson City. The Authority is independent in its management and operations but significantly influenced by Carson City through its funding. Therefore, the Carson City Culture and Tourism Authority is considered a component unit of Carson City for financial reporting purposes.

Basic Financial Statements – Government-Wide Statements

The basic financial statements include both government-wide and fund financial information. The government-wide financial statements are reflected on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Basic Financial Statements - Fund Accounting

The financial transactions of the Authority are reported in the general fund, capital projects fund, and enterprise fund. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. The Authority's funds are governmental funds. Governmental funds are accounted for on a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. The recorded fund balance (net current assets) is considered a measure of "available spendable resources". Operating statements for governmental funds present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority maintains its accounting records for its governmental fund types on the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when measurable and available to finance expenditures of the fiscal period. Available is defined as being due and collected within the current period or within 60 days after fiscal year end. When revenue is due, but will not be collected within 60 days, the receivable is recorded and an offsetting deferred revenue account is established.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, requires the Board to apply all applicable GASB pronouncements and, unless they conflict with or contradict GASB pronouncements all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. Accordingly, the Authority has not applied FASB pronouncements issued after that date.

Budgets and Budgetary Accounting

The Authority adheres to the Local Government Act incorporated within the Statutes of the State of Nevada, which includes the following major procedures to establish the budgetary data that is reflected in these financial statements:

- On or before April 15, the members of the Board of the Carson City Culture and Tourism Authority file a tentative budget with the Nevada Department of Taxation for all funds.
- Public hearings on the tentative budget are held on the third Thursday in May.
- Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board.
- Formal budgetary integration in the financial records for all funds is employed to enhance management control during the year.
- Budgets for all funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Appropriations lapse at year end.
- Budget amounts within funds, and between funds, may be transferred if amounts do not exceed the amounts originally budgeted. Such transfers are to be approved by the Board, depending on established criteria. Budget augmentations in excess of original budgetary amounts may not be made without public notice and the prior approval of the Board.

In accordance with State Statute, actual expenditures may not exceed budgeted appropriations in the government function categories of the General Fund, except as specifically permitted in NRS 354.626.

An encumbrance system is not utilized by the Authority.

Cash

Cash balances are invested as permitted by law. Investments are recorded at cost, which approximates fair value. Pursuant to NRS 355.170 and 355.167, the Authority may only invest in the following types of securities:

- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten years from the date of purchase.
- Negotiable certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada.
- Certain securities issued by local governments of the State of Nevada.

Grants and Lodging Taxes Receivable

No allowances for doubtful accounts have been established since management does not anticipate any material collection loss with respect to the balances shown as receivables.

Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at their estimated fair market value on the date of donation. The Authority defines capital assets as assets with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

For purposes of the government-wide financial statements, depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets useful lives using the straight-line method of depreciation, with one-half of a year's depreciation taken in the year of acquisition and one-half in the final year. The Authority's capital assets consist of the building, improvements to the building, equipment, furniture and equipment which have useful lives ranging from 5 to 40 years.

In the fund financial statements, capital assets used in operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Compensated absences are accounted for in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accounted for in the period those services are rendered or those events take place. Governmental funds report compensated absences only if they have matured as a result of employee resignations, terminations and retirements. The fund liability is defined as those benefits actually paid or accrued as a result of employees who have terminated employment by June 30, 2019. The total accrued compensated absences are reported on the Statement of Net Position.

The Authority's policy provides for payment of accrued vacation time upon termination of employment if employed for six months or more, and payment of one-third of sick leave upon termination of employment if employed ten years or more. Accrued vacation time is limited to a maximum of 300 hours. Accrued sick leave is limited to 240 hours.

Deferred Outflows and Inflows of Resources

In addition to assets, a separate section is reported 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The changes in proportion and differences between employer contributions and the proportionate share of contributions as well as contributions made after the measurement period for pensions qualify for reporting in this category.

