Financial Statements
June 30, 2020

# Elko Convention & Visitors Authority

CPAs & BUSINESS ADVISORS

# Independent Auditor's Report

To the Board of Governors
Elko Convention & Visitors Authority
Elko, Nevada

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elko Convention & Visitors Authority (the 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 Authority'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 Authority'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 each major fund of the Authority, as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Marketing and Tourism Promotion Fund, 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 on pages 4 through 10, the Schedule of Authority's Share of Net Pension Liability on page 36, and the Schedule of Authority's Contributions on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The major fund schedules of revenues, expenditures, and changes in fund balances – budget and actual listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The major fund schedules of revenues, expenditures and changes in fund balances – budget and actual, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 major fund schedules of revenues, expenditures, and changes in fund balances – budget and actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Prior-Year Comparative Information*
We have previously audited, in accordance with accounting standards generally accepted in the United States of America, the basic financial statements of the Authority as of and for the year ended June 30, 2019, and have issued a report thereon dated November 25, 2019, which expressed an unmodified opinion on the respective financial statements of the governmental activities and each major fund.

The major fund schedules of revenues, expenditures and changes in fund balances – budget and actual related to the 2019 financial statements are presented for purposes of additional analysis and were derived from and relate directly to the underlying accounting and other records used to prepare the 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The major fund schedules of revenues, expenditures and changes in fund balances – budget and actual are consistent in relation to the basic financial statements from which they have been derived.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Eide Bailly LLP

Elko, Nevada
December 9, 2020

The following discussion and analysis is presented to provide the reader with an overview of the financial activity and overall financial condition of the Elko Convention & Visitors Authority (referred to as the ECVA).

**Financial Highlights**

- Facilities revenues, which include revenue generated through the rental of the Convention and Conference Centers, catering fees associated with facility use and event revenues, were 67% short of the budgeted amount. This shortfall is attributed to the mandatory closures and following gathering restrictions resulting from the Covid-19 pandemic.

- At the close of the fiscal year the Authority's total governmental funds combined ending balance for the year was $4,738,188, a decrease of $50,729 from prior year, with the General Fund recording lower than anticipated ending fund balances.

- The ECVA's total expenditures exceeded total revenue by $51,130 in the governmental funds.

- Overall revenues were down 31%, largely due to declining transient lodging tax revenue, minimal to no facility rental revenues for mid-March through the end of the fiscal year and cancellation of events through the end of the fiscal year due to Covid-19. There was a decrease in net capital assets of 5% due to depreciation exceeding additions. At the close of the fiscal year, the ECVA's governmental activities reported a Total Net Position of $7,983,269; a decrease of $783,639 or 9% from the 2018-19 fiscal year Net Position of $8,766,908.

**Overview of the Financial Statements**

The basic financial statements of the ECVA are comprised of government-wide financial statements, fund financial statements, and notes to the financial statements. The supplemental information provides additional detail for each of the four ECVA funds.

**Government-Wide Financial Statements**

The government-wide financial statements are presented to provide readers with a broad overview of the ECVA in a manner similar to that of the private sector.

- The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority. The difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as "net position". Over time, increases and decreases in net position may serve as an indicator of improvements or deterioration of financial condition.

**Condensed Statement of Net Position**

| | Governmental Activities 2020 | Governmental Activities 2019 | $ Change | % Change |
|---|---|---|---|---|
| Assets | | | | |
| Current and other assets | $ 4,968,541 | $ 5,304,377 | $ (335,836) | (6%) |
| Net capital assets | 11,982,375 | 12,629,320 | (646,945) | (5%) |
| Total assets | 16,950,916 | 17,933,697 | (982,781) | (5%) |
| Deferred Outflows of Resources | | | | |
| Deferred outflows related to pensions | 215,676 | 246,632 | (30,956) | (13%) |
| Liabilities | | | | |
| Current liabilities | 218,042 | 273,715 | (55,673) | (20%) |
| Non-current liabilities | 8,802,992 | 9,032,751 | (229,759) | (3%) |
| Total liabilities | 9,021,034 | 9,306,466 | (285,432) | (3%) |
| Deferred Inflows of Resources | | | | |
| Deferred inflows related to pensions | 160,089 | 104,755 | 55,334 | 53% |
| land lease | 2,200 | 2,200 | - | 0% |
| Total deferred inflows of resources | 162,289 | 106,955 | 55,334 | 52% |
| Net Position | | | | |
| Net investment in capital assets | 4,526,944 | 4,967,606 | (440,662) | (9%) |
| Restricted | 1,369,580 | 1,198,190 | 171,390 | 14% |
| Unrestricted | 2,086,745 | 2,601,112 | (514,367) | (20%) |
| Total Net Position | $ 7,983,269 | $ 8,766,908 | $ (783,639) | (9%) |

**Government–wide Financial Statements**

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The decrease in governmental activities revenues is a result of minimal to no facility rental revenues and cancellation of events beginning mid-March through the end of the fiscal year due to Covid-19. Additionally, transient lodging tax (room tax) proceeds decreased 24% from the prior year. Lodging tax had been trending downward and year-end was significantly reduced due to Covid-19 impacts.

