



Financial Statements

June 30, 2020

# Carson City Culture and Tourism Authority

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*Casey Neilson, Inc.*  
**Accountants and Advisors**

**Independent Auditors' Report**

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

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, 2020, 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.

***Auditor's 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, 2020, 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, general fund budgetary comparison information, pension information and other postemployment benefit information on pages 4-6, 30, 31, 32 and 33, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Supplementary Information***

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

The capital project funds budget to actual statements on pages 34 and 35 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 12, 2020, 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 the effectiveness of Carson City Culture and Tourism Authority's 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.



Carson City, Nevada  
November 12, 2020

## Carson City Culture and Tourism Authority

### Management's Discussion and Analysis

June 30, 2020

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, 2020.

#### **Financial Highlights**

- The assets and deferred outflows exceeded liabilities and deferred inflows at the close of the current fiscal year by \$219,341. There is a deficit in the unrestricted net position of \$364,706.
- The Authority's total net position decreased by \$176,974 during the current year. Capital assets, a component of total net position, decreased by \$13,111.
- At the end of the current fiscal year, the Authority's governmental funds reported combined total ending fund balances of \$1,601,477 a decrease of \$138,076 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 revenues, 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 revenues, 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

June 30, 2020

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, 2020</u>	<u>June 30, 2019</u>
<b>Assets</b>		
Current and other assets	\$ 1,655,524	\$ 1,805,543
Net capital assets	47,130	60,241
<b>Total assets</b>	<u>1,702,654</u>	<u>1,865,784</u>
<b>Deferred outflows</b>	<u>257,620</u>	<u>89,480</u>
<b>Total assets and deferred outflows</b>	<u>1,960,274</u>	<u>1,955,264</u>
<b>Liabilities</b>		
Current liabilities	54,047	65,990
Long-term liabilities	1,525,096	1,449,940
<b>Total liabilities</b>	<u>1,579,143</u>	<u>1,515,930</u>
<b>Deferred inflows</b>	<u>161,790</u>	<u>43,019</u>
<b>Net position</b>		
Invested in capital assets	47,130	60,241
Restricted	536,917	798,398
Unrestricted (deficit)	<u>(364,706)</u>	<u>(462,324)</u>
<b>Total net position</b>	<u>\$ 219,341</u>	<u>\$ 396,315</u>
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Revenue</b>		
Operating grants and contributions	\$ 112,381	\$ 102,127
<b>General revenue</b>		
Transient lodging taxes	1,789,134	2,133,747
Interest income	48,536	36,405
<b>Total revenue</b>	<u>1,950,051</u>	<u>2,272,279</u>
<b>Expenses</b>		
General government	527,896	521,275
Culture and recreation	786,643	762,856
Administrative services and governmental	657,486	816,438
Capital projects fund	155,000	155,000
<b>Total expenses</b>	<u>2,127,025</u>	<u>2,255,569</u>
<b>Changes in net position</b>	<u>\$ (176,974)</u>	<u>\$ 16,710</u>



## Carson City Culture and Tourism Authority

### Management's Discussion and Analysis

June 30, 2020

#### General Fund Budgetary Highlights

Transient lodging taxes are the general fund's primary sources of revenue (92%). 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, decreased \$212,015 or 16.1%. Total expenditures were less than the budget by \$489,939 primarily related to less services and supplies and intergovernmental expenses.

#### Capital Asset and Debt Administration

*Capital Assets.* At year-end, the Authority's investment in capital assets from its governmental activities totaled \$47,130. Capital assets consist of the revamped web site, tenant improvements, office equipment, 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