In addition to liabilities, a separate section is reported 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 will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments and other postemployment benefits qualify for reporting in this category.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net invested in capital assets – consists of capital assets, net of accumulated depreciation and any related debt
- Restricted net position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – net position that is neither classified as “invested in capital assets” nor as “restricted.”

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable - represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Authority includes fund balances that have been prepaid for expenses in this category.
- Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. Restricted funds include amounts legally restricted for expenditure in connection with the V&T project and capital improvement funds.

- Committed – represents amounts which can be used only for specific purposes determined by the members of the governing Board’s formal action through a resolution or action. Committed funds include amounts set aside for operating reserves under formal action.
- Assigned - represents amounts that are intended by the Authority for specific purposes but do not require action by the governing Board. The Authority has assigned balances that represent amounts for the subsequent year’s expenditures based upon the approved budget.
- Unassigned – represents all amounts not included in spendable classifications.

The Authority’s policy is to first apply expenditures against non-spendable fund balances and then unassigned balances. On an annual basis assigned fund balances are determined based upon available resources.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

The Authority recognizes a long-term liability and deferred inflows of resources based upon an actuarial determination and information provided by the plan fiduciary.

Compliance with Laws and Regulations

The Authority conformed to all significant statutory constraints on its financial administration.

Comparative Data

Comparative data shown for the prior year has been extracted from the 2017-2018 financial statements. It has been provided to add comparability but is not considered a full disclosure of transactions for 2017-2018. Such information can only be obtained by referring to the audit report for that year.

Subsequent Events

Subsequent events have been evaluated through November 7, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management’s knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Note 2 - Compliance with Nevada Revised Statutes (NRS) and the Nevada Administrative Code

The Authority conformed to all significant statutory constraints on its financial administration except that expenditures exceed appropriations in the general fund under the general government function by \$55,258 which is a violation of NRS 354.626.

Note 3 - Cash and Investments

At June 30, 2019, cash and cash equivalents were held in various institutions as follows:

Held by Carson City on behalf of the Authority	\$ 1,459,297
Cash on hand	<u>300</u>
	<u><u>\$ 1,459,597</u></u>

Note 4 - Transient Lodging Tax Revenue

Transient lodging tax revenues (room taxes) of 11% are collected by the Authority; however, 3/16 of one percent that is included in the 10% is remitted to Carson City and 3/8 of one percent is remitted to the State of Nevada. As part of the 11% collected, the Authority collects a 1% tax to be used to promote arts and culture in the area. Effective July 1, 2018, this 1% tax will be collected and remitted to Carson City who has taken over the expenditures relating to the services provided. The following is a reconciliation of gross collections and remittances to the City and State:

Gross transient lodging tax	\$ 2,257,004
State remittance	(84,752)
Carson City remittance	<u>(38,505)</u>
	<u><u>\$ 2,133,747</u></u>

The amounts due at June 30, 2019 to Carson City and the State of Nevada are shown as due to other governments. Out of the total lodging tax retained by the Authority, 2% is pledged to the servicing of bonds issued by Carson City and is accounted for in the capital projects funds. The Authority remits the amounts needed to service the debt when it is due to Carson City.

Note 5 - Capital Assets

Capital asset activity consists of the following:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities				
Capital assets, not being depreciated				
Web site	\$ 41,028	\$ -	\$ -	\$ 41,028
Capital assets, being depreciated				
Furniture and equipment	14,838	-	-	14,838
Marketing van	27,957	-	-	27,957
Tenant improvements	8,388	-	-	8,388
	51,183	-	-	51,183
Less accumulated depreciation				
Furniture and equipment	7,718	2,329	-	10,047
Marketing van	14,264	3,994	-	18,258
Tenant improvements	3,106	559	-	3,665
	25,088	6,882	-	31,970
Total assets being depreciated, net	26,095	(6,882)	-	19,213
Net Capital Assets	\$ 67,123	\$ (6,882)	\$ -	\$ 60,241

Current year depreciation expense of \$6,882 was charged to general government.

