



Financial Statements
June 30, 2019

Tahoe-Douglas Visitors Authority

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	
Financial Statements	
Statement of Net Position and Governmental Fund Balance Sheet.....	8
Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance	9
Notes to Financial Statements	10
Required Supplementary Information	
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual.....	17
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	18
Auditors’ Comments	21



Independent Auditor's Report

To the Board of Directors
Tahoe Douglas Visitor's Authority
Lake Tahoe, Nevada

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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 opinion.

Opinion

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

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 13, 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 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.

Report on Summarized Comparative Information

The District's 2018 financial statements were audited Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018, and whose report dated November 14, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented in the required supplementary information herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2020, 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 solely 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 the 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.



Reno, Nevada

January 10, 2020

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, 2019, 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 2019 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, including Operation Sierra Storm, Harvey's Lake Tahoe Summer Concert Series and American Century Championship.

The Authority has a Memorandum of Understanding with the Lake Tahoe Visitors Authority (LTVA) and the South Lake Tahoe Tourism Improvement District (SLTTID), recognizing the LTVA as the Destination Marketing Organization for the South Lake Tahoe area, which includes the Tahoe Township. The Authority funds contribute significantly to the LTVA's destination promotion efforts that include advertising, public relations, domestic and international sales, marketing, special events and visitor information services. The MOU was revised for 2019 down to 20% of revenues in recognition of the event center project magnitude. This resulted in a decrease in LTVA marketing funding by \$430,000 in the budget, however, the Authority ended the year with a surplus over budget, which caused a distribution to the LTVA of \$249,193.

Additional expense reductions in program support of \$206,000 were made to supplement the event center line item, which was increased by \$1,050,000.

During FY19 the Authority Board of Directors continued the process of a project application for the event center to the Tahoe Regional Planning Agency (TRPA) The project continues under review by staff and the project approval is forecast for January 2020. The FY2020 budget contemplates ongoing expenses towards the project approval process, additional consultants and design. The Authority pursued legislation during the 2019 Nevada legislative session to amend AB616 (Tahoe Douglas Visitors Authority Act) to refine language around the Authority's legal authority to operate the event center, approved to read "convention and multi-use event center," as well as issue bonds. Legislation to invoke a \$5.00 per night, per room surcharge in the Tahoe Township was also approved, effective This revenue is restricted for event center construction and estimated to be \$4,050,000. Redevelopment Area tax increment is anticipated at \$1,500,000 later in the fiscal year.

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 applied to governmental units. The financial statements include a balance sheet; a statement of revenue, expenditures, 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 Fund Balance Sheet provides 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.

For the year ended June 30, 2019, the Authority has \$1,209,503 in total differences between the fund financial statements and the government-wide financial statements. The differences are related to revenue received from Douglas County and capital improvements. The Authority has chosen to report the two sets of financial statements as a single presentation.

Financial Analysis

Current assets increased significantly this fiscal year in part due to receipt of higher than budgeted room tax revenues (15% overbudget for the year, variance \$1MM), but also because the Authority didn't significantly increase expenditures from FY18 – FY19. The Authority kept expenditures such as funding agreements at about the same level as prior year in preparation for planned capital expenses anticipated for the event center.

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

	2019	2018
Current assets	\$ 9,527,094	\$ 6,242,563
Capital assets not being depreciated	838,359	548,558
	10,365,453	6,791,121
 Total liabilities	 344,175	 731,364
 Net investment in capital assets	 838,359	 548,558
Unrestricted	9,182,919	5,511,199
Total net position	\$ 10,021,278	\$ 6,059,757

Room tax revenue increased compared to the prior year by \$518,716, or 7%. This increase was due to a new restricted 1% room tax that began in the year ended June 30, 2019 as well as new hotel openings and increased night stays. The Authority kept expenses low in preparation for capital expenses related to the event center.