**Condensed Statement of Activities**

| | Governmental Activities | | | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Revenues | | | | |
| Program Revenues: | | | | |
| Charges for services | $ 345,190 | $ 1,050,993 | $ (705,803) | (67%) |
| Operating grants and contributions | 5,833 | 30,668 | (24,835) | (81%) |
| Total program revenues | 351,023 | 1,081,661 | (730,638) | (68%) |
| General Revenues: | | | | |
| Property taxes | 522,260 | 517,665 | 4,595 | 1% |
| Room taxes | 1,058,265 | 1,388,691 | (330,426) | (24%) |
| Combined state tax apportionment | 391,396 | 391,396 | - | 0% |
| Other local sources | 248 | 1,697 | (1,449) | (85%) |
| Unrestricted investment earnings | 49,387 | 35,752 | 13,635 | 38% |
| Total general revenues | 2,021,556 | 2,335,201 | (313,645) | (13%) |
| Total revenues | 2,372,579 | 3,416,862 | (1,044,283) | (31%) |
| Expenses | | | | |
| General government | 2,796,815 | 2,923,383 | (126,568) | (4%) |
| Interest on lease obligation | 359,403 | 368,952 | (9,549) | (3%) |
| Total expenses | 3,156,218 | 3,292,335 | (136,117) | (4%) |
| Changes in Net Position | (783,639) | 124,527 | (908,166) | (729%) |
| Net Position, Beginning | 8,766,908 | 8,642,381 | 124,527 | 1% |
| Net Position, Ending | $ 7,983,269 | $ 8,766,908 | $ (783,639) | (9%) |

**<u>Fund Financial Statements</u>**

A fund is a legal and accounting entity with a self – balancing set of accounts to track specific sources of funding and spending. The ECVA, as does other governmental agencies, uses fund accounting to ensure and demonstrate compliance with finance – related legal requirements.

**Notes to the Financial Statements**

The notes provide required disclosure and information necessary to understand the ECVA's activities. A summary of financial activity for the year is shown below.

**Governmental Funds**

Governmental funds focus on the current inflows and outflows of resources. This information is useful in determining current financial requirements.

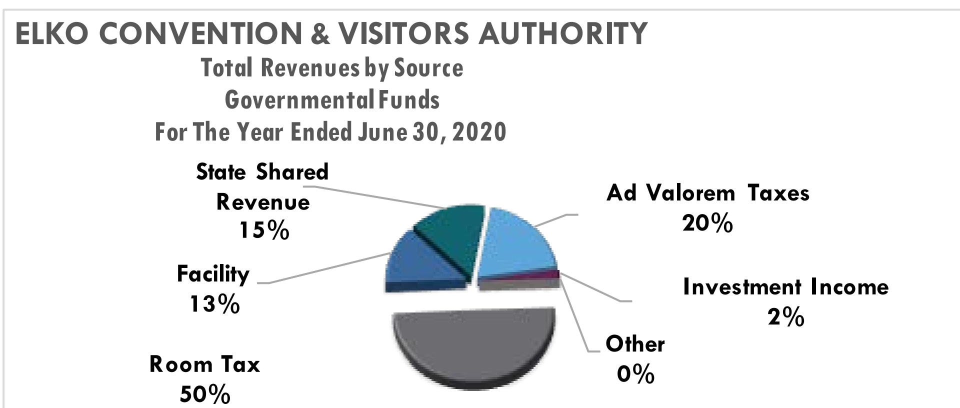
The ECVA maintains four separate funds within the governmental fund category. Information is presented separately in the governmental balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances for the four funds: General Fund, Marketing and Tourism Promotion Fund, Capital Projects Fund and the Facility Expansion Fund.

A separate budget is prepared annually for each fund reflecting anticipated resources and uses of the collected resources. A budgetary comparison statement has been provided for all funds to demonstrate compliance with the budget.

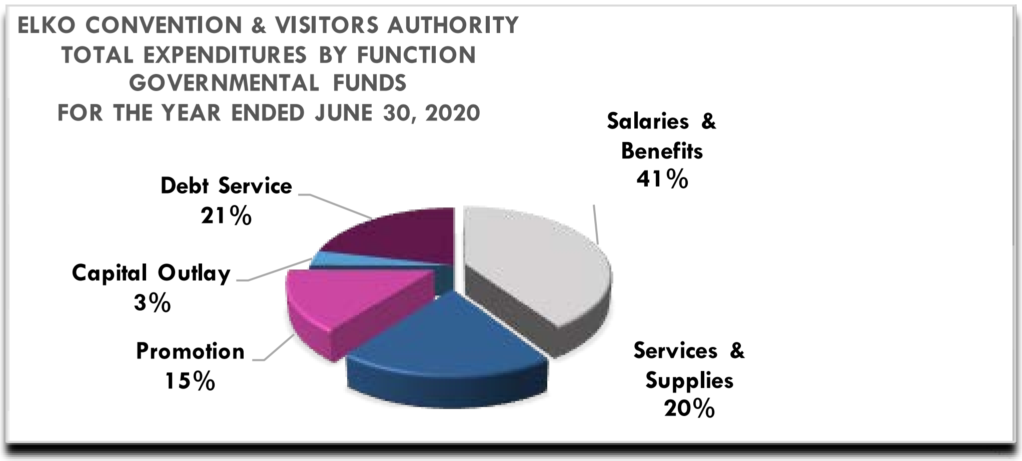
**Financial Analysis of the Government's Funds**

The focus of the ECVA's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the ECVA's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As noted earlier the ECVA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Total governmental fund revenues amounted to $2,602,013 for the 2019-2020 fiscal year. As illustrated on the following chart, room tax revenues are the largest revenue source, followed by Ad Valorem tax revenues. Facility revenues are the fourth largest source of revenue for the ECVA.



Total General fund expenditures were $2,209,432 for the 2019-2020 fiscal year, which included $16,767 in capital outlay, which included office upgrades necessary in response to the Covid-19 pandemic. As illustrated on the following chart: salary and benefits represent the largest expenditure, followed by the services and supplies.




