

November 2, 2017

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, 2017. 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 letters to you dated May 4, 2017. 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. No 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 several reclassification entries relating payroll and receivables, recorded room taxes receivable of \$18,950, removed a receivable for the buyout of the copier lease, and expensed the inventory of \$8,263 that was donated when the gift store was no longer being operated by the Authority.

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 2, 2017.

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

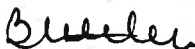
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United 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, 2017

CARSON CITY CULTURE AND TOURISM AUTHORITY

TABLE OF CONTENTS

JUNE 30, 2017

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	7
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet - Governmental Funds and Reconciliation of the Balance Sheet to the Statement of Net Position	10
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	11
Notes to Financial Statements	12-24
REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION	25
Required Supplementary Information	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Department of Taxation Format	26
Supplementary Pension Information	27
Supplementary Information	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	28
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - V&T Capital Projects Fund	29
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	30
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 <i>Government Auditing Standards</i>	31
Independent Auditors' Report on Compliance with Nevada Revised Statutes Based on an Audit of Financial Statements	32
AUDITORS' COMMENTS	33
Statute Compliance	34
Progress on Prior Year Statute Compliance	34
Progress on Prior Year Recommendations	34
Current Year Recommendations	34

INDEPENDENT AUDITORS' REPORT

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, 2017, 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, 2017, 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.

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, and pension information on pages 3-6, 26, and 27, 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.

Required Supplementary Information (Continued)

We have applied certain limited procedures to the required management discussion and analysis and pension 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 2, 2017, 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.

Howe & Company

Reno, Nevada
November 2, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

**Carson City Culture and Tourism Authority
Management's Discussion and Analysis
June 30, 2017**

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, 2017.

Financial Highlights

- ♦ The assets and deferred outflows exceeded liabilities and deferred inflows at the close of the current fiscal year by \$806,881. Of this amount \$34,585 is *unrestricted*.
- ♦ The Authority's *total net position* decreased by \$30,127 during the current year. Capital assets, a component of *total net position*, decreased by \$7,312.
- ♦ At the end of the current fiscal year, the Authority's *governmental funds* reported combined total ending fund balances of \$1,511,849 an increase of \$267,588 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, 2017**

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, 2017</u>	<u>June 30, 2016</u>
Assets		
Current and other assets	\$ 1,639,986	\$ 1,350,518
Net capital assets	74,005	81,317
Total assets	<u>1,713,991</u>	<u>1,431,835</u>
Deferred outflows	159,002	72,477
Liabilities		
Current liabilities	126,383	106,257
Long-term liabilities	893,240	503,626
Total liabilities	<u>1,019,623</u>	<u>609,883</u>
Deferred inflows	<u>46,489</u>	<u>57,421</u>
Net Position		
Invested in capital assets	74,005	81,317
Restricted	698,291	664,586
Unrestricted (deficit)	34,585	91,105
Total net position	<u>\$ 806,881</u>	<u>\$ 837,008</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenue		
Sales	\$ 12,877	\$ 42,505
Operating grants and contributions	31,694	33,433
General revenue		
Transient lodging taxes	1,934,371	1,516,898
Interest income	14,967	12,008
Total revenue	<u>1,993,909</u>	<u>1,604,844</u>
Expenses		
General government	543,722	725,973
Culture and recreation	945,413	247,393
General Fund - Park and Recreation	-	70,600
Administrative services	187,246	50,011
V&T Capital Project Fund	-	152,078
Capital Project Fund	347,655	296,377
Total expenses	<u>2,024,036</u>	<u>1,542,432</u>
Changes in net position	<u>\$ (30,127)</u>	<u>\$ 62,412</u>

**Carson City Culture and Tourism Authority
Management's Discussion and Analysis (Continued)
June 30, 2017**

General Fund Budgetary Highlights

Transient lodging taxes are the general fund's primary sources of revenue (97%). In the current year, room tax revenue in the general fund increased \$692,285 or 79%. This increase relates to overall increases in room taxes collected, the addition of a 1% marketing room tax and the use of 2% of the room taxes for marketing that were previously earmarked for bond payments. Expenditures were within the augmented budget in total.

