

November 5, 2018

Board of Directors
Carson City Culture and Tourism Authority
716 North Carson Street
Carson City, Nevada 89701

We have audited the financial statements of the governmental activities and the fund information of Culture and Tourism Authority (fka Carson City Visitors Bureau) (Authority) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The Authority implemented GASB No. 75 related to OPEB liabilities and GASB No. 82 related to pension liabilities resulting in prior-period adjustments to the accounting records. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the Authority's financial statements are the estimate on the lives of assets that are being depreciated, the net future pension liability, and the post-employment retirement benefit obligation. Management's estimate of the lives of assets being depreciated is based on staff's estimate of the useful lives for each specific asset; the net pension liability has been provided by Carson City via PERS; and the post-employment retirement benefit liability is calculated based on the actuarial valuation method. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the lease, commitments, and contingencies, the concentrations and the pension disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The primary material adjustments proposed relate to adjustments to reconcile amounts between fund accounting and the government-wide basis. We proposed adjustments for the opening balance in net assets, reclassify posting between accounts and immaterial other adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Sincerely,

KOHN & COMPANY LLP



Beth Kohn-Cole, CPA, CGMA



**CARSON CITY CULTURE AND
TOURISM AUTHORITY**

FINANCIAL STATEMENTS

JUNE 30, 2018

CARSON CITY CULTURE AND TOURISM AUTHORITY
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To the Board of Directors of the
Carson City Culture and Tourism Authority

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, 2018, 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.

Opinions

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, 2018, 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.

Changes in Accounting Principles

As described in the accompanying financial statements, the Authority adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other postemployment benefit information on pages 3-6, 28, 29, and 30, 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 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 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 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 5, 2018, 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.

Kellen & Co. CPA

Reno, Nevada
November 5, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

**Carson City Culture and Tourism Authority
Management's Discussion and Analysis
June 30, 2018**

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, 2018.

Financial Highlights

- ♦ The assets and deferred outflows exceeded liabilities and deferred inflows at the close of the current fiscal year by \$342,690. There is a deficit in the unrestricted net position of \$501,178.
- ♦ The Authority's *total net position* decreased by \$153,382 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 \$1,626,607 an increase of \$114,758 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.

**Carson City Culture and Tourism Authority
Management's Discussion and Analysis (Continued)
June 30, 2018**

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.

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, 2018</u>	<u>June 30, 2017 (As Restated)</u>
Assets		
Current and other assets	\$ 1,750,037	\$ 1,639,986
Net capital assets	67,123	74,005
Total assets	<u>1,817,160</u>	<u>1,713,991</u>
Deferred outflows	<u>107,589</u>	<u>106,394</u>
Total assets and deferred outflows	<u>1,924,749</u>	<u>1,820,385</u>
Liabilities		
Current liabilities	114,768	126,383
Long-term liabilities	1,400,104	1,151,733
Total liabilities	<u>1,514,872</u>	<u>1,278,116</u>
Deferred inflows	<u>66,917</u>	<u>45,927</u>
Net Position		
Invested in capital assets	67,123	74,005
Restricted	777,015	698,291
Unrestricted (deficit)	(501,178)	(275,954)
Total net position	<u>\$ 342,960</u>	<u>\$ 496,342</u>
	<u>June 30, 2018</u>	<u>June 30, 2017 (As Restated)</u>
Revenue		
Sales	\$ -	\$ 12,877
Operating grants and contributions	72,754	31,694
General revenue		
Transient lodging taxes	2,137,978	1,934,371
Interest income	13,807	14,967
Total revenue	<u>2,224,539</u>	<u>1,993,909</u>
Expenses		
General government	538,919	543,722
Culture and recreation	1,087,879	945,413
Administrative services and intergovernmental	323,468	187,246
Capital Project Funds	427,655	347,655
Total expenses	<u>2,377,921</u>	<u>2,024,036</u>
Changes in net position	<u>\$ (153,382)</u>	<u>\$ (30,127)</u>

**Carson City Culture and Tourism Authority
Management's Discussion and Analysis (Continued)
June 30, 2018**

General Fund Budgetary Highlights

Transient lodging taxes are the general fund's primary sources of revenue (95%). 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 \$77,229 or 5%. Total expenditures were less than the budget by \$167,449 primarily related to less services and supplies.