As of the end of the current fiscal year, ECVA's governmental funds reported a combined ending fund balance of $4,738,188, a decrease from the 2018-2019 combined ending fund balance of $4,788,917.

The General Fund is the chief operating fund of the ECVA. At the end of the current fiscal year, the General Fund's total fund balance was $1,121,036 as compared to the 2018-2019 balance of $1,595,253. The General Fund balance decreased due to a significant decrease in general government revenues and no comparable reduction in expense obligations. The shortfall in facilities revenue is due to mandatory closures and following reservation cancellations due to Covid-19 gathering restrictions. Room tax revenue shortfalls were also realized due to Covid-19 travel restrictions.

The Capital Projects Fund is used for ongoing maintenance and improvement projects related to the facilities. The Capital Projects Fund ending fund balance was $2,230,984, an increase of $253,545 from the 2018-2019 balance of $1,977,439.

The Marketing and Tourism Promotion Fund is used to account for restricted transient lodging tax monies collected by the City of Elko and remitted to the ECVA as well as grant monies received specifically to market the Elko, Nevada area. The Marketing and Tourism Promotion Fund ending fund balance was $1,251,560, an increase of $51,923 from the 2018-2019 balance of $1,199,637.

The Facility Expansion Fund was established in fiscal year 2007-2008 and is funded by excess transient lodging tax receipts collected by the City of Elko. The amount received by the ECVA is the excess tax receipts after fulfillment by the City of Elko of its annual airport debt service. This tax is scheduled to sunset in October 2026. In conjunction with the Capital Projects Fund, these funds are reserved for expenses related to expansion of ECVA facilities. During the 2019-2020 fiscal year, $231,915 was transferred to the General Fund for lease payments on the Conference Center located at 724 Moren Way. The Facility Expansion Fund ending balance was $134,608, compared to the 2018-2019 balance of $16,588. Facility Expansion Fund revenues, in the amount of $237,043, were recognized as revenue in fiscal year 2019-2020 leading to a higher ending balance. These funds were budgeted in fiscal year 2018-2019; however, the City of Elko did not disburse them to the Authority in a timely manner to allow recognition as revenue in the fiscal year in which they had been budgeted.

## Elko Convention & Visitors Authority's Capital Assets

The ECVA's investment in capital assets as of June 30, 2020, amounts to $11,982,375 (net of accumulated depreciation), of which $42,206 is not being depreciated. This investment in capital assets includes building and grounds improvements. During Fiscal Year 2019-2020, the ECVA completed some sidewalk repairs, and did extensive, unplanned exterior landscaping and mitigation work to prevent further damage to the back wall of the Laurena Moren Theater. Refer to financial statement Note 4 for additional details.

## General Obligation Debt

The Elko Convention & Visitors Authority as of June 30, 2020 had a long term lease obligation in the amount of $7,239,136 for the Conference Center building and $216,295 for Conference Center equipment. Other debts are compensated absences of $56,014 and the net pension liability of $1,291,547. The long-term lease monthly use fees and base fee for the new building began in January 2016, in the amount of $52,317.51 per month for a period of approximately 25 years until March 4, 2041. Refer to Note 6 for additional details.

## Trust Monies

Trust monies are collected in advance and held for organizations and individuals utilizing the Elko Convention & Visitors Authority's facilities. These funds are included in the cash balances and offset with a liability because the resources are not available to support ECVA's programs.

## Budgetary Highlights

Detailed information can be found in the Supplementary Information section of the financial statements.

- Variations of the General Fund's actual results compared to the budget were noted mostly in the areas of Room tax, Facilities and Community Support (which includes events) revenues. Room tax revenues were 15% under budget, facilities revenues were 66% under budget and community support revenues were 74% under budget, all of which can be largely attributed to the mandatory shutdowns, event cancellations and restrictions on gatherings and events related to the Covid-19 pandemic.
- Budget revisions occurring during the fiscal year included reallocation of budget from contingency to several line items. No budget augmentations were made.
- General Fund expenditures were 19.3% below budgeted amounts. While many expenses were largely out of the control of the ECVA, efforts were made to reduce costs where possible at the onset of the pandemic. Cancellation of the annual Elko Mining Expo eliminated several significant expenditures which would typically be incurred at the end of the fiscal year. Services and supplies expenditures came in 35% under budget and advertising & promotion closed at 83% under budget.

## Factors to impact the future

The Authority entered into a Facilities Use Agreement in March 2015 with JMF-ECVA 2015, LLC for the purpose of construction of a new facility, the Conference Center, adjacent to the Convention Center. The long-term lease of this building and related equipment began on January 1, 2016. The June 30, 2020 balance of the combined leases was $7,455,431. See Note 6 for additional information.

While the City of Elko has experienced a decline in transient lodging tax revenues, local impacts due to Covid-19 travel restrictions were not as severe as those experienced by other communities. This may be due to the continuation of mining operations throughout the pandemic, as well as the increase in road-trips and Elko's prominent location along the I-80 corridor. Due to Covid-19 restrictions and the cancellation of the Elko Mining Expo, Elko realized a drop in room taxes of 73% from June 2019 to June 2020. Regardless, overall, room tax revenues only decreased 15% from 2018-2019. With the 2021 National Cowboy Poetry Gathering cancelled and no indication of when gathering restrictions will be lifted to allow for larger events, it is anticipated lodging tax revenues will remain depressed for the foreseeable future.