To say that calendar 2020 has been a challenging year for the tourism and hospitality industry is the understatement of the year. The sudden impact of COVID-19 as it relates to people travelling and recreating has been devastating on local tourism businesses from lodging properties and casinos to restaurants and bars to museums and galleries as well as recreation outfitters, no business has been spared. As a destination marketing organization (DMO), the Carson City Culture and Tourism Authority (CTA) was forced to pivot into more of a destination management organization role, as nearly all events throughout Carson City were effectively cancelled, casinos shutdown, restaurants and bars operated at partial capacity or moved to takeout/delivery only models, museums/galleries reduced days and hours of operation, visitor investment was and continues to be negatively impacted in Carson City in 2020. As a result, the need for working with the City and the Chamber to assist local tourism businesses was critical. From a visitor standpoint, promoting Carson City as being a safe and open destination was the CTA's number one priority. The uncertainty around additional waves of positive tests and the timing of a vaccine, coupled with any additional economic stimulus, is expected to limit any kind of growth for 2021. Despite the pandemic, Carson City saw new investment in 2020 by tourism partners, in the form of a rail bike operation at the V&T Eastgate Depot, in addition to several new restaurant and bar openings as well as a cultural center and museum. Various arts/culture organizations created COVID-19 friendly drive-through movies and flatbed concerts for residents and visitors to engage with. In early 2021, an upscale extended-stay lodging property will open its doors. The CTA changed its consumer marketing and PR efforts to focus on a "Discover Your Capital" campaign geared toward Nevada residents. This effort will continue into and potentially through 2021. The CTA continued its efforts on the sales front, working with motor coach and group tour operators to stay top-of-mind with these vendors. This effort will see motor coach tours of Carson City starting in May of 2021. The CTA continues to work with event promoters regarding 2021 scheduling of events. When COVID-19 is in the rearview mirror, Carson City tourism will be poised to takeoff.

#### Requests for Information

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

# Carson City Culture and Tourism Authority

## Statement of Net Position

June 30, 2020

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 1,468,208
Lodging taxes receivable	182,110
Prepaid expenses	5,206
Capital assets, net of accumulated depreciation	47,130
Total assets	1,702,654
<b>Deferred Outflows of Resources</b>	
Pension requirement	107,971
Other postemployment benefits	149,649
Total deferred outflows of resources	257,620
Total assets and deferred outflows of resources	1,960,274
<b>Liabilities</b>	
Current liabilities	
Accounts payable	36,262
Accrued expenses	17,785
Noncurrent liabilities	
Accrued compensated absences	48,581
Net pension liability	772,532
Other postemployment benefits obligation	703,983
Total liabilities	1,579,143
<b>Deferred Inflows of Resources</b>	
Pension requirement	70,122
Other postemployment benefits	91,668
Total deferred inflows of resources	161,790
Total liabilities and deferred inflows of resources	1,740,933
<b>Net Position</b>	
Invested in capital assets, net of related debt	47,130
Restricted for:	
Bond payments	191,829
V&T Railroad	345,088
Unrestricted, undesignated	(364,706)
Total Net Position	\$ 219,341

# Carson City Culture and Tourism Authority

Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue		Total Governmental Activities
		Sales	Operating Grants and Contributions	
Primary government				
Governmental activities				
General government	\$ 527,896	\$ -	\$ 56,629	\$ (471,267)
Culture and recreation	786,643	-	55,752	(730,891)
Intergovernmental	812,486	-	-	(812,486)
Total governmental activities	\$ 2,127,025	\$ -	\$ 112,381	(2,014,644)
General revenue				
Room tax				1,789,134
Interest income				48,536
Total general revenue				1,837,670
Change in Net Position				(176,974)
Net Position, Beginning of Year				396,315
Net Position, End of Year				\$ 219,341

