

TAHOE DOUGLAS VISITOR'S AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2015

TAHOE DOUGLAS VISITOR'S AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Tahoe Douglas Visitor's Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and fund information of Tahoe Douglas Visitor's Authority (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Authority, as of June 30, 2015, 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 and budgetary comparison information on pages 3-6 and 17 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 management's discussion and analysis 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 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 3, 2015, on our consideration of the Tahoe Douglas Visitor's 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.

Kohn & Company LLP
Reno, Nevada
November 3, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

TAHOE DOUGLAS VISITOR'S AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

The management's discussion and analysis of the Tahoe Douglas Visitor's Authority's (Authority) financial condition and activities for the fiscal year ended June 30, 2015 is presented in conjunction with the audited financial statements.

The Authority provides marketing, advertising and events designed to bring tourists to the south shore of Lake Tahoe. Its primary goal is to increase hotel occupancy and gaming revenues in the Tahoe Township (Lake Tahoe) portion of Douglas County, Nevada. The financial statements reflect the application of various resources toward achieving this goal as well as the status of the Authority's assets, liabilities and fund balance at year-end.

Financial Highlights

Based upon the previous fiscal year actual revenue, the Authority's 2015 revenue budget remained conservative to reflect regional and national lodging occupancy trends. Year end revenue allowed the Authority to fund initiatives as planned and included advertising, public relations, sales and events.

Highlights of the year include:

- American Century Golf Championship at over 41,000 attendees over the 6 day event with over 6.5 million TV viewers nationwide and coverage by 168 media organizations. Seven year contract extension anticipated for 2016.
- Harvey's Lake Tahoe Outdoor Summer Concert Series, with scheduled "big name" entertainment beginning in June and running through Labor Day. The Arena attracted as many as 8,000 attendees per show. Attendance over 70,000 and an estimated economic impact of over \$17,000,000. The lodging community is able to track solid occupancy to these events and the fact that numerous concerts are on softer weekdays helps support more than weekend stays.
- The South Shore was host to the Amgen Tour of California's Women Races, stage 1 and stage 2 in May of 2015 resulting in \$350,000 in media exposure and 23 million TV viewers, listeners and unique website visits.
- Winter advertising continued to focus on differentiating the region from competing ski destinations in the country as well as raising awareness for the South Shore of Lake Tahoe as a winter destination with impressions estimated at over 33 million. The winter campaign to build awareness of the South Shore was launched in December, consisting of Bay Area and Southern California marketing efforts including paid e-blasts online banners and Out of Home billboards.
- Summer advertising was again concentrated in the Northern California drive market, with a media buy that included TV, radio and interactive channels. San Diego was identified as a 50/50 drive/fly market with potential to produce longer stays for South Lake Tahoe. Impressions were approximately 43 million and drove potential visitors to the destination website for lodging and activity packages, events and other information to help in the decision to book a trip.
- Social media efforts include Twitter, Pinterest, Instagram, Facebook and YouTube are all actively managed by staff. Posts complement the seasonal campaign with posts on events, real-time weather, road conditions, new developments, inspiring images, trivia and promotions.
- Public relation highlights included media coverage generating an advertising equivalency of \$1.3 million through destination pitches. Operation Sierra Storm—a meteorologist familiarization conference—was continued in January and resulted in live and taped shots on the Weather Channel as well as other No CA and Las Vegas outlets with 6.5 million viewers/listenership and a media exposure valued 650,000. Golf the High Sierra, another "FAM," resulted in 47 print and online stories and 10 on-air radio programs with a 17.9 million impressions.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, and other management tools were used for this analysis.

The Authority uses the modified accrual basis of accounting for financial statement reporting. The financial statements have been prepared in accordance with generally accepted accounting principles as it applies to

TAHOE DOUGLAS VISITOR'S AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

Overview of Annual Financial Report (Continued)

governmental units. The financial statements include a balance sheet; a statement of revenue, expenditures budget and actual, and changes in fund balance, and notes to the financial statements.

The Statement of Net Position and Governmental Fund Balance Sheet present the financial position of the Authority on both the modified accrual basis under the general fund and the full accrual historical cost basis as net position. This statement provides information on the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Net Position and Governmental Balance Sheet provide information about the nature and amount of resources and obligations at year-end. The Statement of Activities and Governmental Fund Revenue, Expenditures and Changes in Fund Balance present the results of the activities over the course of the fiscal year and information as to how the fund balance and net position changed during the year. The fund balance changes under the modified accrual method when revenue is received or the expenditure is made, while changes in net position under the full accrual method are recorded as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared from the detailed books and records of the Authority. The financial statements were audited and adjusted, if material, during the independent external audit process.