With the continued restrictions on gathering sizes, catering services and activities due to the pandemic, facilities utilization revenues are expected to continue significantly below historic levels. Additionally, the Elko County School District is constructing a Performing Arts Center which includes an auditorium. It is anticipated many events for which the District has historically rented the Laurena Moren Theater will be held in this new facility upon its completion and normal school activities resume. It is unknown at this time whether the District will offer this facility for public rental/use at a later date.

To-date the Elko Convention & Visitors Authority has not been eligible for any federal, state or local funding programs offered in response to the pandemic which would offset impacts to General Fund revenue shortfalls. The loss of income insurance provided through POOL/PACT does not cover current circumstances.

## Requests for Information

This report has been designed to provide an overview of the Elko Convention & Visitors Authority's financial position. Questions concerning any of the information contained in the document should be addressed to:

Elko Convention & Visitors Authority
Katie Neddenriep or Cheryl Garcia
700 Moren Way
Elko NV 89801
(775) 738-4091

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and investments | $ 4,663,261 |
| Accounts receivable | 8,823 |
| Taxes receivable, delinquent | 218,648 |
| Accrued interest receivable | 7 |
| Due from other governments | 77,202 |
| Prepaid expenses | 600 |
| Capital assets, net of accumulated depreciation | 11,940,169 |
| Capital assets not being depreciated | 42,206 |
| Total assets | 16,950,916 |
| **Deferred Outflows of Resources** | |
| Deferred outflows related to pensions | 215,676 |
| **Liabilities** | |
| Accounts payable | 29,815 |
| Accrued salaries and benefits | 40,349 |
| Trust monies | 147,878 |
| Compensated absences due within one year | 56,014 |
| Capital lease obligation, due within one year | 216,295 |
| Noncurrent liabilities | |
| Net pension liability | 1,291,547 |
| Capital lease obligation, due in more than one year | 7,239,136 |
| Total liabilities | 9,021,034 |
| **Deferred Inflows of Resources** | |
| Deferred inflows related to pensions | 160,089 |
| Unavailable revenue related to the land lease | 2,200 |
| Total deferred inflows of resources | 162,289 |
| **Net Position** | |
| Net investment in capital assets | 4,526,944 |
| Restricted for | |
| Facility expansion | 118,020 |
| Marketing | 1,251,560 |
| Unrestricted | 2,086,745 |
| Total net position | $ 7,983,269 |

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities |
|---|---|---|---|---|
| Governmental Activities | | | | |
| General government | $ (2,796,815) | $ 345,190 | $ 5,833 | $ (2,445,792) |
| Interest on lease obligation | (359,403) | - | - | (359,403) |
| Total governmental activities | $ (3,156,218) | $ 345,190 | $ 5,833 | (2,805,195) |
| General Revenues | | | | |
| Property taxes | | | | 522,260 |
| Room taxes | | | | 1,058,265 |
| Combined state sales tax apportionment | | | | 391,396 |
| Other local sources | | | | 248 |
| Unrestricted investment earnings | | | | 49,387 |
| Total general revenues | | | | 2,021,556 |
| Change in Net Position | | | | (783,639) |
| Net Position, Beginning of Year | | | | 8,766,908 |
| Net Position, End of Year | | | | $ 7,983,269 |

| | General | Marketing and Tourism Promotion | Capital Projects | Facility Expansion | Total Governmental Funds |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and investments | $ 1,203,351 | $ 1,212,605 | $ 2,230,714 | $ 16,591 | $ 4,663,261 |
| Receivables | | | | | |
| Accounts receivable | 8,760 | 63 | - | - | 8,823 |
| Taxes receivable, delinquent | 57,591 | 42,435 | 605 | 118,017 | 218,648 |
| Accrued interest receivable | - | - | 7 | - | 7 |
| Due from other funds | 1,543 | - | - | - | 1,543 |
| Due from other governments | 65,233 | - | 11,969 | - | 77,202 |
| Prepaid expenses | 600 | - | - | - | 600 |
| Total assets | $ 1,337,078 | $ 1,255,103 | $ 2,243,295 | $ 134,608 | $ 4,970,084 |
| Liabilities | | | | | |
| Accounts payable | $ 27,815 | $ 2,000 | $ - | $ - | $ 29,815 |
| Accrued salaries and benefits | 40,349 | - | - | - | 40,349 |
| Trust monies | 147,878 | - | - | - | 147,878 |
| Due to other funds | - | 1,543 | - | - | 1,543 |
| Total liabilities | 216,042 | 3,543 | - | - | 219,585 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - delinquent property taxes | - | - | 10,111 | - | 10,111 |
| Unavailable revenue - land lease | - | - | 2,200 | - | 2,200 |
| Total deferred inflows of resources | - | - | 12,311 | - | 12,311 |
| Fund Balances | | | | | |
| Nonspendable, prepaid items | 600 | - | - | - | 600 |
| Restricted for | | | | | |
| Facility expansion | - | - | - | 118,020 | 118,020 |
| Marketing | - | 1,251,560 | - | - | 1,251,560 |
| Committed for | | | | | |
| Health insurance claims | 52,000 | - | - | - | 52,000 |
| Facility expansion | - | - | - | 16,588 | 16,588 |
| Assigned | | | | | |
| Subsequent year budget appropriations | 360,619 | - | - | - | 360,619 |
| Assigned for capital projects | - | - | 2,230,984 | - | 2,230,984 |
| Unassigned | 707,817 | - | - | - | 707,817 |
| Total fund balances | 1,121,036 | 1,251,560 | 2,230,984 | 134,608 | 4,738,188 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 1,337,078 | $ 1,255,103 | $ 2,243,295 | $ 134,608 | $ 4,970,084 |