Capital Asset and Debt Administration

Capital Assets. At year-end, the Authority's investment in capital assets from its governmental activities totaled \$67,123. 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 and Next Year's Budget and Rates

Special events and sports tourism continue to drive significant room nights. With the addition of the Carson City Multi-Athletic Center and the 2019 Nevada Legislative session, all indications show a positive outlook for the economic engine of tourism in Carson City for 2018-2019. With the room tax funded Cultural Tourism campaign entering its third year, Carson City lodging properties should begin seeing their return on investment with additional room nights attributed to the campaign.

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.

BASIC FINANCIAL STATEMENTS

CARSON CITY CULTURE AND TOURISM AUTHORITY**STATEMENT OF NET POSITION**

JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,465,824
Lodging taxes receivable	223,640
Grants receivable	58,792
Prepaid expenses	1,781
Capital assets, net of accumulated depreciation	67,123
Total assets	<u>1,817,160</u>
DEFERRED OUTFLOWS OF RESOURCES - Pension Requirement	<u>107,589</u>
Total assets and deferred outflows of resources	<u>1,924,749</u>
LIABILITIES	
Current liabilities	
Accounts payable	70,429
Accrued expenses	7,694
Due to other governments	36,645
Noncurrent liabilities:	
Accrued compensated absences	34,486
Net pension liability	784,823
Other postemployment benefits obligation	580,795
Total liabilities	<u>1,514,872</u>
DEFERRED INFLOWS OF RESOURCES	
Pension requirement	62,166
Other postemployment benefits	4,751
Total deferred inflows of resources	<u>66,917</u>
Total liabilities and deferred inflows of resources	<u>1,581,789</u>
NET POSITION	
Invested in capital assets, net of related debt	67,123
Restricted for:	
Bond payments	777,015
Unrestricted, undesignated	<u>(501,178)</u>
Total net position	<u>\$ 342,960</u>

CARSON CITY CULTURE AND TOURISM AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenue		
			Operating	Total
	Expenses	Sales	Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Primary government				
Governmental activities				
General government	\$ 538,919	\$ -	\$ 61,282	\$ (477,637)
Culture and recreation	1,087,879	-	11,472	(1,076,407)
Intergovernmental	751,123	-	-	(751,123)
Total governmental activities	<u>\$ 2,377,921</u>	<u>-</u>	<u>72,754</u>	<u>(2,305,167)</u>
General revenue				
Room tax				2,137,978
Interest income				13,807
Total general revenue				<u>2,151,785</u>
Change in net position				(153,382)
Net position, July 1, 2017, as previously reported				806,881
Prior period adjustment - change in accounting principle				
Deferred outflows of resources				(52,608)
Deferred inflows of resources				562
Net other postemployment benefit liability				<u>(258,493)</u>
				<u>(310,539)</u>
Net position, July 1, 2017, as restated				<u>496,342</u>
Net position June 30, 2018				<u>\$ 342,960</u>

CARSON CITY CULTURE AND TOURISM AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION
OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	General Fund	Capital Projects Fund	V & T Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 698,595	\$ 190,381	\$ 576,848	\$ 1,465,824
Lodging taxes receivable	213,854	4,893	4,893	223,640
Grants receivable	58,792	-	-	58,792
Prepaid expenses	1,781	-	-	1,781
Total assets	<u>\$ 973,022</u>	<u>\$ 195,274</u>	<u>\$ 581,741</u>	<u>\$ 1,750,037</u>
LIABILITIES				
Accounts payable	\$ 70,429	\$ -	\$ -	\$ 70,429
Accrued expenses	7,694	-	-	7,694
Accrued compensated absences	8,662	-	-	8,662
Due to other governments	36,645	-	-	36,645
Total liabilities	<u>123,430</u>	<u>-</u>	<u>-</u>	<u>123,430</u>
FUND BALANCE AND OTHER CREDITS				
Nonspendable - prepaid expenses	1,781	-	-	1,781
Restricted				
V & T project	-	-	581,741	581,741
Capital project	-	195,274	-	195,274
Committed				
Operating reserve	150,000	-	-	150,000
Assigned				
Subsequent year expenditures	697,811	-	-	697,811
Total fund balance and other credits	<u>849,592</u>	<u>195,274</u>	<u>581,741</u>	<u>1,626,607</u>
Total liabilities, fund balance and other credits	<u>\$ 973,022</u>	<u>\$ 195,274</u>	<u>\$ 581,741</u>	<u>\$ 1,750,037</u>