Note 6 - Leases, Commitments, and Contingencies

Beginning in July 2003, the Authority placed funds in the Park Bond Capital Project Fund and transferred 2% of the room tax revenue remitted to them to the fund to service the Carson City Park Bond. The final payment for this bond was made in February 2011. Commencing during the year ended June 30, 2012, the taxes deposited into this fund are being used to cover principal and interest payments on the bonds for the reconstruction of the V & T Railroad described below. In October 2011, a Capital Project Fund was established by resolution in order to receive the 2% room tax formerly deposited in the Park Bond Capital Project Fund.

In November 2003, Carson City issued \$4,150,000 in General Obligation (Limited Tax) bonds for the reconstruction of the V & T Railroad. The Authority transfers 2% of room tax revenues to this fund to service the debt on these bonds. Principal and interest is remitted to Carson City when the payments are due. In addition, the Authority is committed to pay an additional \$100,000 to Carson City for payments due to cover an extra portion of the \$15,000,000 V&T Bond payments, if necessary. If at such time there are not enough room tax

collections designated for the bond payment, the Authority is obligated to increase its allocation of room taxes by 1% to 3% of room tax revenue.

During the year ended June 30, 2016, the Authority approved reducing the total 4% that was paid into the two capital project fund accounts to 2% in total and the utilization of the remaining 2% to be used for annual marketing costs. The capital projects fund receives the 2% transient lodging taxes and utilizes these funds to pay the bond discussed above.

The V&T Capital Project Fund balance, plus annual interest, is being maintained to be utilized as necessary for future bond payments.

During the year ended June 30, 2014, the Authority entered into a cooperative agreement with Carson City to pay ¾% of the annual tax revenue to support the sports tournament program, and for accounting, human resource and IT services. During the year ended June 30, 2017, the payment increased to 1% with legal services being added as an administrative expense. For the year ended June 30, 2019, the Authority incurred expenditures to the City of \$205,341 for administrative services and the cooperative agreement

The Authority is self-insured under the reimbursement method for unemployment insurance. This requires that the Authority pay any liability as unemployment insurance as it is incurred rather than at a set annual rate. The Authority’s policy regarding unemployment liability is to expense any liability incurred when the amount is received as a bill from the State of Nevada. The potential liability is not able to be determined as there are multiple factors, some of which would be unknown. The Authority has not set aside any funds for any future potential liability. During the year ended June 30, 2019, the Authority did not incur unemployment expenses.

The Authority is committed under signed agreements on the above and other special event projects to expend \$270,855 during the year ended June 30, 2020.

During the year ended June 30, 2015, the Authority entered into a leasing arrangement for downtown office space. The lease commenced on September 15, 2014 through September 14, 2019 and includes an initial monthly lease rate of \$3,692 with annual increases.

The Authority leases a copier through April 30, 2022 at a monthly rate of \$3,236. The copier will print all tickets and brochures that are needed to promote tourism in Carson City.

Future maturities due on the above leases are as follows for the years ended June 30:

	<u>Years Ending June 30,</u>	
2020		\$ 125,556
2021		116,002
2022		117,382
2023		118,684
2024		80,520

Note 7 - Long-Term Liabilities

The following is a summary of changes in the Authority’s long-term liabilities:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Accrued compensated absences	\$ 34,486	\$ 27,213	-	\$ 61,699

The amount of compensated absences which will be due within one year has not been determined and is not considered material.

Note 8 - Pensions

General Information About the Pension Plan

Plan Description

PERS (System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

- Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010 and for members entering the System on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.
- Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.
- Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

- Regular members entering the System prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.
- Regular members who entered the System on or after July 1, 2015 are eligible for retirement at age 65 with 5 years of service, or at age 62 with 20 years of service or at age 55 with 30 years of service or at any age with 33 1/3 years of service.
- The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

- The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.
- The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.
- The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.
- The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.
- For the fiscal years ended June 30, 2016, 2017, 2018, and 2019, the Statutory Employer/employee matching rate was 14.50% each year Regular employees. The Employer-pay contribution (EPC) rate was 28.00% for each of the fiscal years ended June 30, 2016, 2017, 2018, and 2019 for Regular employees.