| | | |
|---|---|---|
| Total fund balances - total governmental funds | | $ 4,738,188 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets net of the related depreciation are not reported in the governmental funds financial statements because they are not current financial resources, but they are reported in the statement of net position: | | |
| Capital assets | $ 19,531,546 | |
| Less accumulated depreciation | (7,591,377) | |
| | | 11,940,169 |
| Capital assets, not being depreciated | | 42,206 |
| Deferred inflows of resources for delinquent property taxes represent amounts that are not available to fund current expenditures, and therefore, are not reported as revenues in the governmental funds. | | 10,111 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Capital lease obligation | (7,455,431) | |
| Compensated absences | (56,014) | |
| Net pension liability | (1,291,547) | |
| | | (8,802,992) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | | |
| Deferred outflows of resources related to pensions | 215,676 | |
| Deferred inflows of resources related to pensions | (160,089) | |
| | | 55,587 |
| Total net position, governmental activities | | $ 7,983,269 |

| | General | Marketing and Tourism Promotion | Capital Projects | Facility Expansion | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes | $ 544,275 | $ 401,157 | $ 514,651 | $ 349,876 | $ 1,809,959 |
| Intergovernmental revenues | 391,396 | 5,833 | - | - | 397,229 |
| Charges for services | 345,190 | - | - | - | 345,190 |
| Miscellaneous | 22,038 | 7,727 | 19,811 | 59 | 49,635 |
| Total revenues | 1,302,899 | 414,717 | 534,462 | 349,935 | 2,602,013 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 1,626,979 | 362,794 | 4,245 | - | 1,994,018 |
| Capital outlay | 16,767 | - | 76,672 | - | 93,439 |
| Debt service | | | | | |
| Principal | 206,283 | - | - | - | 206,283 |
| Interest | 359,403 | - | - | - | 359,403 |
| Total expenditures | 2,209,432 | 362,794 | 80,917 | - | 2,653,143 |
| Excess (Deficiency) of Revenues Over Expenditures | (906,533) | 51,923 | 453,545 | 349,935 | (51,130) |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | 401 | - | - | - | 401 |
| Transfers in | 431,915 | - | - | - | 431,915 |
| Transfers out | - | - | (200,000) | (231,915) | (431,915) |
| Total other financing sources (uses) | 432,316 | - | (200,000) | (231,915) | 401 |
| Net Change in Fund Balance | (474,217) | 51,923 | 253,545 | 118,020 | (50,729) |
| Fund Balances, Beginning of Year | 1,595,253 | 1,199,637 | 1,977,439 | 16,588 | 4,788,917 |
| Fund Balances, End of Year | $ 1,121,036 | $ 1,251,560 | $ 2,230,984 | $ 134,608 | $ 4,738,188 |

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ (50,729) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities: | | |
| Capital outlay to purchase capital assets | $ 93,212 | |
| Current depreciation expense | (740,017) | (646,805) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, disposals) is to decrease net position. | | (140) |
| Property taxes and room taxes that are collected in time to pay obligations of the current period are reported as revenue in the fund statements. However, amounts that relate to prior periods that first become available in the current period should not be reported as revenue in the statement of activities: | | |
| Current period | 10,111 | |
| Prior period | (239,545) | (229,434) |
| Long-term liabilities are not due and payable in the current period, therefore they are not reported in the fund statements: | | |
| Capital lease obligation - principal payments | 206,283 | |
| Current year change in compensated absences | (12,236) | |
| | | 194,047 |
| Governmental funds report PERS contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense: | | |
| PERS contributions | 93,927 | |
| Pension expense | (144,505) | |
| | | (50,578) |
| Change in net position of governmental activities | | $ (783,639) |

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget Variance |
| Revenues | | | | |
| Room taxes | $ 640,000 | $ 640,000 | $ 544,275 | $ (95,725) |
| Intergovernmental revenues | 391,396 | 391,396 | 391,396 | - |
| Charges for services | 1,045,200 | 1,045,200 | 345,190 | (700,010) |
| Miscellaneous | 11,500 | 11,500 | 22,038 | 10,538 |
| Total revenues | 2,088,096 | 2,088,096 | 1,302,899 | (785,197) |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,013,031 | 2,086,031 | 1,626,979 | 459,052 |
| Capital outlay | 86,500 | 88,500 | 16,767 | 71,733 |
| Debt service | | | | |
| Principal | 206,283 | 206,283 | 206,283 | - |
| Interest | 359,403 | 359,403 | 359,403 | - |
| Total expenditures | 2,665,217 | 2,740,217 | 2,209,432 | 530,785 |
| Excess (Deficiency) of Revenues Over Expenditures | (577,121) | (652,121) | (906,533) | (254,412) |
| Other Financing Sources (Uses) | | | | |
| Sale of capital assets | - | - | 401 | 401 |
| Contingency | (75,000) | - | - | - |
| Transfer in | 450,000 | 450,000 | 431,915 | (18,085) |
| Total other financing sources (uses) | 375,000 | 450,000 | 432,316 | (17,684) |
| Net Change in Fund Balance | (202,121) | (202,121) | (474,217) | (272,096) |
| Fund Balances, Beginning of Year | 1,986,454 | 1,986,454 | 1,595,253 | (391,201) |
| Fund Balances, End of Year | $ 1,784,333 | $ 1,784,333 | $ 1,121,036 | $ (663,297) |