# Carson City Culture and Tourism Authority

## Balance Sheet - Governmental Funds

Year Ended June 30, 2020

	General Fund	Capital Projects Fund	V&T Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 938,575	\$ 188,187	\$ 341,446	\$ 1,468,208
Lodging taxes receivable	174,826	3,642	3,642	182,110
Prepaid expenses	5,206	-	-	5,206
<b>Total assets</b>	<b><u>\$ 1,118,607</u></b>	<b><u>\$ 191,829</u></b>	<b><u>\$ 345,088</u></b>	<b><u>\$ 1,655,524</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 36,262	\$ -	\$ -	\$ 36,262
Accrued expenses	17,785	-	-	17,785
<b>Total liabilities</b>	<b><u>54,047</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>54,047</u></b>
<b>Fund Balance and Other Credits</b>				
Restricted				
V & T project	-	-	345,088	345,088
Committed				
Bond payments	-	191,829	-	191,829
Unassigned	1,064,560	-	-	1,064,560
<b>Total fund balance     and other credits</b>	<b><u>1,064,560</u></b>	<b><u>191,829</u></b>	<b><u>345,088</u></b>	<b><u>1,601,477</u></b>
<b>Total Liabilities, Fund Balance and Other Credits</b>	<b><u>\$ 1,118,607</u></b>	<b><u>\$ 191,829</u></b>	<b><u>\$ 345,088</u></b>	<b><u>\$ 1,655,524</u></b>

**Carson City Culture and Tourism Authority**  
 Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds  
 Year Ended June 30, 2020

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Fund balance and other credits - governmental funds	\$	1,601,477
<p>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:</p>		
Governmental capital assets		59,953
Less accumulated depreciation		(12,823)
<p>Deferred outflows of resources are not financial resources, and, therefore, are not in the governmental funds:</p>		
Pension requirement		107,971
Other postemployment benefits obligation		149,649
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
Noncurrent accrued compensated absences		(48,581)
Net pension liability		(772,532)
Other postemployment benefits obligation		(703,983)
<p>Deferred inflows of resources are not financial resources, and, therefore, are not in the governmental funds:</p>		
Pension requirement		(70,122)
Other postemployment benefits obligation		(91,668)
Net Position of Governmental Activities	\$	219,341

# Carson City Culture and Tourism Authority

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2020

	General Fund	Capital Projects Fund	V&T Capital Projects Fund	Total Governmental Funds
<b>Revenue</b>				
Room taxes	\$ 1,101,086	\$ 344,024	\$ 344,024	\$ 1,789,134
Intergovernmental revenue	56,629	-	-	56,629
Miscellaneous	63,040	-	-	63,040
Investment income	30,585	5,660	12,291	48,536
Total revenue	<u>1,251,340</u>	<u>349,684</u>	<u>356,315</u>	<u>1,957,339</u>
<b>Expenditures</b>				
General government	511,054	-	-	511,054
Culture and recreation	771,875	-	-	771,875
Intergovernmental	344,030	360,728	107,728	812,486
Total expenditures	<u>1,626,959</u>	<u>360,728</u>	<u>107,728</u>	<u>2,095,415</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in (out)	344,024	-	(344,024)	-
Change in Fund Balances	(31,595)	(11,044)	(95,437)	(138,076)
Fund Balance, Beginning of Year	<u>1,096,155</u>	<u>202,873</u>	<u>440,525</u>	<u>1,739,553</u>
Fund Balance, End of Year	<u>\$ 1,064,560</u>	<u>\$ 191,829</u>	<u>\$ 345,088</u>	<u>\$ 1,601,477</u>

## Carson City Culture and Tourism Authority

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities Year Ended June 30, 2020

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance to the Statement of Activities

Net change in fund balance and other credits - governmental funds	\$	(138,076)
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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 capital assets disposed in the current year		(7,291)
Less current year depreciation		(5,820)
		(13,111)

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		13,118
Pension expense - change in pension liability		(1,397)
Other postemployment benefits expense		(37,508)
		(25,787)

Change in Net Position of Governmental Activities	\$	(176,974)
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**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 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 and capital projects funds. 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.



**Note 1 - Summary of Significant Accounting Policies (Continued)****Basis of Accounting (Continued)**

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

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

**Budgets and Budgetary Accounting**

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

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

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

An encumbrance system is not utilized by the Authority.

**Note 1 - Summary of Significant Accounting Policies (Continued)****Cash**

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

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

**Grants and Lodging Taxes Receivable**

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

**Capital Assets**

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

For purposes of the government-wide financial statements, depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets useful lives using the straight-line method of depreciation, with one-half of a year's depreciation taken in the year of acquisition and one-half in the final year. The Authority's capital assets consist of improvements, furniture and equipment which have useful lives ranging from 5 to 15 years.