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

Fund balance and other credits - governmental funds	\$ 1,626,607
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not in the governmental funds.	
Governmental capital assets	92,211
Less accumulated depreciation	(25,088)
Deferred outflows of resources - pension requirement are not financial resources, and, therefore, are not in the governmental funds.	107,589
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Noncurrent accrued compensated absences	(25,824)
Net pension liability	(784,823)
Other postemployment benefits obligation	(580,795)
Deferred inflows of resources - pension requirement are not financial resources, and, therefore, are not in the governmental funds.	
Pension requirement	(62,166)
Other postemployment benefits obligation	(4,751)
Net position of governmental activities	<u>\$ 342,960</u>

CARSON CITY CULTURE AND TOURISM AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS AND RECONCILIATION
OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Projects Fund	V&T Capital Projects Fund	Total Governmental Funds
REVENUE				
Room taxes	\$ 1,309,118	\$ 414,430	\$ 414,430	\$ 2,137,978
Intergovernmental revenue	61,282	-	-	61,282
Miscellaneous	11,472	-	-	11,472
Investment income	2,758	1,719	9,330	13,807
Total revenue	<u>1,384,630</u>	<u>416,149</u>	<u>423,760</u>	<u>2,224,539</u>
EXPENDITURES				
Current				
General government	429,152	-	-	429,152
Culture and recreation	929,506	-	-	929,506
Intergovernmental	324,368	346,755	80,000	751,123
Total expenditures	<u>1,683,026</u>	<u>346,755</u>	<u>80,000</u>	<u>2,109,781</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>334,430</u>	<u>-</u>	<u>(334,430)</u>	<u>-</u>
Change in fund balances	36,034	69,394	9,330	114,758
FUND BALANCE, July 1	<u>813,558</u>	<u>125,880</u>	<u>572,411</u>	<u>1,511,849</u>
FUND BALANCE, June 30	<u>\$ 849,592</u>	<u>\$ 195,274</u>	<u>\$ 581,741</u>	<u>\$ 1,626,607</u>

**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 \$ 114,758

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 (6,882) (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 38,113

Pension expense - change in pension liability (262,160)

Other postemployment benefits expense (37,211)

Change in net position of governmental activities \$ (153,382)

NOTES TO FINANCIAL STATEMENTS

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

1. 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.
2. Public hearings on the tentative budget are held on the third Thursday in May.
3. 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.
4. Formal budgetary integration in the financial records for all funds is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Appropriations lapse at year end.
6. 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.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expected to be liquidated with expendable available financial resources as an expenditure and a fund liability in the fund financial statements. The fund liability is defined as those benefits actually paid or accrued as a result of employees who have terminated employment by June 30, 2018. 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:

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

- 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.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative data shown for the prior year has been extracted from the 2016-2017 financial statements. It has been provided to add comparability, but is not considered a full disclosure of transactions for 2016-2017. Such information can only be obtained by referring to the audit report for that year.

Subsequent Events

Subsequent events have been evaluated through November 5, 2018, 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 intergovernmental function by \$54,017 which is a violation of NRS 354.626.

NOTE 3 - CASH AND INVESTMENTS

At June 30, 2018, cash and cash equivalents were held in various institutions as follows:

Held by Carson City on behalf of the Authority	\$ 1,465,524
Cash on hand	300
	<u>\$ 1,465,824</u>

NOTE 4 - TRANSIENT LODGING TAX REVENUE

Transient lodging tax revenues (room taxes) of 10% 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. In addition, 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	\$ 2,261,350
State remittance	(84,818)
Carson City remittance	<u>(38,554)</u>
	<u>\$ 2,137,978</u>

The amounts due at June 30, 2018 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.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
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
	<u>51,183</u>	<u>-</u>	<u>-</u>	<u>51,183</u>
Less accumulated depreciation				
Furniture and equipment	5,389	2,329	-	7,718
Marketing van	10,270	3,994	-	14,264
Tenant Improvements	2,547	559	-	3,106
	<u>18,206</u>	<u>6,882</u>	<u>-</u>	<u>25,088</u>
Total assets being depreciated, net	<u>32,977</u>	<u>(6,882)</u>	<u>-</u>	<u>26,095</u>
Net capital assets	<u>\$ 74,005</u>	<u>\$ (6,882)</u>	<u>\$ -</u>	<u>\$ 67,123</u>

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, 2018, the Authority incurred expenditures to the City of \$205,600 for administrative services and the cooperative agreement.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 6 - LEASES, COMMITMENTS, AND CONTINGENCIES (Continued)

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, 2018, the Authority did not incur unemployment expenses.

