



Financial Statements  
June 30, 2020

# Tahoe-Douglas Visitor's Authority

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## 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, 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 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, 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.

## **Correction of an Error**

As discussed in Note 11 to the financial statements, certain errors resulting in the 2019 financial statements were discovered by management of the Authority during the current year. Accordingly, amounts reported for net position have been restated in the 2020 financial statements now presented. Our opinion is not modified with respect to this matter.

## **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 3-7 and 16, 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**

We have previously audited 20X0 financial statements of Tahoe-Douglas Visitor's Authority, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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 November 16, 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  
November 16, 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, 2020, 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 2020 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. As a result of the COVID-19 pandemic, causing Tahoe Township and City of South Lake Tahoe business shutdown, along with state and county shelter at home orders, the Authority reprojected its budget to reflect no revenues April-June. Although the previous months were strong, the TDVA requested from the MOU partners to suspend for FY2020 any additional MOU payments past 20%, which was granted. The Authority also reduced some payments to the LTVA and the Tahoe Chamber, April-June.

During FY20 the Authority was successful in its petition to Douglas County for the Redevelopment Area 2 Tax Increment Agreement, which confirmed the County's pledge of \$27 million dollars towards the construction of the event center. Because of Covid-19 and the inability to issue bonds according to the original schedule, however construction on the Event Center did commence in July, 2020. During FY20, the Authority retained the services of financial advisors and bond council to pursue the bond sale in FY21.

### **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, 2020, the Authority has \$6,468,579 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 the receipt higher of than prior year room tax and redevelopment area tax revenues (increased \$2.4MM), and also because the Authority capitalized expenditures of \$4.7MM for the event center. The Authority increased expenditures such as funding agreements from 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:

	2020	2019
Current assets	\$ 12,987,008	\$ 9,748,806
Capital assets not being depreciated	5,525,546	838,359
	18,512,554	10,587,165
Total liabilities	162,744	344,175
Net investment in capital assets	5,525,546	838,359
Restricted	1,911,300	-
Unrestricted	10,912,964	9,404,631
Total net position	\$ 18,349,810	\$ 10,242,990

Room tax revenue increased compared to the prior year by \$905,111, or 11%. This increase was due to a new \$5 surcharge room tax that began in the year ended June 30, 2020. Redevelopment Area tax increment was \$1,911,300 in the fiscal year 2020. The Authority increased expenses specifically capital expenses related to the event center.

The following is a summary of the statement of activities for the years ended June 30:

	2020	2019
Room tax revenue	\$ 8,976,429	\$ 8,071,318
Redevelopment area tax	1,911,300	-
Other revenues	193,205	227,278
Total revenues	11,080,934	8,298,596
Total expenditures	2,974,114	4,115,363
Change in net position	8,106,820	4,183,233
Beginning fund balance, as restated	10,242,990	6,059,757
Ending fund balance	\$ 18,349,810	\$ 10,242,990

**Results of Operations**

Room tax revenue was significantly less than compared to the budget. However, the new Redevelopment area tax was significantly more than compared to the budget. Other revenues were less budget by 21%. Expenditures were under budget by 43%. Overall, the Authority's change excess of revenue over expenditures increased fund balance by 35%.

The biggest change from the budget was less revenue received for taxes than the budget and underspending the FY20 Event Center expenditure line item. The Authority budgeted \$13.3MM in tax revenue which much less due to the coronavirus pandemic. The Authority budgeted \$9.4MM in Event Center expenses, not completely able to estimate pre-construction consultant costs and the timing of those costs.

	2020		2019	
	Budget	Actual	Budget	Actual
Room tax revenue	\$ 13,343,160	\$ 8,626,252	\$ 7,543,385	\$ 7,538,992
Redevelopment area tax	-	1,911,300	-	-
Other revenues	244,720	193,205	207,060	227,278
Total revenues	13,587,880	10,730,757	7,750,445	7,766,270
Community support	4,150,927	2,974,114	6,510,754	4,115,363
Capital outlay	9,363,456	4,687,187	-	289,801
Total expenditures	13,514,383	7,661,301	6,510,754	4,405,164
Excess of revenue over expenditures	73,497	3,069,456	1,239,691	3,361,106
Beginning fund balance	5,535,706	8,811,775	4,296,015	5,450,669
Ending fund balance	\$ 5,609,203	\$ 11,881,231	\$ 5,535,706	\$ 8,811,775

**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 received final approval from the Tahoe Regional Planning Agency (TRPA) and a reduced scope of work on the Event Center began in July FY21. The Authority anticipated continuing funding of special events such as Heavenly Holidays, the Harveys Concert Series and American Century Championship. COVID-19 resulted in the cancellation of the Concert Series and the ACC event occurred without spectators, which will affect revenues in FY21. 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 to be collected and used towards event center operations. Douglas County experienced vacation rental segment collection challenges and the \$5 surcharge revenues anticipated were below budget. A capture of those revenues in arrears is anticipated over the next year as Douglas County brings on a new partner in that collection activity.