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

**Compensated Absences**

Compensated absences are accounted for in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accounted for in the period those services are rendered or those events take place. Governmental funds report compensated absences only if they have matured as a result of employee resignations, terminations and retirements. The fund liability is defined as those benefits actually paid or accrued as a result of employees who have terminated employment by June 30, 2020. The total accrued compensated absences are reported on the Statement of Net Position.

**Note 1 - Summary of Significant Accounting Policies (Continued)****Compensated Absences (Continued)**

The Authority's policy provides for payment of accrued vacation time upon termination of employment if employed for six months or more. Accrued vacation time is limited to a maximum of 300 hours. Accrued sick leave is limited to 1,080 hours and is paid out on termination based on a percentage relative to credited service years.

**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 and other postemployment benefits qualify for reporting in this category.

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments and other postemployment benefits qualify for reporting in this category.

**Equity Classifications**

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

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

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

- Nonspendable - represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Authority includes fund balances that have been prepaid for expenses in this category.
- Restricted - represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. Restricted funds include amounts legally restricted for expenditure in connection with the V&T project and capital improvement funds.
- Committed - represents amounts which can be used only for specific purposes determined by the members of the governing Board's formal action through a resolution or action. Committed funds include amounts set aside for operating reserves under formal action.

**Note 1 - Summary of Significant Accounting Policies (Continued)****Equity Classifications (Continued)**

- 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, deferred outflows of resources, deferred inflows of resources, and OPEB expense based upon an actuarial determination and information provided by the plan fiduciary.

**Compliance with Laws and Regulations**

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

**Comparative Data**

Comparative data shown for the prior year has been extracted from the 2018-2019 financial statements. It has been provided to add comparability but is not considered a full disclosure of transactions for 2018-2019. Such information can only be obtained by referring to the audit report for that year.

**Subsequent Events**

Subsequent events have been evaluated through November 12, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people and working remotely where necessary. At this stage, the impact on our operations has been significant as our revenues are dependent upon tourism, which has been severely impacted. Based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

**Note 1 - Summary of Significant Accounting Policies (Continued)****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 during the year ended June 30, 2020 except that expenditures exceeded appropriations in the V&T Capital Projects Fund under the intergovernmental function by \$42,728 which is an apparent violation of NRS 354.626.

**Note 3 - Cash and Investments**

At June 30, 2020, cash and cash equivalents were held in various institutions as follows:

Held by Carson City on behalf of the Authority	\$ 1,467,908
Cash on hand	<u>300</u>
	<u>\$ 1,468,208</u>

**Note 4 - Transient Lodging Tax Revenue**

Transient lodging tax revenues (room taxes) of 11% are collected by the Authority; however, 3/16 of one percent that is included in the 11% is remitted to Carson City and 3/8 of one percent is remitted to the State of Nevada. As part of the 11% collected, the Authority collects a 1% tax to be used to promote arts and culture in the area. This 1% tax is 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	\$ 1,892,316
State remittance	(70,926)
Carson City remittance	<u>(32,256)</u>
	<u>\$ 1,789,134</u>

The amounts due at June 30, 2020 to Carson City and the State of Nevada are shown as due to other governments. Out of the total lodging tax retained by the Authority, 2% is pledged to the servicing of bonds issued by Carson City and is accounted for in the capital projects funds. The Authority remits the amounts needed to service the debt when it is due to Carson City.