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

At June 30, 2019, the Authority reported a liability of \$774,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2018. At June 30, 2018, the Authority's proportion was .00092%.

Carson City Culture and Tourism Authority

Notes to Financial Statements

June 30, 2019

For the year ended June 30, 2018, the Authority recognized pension expense of \$36,325. Amounts totaling \$42,409 resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 27,051
Changes of assumptions	31,749	-
Net difference between projected and actual investment earnings on pension plan investments	-	2,869
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,339	9,092
Contributions subsequent to the measurement date	42,409	-
	<u>\$ 80,497</u>	<u>\$ 39,012</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Years Ending June 30,	
2020	\$ 7,197
2021	585
2022	(12,107)
2023	1,161
2024	2,265
2025	(25)
	<u>\$ (924)</u>

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 6.39 years for the measurement period ending June 30, 2018.

Reconciliation of the net pension liability at June 30, 2019:

Beginning net pension liability	\$ 784,823
Pension expense	36,325
Employer contributions	(40,905)
Current year net deferred (inflows) and outflows	<u>(5,472)</u>
Ending net pension liability	<u>\$ 774,771</u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75% (2.75% for the June 30, 2017 valuation date)
Payroll growth	5.00%, including inflation
Investment rate of return	7.50% (7.50% for the June 30, 2017 valuation date)
Productivity pay increase	0.50% (0.50% for the June 30, 2017 valuation date)
Projected salary increase	Regular: 4.25% to 9.15%, depending on service (4.25% to 9.15% for the June 30, 2017 valuation date) Rates include inflation and productivity increases
Consumer price index	2.75% (2.75% for the June 30, 2017 valuation date)
Other assumptions	Same as those used in the June 30, 2017 funding Actuarial valuation

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the experience review completed in 2019.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018 and 2017.

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the PERS Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the PERS Retirement Board adopted policy target asset allocation as of June 30, 2018:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42%	6.60%
International Equity	18%	7.37%
Domestic Fixed Income	30%	36.60%
Real Estate	5%	4.94%
Private Equity	5%	13.41%

*As of June 30, 2018, PERS' long-term inflation assumption was 2.75%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2018, calculated using the discount rate of 7.5%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability	\$ 917,148	\$ 774,771	\$ 339,077

Pension Plan Fiduciary Net Position

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PER's website at www.nvpers.org under Quick Links – Publications.

Note 9 - Other Postemployment Benefits Obligation (OPEB)

Plan Description and Benefits Provided

The Authority's personnel policy provides medical, dental, vision, and life insurance for retirees. Eligibility and subsidy requirements are governed by the policy which was revised effective July 1, 2017. Since this change in policy has an impact on the liabilities as reflected in the accompany government-wide financial statements. The policy requires the Authority to pay the insurance premiums at varying percentages for the retiree, spouse and dependents based upon the number of years of service at time of retirement. Subsidies are paid at a reduced rate once the retiree, spouse or dependent reaches the Medicare age.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active plan members	4
	<u>5</u>

Total OPEB Liability

The Authority's total OPEB liability of \$613,470 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per year
Salary increases	4.0% per year
Discount rate	3.62% as of June 30, 2018
	3.51% as of June 30, 2019
Healthcare cost trend rates	6.25% for 2019, decreasing to 5.0% for years 2024 and thereafter

The discount rate was based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the following:

Pre-retirement life rates for Regular & Safety employees:

- Males & Females: Headcount-Weighted RP-2014 Employee Table.

Non-disabled life rates for Regular & Safety retirees:

- Males and Females: Headcount-Weighted RP-2014 Healthy Annuitant Table set forward 1 year

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2018 to June 30, 2019.