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget Variance |
| Revenues | | | | |
| Room taxes | $ 475,000 | $ 475,000 | $ 401,157 | $ (73,843) |
| Intergovernmental revenues | 40,000 | 40,000 | 5,833 | (34,167) |
| Miscellaneous | 1,500 | 1,500 | 7,727 | 6,227 |
| Total revenues | 516,500 | 516,500 | 414,717 | (101,783) |
| Expenditures | | | | |
| Current | | | | |
| General government | 790,000 | 790,000 | 362,794 | 427,206 |
| Excess (Deficiency) of Revenues Over Expenditures | (273,500) | (273,500) | 51,923 | 325,423 |
| Other Financing Sources (Uses) | | | | |
| Contingency | (15,000) | (15,000) | - | 15,000 |
| Net Change in Fund Balance | (288,500) | (288,500) | 51,923 | 340,423 |
| Fund Balances, Beginning of Year | 1,088,899 | 1,088,899 | 1,199,637 | 110,738 |
| Fund Balances, End of Year | $ 800,399 | $ 800,399 | $ 1,251,560 | $ 451,161 |

## Note 1 - Summary of Significant Accounting Policies

The Elko Convention & Visitors Authority, (the Authority), was originally created by Chapter 227, Statutes of Nevada in 1975, as Elko City – County Civic Auditorium Authority. The Authority is governed by a five-member Board of Governors (the Board) comprised of: one current member of the City of Elko Board of Supervisors, one current member of Elko County Board of County Commissioners, two members elected at large residing within the boundaries of the City of Elko and the Authority, and one member elected at large residing outside the City of Elko but within the boundaries of the Authority.

### Reporting Entity

The accompanying financial statements include all the activities that comprise the financial reporting entity of the Authority. The Board is legally separate and fiscally independent of other governing bodies, therefore the Authority is a primary government and is not reported as a component unit by another governmental unit. The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial principles.

### Government-wide and Fund Financial Statements

The basic financial statements consist of government–wide statements and the fund financial statements. The government–wide financial statements include a statement of net position and a statement of activities. The government–wide statements report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, would be reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority does not engage in any business-type activities.

The statement of net position presents the consolidated financial position of the Authority at year end. The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include charges to patrons who use or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as general revenues. Those programs or functions with a net cost not supported by program revenues are generally dependent on general – purpose revenues, such as taxes, to remain operational.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Grant revenues are reported as unearned liabilities if funds have been received prior to meeting such requirements.

When fund balance resources are available for a specific purpose in more than one classification, it is the Authority's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Gross receipts and taxes are considered "measurable" when in the hands of intermediary collecting agents or governments. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days after year-end. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable and the payment seems certain. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Authority's financial records are organized on the basis of funds, which are independent fiscal and accounting entities with a separate set of self – balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance – related legal and contractual provisions.

The major revenue sources of the Authority include combined state apportionment revenues, room taxes, property taxes, facilities usage fees, interest income and various state grants. Property taxes are reported as deferred inflows of resources in the individual funds if they are not available to finance the activities of the current period.

The Authority reports the following major governmental funds:

- General Fund is the Authority's primary operating fund. It accounts for all financial resources and costs of operations, which are not accounted for in another fund.
- Marketing and Tourism Promotion Fund (Special Revenue) accounts for one and three – quarters percent room tax collected by the City of Elko to be used to market the City through various promotional methods per Elko City Ordinance 4 – 6 – 10(G).
- Capital Projects Fund accounts for property tax revenue earmarked for the construction, acquisition or maintenance of the convention facilities and the purchase of necessary furniture and equipment.
- Facility Expansion Fund (Capital Projects) accounts for revenue received from the City of Elko to be used for expansion of the convention facilities per Elko City Ordinance 4 – 6 – 10(H).

**Budgets and Budgetary Accounting**

Nevada Statutes require special districts to legally adopt budgets for all funds. The budgets are filed as matter of public record with the Elko County Clerk and State of Nevada Department of Taxation. The Authority staff uses the following procedures to establish, modify and control the budgetary data reflected in the financial statements:

1. On or before April 15, the Board submits a tentative budget for the fiscal year commencing the following July 1. The tentative budget includes proposed expenditures and the means of financing them. Budgets for governmental funds are prepared on the modified accrual basis of accounting.
2. Public hearings on the tentative budget are held prior to the adoption of the budget to obtain public comments.
3. On or before June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by a majority vote of the Board. The final budget must then be forwarded to the Nevada Department of Taxation for final approval. The above dates may be adjusted as necessary during legislative years.
4. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year, however formal encumbrance accounting is not utilized. All appropriations lapse at the end of the fiscal year.
5. The appropriated budget amounts may be transferred between functions or contingency accounts if the transfer does not increase the total appropriations for the fiscal year subject to advisement of the Board at the next subsequent meeting and must be recorded in the minutes of the meeting. Budget augmentations and amendments in excess of original budgetary amounts require prior approval of the Board, following a scheduled and noticed public hearing.
6. In accordance with state statute, actual expenditures may not exceed budgetary appropriations of the various functions of the individual funds, except for bond repayments, short – term financing repayment and any other long-term contract expressly authorized by law, and certain other items specified in Nevada Revised Statute (NRS) 354.626.
7. The budgeted amounts reflected in the financial statements recognize any budget amendments made during the year in accordance with the above procedures.

**Property Taxes**

Taxes on real property are levied and the lien attached on July 1 (the levy date) of the year for which the taxes are levied. Taxes are due on the third Monday of August however, they may be paid in quarterly installments payable on the third Monday of August and the first Mondays in October, January and March. Any tax paid more than ten days late is assessed a penalty. In the event of nonpayment, a tax lien is taken on the first Monday in May, and the Elko County Treasurer is authorized to hold the property for two additional years, subject to redemption upon payment of taxes, penalties and costs, together with interest at the rate of 10% per year from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the County Treasurer, upon approval of the County Commissioners, obtains a tax deed to the property free of all encumbrances. Upon receipt of a deed, the County Treasurer may sell the property to satisfy the tax lien.