Capital Asset and Debt Administration

Capital Assets. At year-end, the Authority's investment in capital assets from its governmental activities totaled \$74,005. 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. All indications show a positive outlook for the economic engine of tourism in Carson City for 2017-2018. On May 15, 2016, the Carson City Board of Supervisors adopted ordinance 2016-106 adding a one (1%) percent room tax rate to be used primarily for the implementation of the Carson City Arts & Cultural Master Plan, Cultural Tourism Campaign effective July 1, 2016. This additional tax expires on June 1, 2021.

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, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,368,333
Lodging taxes receivable	244,629
Grants receivable	25,000
Prepaid expenses	2,024
Capital assets, net of accumulated depreciation	<u>74,005</u>
Total assets	<u>1,713,991</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSION REQUIREMENT	<u>159,002</u>
Total assets and deferred outflows of resources	<u>1,872,993</u>
LIABILITIES	
Current liabilities	
Accounts payable	88,870
Accrued expenses	14,376
Due to other governments	23,137
Noncurrent liabilities:	
Accrued compensated absences	65,692
Net pension liability	537,706
Post employment retirement obligation	<u>289,842</u>
Total liabilities	<u>1,019,623</u>
DEFERRED INFLOWS OF RESOURCES - PENSION REQUIREMENT	<u>46,489</u>
Total liabilities and deferred inflows of resources	<u>1,066,112</u>
NET POSITION	
Invested in capital assets, net of related debt	74,005
Restricted for:	
Bond payments	698,291
Unrestricted, undesignated	<u>34,585</u>
Total net position	<u>\$ 806,881</u>

See accompanying notes

CARSON CITY CULTURE AND TOURISM AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenue		
	Expenses	Sales	Operating Grants and Contributions	Total Governmental Activities
FUNCTIONS/PROGRAMS				
Primary government				
Governmental activities				
General government	\$ 543,722	\$ -	\$ 25,650	\$ (518,072)
Culture and recreation	945,413	12,877	6,044	(926,492)
Intergovernmental	534,901	-	-	(534,901)
Total governmental activities	<u>\$ 2,024,036</u>	<u>12,877</u>	<u>31,694</u>	<u>(1,979,465)</u>
			General revenue	
			Room tax	1,934,371
			Interest income	14,967
			Total general revenue	<u>1,949,338</u>
			Change in net position	(30,127)
			Net position July 1, 2016	<u>837,008</u>
			Net position June 30, 2017	<u>\$ 806,881</u>

See accompanying notes

CARSON CITY CULTURE AND TOURISM AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION
OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

	General Fund	Capital Projects Fund	V & T Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 679,828	\$ 120,987	\$ 567,518	\$ 1,368,333
Lodging taxes receivable	234,843	4,893	4,893	244,629
Grants receivable	25,000	-	-	25,000
Prepaid expenses	2,024	-	-	2,024
Total assets	<u>\$ 941,695</u>	<u>\$ 125,880</u>	<u>\$ 572,411</u>	<u>\$ 1,639,986</u>
LIABILITIES				
Accounts payable	\$ 88,870	\$ -	\$ -	\$ 88,870
Accrued expenses	14,376	-	-	14,376
Accrued compensated absences	1,754	-	-	1,754
Due to other governments	23,137	-	-	23,137
Total liabilities	<u>128,137</u>	<u>-</u>	<u>-</u>	<u>128,137</u>
FUND BALANCE AND OTHER CREDITS				
Nonspendable - inventory and prepaids	2,024	-	-	2,024
Restricted				
V & T project	-	-	572,411	572,411
Capital project	-	125,880	-	125,880
Committed				
Operating reserve	150,000	-	-	150,000
Assigned				
Subsequent year expenditures	599,888	-	-	599,888
Unassigned	61,646	-	-	61,646
Total fund balance and other credits	<u>813,558</u>	<u>125,880</u>	<u>572,411</u>	<u>1,511,849</u>
Total liabilities, fund balance and other credits	<u>\$ 941,695</u>	<u>\$ 125,880</u>	<u>\$ 572,411</u>	<u>\$ 1,639,986</u>

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

Fund balance and other credits - governmental funds	\$ 1,511,849
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	(18,206)
Deferred outflows of resources - pension requirement are not financial resources, and, therefore, are not in the governmental funds.	159,002
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	(63,938)
Net pension liability	(537,706)
Post employment retirement obligation	(289,842)
Deferred inflows of resources - pension requirement are not financial resources, and, therefore, are not in the governmental funds.	(46,489)
Net position of governmental activities	<u>\$ 806,881</u>