**Note 5 - Capital Assets**

Capital asset activity consists of the following:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities				
Capital assets, not being depreciated				
Web site	\$ 41,028	\$ -	\$ -	\$ 41,028
Capital assets, being depreciated				
Furniture and equipment	14,838	-	(4,301)	10,537
Marketing van	27,957	-	(27,957)	-
Tenant improvements	8,388	-	-	8,388
	51,183	-	(32,258)	18,925
Less accumulated depreciation				
Furniture and equipment	10,047	1,600	(3,048)	8,599
Marketing van	18,258	3,661	(21,919)	-
Tenant improvements	3,665	559	-	4,224
	31,970	5,820	(24,967)	12,823
Total assets being depreciated, net	19,213	(5,820)	(7,291)	6,102
Net Capital Assets	<u>\$ 60,241</u>	<u>\$ (5,820)</u>	<u>\$ (7,291)</u>	<u>\$ 47,130</u>

Current year depreciation expense of \$5,820 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.

**Note 6 - Leases, Commitments, and Contingencies (Continued)**

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 3/4% 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, 2020, the Authority incurred expenditures to the City of \$172,015 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 for 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, 2020, the Authority did not incur unemployment expenses.

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. On August 12, 2019 a new lease was entered into for the office space. The lease commenced on September 15, 2019 through June 30, 2021 and includes initial lease payments of \$5,152 with annual increases. On April 30, 2020 the lease was extended to June 30, 2024, at which time the lease will terminate with no automatic renewal.

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

**Note 6 - Leases, Commitments, and Contingencies (Continued)**

Future maturities due on the above leases are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 116,002
2022	117,382
2023	118,684
2024	80,520
2025	13,200
Thereafter	<u>38,500</u>
	<u><u>\$ 484,288</u></u>

**Note 7 - Long-Term Liabilities**

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Accrued compensated absences	<u>\$ 61,699</u>	<u>\$ -</u>	<u>\$ (13,118)</u>	<u>\$ 48,581</u>

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.

- 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.



**Note 8 - Pensions (Continued)****General Information About the Pension Plan (Continued)****Benefits Provided**

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

**Vesting**

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

**Contributions**

- The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.
- The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

**Note 8 - Pensions (Continued)****General Information About the Pension Plan (Continued)****Contributions (Continued)**

- The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.
- The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.
- For the fiscal years ended June 30, 2018, 2019 and 2020 the Statutory Employer/employee matching rate was 14.50%, 14.50% and 15.25% respectively, for Regular employees. The Employer-pay contribution (EPC) rate was 28.00%, 28.00% and 29.25% for each of the fiscal years ended June 30, 2018, 2019 and 2020 respectively, for Regular employees.

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

At June 30, 2020, the Authority reported a liability of \$772,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on 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, 2019. At June 30, 2019, the Authority's proportion was .00441%.

For the year ended June 30, 2020, the Authority recognized pension expense of \$57,920. Amounts totaling \$56,460 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, 2021. At June 30, 2020, 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 an actual experience	\$ 22,526	\$ 17,327
Changes of assumptions	24,431	-
Net difference between projected and actual earnings on pension plan investments	-	29,864
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,554	22,931
Contributions subsequent to the measurement date	56,460	-
	<u>\$ 107,971</u>	<u>\$ 70,122</u>

**Note 8 - Pensions (Continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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:

<u>Years Ending June 30,</u>	
2021	\$ (2,004)
2022	(15,411)
2023	(418)
2024	662
2025	(1,027)
2026	(413)
	<u>\$ (18,611)</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 6.18 years for the measurement period ending June 30, 2019.

Reconciliation of the net pension liability at June 30, 2020:

Beginning net pension liability	\$ 774,771
Pension expense	57,920
Employer contributions	(42,472)
Current year net deferred (inflows) and outflows	<u>(17,687)</u>
Ending net pension liability	<u>\$ 772,532</u>

**Actuarial Assumptions**

The System's net pension liability was measured as of June 30, 2019, 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:

**Note 8 - Pensions (Continued)**

**Actuarial Assumptions (Continued)**

Inflation rate	2.75% (2.75% for the June 30, 2018 valuation date)
Payroll growth	5.00%, including inflation
Investment rate of return	7.50% (7.50% for the June 30, 2018 valuation date)
Productivity pay increase	0.50% (0.50% for the June 30, 2018 valuation date)
Projected salary increase	4.25% to 9.15%, depending on service (4.25% to 9.15%, for the June 30, 2018 valuation date) Rates include inflation and productivity increases
Consumer price index	2.75% (2.75% for the June 30, 2018 valuation date)
Other assumptions	Same as those used in the June 30, 2017 funding actuarial valuation

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2019. 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, 2019, 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, 2020.