For the year ended June 30, 2015, the Authority has \$30,810 in total differences between the fund financial statements and the government-wide financial statements. The differences are related to revenue received from Douglas County. The Authority has chosen to report the two sets of financial statements as a single presentation.

Financial Analysis

The following is a summary of financial position based upon the government-wide financial statements as of June 30:

	2015	2014
Total assets	\$ 1,955,623	\$ 1,463,298
Total liabilities	\$ 15,144	\$ 6,325
Total net position	\$ 1,940,479	\$ 1,456,973

Room tax revenue increased compared to the prior year by \$73,241, or 2%. The following is a summary of revenue and expenditures, budget and actual, for the years ended June 30:

	2015		2014	
	Budget	Actual	Budget	Actual
Room tax revenue	\$ 3,540,570	\$ 3,694,742	\$ 3,540,570	\$ 3,621,501
Other revenues	161,400	160,366	161,194	166,569
Total revenues	3,701,970	3,855,108	3,701,764	3,788,070
Expenditures -				
community support	3,608,134	3,445,646	3,608,134	3,320,383
Contingency	79,663	-	79,663	-
Change in net position	14,173	409,462	13,967	467,687
Beginning net position	1,108,203	1,426,163	830,773	958,476
Ending net position	\$ 1,122,376	\$ 1,835,625	\$ 844,740	\$ 1,426,163

TAHOE DOUGLAS VISITOR'S AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015

Results of Operations

Room tax revenue showed an increase of 4% to the budget. Other revenues showed less than a 1% variance from the budget. Expenditures were under budget by less than 5%. Overall the Authority was in line with expectations; no significant changes were noted during the fiscal year.

Final Comments

The Authority continues to test new marketing programs and refine those which have proven successful. Cooperative advertising programs partnering public and private entities continue to be successful. The programs allow the participants to achieve greater market impact. Similar results are being achieved by consolidating marketing efforts with the Lake Tahoe Visitors Authority.

This financial report is designed to provide the reader with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Carol Chaplin, at P.O. Box 6777, Lake Tahoe, Nevada 89449.

BASIC FINANCIAL STATEMENTS

TAHOE DOUGLAS VISITOR'S AUTHORITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2015

	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and investments	\$ 1,111,140	\$ -	\$ 1,111,140
Due from other governments	550,578	104,854	655,432
Prepaid expenses	165,051	-	165,051
Deposits	<u>24,000</u>	<u>-</u>	<u>24,000</u>
TOTAL ASSETS	\$ <u>1,850,769</u>	104,854	1,955,623
LIABILITIES			
Accounts payable	\$ 10,144	-	10,144
Special event deposit	<u>5,000</u>	<u>-</u>	<u>5,000</u>
	15,144	-	15,144
FUND BALANCE / NET POSITION			
Fund balance			
Nonspendable			
Prepaid expenses	165,051	(165,051)	-
Deposits	24,000	(24,000)	-
Assigned			
Designated for subsequent year's expenditures	1,646,574	(1,646,574)	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE AND OTHER CREDITS	<u>1,835,625</u>	<u>(1,835,625)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,850,769</u>		
Net position			
UNRESTRICTED / TOTAL NET POSITION		\$ <u>1,940,479</u>	\$ <u>1,940,479</u>

See Accompanying notes

TAHOE DOUGLAS VISITOR'S AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Adjustments (Note 8)	Statement of Activities
EXPENDITURES			
General government	\$ 534,074	\$ -	\$ 534,074
Economic development	2,911,572	-	2,911,572
Total expenditures	<u>3,445,646</u>	-	<u>3,445,646</u>
GENERAL REVENUE			
Transient occupancy tax	3,694,742	74,044	3,768,786
Grant income	160,000	-	160,000
Investment income	366	-	366
Total general revenue	<u>3,855,108</u>	<u>74,044</u>	<u>3,929,152</u>
Excess of revenue over expenditures	409,462	(409,462)	-
Change in net position	-	483,506	483,506
FUND BALANCE / NET POSITION			
Beginning of year	<u>1,426,163</u>	<u>30,810</u>	<u>1,456,973</u>
End of year	<u>\$ 1,835,625</u>	<u>\$ 104,854</u>	<u>\$ 1,940,479</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

TAHOE DOUGLAS VISITOR'S AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tahoe Douglas Visitor's 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 the Authority, under the direct jurisdiction of the Board of Directors of the Authority. The Authority, a public agency of the State of Nevada, was created pursuant to Chapter 496, Statutes of Nevada 1997, by appointment of Members by the Board of County Commissioners of Douglas County to promote tourism within the Tahoe Township.