**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 Visitor's Authority  
Statement of Net Position and Governmental Fund Balance Sheet  
June 30, 2020

	General Fund	Adjustments (Note 8)	Statement of Net Assets
<b>Assets</b>			
Cash and investments	\$ 11,822,771	\$ -	\$ 11,822,771
Due from other governments	1,106,514	-	1,106,514
Prepaid expenses	31,323	-	31,323
Deposits	26,400	-	26,400
Capital assets not being depreciated	-	5,525,546	5,525,546
Total assets	<u>\$ 12,987,008</u>	<u>\$ 5,525,546</u>	18,512,554
<b>Liabilities</b>			
Accounts payable	\$ 162,744	\$ -	162,744
<b>Deferred Inflows</b>			
Room taxes	943,033	(943,033)	-
<b>Fund Balance / Net Position</b>			
<b>Fund balance</b>			
<b>Nonspendable</b>			
Prepaid expenses	31,323	(31,323)	-
Deposits	26,400	(26,400)	-
<b>Restricted</b>			
Events center	1,911,300	(1,911,300)	-
<b>Committed</b>			
Events center	1,947,430	(1,947,430)	-
Tahoe Township marketing	4,010,000	(4,010,000)	-
Unassigned	3,954,778	(3,954,778)	-
Total fund balance and other credits	<u>11,881,231</u>	<u>(11,881,231)</u>	-
Total liabilities, deferred inflows and fund balance	<u>\$ 12,987,008</u>		
<b>Net position</b>			
Net investment in capital assets		5,525,546	5,525,546
Restricted		1,911,300	1,911,300
Unrestricted		10,912,964	10,912,964
Total net position		<u>\$ 18,349,810</u>	<u>\$ 18,349,810</u>

Tahoe-Douglas Visitor's Authority

Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2020

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	General Fund	Adjustments (Note 8)	Statement of Activities
Expenditures			
General government	\$ 741,252	\$ -	\$ 741,252
Capital outlay	4,687,187	(4,687,187)	-
Economic development	2,232,862	-	2,232,862
	7,661,301	(4,687,187)	2,974,114
Total expenditures			
General Revenue			
Room taxes	8,626,252	350,177	8,976,429
Redevelopment area tax	1,911,300	-	1,911,300
Grant income	110,000	-	110,000
Investment income	83,205	-	83,205
	10,730,757	350,177	11,080,934
Total general revenue			
Excess of revenue over expenditures	3,069,456	(3,069,456)	-
Change in Net Position	-	8,106,820	8,106,820
Fund Balance / Net Position			
Beginning of year, as restated	8,811,775	1,431,215	10,242,990
End of year	\$ 11,881,231	\$ 6,468,579	\$ 18,349,810

## **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 Authority'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, 2020 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:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation. The Authority has \$5,525,546 invested in capital assets as of June 30, 2020.
- 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 restricted net position for the Events Center.
- 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 restricted fund balance for the Events Center.
- 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, 2020, the Authority had funds of \$7,868,393 committed to Tahoe Township Marketing and the Events Center.
- Assigned – represents amounts that are intended by the Authority for specific purposes but do not require action by the governing board. The Authority has no assigned fund balances.
- 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, 2020, 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 Authority 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, 2020:

Cash in Bank	\$ 8,659,726
Local Government Investment Pool	<u>3,163,045</u>
	<u>\$ 11,822,771</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 the individual bank, which insures the balances that are in excess of the FDIC insured amounts. The Authority does not currently have a deposit policy related to custodial credit risk.

The Authority is authorized to invest in the State of Nevada Local Government Investment Pool. The Pool is invested in the Local Government Investment Pool as of June 30, 2020. 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, 2020 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 1,2019	Increases	Decreases	June 30, 2020
Capital assets, not being depreciated				
Construction in progress	\$ 838,359	\$ 4,687,187	\$ -	\$ 5,525,546
Total capital assets, not being depreciated	838,359	4,687,187	-	5,525,546
Capital assets, being depreciated				
None	-	-	-	-
Less accumulated depreciation				
None	-	-	-	-
Total capital assets, being depreciated, net	-	-	-	-
	\$ 838,359	\$ 4,687,187	\$ -	\$ 5,525,546

**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 October 31, 2024. 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, 2020. 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, 2020 totaled \$371,567.