During the year ended June 30, 2018, the Executive Director of the Authority retired and entered into an agreement with the Authority to perform consulting relating to directorship services and a transition plan for a new Executive Director. The contract is for a one year period with successive one year renewal options. The contract calls for monthly payments based on an hourly rate of \$63.

The Authority is committed under signed agreements on the above and other special event projects to expend \$204,297 during the years ended June 30, 2019 and 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:

2019	\$	118,387
2020		67,912
2021		52,810
2022		52,810
2023		52,744

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2017		Additions		Deletions		Balance June 30, 2018
Accrued compensated absences	\$ 65,692	\$	-	\$	31,206	\$	34,486

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.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8 - PENSIONS (Continued)

Benefits Provided

- a) 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.
- b) 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.
- c) Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

Vesting

- a) 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.
- b) 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

- a) 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.
- b) 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.
- c) 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.
- d) 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.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8.- PENSIONS (Continued)

- e) For the fiscal years ended June 30, 2015, 2016, 2017, and 2018, respectively, the Statutory Employer/employee matching rate was 13.25%, 14.50%, 14.50%, and 14.50% for Regular employees. The Employer-pay contribution (EPC) rate was 25.75%, 28.00%, 28.00% and 28.00%, respectively, for the fiscal years ended June 30, 2015, 2016, 2017, and 2018 for Regular employees.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, the Authority reported a liability of \$784,823 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017. At June 30, 2017, the Authority's proportion was .00585%.

For the year ended June 30, 2018, the Authority recognized pension expense of \$303,064. Amounts totaling \$40,905 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, 2019. At June 30, 2018, 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	\$ -	\$ 51,090
Changes of assumptions	51,376	-
Net difference between projected and actual investment earnings on pension plan investments	5,028	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,280	11,076
Contributions subsequent to the measurement date	40,905	-
	<u>\$ 107,589</u>	<u>\$ 62,166</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:

Year ended June 30	
2019	\$ (7,502)
2020	10,398
2021	3,786
2022	(8,906)
2023	4,362
2024	2,380
	<u>\$ 4,518</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, 2017.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8 - PENSIONS (Continued)

Reconciliation of the net pension liability at June 30, 2018:

Beginning net pension liability	\$ 537,706
Pension expense	303,064
Employer contributions	(52,544)
Current year net deferred (inflows) and outflows	(3,403)
Ending net pension liability	<u>\$ 784,823</u>

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2017, 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% (3.50% for the June 30, 2016 valuation date)
Payroll growth	5.00%, including inflation
Investment rate of return	7.50% (8.00% for the June 30, 2016 valuation date)
Productivity pay increase	0.50% (0.75% for the June 30, 2016 valuation date)
Projected salary increases	Regular: 4.25% to 9.15%, depending on service (4.60% to 9.75% for the June 30, 2016 valuation date) Rates include inflation and productivity increases
Consumer price index	2.75% (3.50% for the June 30, 2016 valuation date)
Other assumptions	Same as those used in the June 30, 2017 funding Actuarial valuation

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

The discount rate used to measure the total pension liability was 7.50% and 8.00%, respectively, as of June 30, 2017 and June 30, 2016. 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, 2017, 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, 2017 and June 30, 2016.

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, 2017:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return *
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

*As of June 30, 2017, PERS' long-term inflation assumption was 2.75%.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8 - PENSIONS (Continued)

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2017, 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	\$ 1,176,181	\$ 784,823	\$ 447,380

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 liability has been recorded as of June 30, 2017. 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 \$580,795 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

Inflation	2.75% per year
Salary increases	4.0% per year
Discount rate	3.56% as of June 30, 2017
	3.62% as of June 30, 2018
Healthcare cost trend rates	6.25% for 2018, 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, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2017 to June 30, 2018.