Changes in the Total OPEB Liability:

Balance, June 30, 2018	\$ 580,795
Changes for year	
Service cost	19,131
Interest	21,387
Changes in assumptions or other inputs	10,389
Benefit payments	<u>(18,232)</u>
Net Changes	<u>32,675</u>
Balance at June 30, 2019	<u><u>\$ 613,470</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56% as of June 30, 2017 to 3.62% as of June 30, 2018, based on the published changes in return for the applicable municipal bond index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate:

	1% Decrease 2.51%	Discount Rate 3.51%	1% Increase 4.51%
Net OPEB liability (asset)	\$ 721,762	\$ 613,470	\$ 528,119

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25% decreasing to 4.0%) or 1-percentage-point higher (7.25 % decreasing to 6.0%) than the current healthcare cost trend rates:

	Healthcare Cost Trend		
	1% Decrease (5.25% decreasing to 4.0%)	Rates (6.25% decreasing to 5.0%)	1% Increase (7.25% decreasing to 6.0%)
Net OPEB liability (asset)	\$ 517,229	\$ 580,795	\$ 754,922

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$29,520. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 8,983	\$ 4,007

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

Year ended June 30:

<u>Years Ending June 30,</u>	
2020	\$ 662
2021	662
2022	662
2023	662
2024	662
Thereafter	<u>1,666</u>
	<u>\$ 4,976</u>

Note 10 - Concentrations

The Authority received approximately 64% of its transient lodging tax revenue from five properties in Carson City. Should these properties experience a significant decrease in occupancy, it could have a material effect on the Authority.

Note 11 - Risk Management

The Authority, like all government entities, is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Prior Period Adjustment and Correction of an Error

During the year ended June 30, 2019, management identified an error within the previously issued financial statements that, when evaluated in aggregate, warranted a prior period adjustment and restatement of those financial statements. The June 30, 2019 financial statements included an intergovernmental payable which should not have been reflected.

Following is a summary of the effect of the error in the June 30, 2018 financial statements:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Due to other governments	\$ 36,645	\$ (36,645)	\$ -
General fund balance at June 30, 2018	849,592	36,645	886,237
Net Position at June 30, 2018	342,960	36,645	379,605
General fund intergovernmental expenses	324,368	(36,645)	287,723
Statement of activities, intergovernmental expenses	751,123	(36,645)	714,478

The effect of the error was to restate and increase fund balance and net position at July 1, 2018 by \$36,645.

Carson City Culture and Tourism Authority

Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund –
 Department of Taxation Format
 Year Ended June 30, 2019

	2019				2018
	Budgeted Amounts		Actual	Variance	As Restated Actual
	Original	Final			
Revenue					
Room tax	\$ 1,323,943	\$ 1,336,440	\$ 1,313,101	\$ (23,339)	\$ 1,309,118
Intergovernmental	30,000	56,500	61,500	5,000	61,282
Miscellaneous	5,760	8,640	40,627	31,987	11,472
Interest	-	-	19,590	19,590	2,758
Total revenue	<u>1,359,703</u>	<u>1,401,580</u>	<u>1,434,818</u>	<u>33,238</u>	<u>1,384,630</u>
Expenditures					
Current					
General government					
Salaries	173,059	144,729	194,391	(49,662)	209,424
Benefits	86,484	75,180	85,437	(10,257)	54,837
Services and supplies	208,538	195,950	191,289	4,661	164,891
	<u>468,081</u>	<u>415,859</u>	<u>471,117</u>	<u>(55,258)</u>	<u>429,152</u>
Culture and recreation					
Salaries	193,021	191,846	136,085	55,761	186,143
Benefits	105,039	101,880	66,125	35,755	145,479
Services and supplies	554,681	572,691	551,213	21,478	597,884
	<u>852,741</u>	<u>866,417</u>	<u>753,423</u>	<u>112,994</u>	<u>929,506</u>
Intergovernmental	<u>484,630</u>	<u>523,216</u>	<u>410,683</u>	<u>112,533</u>	<u>287,723</u>
Total expenditures	<u>1,805,452</u>	<u>1,805,492</u>	<u>1,635,223</u>	<u>170,269</u>	<u>1,646,381</u>
Deficiency of Revenue over (Under) Expenditures	(445,749)	(403,912)	(200,405)	203,507	(261,751)
Other Financing Sources (Uses)					
Transfer in	<u>378,210</u>	<u>381,780</u>	<u>410,323</u>	<u>28,543</u>	<u>334,430</u>
	<u>378,210</u>	<u>381,780</u>	<u>410,323</u>	<u>28,543</u>	<u>334,430</u>
Change in Fund Balances	<u>(67,539)</u>	<u>(22,132)</u>	<u>209,918</u>	<u>232,050</u>	<u>72,679</u>
Fund Balance, Beginning of Year, as Previously Reported	849,454	849,592	849,592	-	813,558
Prior Period Adjustment - Correction of an Error Resulting from an Overstatement of Accounts Payable	-	-	36,645	(36,645)	-
Fund Balance, Beginning of Year, as Restated	<u>849,454</u>	<u>849,592</u>	<u>886,237</u>	<u>(36,645)</u>	<u>813,558</u>
Fund Balance, End of Year	<u>\$ 781,915</u>	<u>\$ 827,460</u>	<u>\$ 1,096,155</u>	<u>\$ 268,695</u>	<u>\$ 886,237</u>