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, receivables and deferred outflows as well as long-term debt, obligations and deferred inflows.

Basic Financial Statements - Fund Accounting

The financial transactions of the Authority are reported in the general fund. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. The Authority's general fund is a governmental fund type. 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 Authority is defined as a single-program special-purpose entity under GASB Statement No. 14, paragraph 131 as amended by GASB Statement No. 39. This classification allows for the preparation of GASB 34 financial statements under an optional reporting method which combines the fund and government-wide statements into a single presentation. Under standard GASB 34 methodology, the government-wide statement of net assets and statement of activities are presented independently from the respective fund balance sheet and statement of revenues, expenditures, and fund balance. A reconciliation of adjustments provided on the modified financial statements demonstrates the changes from the fund financial statements to the government-wide financial statements in order to assist the reader in evaluating these statements. The Authority has utilized this optional method of presentation.

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.

TAHOE DOUGLAS VISITOR'S AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The Authority adheres to the Local Government Budget Act incorporated within Statutes of the State of Nevada. Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at year-end. Budget amounts within the general fund may be transferred if amounts do not exceed the original budget. Such budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Board. In accordance with the Statutes, actual expenditures may not exceed budget appropriations of the general government function of the general fund.

An encumbrance system is not utilized by the Authority.

Deposits

Cash is maintained in two commercial banks in Stateline, Nevada. The Authority does not currently have a deposit policy related to custodial credit risk.

Interest income is recorded on the modified accrual basis in the investment pool. Net realized gains (losses) on investments are the sum of differences between the cost (if purchased during the fiscal year) or the fair value of the investment at the beginning of the year and the net selling price received for investments that are sold or matured.

The net increase (decrease) in fair value of investments in the investment pool is the difference between the cost (if purchased during the fiscal year) or the fair value of the investments at the beginning of the year and the fair value of the investments at the end of the year.

The State of Nevada investment pool is an unrated external investment pool that does not provide information on realized or unrealized gain or loss activity. Accordingly, changes in the investment pool are reflected as net investment income in the accompanying financial statements. At June 30, 2015, the average weighted maturity of the pool was 108 days.

The Authority's investment policy addresses custodial credit risk in that it restricts the type of investments maintained and requires uninsured investments be collateralized in the manner prescribed by Nevada Revised Statutes and held in a custodial safekeeping account with the trust department of a bank acting as a third party custodian.

Due from Other Governments

Miscellaneous receivables as well as transient room occupancy tax revenue which has been received from Douglas County for the year ended June 30, 2015 are reported as due from other governments in the fund financial statements.

Equity Classifications

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

Invested in capital assets – consists of capital assets, net of accumulated depreciation. The Authority has no amount invested in capital assets.

Restricted net position – consists of net assets 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. The Authority has no items that are considered to be restricted net position.

Unrestricted net position – all other net position that do not meet the definition of "investment in capital assets" or "restricted."

TAHOE DOUGLAS VISITOR'S AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

In the governmental fund financial statement, 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 deposits in this category.

Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The Authority has no restricted fund balances.

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. The Authority has no committed fund balances.

Assigned – represents amounts that are intended by the Authority for specific purposes but do not require action by the governing board. The Authority has amounts designated for subsequent year's expenditures included in this category. Designations of fund balance for subsequent year's expenditures represent the estimated opening fund balance in the Authority's 2015-2016 final budget. When the budgeted opening fund balance for the forthcoming year exceeds the actual ending fund balance, only the amount of fund balance available is shown as a designation for subsequent year's expenditures.

Unassigned – represents all amounts not included in spendable classifications.

The Authority's policy is to first apply expenditures against nonspendable fund balances and then unassigned balances. On an annual basis, assigned fund balances are determined based upon available resources.

Subsequent Events

Subsequent events have been evaluated through November 3, 2015, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Memorandum Only – Total Columns

Total columns in the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets or cash flows in conformity with generally accepted accounting principles.

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.