The State of Nevada limits the total taxes levied by all overlapping governmental units within the boundaries of Elko County (i.e., the county, the state, the school district, the Authority, and any other city, town, or special district) to an amount not to exceed $3.64 per $100 of assessed valuation of the property being taxed, except in cases of severe financial emergency as defined by NRS 354.705.

Property tax revenue and the related receivable have been recognized for property tax assessments in the fiscal year for which they were levied, provided that such taxes were collected within 60 days after the Authority's year-end. Taxes receivable not collected within such time period are recorded as deferred inflows of resources at the Authority's year-end. All property taxes are collected by Elko County and remitted to the Authority monthly.

**Accounts Receivable**

Accounts receivable as stated in the balance sheet are reported net of allowance for uncollectible accounts of $400.

**Cash and Investments**

Cash includes amounts in demand deposits as well as short – term investments with a maturity date within three months of the date of acquisition. Cash balances from all funds other than the petty cash account are combined, held and invested by the Authority. Investments are reported at fair value based on quoted market prices.

State statutes authorize deposits in any bank, credit union or savings and loan that are federally insured. The Authority may invest in the following securities:

- United States bonds and debentures, bills and notes of the United States Treasury, or obligations of the United States or a corporation sponsored by the government maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Negotiable certificates of deposit from commercial banks, insured credit unions, or insured savings and loan associations.
- State of Nevada Local Government Pooled Investment Fund.
- Certain securities issued by local governments of the State of Nevada.
- Certain "AAA" rated money market mutual funds that invest in federal securities.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain bankers' acceptances not to exceed 180 days maturities or 20% of the money available for investment.
- Obligations of state and local governments rated A or higher and exempt from gross income for federal income tax purposes.
- Certain corporate or depository institution commercial paper purchased from a registered broker dealer rated A – 1, P – 1, or better with maturity of no more than 270 days.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government–wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $10,000 for buildings and $1,000 for all other assets and an estimated useful life in excess of one year. These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value determined at the date of donation. The Authority has no public domain (infrastructure) capital assets.

Capital assets are being depreciated using the straight – line method over the following estimated useful lives:

| | |
|---|---|
| Buildings | 30 – 40 years |
| Improvements other than buildings | 10 – 40 years |
| Equipment | 3 – 25 years |

**Prepaid Assets**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government–wide and fund financial statements.

**Compensated Absences**

Employees may accumulate unused vacation, compensatory time and sick pay benefits within certain limits. Vacation, compensatory, and applicable sick pay time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Remaining amounts of unused vacation, compensatory time and sick pay benefits are not recorded in the fund financial statements but are included in the government–wide financial statements. These benefits are paid from the General Fund.

**Trust Monies**

Trust monies are those items collected in advance and held for organizations and individuals utilizing the Authority's facilities.

**Long-Term Obligations**

The Authority reports long-term debt and other long-term obligations as liabilities at face value in the government–wide financial statements.

**Pensions**

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows and Outflows of Resources**

In addition to assets, the statement of net position/governmental funds balance sheet may report a separate section for deferred outflows of resources. This separate statement element represents the consumption of net position/fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority reported deferred outflows of resources related to pensions resulting from the difference between expected and actual experience, changes in assumptions or other inputs, changes in the Authority's proportion and differences between the Authority's contributions and the Authority's proportionate contribution, and the Authority's contributions subsequent to the measurement date of the net pension liability in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred inflows of resources. This separate statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reflects deferred inflows of resources which are unavailable revenue reported in the governmental fund balance sheet for delinquent property taxes and receipt of a prepayment for a land lease by a tenant under the modified accrual basis of accounting. The Authority reported deferred inflows of resources related to pensions resulting from the differences between expected and actual experience, the difference between projected and actual earnings on pension plan investments, and changes in the Authority's proportion and differences between the Authority's contributions and the Authority's proportionate contributions in the Statement of Net Position.

**Fund Equity or Net Position**

In the fund financial statements, governmental funds report five classifications of fund balance. Nonspendable are amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted is the result of constraints placed on assets that are externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Committed are amounts set aside by formal action of the Board. Formal Board action is also required to modify or rescind an established commitment. Assigned is the result of constraints on amounts imposed by the government's intent to be used for specific purposes but are neither restricted nor committed. The Authority has given responsibility for assigning fund balance amounts to the Executive Director and Comptroller in accordance with the Board discussion and direction. Unassigned is the residual classification of fund balance for the General Fund. The Board has committed $16,588 of facility expansion fund balance for future expansion projects and $52,000 of general fund balance as a reserve for excess health insurance claims.

In the General Fund, the Authority approved a policy to maintain unassigned fund balance of no less than two months of the prior year expenses to ensure sufficient available resources.

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

Net Investment in Capital Assets – This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted – The component of net position that reports the constraints placed on the use of assets by either external parties and/or enabling legislation. The Marketing and Tourism Promotion Fund assets are restricted for promotion of the Elko area. The Facility Expansion Fund assets are restricted for facility improvements and acquisitions.

Unrestricted – The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not reported in Net Investment in Capital Assets and Restricted Net Position.

**Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 - Nevada Revised Statutes and Administrative Code

The Authority conformed to all significant statutory and legal constraints on its financial administration during the year.

## Note 3 - Cash and Investments

Nevada Revised Statutes (NRS 355.170) sets forth acceptable investments for Nevada local governments. The Authority has adopted a formal investment policy; however, it does not further limit its exposure to certain risks.