Carson City Culture and Tourism Authority
 Schedule of Changes in the Authority's Total OPEB Liability
 June 30, 2019

Service Cost	\$ 19,131
Interest	21,387
Changes in Assumptions or Other Inputs	10,389
Benefit Payments	<u>(18,232)</u>
Net Change in Total OPEB Liability	<u>32,675</u>
Total OPEB Liability - Beginning	<u>580,795</u>
Total OPEB Liability - Ending	<u><u>\$ 613,470</u></u>

The Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2019. Information is not available prior to that time.

Carson City Culture and Tourism Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.00441%	0.00585%	0.00404%	0.00386%	0.00327%
Authority's proportionate share of the net pension liability	\$ 774,771	\$ 784,823	\$ 537,706	\$ 435,743	\$ 340,878
Authority's covered payroll	\$ 292,182	\$ 374,957	\$ 244,801	\$ 231,212	\$ 192,392
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	265.17%	209.31%	219.65%	188.46%	177.18%
Plan fiduciary net position as a percentage of the total percentage of the total pension liability	75.24%	74.40%	72.20%	75.10%	76.30%

* The Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30, 2015. Schedule of the Authority's Proportionate Share of the Net Pension Liability information is not available prior to that time.

Carson City Culture and Tourism Authority
 Schedule of Authority's Contributions
 Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 84,819	\$ 81,811	\$ 104,988	\$ 68,544	\$ 59,537
Contributions in relation to the statutorily required contribution	<u>(84,819)</u>	<u>(81,811)</u>	<u>(104,988)</u>	<u>(68,544)</u>	<u>(59,537)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 302,925	\$ 292,182	\$ 374,957	\$ 244,801	\$ 231,212
Contributions as a percentage of covered payroll	28.00%	28.00%	28.00%	28.00%	25.75%

* The Authority adopted GASB 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30, 2015. Schedule of the Authority's Proportionate Share of the Net Pension Liability information is not available prior to that time.



Supplementary Information
June 30, 2019

Carson City Culture and Tourism Authority

Carson City Culture and Tourism Authority

Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund

Year Ended June 30, 2019

(With Comparative Actuals for Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
Revenue					
Transient lodging tax	\$ 378,210	\$ 381,780	410,323	\$ 28,543	\$ 414,430
Investment income	2,160	3,240	3,031	(209)	1,719
Total revenue	380,370	385,020	413,354	28,334	416,149
Expenditures					
Intergovernmental	405,755	405,755	405,755	-	346,755
Total expenditures	405,755	405,755	405,755	-	346,755
Excess (Deficiency) of Revenue over (Under) Expenditures	(25,385)	(20,735)	7,599	28,334	69,394
Fund Balance, Beginning of Year	159,495	195,274	195,274	-	125,880
Fund Balance, End of Year	\$ 134,110	\$ 174,539	\$ 202,873	\$ 28,334	\$ 195,274