**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, 2019:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.50%
Domestic Fixed Income	28%	0.75%
Private Markets	12%	6.65%

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

**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, 2019, 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	\$ 930,135	\$ 772,532	\$ 326,884

**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 PERS' website at [www.nvpers.org](http://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 accompanying government-wide financial statements. The policy requires the Authority to pay the insurance premiums at varying percentages for the retiree, spouse and dependents based upon the number of years of service at time of retirement. Subsidies are paid at a reduced rate once the retiree, spouse or dependent reaches the Medicare age.

**Employees Covered by Benefit Terms**

At June 30, 2020, 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	6
	<u>7</u>

**Note 9 - Other Postemployment Benefits Obligation (OPEB)**

**Total OPEB Liability**

The Authority’s total OPEB liability of \$703,983 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50% (2.75% for the June 30, 2018 valuation date)
Salary increases	3.00%, including inflation
Discount rate	2.45% as of June 30, 2020
	3.51% as of June 30, 2019
Healthcare cost trend rates	5.40% for 2021, decreasing down to 4.00% by 2076

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, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2019 to June 30, 2020.

**Changes in the Total OPEB Liability:**

Balance, June 30, 2019	\$ 613,470
Changes for the year	
Service cost	20,447
Interest	22,031
Changes in assumptions or other inputs	60,539
Benefit payments	(12,504)
Net changes	<u>90,513</u>
Balance, June 30, 2020	<u>\$ 703,983</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% as of June 30, 2019 to 2.45% as of June 30, 2020, based on the published changes in return for the applicable municipal bond index.

**Note 9 - Other Postemployment Benefits Obligation (OPEB)**

**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 (1.45%) or 1-percentage-point higher (3.45%) than the current discount rate:

	1% Decrease 1.45%	Discount Rate 2.45%	1% Increase 3.45%
Net OPEB Liability	\$ 846,230	\$ 703,983	\$ 594,526

**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 (4.40% decreasing to 3.0%) or 1-percentage-point higher (6.40% decreasing to 5.0%) than the current healthcare cost trend rates:

	Healthcare Cost Trend		
	1% Decrease (4.40% decreasing to 3.00%)	Rates (5.40% decreasing to 4.00%)	1% Increase (6.40% decreasing to 5.00%)
Net OPEB Liability	\$ 593,103	\$ 703,983	\$ 847,036

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

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$50,012. At June 30, 2020, 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
Differences between expected an actual experience	\$ 149,649	\$ 3,263
Changes of assumptions	-	88,405
	<u>\$ 149,649</u>	<u>\$ 91,668</u>

**Note 9 - Other Postemployment Benefits Obligation (OPEB) (Continued)**

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

<u>Years Ending June 30,</u>	
2021	\$ 7,534
2022	7,534
2023	7,534
2024	7,534
2025	7,991
2026	<u>19,854</u>
	<u>\$ 57,981</u>

**Note 10 - Concentrations**

The Authority received approximately 60% 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.