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

June 30:	Amount
2021	\$ 375,873
2022	375,873
2023	375,873
2024	125,291
	\$ 1,252,910

**Note 7 - 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, 2020. The funding agreements total approximately \$2,189,577. 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 the LTVA 20% of the unrestricted tax revenue projected annually in the TDVA board approved budget. The amount to be paid in fiscal year 2020 based upon final revenues received for fiscal year 2020 is \$874,917.

There were no claims pending or unresolved disputes involving the Authority at June 30, 2020.

**Note 8 - 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, 2020. 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, 2020, 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, 2020, the Authority contributed \$1,542,469 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 \$2,054,977 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, 2020, \$0 of accounts payable is payable to the LTVA.

**Note 9 - 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 \$943,033 at June 30, 2020, which represents a change of \$571,899 from the prior fiscal year, and amounts incurred related to capital projects in which construction in progress totaled \$5,525,546.

**Note 10 - Subsequent events**

Subsequent to year end the Authority issued bonds. The 2020 Bonds have been issued pursuant to the constitution and laws of the State of Nevada, including Tahoe-Douglas Visitors Authority Act, Chapter 496, Statutes of Nevada 1997, as amended; Nevada Revised Statutes (“NRS”) Chapter 350; NRS Chapter 348; a resolution of the Board of Directors of the Authority (the “Board”) adopted and approved by the Board on September 29, 2020; and an Indenture of Trust, dated as of November 10, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee. The amount of the bonds is \$112,060,000.

**Note 11 - Correction of an Error**

During 2020, management identified errors within previously issued financial statements that, when evaluated in the aggregate, warranted restatement of those financial statements. The June 30, 2019 financial statements omitted a receivable for fiscal year 2019 received after the June 30, 2019 financial statements were issued. The receivable was received more than 60 days after the end of the fiscal year. Accordingly, amounts reported for various accounts have been restated in the 2020 government-wide financial statements now presented.

	As Previously Reported	Adjustment	As Restated
Statement of Net Position			
Net Position			
Adjustments	\$ 1,209,503	\$ 221,712	\$ 1,431,215
Statement of Activities	10,021,278	221,712	10,242,990



Required Supplementary Information  
June 30, 2020

## Tahoe-Douglas Visitor's Authority

Tahoe-Douglas Visitor's Authority  
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual  
Year Ended June 30, 2020

	2020				2019
	Original Budget	Final Budget	Actual	Variance	Actual (Memorandum Only)
Revenue					
Room taxes	\$13,343,160	\$13,343,160	\$ 8,626,252	\$ (4,716,908)	\$ 7,538,992
Redevelopment area tax	-	-	1,911,300	1,911,300	-
Grant income	184,000	184,000	110,000	(74,000)	160,000
Investment income	60,720	60,720	83,205	22,485	67,278
Total revenue	<u>13,587,880</u>	<u>13,587,880</u>	<u>10,730,757</u>	<u>(2,857,123)</u>	<u>7,766,270</u>
Expenditures					
Current					
Community support	4,150,927	4,150,927	2,974,114	1,176,813	4,115,363
Capital outlay	9,363,456	9,363,456	4,687,187	4,676,269	289,801
	<u>13,514,383</u>	<u>13,514,383</u>	<u>7,661,301</u>	<u>5,853,082</u>	<u>4,405,164</u>
Excess of revenue over expenditures	73,497	73,497	3,069,456	2,995,959	3,361,106
Fund Balance, Beginning of year	<u>5,540,206</u>	<u>5,535,706</u>	<u>8,811,775</u>	<u>3,276,069</u>	<u>5,450,669</u>
Fund Balance, End of Year	<u>\$ 5,613,703</u>	<u>\$ 5,609,203</u>	<u>\$11,881,231</u>	<u>\$ 6,272,028</u>	<u>\$ 8,811,775</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, 2020, 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 16, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 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 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.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2020-001 that we consider to be a material weakness.

### **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 financial statements. 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 Visitor's Authority's Response to Findings**

Tahoe-Douglas Visitor's Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Tahoe-Douglas Visitor's 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  
November 16, 2020

**2020-001: 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.

*Cause:* Procedures have not been implemented to ensure Authority personnel possess the experience to prepare the Authority'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 Authority may not comply with generally accepted accounting principles.

*Recommendation:* We recommend the Authority 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 Visitor's Authority agrees with this finding.



CPAs & BUSINESS ADVISORS

## 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, 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, 2020.

### 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 cursive script that reads "Eide Bailly LLP".

Reno, Nevada  
November 16, 2020

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