NOTE 3 - CASH

Cash includes cash on hand and in the bank. Investments consist of amounts invested in the State of Nevada Local Government Investment Pool and are recorded at cost, which approximates market value.

TAHOE DOUGLAS VISITOR'S AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 3 - CASH (Continued)

By provision of statutes, the Authority is authorized to deposit all money in banks or savings and loan associations located in the State of Nevada and must be subject to withdrawal on demand.

The Authority maintains its checking and savings accounts in one commercial bank. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. In addition, the Authority participates in the Nevada State Pooled Collateral Program through one of the individual banks, which insures the balances that are in excess of the FDIC insured amounts.

The Authority is authorized to invest in the State of Nevada Local Government Investment Pool. The Pool is administered by the State Treasurer, with oversight by the State of Nevada Board of Finance. State statutes require the State Treasurer to collateralize the deposits made to it with other securities. In addition, the Authority reports its investments at fair value, which total \$264,603 at June 30, 2015.

NOTE 4 - TRANSIENT OCCUPANCY AND LODGING LICENSE TAXES

Transient occupancy tax (TOT) and transient lodging license tax (TLLT) is collected from lodging establishments by Douglas County, which then remits them to the Authority and other agencies. Douglas County allows lodging establishments until the last day of the succeeding month to remit TOT and TLLT. The Authority usually does not receive its share of TOT and TLLT until nine to ten weeks after the end of the month that the lodging establishments have charged the TOT and TLLT to customers. The Authority accounts for these shared revenues in the same manner and timing as Douglas County.

NOTE 5 - LONG-TERM LEASE TRANSACTIONS

The Authority entered into a lease for an office building under an eighteen-year operating lease expiring in the year ending June 30, 2025. The lease contains an escalation clause beginning in year two, providing that the base rentals will be increased annually using the consumer price index. The base rentals were increased by 1.72% for the last six months in the year ended June 30, 2015. The lease also includes purchase options in years 6, 12 and 18. The purchase price is the greater of the net operating income of the property divided by a capitalization percentage of six percent (the CAP rate purchase price) or the appraised value of the property. The purchase price for years 6 and 12 would be adjusted by a purchase premium of 50% and 25% of the CAP rate purchase price, respectively. Rent expense for the year ended June 30, 2015 totaled \$327,717.

Future minimum lease commitments are as follows for the years ended June 30:

Year ending	Amount
2016	\$ 330,612
2017	330,612
2018	330,612
2019-2023	1,653,060
2024-2025	771,428
Total	<u>\$ 3,416,324</u>

NOTE 6 - COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

The Authority has entered into funding agreements with various entities to provide support for tourism and marketing for the year ending June 30, 2015. The funding agreements total approximately \$927,386. The Authority has entered into a memorandum of understanding with the Lake Tahoe Visitor's Authority (LTVA) and the South Lake Tahoe Tourism District. The Authority has committed to provide to the LTVA a minimum \$1,100,000 or 33% of the tax revenue collected, whichever is greater, annually. The memorandum of understanding expires on October 31, 2019.

There were no claims pending or unresolved disputes involving the Authority at June 30, 2015.

TAHOE DOUGLAS VISITOR'S AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 6 - COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT (Continued)

The Authority entered into an agreement in which they have committed to support London Ski Charters from December 19, 2015 through April 9, 2016. They have guaranteed up to 1.25% of the costs up to a maximum of \$18,097.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Authority has funding agreements with businesses that employ members of the Board of Directors. Expenses incurred in connection with these funding agreements total \$550,000 for the year ended June 30, 2015. The Board members excuse themselves from voting on these contracts and they go through the same approval process as all contracts.

During the year ended June 30, 2015, the Authority entered into a cooperative agreement with LTVA to promote tourism based on shared objectives which are more effectively and efficiently accomplished collectively rather than independently. During the year ended June 30, 2015, the Association contributed \$2,249,111 toward expenses in connection with this marketing effort, which included amounts paid for the costs of administration. The Authority supports the LTVA by providing the rent for the building that is occupied by both entities. The LTVA provides employees to the Authority to perform all the accounting and administration functions. One Board member of the Authority, whom is a commissioner of Douglas County, sits on the LTVA Board as the representative for the Authority; otherwise, all other Board members are independent from the LTVA.