Changes in the Total OPEB Liability:

Balance, June 30, 2017	\$ 548,335
Changes for year:	
Service cost	18,672
Interest	20,170
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(5,495)
Benefit payments	(887)
Net changes	<u>32,460</u>
Balance at June 30, 2018	<u>\$ 580,795</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 2.62%	Discount Rate 3.62%	1% Increase 4.62%
Net OPEB liability (asset)	\$ 683,772	\$ 580,795	\$ 499,728

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 9 - POSTEMPLOYMENT BENEFITS OBLIGATION (Continued)

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 6.0%)
Net OPEB liability (asset)	\$ 495,340	\$ 580,795	\$ 705,239

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

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$37,211. At June 30, 2018, 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	\$ -	\$ 4,751

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:

2019	\$ (744)
2020	(744)
2021	(744)
2022	(744)
2023	(744)
Thereafter	(1,031)
	<u>(4,751)</u>

NOTE 10 - CONCENTRATIONS

The Authority received approximately 65% 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.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016, or June 15, 2017 when an employer's pension liability is measured on a date other than the employer's most recent fiscal year-end. The objective of this statement is to address certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73 regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has implemented the statement during the year ended June 30, 2018. As a result of the implementation of this statement, the 2017 financial statements have been adjusted to reflect a restatement of beginning net position for changes in the classification of plan member contributions and certain actuarial assumptions. This prior period adjustment and the restatement represent a decrease in deferred outflows, a decrease in deferred inflows, and an offsetting decrease to the beginning governmental activities net position on the government-wide statement of net position in the amount of \$52,046 for the year ended June 30, 2017.

During the year ended June 30, 2018, the Board implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), as required. The purpose of the statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Total OPEB Liability (referred to as the Actuarial Accrued Liability under GASB 45) must be determined using the Entry Age Normal actuarial cost method as opposed to the Projected Unit Credit actuarial cost method used under GASB 45. This change in actuarial cost method resulted in a decrease in the Total OPEB Liability. As a result of implementing GASB 75, the 2018 financial statements have been adjusted to reflect a restatement of beginning net position for the recognition of the net OPEB liability of \$258,493.

REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION

CARSON CITY CULTURE AND TOURISM AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - DEPARTMENT OF TAXATION FORMAT
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
REVENUE					
Room tax	\$ 1,217,560	1,316,962	\$ 1,309,118	\$ (7,844)	\$ 1,566,319
Sales	-	-	-	-	12,877
Intergovernmental	40,000	48,000	61,282	13,282	25,650
Miscellaneous	5,760	3,000	11,472	8,472	6,044
Interest	-	-	2,758	2,758	6,910
Total revenue	1,263,320	1,367,962	1,384,630	16,668	1,617,800
EXPENDITURES					
Current					
General government					
Salaries	246,090	271,392	209,424	61,968	217,960
Benefits	133,819	118,763	54,837	63,926	66,545
Services and supplies	135,458	186,934	164,891	22,043	118,736
	515,367	577,089	429,152	147,937	403,241
Culture and recreation					
Salaries	178,066	192,257	186,143	6,114	209,700
Benefits	86,129	95,667	145,479	(49,812)	69,830
Services and supplies	651,925	715,111	597,884	117,227	508,649
Capital outlay	-	-	-	-	-
	916,120	1,003,035	929,506	73,529	788,179
Intergovernmental	189,124	270,351	324,368	(54,017)	187,246
Total expenditures	1,620,611	1,850,475	1,683,026	167,449	1,378,666
Excess (deficiency) of revenue over (under) expenditures	(357,291)	(482,513)	(298,396)	184,117	239,134
OTHER FINANCING SOURCES (USES)					
Transfer in	378,210	409,814	334,430	(75,384)	-
Change in fund balances	20,919	(72,699)	36,034	108,733	239,134
FUND BALANCE, July 1	599,888	813,558	813,558	-	574,424
FUND BALANCE, June 30	\$ 620,807	\$ 740,859	\$ 849,592	\$ 108,733	\$ 813,558