Required Supplementary  
Information  
June 30, 2020

## Carson City Culture and Tourism Authority

# Carson City Culture and Tourism Authority

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

Department of Taxation Format

Year Ended June 30, 2020

	2020				2019
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
Revenue					
Room taxes	\$ 1,493,078	\$ 1,493,078	\$ 1,101,086	\$ (391,992)	1,313,101
Intergovernmental revenue	70,000	70,000	56,629	(13,371)	61,500
Miscellaneous	5,760	5,760	63,040	57,280	40,627
Investment income	-	-	30,585	30,585	19,590
Total revenue	1,568,838	1,568,838	1,251,340	(317,498)	1,434,818
Expenditures					
General government					
Salaries	254,738	254,738	289,630	(34,892)	194,391
Benefits	128,629	128,629	101,198	27,431	85,437
Services and supplies	137,184	137,184	120,226	16,958	191,289
	520,551	520,551	511,054	9,497	471,117
Culture and recreation					
Salaries	149,873	149,873	158,692	(8,819)	136,085
Benefits	86,778	86,778	55,585	31,193	66,125
Services and supplies	801,200	801,200	557,598	243,602	551,213
	1,037,851	1,037,851	771,875	265,976	753,423
Intergovernmental	558,496	558,496	344,030	214,466	410,683
Total expenditures	2,116,898	2,116,898	1,626,959	489,939	1,635,223
Deficiency of Revenue Over (Under) Expenditures	(548,060)	(548,060)	(375,619)	172,441	(200,405)
Other financing sources, Transfer in	426,527	426,527	344,024	(82,503)	410,323
Change in Fund Balance	(121,533)	(121,533)	(31,595)	89,938	209,918
Fund Balance, Beginning of Year	918,593	918,593	1,096,155	177,562	886,237
Fund Balance, End of Year	\$ 797,060	\$ 797,060	\$ 1,064,560	\$ 267,500	\$ 1,096,155

**Carson City Culture and Tourism Authority**  
 Schedule of Changes in the Authority's Total OPEB Liability  
 Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
Service cost	\$ 20,447	\$ 19,131
Interest	22,031	21,387
Changes in assumptions or other inputs	60,539	10,389
Benefit payments	<u>(12,504)</u>	<u>(18,232)</u>
 Net Change in Total OPEB Liability	 <u>90,513</u>	 <u>32,675</u>
 Total OPEB Liability - Beginning	 <u>613,470</u>	 <u>580,795</u>
 Total OPEB Liability - Ending	 <u><u>\$ 703,983</u></u>	 <u><u>\$ 613,470</u></u>

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.00441%	0.00441%	0.00585%	0.00404%	0.00386%	0.00327%
Authority's proportionate share of the net pension liability	\$ 772,532	\$ 774,771	\$ 784,823	\$ 537,706	\$ 435,743	\$ 340,878
Authority's covered payroll	\$ 302,925	\$ 292,182	\$ 374,957	\$ 244,801	\$ 231,212	\$ 192,392
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	255.02%	265.17%	209.31%	219.65%	188.46%	177.18%
Plan fiduciary net position as a percentage of total pension liability	76.46%	75.24%	74.40%	72.20%	75.10%	76.30%

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

## Carson City Culture and Tourism Authority

### Schedule of Authority's Contributions

Last Ten Fiscal Years\*

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily required contribution	\$ 112,920	\$ 84,819	\$ 81,811	\$ 104,988	\$ 68,544	\$ 59,537
Contributions in relation to the statutorily required contribution	(112,920)	(84,819)	(81,811)	(104,988)	(68,544)	(59,537)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 386,051	\$ 302,925	\$ 292,182	\$ 374,957	\$ 244,801	\$ 231,212
Contributions as a percentage of covered payroll	29.25%	28.00%	28.00%	28.00%	28.00%	25.75%

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

Supplementary Information  
June 30, 2020

# Carson City Culture and Tourism Authority

# Carson City Culture and Tourism Authority

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Capital Projects Fund  
 Year Ended June 30, 2020  
 (With Comparative Actuals for Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
Revenue					
Room taxes	\$ 426,527	\$ 426,527	344,024	\$ (82,503)	410,323
Investment income	2,160	2,160	5,660	3,500	3,031
Total revenue	428,687	428,687	349,684	(79,003)	413,354
Expenditures					
Intergovernmental	403,455	403,455	360,728	42,727	405,755
Total expenditures	403,455	403,455	360,728	(42,727)	405,755
Excess (Deficiency) of Revenue Over (Under) Expenditures	25,232	25,232	(11,044)	(36,276)	7,599
Fund Balance, Beginning of Year	213,983	213,983	202,873	(11,110)	195,274
Fund Balance, End of Year	\$ 239,215	\$ 239,215	\$ 191,829	\$ (47,386)	\$ 202,873