See accompanying notes

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, 2017

	General Fund	Capital Projects Fund	V&T Capital Projects Fund	Total Governmental Funds
REVENUE				
Room taxes	\$ 1,566,319	\$ 368,052	\$ -	\$ 1,934,371
Intergovernmental revenue	25,650	-	-	25,650
Sales	12,877	-	-	12,877
Miscellaneous	6,044	-	-	6,044
Investment income	6,910	1,253	6,804	14,967
Total revenue	<u>1,617,800</u>	<u>369,305</u>	<u>6,804</u>	<u>1,993,909</u>
EXPENDITURES				
Current				
General government	403,241	-	-	403,241
Culture and recreation	788,179	-	-	788,179
Intergovernmental	187,246	347,655	-	534,901
Total expenditures	<u>1,378,666</u>	<u>347,655</u>	<u>-</u>	<u>1,726,321</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	239,134	21,650	6,804	267,588
FUND BALANCE, July 1	<u>574,424</u>	<u>104,230</u>	<u>565,607</u>	<u>1,244,261</u>
FUND BALANCE, June 30	<u>\$ 813,558</u>	<u>\$ 125,880</u>	<u>\$ 572,411</u>	<u>\$ 1,511,849</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	\$ 267,588
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>(7,312)</u>
	(7,312)
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	3,945
Pension expense - difference between actuarially determined liability and actual contributions made.	(4,506)
Less post retirement benefit obligation	<u>(289,842)</u>
Change in net position of governmental activities	<u>\$ (30,127)</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Carson City Culture and Tourism Authority (Authority) changed its name from the Carson City Visitors Bureau. The Authority's 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, 2017

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, 2017

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, 2017. 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 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, 2017

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 and inventory 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.

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 2015-2016 financial statements. It has been provided to add comparability, but is not considered a full disclosure of transactions for 2015-2016. Such information can only be obtained by referring to the audit report for that year.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through November 2, 2017, 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 - CASH AND INVESTMENTS

At June 30, 2017, cash and cash equivalents were held in various institutions as follows:

Held by Carson City on behalf of the Authority	\$ 1,368,033
Cash on hand	300
	<u>\$ 1,368,333</u>

NOTE 3 - 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. The following is a reconciliation of gross collections and remittances to the City and State:

Gross transient lodging tax	\$ 2,027,950
State remittance	(77,420)
Carson City remittance	(35,109)
	<u>\$ 1,915,421</u>

The amounts due at June 30, 2017 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 4 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2016		Additions		Deletions		Balance June 30, 2017
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>

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Less accumulated depreciation				
Furniture and equipment	\$ 3,269	\$ 2,120	\$ -	\$ 5,389
Marketing van	6,276	3,994	-	10,270
Tenant Improvements	1,349	1,198	-	2,547
	<u>10,894</u>	<u>7,312</u>	<u>-</u>	<u>18,206</u>
Total assets being depreciated, net	<u>40,289</u>	<u>(7,312)</u>	<u>-</u>	<u>32,977</u>
Net capital assets	<u>\$ 81,317</u>	<u>\$ (7,312)</u>	<u>\$ -</u>	<u>\$ 74,005</u>

Current year depreciation expense of \$7,312 was charged to general government.

NOTE 5 - 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, 2017, the Authority incurred expenditures to the City of \$187,246 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, 2017, the Authority did not incur unemployment expenses.

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5 - LEASES, COMMITMENTS, AND CONTINGENCIES (Continued)

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:

2018	\$	84,487
2019		85,858
2020		48,387
2021		40,848
2022		34,378

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Accrued compensated absences	\$ 67,883	\$ -	\$ 2,191	\$ 65,692

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

NOTE 7 - 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

- a) Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at the 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. 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% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSIONS (Continued)

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 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.
- 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. One plan provides for matching employee and employer contributions and the other plan provides for employer-pay only.
- 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.
- e) For the fiscal year ended June 30, 2015, 2016 and 2017 the Statutory Employer/employee matching rate was 13.25%, 14.5% and 14.5%, respectively, for Regular. The Employer-pay contribution (EPC) rate was 25.75%, 28.00% and 28.00%, respectively, for Regular.