See accompanying notes

CARSON CITY CULTURE AND TOURISM AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION - PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Authority's portion of the net pension liability (asset)	0.00585%	0.00404%	0.00386%	0.00327%
Proportionate share of the net pension liability (asset)	\$ 784,823	\$ 537,706	\$ 435,743	\$ 340,878
Authority's covered payroll	\$ 374,957	\$ 244,801	\$ 231,212	\$ 192,392
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	209.31%	219.65%	188.46%	177.18%
Plan fiduciary net position as a percentage of total pension liability	74.40%	72.20%	75.10%	76.30%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 81,811	\$ 104,988	\$ 68,544	\$ 59,537
Contributions in relation to the contractually required contribution	(81,811)	(104,988)	(68,544)	(59,537)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 292,182	\$ 374,957	\$ 244,801	\$ 231,212
Contributions as a percentage of covered payroll	28.00%	28.00%	28.00%	25.75%

Note: Only four years of information is available due to the reporting changes with GASB 68 for fiscal year 2015.

See accompanying notes

CARSON CITY CULTURE AND TOURISM AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION - OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>June 30, 2018</u>
Service cost	\$ 18,672
Interest	20,170
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(5,495)
Benefit payments	<u>(887)</u>
Net change in total OPEB liability	32,460
Total OPEB liability - beginning	<u>548,335</u>
Total OPEB liability - ending	<u>\$ 580,795</u>

Note: Only one year of information is available due to the reporting changes with GASB 75 for fiscal year 2018.

CARSON CITY CULTURE AND TOURISM AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
REVENUE					
Transient lodging tax	\$ 378,210	\$ 409,814	\$ 414,430	\$ 4,616	\$ 368,052
Investment income	2,160	1,100	1,719	619	1,253
Total revenue	<u>380,370</u>	<u>410,914</u>	<u>416,149</u>	<u>5,235</u>	<u>369,305</u>
EXPENDITURES					
Intergovernmental	<u>346,755</u>	<u>346,755</u>	<u>346,755</u>	<u>-</u>	<u>347,655</u>
Excess (deficiency) of revenue over (under) expenditures	33,615	64,159	69,394	5,235	21,650
FUND BALANCE, July 1	<u>117,295</u>	<u>125,880</u>	<u>125,880</u>	<u>-</u>	<u>104,230</u>
FUND BALANCE, June 30	<u>\$ 150,910</u>	<u>\$ 190,039</u>	<u>\$ 195,274</u>	<u>\$ 5,235</u>	<u>\$ 125,880</u>

See accompanying notes

CARSON CITY CULTURE AND TOURISM AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
V & T CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
REVENUE					
Transient lodging tax	\$ 378,210	\$ 409,814	\$ 414,430	\$ 4,616	\$ -
Investment income	4,080	2,100	9,330	7,230	6,804
Total revenue	<u>382,290</u>	<u>411,914</u>	<u>423,760</u>	<u>11,846</u>	<u>6,804</u>
EXPENDITURES					
Intergovernmental	<u>-</u>	<u>95,000</u>	<u>80,000</u>	<u>15,000</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	382,290	316,914	343,760	26,846	6,804
OTHER FINANCING USES					
Transfer out	<u>(378,210)</u>	<u>(409,814)</u>	<u>(334,430)</u>	<u>75,384</u>	<u>-</u>
Change in fund balance	4,080	(92,900)	9,330	102,230	6,804
FUND BALANCE, July 1	<u>566,590</u>	<u>572,411</u>	<u>572,411</u>	<u>-</u>	<u>565,607</u>
FUND BALANCE, June 30	<u>\$ 570,670</u>	<u>\$ 479,511</u>	<u>\$ 581,741</u>	<u>\$ 102,230</u>	<u>\$ 572,411</u>

See accompanying notes

**REPORTS ON INTERNAL CONTROL, COMPLIANCE
AND AUDITORS' COMMENTS**

**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 of
 Carson City Culture and Tourism Authority

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, 2018, and the related notes to the financial statements, which collectively comprise Carson City Culture and Tourism's basic financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carson City Culture and Tourism'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.

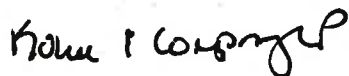
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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



Reno, Nevada
 November 5, 2018

AUDITORS' COMMENTS

To the Board of Trustees of
Carson City Culture and Tourism Authority

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, 2018, 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, 2017.

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 earnings amounts

Kohn & Company

Reno, Nevada
November 5, 2018