The following is a summary of revenue and expenditures, budget and actual, for the years ended June 30:

	2019		2018	
	Budget	Actual	Budget	Actual
Room tax revenue	\$ 7,543,385	\$ 7,538,992	\$ 6,949,197	\$ 7,020,276
Other revenues	207,060	227,278	166,876	179,505
Total revenues	7,750,445	7,766,270	7,116,073	7,199,781
Community support	6,510,754	4,115,363	6,510,754	5,389,650
Capital outlay	-	289,801	-	548,558
Total expenditures	6,510,754	4,405,164	6,510,754	5,938,208
Excess of revenue over expenditures	1,239,691	3,361,106	605,319	1,261,573
Beginning net position	4,296,015	5,450,669	3,332,973	4,189,096
Ending net position	\$ 5,535,706	\$ 8,811,775	\$ 3,938,292	\$ 5,450,669

Results of Operations

Room tax revenue was consistent compared to the budget. Other revenues were over budget by 10%. Expenditures were under budget by 32%. Overall the Authority's change excess of revenue over expenditures increased fund balance by 62%.

The biggest change from budget was underspending the FY19 Event Center expenditure line item. The Authority budgeted \$3.25MM in Event Center expenses, not completely able to estimate pre-construction consultant costs and the timing of those costs.

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Capital Assets

The Authority capitalizes assets towards the building of the event center. The established policy for capitalization includes expenses related to consultants (including some legal) involved in providing regulatory agencies with project approval required information, consultants involved in pre-construction specific activities not included are financial and most legal expense, Public Relations and informational reports. Marketing and promotion costs are not included.

Economic Factors

During the 2019-2020 fiscal year (FY20), the Event Center is expected to receive final approval from the Tahoe Regional Planning Agency (TRPA) in January, and we expect to break ground on the "earth work" part of construction early spring 2020. The Authority will also continue to fund Heavenly Holidays, Celebrity Golf, as well as the Harveys Summer Concert Series in FY20. The \$5/night/room Tourism Surcharge collections started in July 2019 and the surcharge has no sunset, so will continue to be collected and used towards event center operations.

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.

Tahoe-Douglas Visitors Authority
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2019

	General Fund	Adjustments (Note 8)	Statement of Net Assets
Assets			
Cash and investments	\$ 7,805,283	\$ -	\$ 7,805,283
Due from other governments	1,419,486	-	1,419,486
Prepaid expenses	275,925	-	275,925
Deposits	26,400	-	26,400
Capital assets not being depreciated	-	838,359	838,359
	\$ 9,527,094	\$ 838,359	\$ 10,365,453
Liabilities			
Accounts Payable	\$ 344,175	\$ -	\$ 344,175
Deferred Inflows			
Room taxes	371,144	(371,144)	-
Fund Balance / Net Position			
Fund balance			
Nonspendable			
Prepaid expenses	275,925	(275,925)	-
Deposits	26,400	(26,400)	-
Committed			
Tahoe Township Marketing	724,171	(724,171)	-
Unassigned	7,785,279	(7,785,279)	-
	8,811,775	(8,811,775)	-
	Total Fund Balance and Other Credits		
	\$ 9,527,094		
Net position			
Net investment in capital assets		838,359	838,359
Unrestricted		9,182,919	9,182,919
		\$ 10,021,278	\$ 10,021,278
		\$ 10,021,278	\$ 10,021,278

Tahoe-Douglas Visitors Authority

Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2019

	General Fund	Adjustments (Note 8)	Statement of Activities
Expenditures			
General government	\$ 908,373	\$ -	\$ 908,373
Capital outlay	289,801	(289,801)	-
Economic development	3,206,990	-	3,206,990
Total expenditures	4,405,164	(289,801)	4,115,363
General Revenue			
Room taxes	7,538,992	310,614	7,849,606
Grant income	160,000	-	160,000
Investment income	67,278	-	67,278
Total general revenue	7,766,270	310,614	8,076,884
Excess of revenue over expenditures	3,361,106	(3,361,106)	-
Change in Net Position	-	3,961,521	3,961,521
Fund Balance / Net Position			
Beginning of year	5,450,669	609,088	6,059,757
End of year	\$ 8,811,775	\$ 1,209,503	\$ 10,021,278

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. 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 inflow account is established.

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.