NOTE 8 - CONVERSION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Adjustments on the face of the financial statements were made to the fund balance sheet and statement of revenue, expenditures, and changes in fund balance in order to reconcile the fund financial statements to the government-wide statements of net position and activities. The differences between the fund financial statements and government-wide financial statements are the result of additional TOT and TLLT receivables from Douglas County of \$104,854 at June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

TAHOE DOUGLAS VISITOR'S AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015			Variance Favorable (Unfavorable)	2014
	Original Budget	Final Budget	Actual		Actual (Memorandum Only)
REVENUE					
Transient occupancy tax	\$ 3,540,570	\$ 3,540,570	\$ 3,694,742	\$ 154,172	\$ 3,621,501
Grant income	160,000	160,000	160,000	-	166,250
Other income	1,100	1,100	-	(1,100)	-
Investment income	300	300	366	66	319
Total revenue	<u>3,701,970</u>	<u>3,701,970</u>	<u>3,855,108</u>	<u>153,138</u>	<u>3,788,070</u>
EXPENDITURES					
Current					
Community support	<u>3,608,134</u>	<u>3,608,134</u>	<u>3,445,646</u>	<u>162,488</u>	<u>3,320,383</u>
Excess of revenue over expenditures	93,836	93,836	409,462	315,626	467,687
OTHER FINANCING USES					
Contingency	<u>79,663</u>	<u>79,663</u>	<u>-</u>	<u>79,663</u>	<u>-</u>
Excess of revenue over expenditures and other financing uses	14,173	14,173	409,462	395,289	467,687
FUND BALANCE, beginning of year	<u>1,108,203</u>	<u>1,108,203</u>	<u>1,426,163</u>	<u>317,960</u>	<u>958,476</u>
FUND BALANCE, end of year	<u>\$ 1,122,376</u>	<u>\$ 1,122,376</u>	<u>\$ 1,835,625</u>	<u>\$ 713,249</u>	<u>\$ 1,426,163</u>

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 the
Tahoe Douglas Visitor's Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and fund information of Tahoe Douglas Visitor's Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Tahoe Douglas Visitor's Authority's basic financial statements and have issued our report thereon dated November 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tahoe Douglas Visitor's 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 Tahoe Douglas Visitor's Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Tahoe Douglas Visitor's 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.

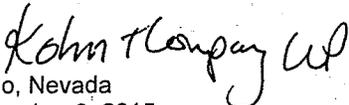
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 3, 2015

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

To the Board of Directors of the
Tahoe Douglas Visitor's Authority

We have audited the financial statements of the Tahoe Douglas Visitor's Authority (Authority) as of and for the year ended June 30, 2015, and have issued our report thereon dated November 3, 2015. 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 the Tahoe Douglas Visitor's Authority is the responsibility of the Authority's 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 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 and 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 3, 2015

AUDITORS' COMMENTS

AUDITORS' COMMENTS

GOVERNMENT AUDITING STANDARDS

PROGRESS ON PRIOR YEAR RECOMMENDATIONS

The prior year internal control findings have been mitigated with the reconciliation of a schedule that tracks the monthly payments to the deposit log.

CURRENT YEAR RECOMMENDATIONS

We did not identify any current year recommendations to include as deficiencies in this report.

NEVADA REVISED STATUTES

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 VIOLATIONS

The Authority has complied in the current fiscal year with the statutes as required in NRS 354 and has not exceeded appropriations.

November 3, 2015

Board of Directors
Tahoe Douglas Visitor's Authority
P.O. Box 6777
Lake Tahoe, Nevada 89449

We have audited the financial statements of the governmental activities and fund information of Tahoe Douglas Visitor's Authority for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 17, 2015. 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. We noted no transactions entered into by the governmental unit 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. Issues concerning significant estimates made by management include:

- Management's identification of and process for making significant accounting estimates.
- Risks of material misstatement.
- Indicators of possible management bias.
- Disclosure of estimation uncertainty in the financial statements.

The most significant estimates affecting your financial statements include:

- Management's estimates of collectability of amounts due from other governments.

We evaluated the key factors and assumptions used to develop the above estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The most sensitive disclosures affecting the financial statements were:

- Significant accounting policies
- Cash concentration

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. There were no misstatements noted during the audit.

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 3, 2015.

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 auditors' 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.

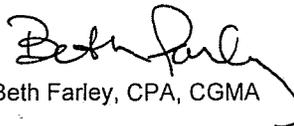
Other Matters

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.

This information is intended solely for the use of Board of Directors and management of Tahoe Douglas Visitor's Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KOHN & COMPANY LLP


Beth Farley, CPA, CGMA