# Carson City Culture and Tourism Authority

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

V&T Capital Projects Fund

Year Ended June 30, 2020

(With Comparative Actuals for Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance	Actual
	Original	Final			
Revenue					
Room taxes	\$ 426,527	\$ 426,527	\$ 344,024	\$ (82,503)	\$ 410,323
Investment income	4,080	4,080	12,291	8,211	13,784
Total revenue	430,607	430,607	356,315	(74,292)	424,107
Expenditures					
Intergovernmental	65,000	65,000	107,728	(42,728)	155,000
Total expenditures	65,000	65,000	107,728	42,728	155,000
Excess of revenue over expenditures	365,607	365,607	248,587	(117,020)	269,107
Other financing sources, Transfer out	(426,527)	(426,527)	(344,024)	82,503	(410,323)
Change in Fund Balance	(60,920)	(60,920)	(95,437)	(34,517)	(141,216)
Fund Balance, Beginning of Year	430,821	430,821	440,525	9,704	581,741
Fund Balance, End of Year	\$ 369,901	\$ 369,901	\$ 345,088	\$ (24,813)	\$ 440,525



Compliance Section  
June 30, 2020

# Carson City Culture and Tourism Authority

*Casey Neilson, Inc.*  
**Accountants and Advisors**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the fund information of Carson City Culture and Tourism Authority (Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Carson City Culture and Tourism Authority's basic financial statements, and have issued our report thereon dated November 12, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**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.



Carson City, Nevada  
November 12, 2020

*Casey Neilson, Inc.*  
**Accountants and Advisors**

**Auditors' Comments**

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

In connection with our audit of the financial statements of the Carson City Culture and Tourism Authority as of and for the year ended June 30, 2020, 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, 2019 except that expenditures exceed appropriations in the general fund under the general government function by \$55,258.

**Current Year Recommendations**

No material weaknesses or significant deficiencies reported.

**Progress on Prior Year Recommendations**

A significant deficiency was reported related to the overstatement of intergovernmental payables at June 30, 2018 resulting in a prior period adjustment. The Operations Manager instituted a review of general ledger classifications, and the deficiency did not recur during the year ended June 30, 2020.

**Nevada Revised Statute 354.6241**

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

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

*Casey Nalon*

Carson City, Nevada  
November 12, 2020

*Casey Neilson, Inc.*  
**Accountants and Advisors**

November 12, 2020

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

We have audited the financial statements of Carson City Culture & Tourism Authority as of and for the year ended June 30, 2020, and have issued our report thereon dated November 12, 2020. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 13, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

**Planned Scope and Timing of the Audit**

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

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Carson City Culture & Tourism Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

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

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

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

### *Financial Statement Disclosures*

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

## **Significant Difficulties Encountered during the Audit**

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

## **Uncorrected and Corrected Misstatements**

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

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

- Record impact of prior year audit entries to the current year - \$328,061
- Reclassify proceeds from disposition of marketing van to proper account - \$10,000
- Reclassify reimbursements related to Epic rides to reduce the original expense account - \$30,388
- Reclassified and grossed up the room tax revenue and report the taxes in the capital project funds - \$688,048

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

- Record opening balance differences for the government-wide statements - \$1,343,240
- Record disposition of marketing van and trailer - \$7,289
- Record change in accrued vacation - \$13,118
- Record depreciation expense - \$6,882
- Report change in pension accounts: deferred outflows, deferred inflows and net pension liability - \$1,397
- Report change in OPEB accounts: deferred outflows, deferred inflows and net OPEB liability - \$37,508

#### **Disagreements with Management**

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

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 12, 2020.

#### **Management's Consultations with Other Accountants**

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

#### **Other Significant Matters, Findings, or Issues**

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



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

A handwritten signature in black ink that reads "Casey Nalon". The signature is written in a cursive, flowing style.

Carson City, Nevada  
November 12, 2020