Cash and Investments

The District's cash and cash equivalents include cash on deposit at one commercial bank and in the State Treasurer's Local Government Investment Pool.

Investments are recorded at fair value, which is the same as the value of the pool shares. The State of Nevada Local Government 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.

Due from Other Governments

Miscellaneous receivables as well as room tax revenue which has been received from Douglas County for the year ended June 30, 2019 are reported as due from other governments in the accompanying financial statements.

Deferred Inflows of Resources

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element 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. Due from other governments for room taxes qualify for reporting in this category.

Net Position Classifications

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

- Invested in capital assets – consists of capital assets, net of accumulated depreciation. The Authority has \$838,359 invested in capital assets as of June 30, 2019.
- 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. The Authority has no items that are considered to be restricted net position.
- Unrestricted net position – all other net position that does not meet the definition of “investment in capital assets” or “restricted.”

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

- Nonspendable – represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Authority includes fund balances that have been prepaid for expenses and 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. At June 30, 2019, the Authority had funds of \$724,000 committed to Tahoe Township Marketing.
- Assigned – represents amounts that are intended by the Authority for specific purposes but do not require action by the governing board.
- Unassigned – represents all amounts not included in spendable classifications.

The Authority’s policy is to first apply expenditures against restricted first if applicable, and then committed, assigned and then unassigned balances.

Capital Assets

Capital assets with a cost of \$1,000 or more, and a life great than one-year, is capitalized and stated at cost. 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. At June 30, 2019, the Authority’s capital assets consist of construction in progress and are therefore not subject to depreciation expense until the assets are completed and placed into service.

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.

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

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

Note 3 - Cash and Investments

The following schedule summarized cash and investments at June 30, 2019:

Cash in Bank	\$ 4,703,810
Local Government Investment Pool	<u>3,101,473</u>
	<u>\$ 7,805,283</u>

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 District does not currently have a deposit policy related to custodial credit risk. All balances are insured as of June 30, 2019.

The Authority is authorized to invest in the State of Nevada Local Government Investment Pool. The Pool is The Districted is invested in the Local Government Investment Pool as of June 30, 2019. The LGIP operates under NRS and is administered by the Office of the State Treasurer. The LGIP invest in securities as allowed by statute. The LGIP is valued at NAV and therefore is not valued according to the hierarchy. At June 30, 2019 the LGIP had a weighted average maturity of 116 days. The Authority does not have a formal policy regarding credit risk or concentration of credit risk, or investment rate risk.

Note 4 - Capital Assets

Capital assets activity consists of the following:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital assets, not being depreciated				
Construction in progress	\$ 548,558	\$ 289,801	\$ -	\$ 838,359
Total capital assets, not being depreciated	548,558	289,801	-	838,359
Capital assets, being depreciated				
None	-	-	-	-
Less accumulated depreciation				
None	-	-	-	-
Total capital assets, being depreciated, net	-	-	-	-
	\$ 548,558	\$ 289,801	\$ -	\$ 838,359

Note 5 - Transient Occupancy and Lodging License Taxes

Transient occupancy tax (TOT) and transient lodging license tax (TLLT), collectively referred to as Room Tax, 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 6 - Long-Term Lease Transactions

The Authority entered into a lease for an office building under an eighteen-year operating lease expiring 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 3.05% for the last six months in the year ended June 30, 2019. 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, 2019 totaled \$359,034.

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

June 30:	Amount
2020	\$ 364,392
2021	364,392
2022	364,392
2023	364,392
2024-2025	485,856
	\$ 1,943,424

Note 6 - Commitments, Contingencies and Risk Management

The Authority entered into funding agreements with various entities to provide support for tourism and marketing for the year ending June 30, 2019. The funding agreements total approximately \$2,994,000. 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 committed to provide to the LTVA 20% of the tax revenue collected annually. The amount to be paid in fiscal year 2019 based upon final revenues received for fiscal year 2019 is \$249,193.

There were no claims pending or unresolved disputes involving the Authority at June 30, 2019.

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 \$565,000 for the year ended June 30, 2019. The related Board members abstain from voting on these contracts and they go through the same approval process as all contracts.