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

At June 30, 2017, the Authority reported a liability of \$537,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based 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, 2016. At June 30, 2016, the Authority's proportion was .00404%.

For the year ended June 30, 2017, the Authority recognized pension expense of \$109,494. Amounts totaling \$104,988 resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2018. At June 30, 2016,

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSIONS (Continued)

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	\$ -	\$ 36,426
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	50,569	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,445	10,063
Contributions subsequent to the measurement date	104,988	-
	<u>\$ 159,002</u>	<u>\$ 46,489</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	
2017	\$ 6,173
2018	6,173
2019	(11,727)
2020	(5,117)
2021	(1,527)
2022	(1,500)
	<u>\$ (7,525)</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 6.70 year for the measurement period ending June 30, 2016.

Reconciliation of the net pension liability at June 30, 2017:

Beginning net pension liability	\$ 435,743
Pension expense	109,494
Employer contributions	(68,544)
Current year net deferred inflows and outflows	61,013
Ending net pension liability	<u>\$ 537,706</u>

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSIONS (Continued)

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions	Same as those used in the June 30, 2015 funding actuarial valuation

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2015. The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016 and June 30, 2015. 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, 2016, 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, 2016 and June 30, 2015.

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, 2016:

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, 2016, PERS' long-term inflation assumption was 3.5%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2016, calculated using the discount rate of 8.00%, 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 (7.00%) or 1 percentage-point higher (9.00%) than the current discount rate:

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 7 - PENSIONS (Continued)

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 654,776	\$ 537,706	\$ 226,761

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 8 - POST EMPLOYMENT RETIREMENT OBLIGATION

Plan Description and Eligibility

The Authority modified its personnel policy to include a post-employment insurance retirement benefits for eligible employees. 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 accompanying 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.

Funding Policy

The subsidy is paid on the pay-as-you-go basis. Contribution requirements for plan members are assessed annually by the insurance held. For the year ended June 30, 2017, the Authority did not have any contributions to the plan.

Annual OPEB Cost and Net OPEB Obligation

The accounting principles allow a small employer, like the Authority, to calculate the post-employment retirement obligation using the alternative measurement method. The alternative measurement method is a simplification of certain assumptions as an alternative to actuarial calculations as a means to measure the actuarial accrued liabilities and the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table reflects the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation.

	2017
Annual required contribution	\$ 289,842
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	289,842
Contribution made	-
Increase in net OPEB obligation	289,842
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 289,842

CARSON CITY CULTURE AND TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8 - POST EMPLOYMENT RETIREMENT OBLIGATION (Continued)

Funded Status and Funding Progress

The Authority operates on a pay-as-you-go basis. The projection of future benefit payments for this involves estimates of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about mortality and the health care trend. Amounts determined regarding the funding status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Authority utilized the actuarial valuation method of Unit Credit Cost Method. The actuarial assumptions included the following assumptions:

- Three percent investment rate of return (net of administrative expenses).
- Mortality – Life expectancies are based on mortality tables from the Social Security Administration.
- Healthcare cost trend rate – The expected increase in healthcare insurance premiums was based on the projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services.
- Health insurance premiums – 2017 health insurance premiums were used as a basis for calculation of the present value of total benefits to be paid.
- Inflation rate – An inflation rate of 3% was used.

NOTE 9 - 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 10 - 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 11 - SUBSEQUENT EVENT

As discussed in Note 8, the Authority modified its personnel policies to include post-employment insurance retirement benefits for eligible employees. Accordingly, a liability of \$289,843 is included in the statement of financial position for the Authority's estimated post-employment benefit obligation at June 30, 2017.

On October 13, 2017, 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.