Carson City Culture and Tourism Authority
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual –
V&T Capital Projects Fund
Year Ended June 30, 2019
(With Comparative Actuals for Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
Revenue					
Transient lodging tax	\$ 378,210	\$ 381,780	\$ 410,323	\$ 28,543	\$ 414,430
Investment income	4,080	6,120	13,784	7,664	9,330
Total revenue	382,290	387,900	424,107	36,207	423,760
Expenditures					
Intergovernmental	-	155,000	155,000	-	80,000
Excess of Revenue over (Under) Expenditures	382,290	232,900	269,107	36,207	343,760
Other Financing Uses					
Transfer out	(378,210)	(381,780)	(410,323)	(28,543)	(334,430)
Change in Fund Balance	4,080	(148,880)	(141,216)	7,664	9,330
Fund Balance, Beginning of Year	481,491	581,741	581,741	-	572,411
Fund Balance, End of Year	<u>\$ 485,571</u>	<u>\$ 432,861</u>	<u>\$ 440,525</u>	<u>\$ 7,664</u>	<u>\$ 581,741</u>



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Carson City Culture and Tourism Authority
Carson City, Nevada

We have audited, 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, the financial statements of the governmental activities and the fund information of Carson City Culture and Tourism Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Carson City Culture and Tourism Authority's basic financial statements, and have issued our report thereon dated November 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carson City Culture and Tourism Authority's internal 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 the 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. We identified a deficiency in internal control, described in the schedule of findings as 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carson City Culture and Tourism 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*.

Carson City Culture and Tourism Authority’s Response to Finding

The Carson City Culture and Tourism Authority’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Carson City Culture and Tourism Authority’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Reno, Nevada
November 7, 2019



Auditors' Comments

To the Board of Directors
Carson City Culture and Tourism Authority
Carson City, Nevada

In connection with our audit of the financial statements of the Carson City Culture and Tourism Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the Authority failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Current Year Statute Compliance

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

Progress on Prior Year Statute Compliance

The Authority monitored all significant constraints on its financial administration during the year ended June 30, 2018 except that expenditures exceed appropriations in the general fund under the intergovernmental function by \$54,017.

Current Year Recommendations

No material weaknesses or significant deficiencies reported.

Progress on Prior Year Recommendations

No material weaknesses or significant deficiencies were noted.

Nevada Revised Statute 354.6241

In connection with our audit, nothing came to our attention that caused us to believe that the Authority had not complied in all material respects with NRS 354.6241, including:

- a. Use of funds established
- b. Use of generally accepted accounting principles
- c. Limitations on reserves
- d. Recording sources of revenue and transfers available
- e. Statutory and regulatory requirements applicable to the fund
- f. Ending retained earning amounts

Eide Bailly LLP

Reno, Nevada
November 7, 2019

**2019-001: Prior Period Adjustment
Material Weakness**

Condition: During the course of our engagement, we proposed a material audit adjustment to restate opening fund balance due to an error in the overstatement of intergovernmental payables of \$36,645 at June 30, 2018. If the adjustment was not recorded, it would have resulted in a material misstatement of the Authority's financial statements. The need for this adjustment indicates that the Authority's interim financial information is not materially correct, which may affect management decisions made during the course of the year.

Criteria: Internal controls should be in place to provide reasonable assurance that protects the Authority from errors or omissions.

Cause: The Authority is not reviewing and monitoring the financial information as reflected in the accounting records.

Effect: Errors or omissions could occur without being identified in the normal course of operations.

Recommendation: The Authority should implement a policy that includes review of the financial information as recorded in the records and a review of expenses incurred to reduce the risk of errors or omissions.

View of Responsible Officials and Planned Corrective Actions: Chris Kipp, Operations Manager, will review the general ledger transactions to ensure proper classifications.