During the year ended June 30, 2019, 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, 2019, the Authority contributed \$2,430,823 toward expenses in connection with this marketing effort, which included amounts paid for the costs of administration. Based upon the agreement the Authority has committed an additional \$2,209,115 to be paid during the subsequent fiscal year. 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. At June 30, 2019, \$249,443 of accounts payable is payable to 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 deferred inflows from Douglas County of \$371,144 at June 30, 2019, which represents a change of \$60,530 from the prior fiscal year, and amounts incurred related to capital projects in which construction in progress totaled \$838,359.



Required Supplementary Information
June 30, 2019

Tahoe-Douglas Visitors Authority

Tahoe-Douglas Visitors Authority
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual
Year Ended June 30, 2019

	2019				2018
	Original Budget	Final Budget	Actual	Variance	Actual (Memorandum Only)
Revenue					
Room taxes	\$ 7,543,385	\$ 7,543,385	\$ 7,538,992	\$ (4,393)	\$ 7,020,276
Grant income	185,600	185,600	160,000	(25,600)	160,000
Investment income	21,460	21,460	67,278	45,818	19,505
Total revenue	<u>7,750,445</u>	<u>7,750,445</u>	<u>7,766,270</u>	<u>15,825</u>	<u>7,199,781</u>
Expenditures					
Current					
Community support	6,506,254	6,510,754	4,115,363	2,395,391	5,389,650
Capital outlay	-	-	289,801	(289,801)	548,558
	<u>6,506,254</u>	<u>6,510,754</u>	<u>4,405,164</u>	<u>2,105,590</u>	<u>5,938,208</u>
Excess of revenue over expenditures	1,244,191	1,239,691	3,361,106	(2,089,765)	1,261,573
Fund Balance, Beginning of Year	<u>4,296,015</u>	<u>4,296,015</u>	<u>5,450,669</u>	<u>1,154,654</u>	<u>4,189,096</u>
Fund Balance, End of Year	<u>\$ 5,540,206</u>	<u>\$ 5,535,706</u>	<u>\$ 8,811,775</u>	<u>\$ (935,111)</u>	<u>\$ 5,450,669</u>



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

To the Board of Directors
Tahoe Douglas Visitor's Authority
Lake Tahoe, Nevada

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, 2019, 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 January 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 over financial reporting 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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2019-01 that we consider to be a significant deficiency.

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*.

Tahoe-Douglas Visitors Authority's Response to Findings

Tahoe-Douglas Visitors Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Tahoe-Douglas Visitors Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada
January 10, 2020

2018-001: Financial Reporting Significant Deficiency

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial statement reporting. One of the components of an effective system of internal control over financial reporting is the preparation of full disclosure financial statements that do not require adjustment as part of the audit process.

Condition: As auditors, we assisted in the preparation of the financial statements, and proposed several journal entries. We proposed significant adjustments to correct prepaid expenses and deposits.

Cause: Procedures have not been implemented to ensure District personnel possess the experience to prepare the District's full disclosure financial statements in accordance with generally accepted accounting principles and appropriate review of reconciliations of all accounts with supporting documentation has not been implemented.

Effect: Financial information prepared by the District may not comply with generally accepted accounting principles.

Recommendation: We recommend the District implement procedures to provide training in the preparation of governmental financial statements in accordance with generally accepted accounting principles and management review and approve all reconciliations.

Views of Responsible Officials: Tahoe-Douglas Visitors Authority agrees with this finding.



Auditors' Comments

To the Board of Directors
Tahoe Douglas Visitor's Authority
Lake Tahoe, Nevada

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

Current Year Statute Compliance

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

Progress on Prior Year Statute Compliance

The District monitored all significant constraints on its financial administration during the year ended June 30, 2019.

Current Year Recommendations

No material weaknesses or significant deficiencies reported over Nevada Revised Statutes.

Progress on Prior Year Recommendations

No material weaknesses or significant deficiencies were noted relating to Nevada Revised Statutes.

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

A handwritten signature in black ink that reads "Eide Bailly LLP".

Reno, Nevada
January 10, 2020