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, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
REVENUE					
Room tax	\$ 1,336,842	1,562,665	\$ 1,566,319	\$ 3,654	\$ 874,034
Sales	-	-	12,877	12,877	33,658
Intergovernmental	32,500	25,000	25,650	650	33,433
Miscellaneous	35,558	19,915	6,044	(13,871)	8,847
Interest	-	-	6,910	6,910	4,009
Total revenue	1,404,900	1,607,580	1,617,800	10,220	953,981
EXPENDITURES					
Current					
General government					
Salaries	185,729	185,729	191,181	(5,452)	198,853
Benefits	87,832	87,832	93,324	(5,492)	100,499
Services and supplies	107,039	130,591	118,736	11,855	94,324
	380,600	404,152	403,241	911	393,676
Culture and recreation					
Salaries	203,620	192,536	183,935	8,601	101,765
Benefits	116,161	116,857	95,595	21,262	29,316
Services and supplies	566,973	719,056	508,649	210,407	377,927
Capital outlay	-	-	-	-	2,173
	886,754	1,028,449	788,179	240,270	511,181
Intergovernmental	134,808	205,088	187,246	17,842	120,611
Total expenditures	1,402,162	1,637,689	1,378,666	259,023	1,025,468
Excess (deficiency) of revenue over (under) expenditures	2,738	(30,109)	239,134	269,243	(71,487)
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	-	-	105,195
Change in fund balances	2,738	(30,109)	239,134	269,243	33,708
FUND BALANCE, July 1	430,058	540,716	574,424	33,708	540,716
FUND BALANCE, June 30	\$ 432,796	\$ 510,607	\$ 813,558	\$ 302,951	\$ 574,424

See accompanying notes

CARSON CITY CULTURE AND TOURISM AUTHORITY
SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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

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

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, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
REVENUE					
Transient lodging tax	\$ 359,487	\$ 372,849	\$ 368,052	\$ (4,797)	\$ 321,432
Investment income	520	2,000	1,253	(747)	324
Total revenue	<u>360,007</u>	<u>374,849</u>	<u>369,305</u>	<u>(5,544)</u>	<u>321,756</u>
EXPENDITURES					
Intergovernmental	<u>321,328</u>	<u>347,655</u>	<u>347,655</u>	<u>-</u>	<u>323,455</u>
Excess (deficiency) of revenue over (under) expenditures	38,679	27,194	21,650	(5,544)	(1,699)
FUND BALANCE, July 1	<u>104,509</u>	<u>14,230</u>	<u>104,230</u>	<u>90,000</u>	<u>105,929</u>
FUND BALANCE, June 30	<u>\$ 143,188</u>	<u>\$ 41,424</u>	<u>\$ 125,880</u>	<u>\$ 84,456</u>	<u>\$ 104,230</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, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
REVENUE					
Transient lodging tax	\$ -	\$ -	\$ -	\$ -	\$ 321,432
Investment income	983	4,000	6,804	2,804	7,675
Total revenue	983	4,000	6,804	2,804	329,107
EXPENDITURES					
Intergovernmental	-	-	-	-	125,000
Excess (deficiency) of revenue over (under) expenditures	983	4,000	6,804	2,804	204,107
OTHER FINANCING USES					
Transfer out	-	-	-	-	(105,195)
Change in fund balance	983	4,000	6,804	2,804	98,912
FUND BALANCE, July 1	467,678	567,607	565,607	2,000	466,695
FUND BALANCE, June 30	\$ 468,661	\$ 571,607	\$ 572,411	\$ 4,804	\$ 565,607

See accompanying notes

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**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, 2017, 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 2, 2017.

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 2, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH NEVADA REVISED STATUTES BASED ON
AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of Directors of
Culture and Tourism Authority

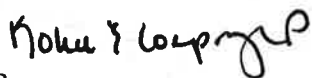
We have audited the financial statements of the governmental activities and major funds of the Carson City Culture and Tourism Authority (Authority) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 2, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance with Nevada Revised Statutes (NRS) and regulations applicable to Carson City Culture and Tourism Authority is the responsibility of management. As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provision of NRS and the Nevada Administrative Code, 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.

In connection with our audit, except for actual expenditures exceeding appropriations for the general fund and capital project fund, nothing came to our attention that caused us to believe that the Authority had not complied in all material respects with NRS 354, 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

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



Reno, Nevada
November 2, 2017

AUDITORS' COMMENTS

AUDITORS' COMMENTS

NEVADA REVISED STATUTES

STATUTE COMPLIANCE

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 1 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

There were no statute violations reported in the audit for the year ended June 30, 2016.

GOVERNMENT AUDITING STANDARDS

PROGRESS ON PRIOR YEAR RECOMMENDATIONS

No issues were noted relating to excess expenditures in the prior or current year.

CURRENT YEAR RECOMMENDATIONS

None.