Interest Rate Risk- Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statute.

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. As noted above, the Authority does not have a formal investment policy that specifies minimum acceptable credit ratings further than those listed in state statutes. Negotiable certificates of deposit are unrated with a maturity less than a year.

Custodial Credit Risk- Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. All deposits were collateralized under the Nevada Pooled Collateral Program or insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of outside parties.

The items classified as investments are negotiable certificates of deposit purchased in the open market and are reported at fair value.

| | Year Ended June 30, 2020 | |
|---|---|---|
| | Carrying Amount | Bank Balance |
| Cash Balances | | |
| On hand | $ 200 | $ - |
| Deposits | 3,738,119 | 3,788,932 |
| | $ 3,738,319 | $ 3,788,932 |

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments that are measured using Level 2 or Level 3 inputs. The Authority has the following fair value measurements as of June 30, 2020:

| | Fair Value | Quoted Prices in Active Markets For Identical Assets (Level 1) |
|---|---|---|
| Investment Type | | |
| Negotiable certificates of deposit | $ 924,942 | $ 924,942 |

## Note 4 - Capital Assets

The amounts recorded as capital assets are summarized as follows:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|---|---|---|---|
| Capital assets, being depreciated | | | | |
| Buildings | $ 17,247,256 | $ 22,597 | $ - | $ 17,269,853 |
| Improvements other than buildings | 744,207 | 62,820 | - | 807,027 |
| Equipment | 1,457,586 | 7,795 | (10,715) | 1,454,666 |
| | 19,449,049 | 93,212 | (10,715) | 19,531,546 |
| Less accumulated depreciation for | | | | |
| Buildings | (5,544,915) | (580,296) | - | (6,125,211) |
| Improvements other than buildings | (539,971) | (85,126) | - | (625,097) |
| Equipment | (777,049) | (74,595) | 10,575 | (841,069) |
| | (6,861,935) | (740,017) | 10,575 | (7,591,377) |
| Total capital assets being depreciated, net | 12,587,114 | (646,805) | (140) | 11,940,169 |
| Capital Assets, Not Being Depreciated | | | | |
| Land | 42,206 | - | - | 42,206 |
| | $ 12,629,320 | $ (646,805) | $ (140) | $ 11,982,375 |

Depreciation expense was charged to the general government function of the Authority.

## Note 5 - Operating Leases

The Authority has entered into a number of operating leases for office equipment and billboard space. The total amount paid under these leases during the current fiscal year was $6,119 The following is a schedule of future minimum rental payments under operating leases as of June 30, 2020:

| Year Ending June 30, | Amount |
|---|---|
| 2021 | $ 6,249 |
| 2022 | 2,219 |
| 2023 | 1,109 |
| | $ 9,577 |

## Note 6 - Long-Term Liabilities

Long-term liabilities as of June 30, 2020 consisted of the following:

| | Balance July 1, 2019 | Issued or Incurred | Retired or Paid | Balance June 30, 2020 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 43,778 | $ 58,590 | $ 46,354 | $ 56,014 | $ 56,014 |
| Capital lease obligation | 7,661,714 | - | 206,283 | 7,455,431 | 216,295 |
| | $ 7,705,492 | $ 58,590 | $ 252,637 | $ 7,511,445 | $ 272,309 |

The Authority was, in accordance with Nevada Revised Statutes, within the legal debt limit at June 30, 2020.

**Capital Lease**

The Authority has entered into a capital lease agreement for the use of the Conference Center building and related equipment.

Leased building and equipment under the capital lease in capital assets at June 30, 2020, include the following:

| | |
|---|---|
| Buildings | $ 11,000,000 |
| Equipment | 282,777 |
| Less: Accumulated depreciation | (2,030,404) |
| Total | $ 9,252,373 |

Current year depreciation for leased building and equipment of $451,202 is included in depreciation expense.

As of June 30, 2020, capital lease debt service costs are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2021 | $ 565,686 |
| 2022 | 565,686 |
| 2023 | 565,686 |
| 2024 | 565,686 |
| 2025 | 565,686 |
| 2026-2030 | 2,828,431 |
| 2031-2035 | 2,828,431 |
| 2036-2040 | 2,828,431 |
| 2041 | 421,142 |
| Total requirements | 11,734,865 |
| Less interest | (4,279,434) |
| Present value of remaining payments | $ 7,455,431 |

## Note 7 - Defined Benefit Plan

**Plan Description**

The Authority contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost sharing, multiple employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

**Benefits Provided**

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010 and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier and for regular members entering PERS on or after July 1, 2015, there is a 2.25% multiplier of all years of service. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 – .579.

**Vesting**

Regular members entering PERS prior to January 1, 2010 are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with 30 years of service. Regular members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, or any age with 30 years of service. Regular members entering PERS on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, or at 62 with ten years of service, at age 55 with 30 years of service, or at any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Regular members become fully vested as to benefits upon completion of five years of service.

**Contributions**

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer – Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in PERS are canceled upon withdrawal of contributions from the member's account. If EPC was selected, the member cannot covert to the Employee/Employer Contribution plan.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Actuarial Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contribution requirement as a percentage of salary.

For the fiscal year ended June 30, 2020, the statutory Employer/Employee matching rate was 15.25% for Regular members. The Employer – pay contribution (EPC) rate for the fiscal year ending June 30, 2020 was 29.25% for Regular members.

The Authority's contributions were $60,912 for the year ended June 30, 2020.

**PERS Investment Policy**

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of PERS.

The following was the PERS Board's adopted policy target asset allocation as of June 30, 2019:

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

As of June 30, 2019, PERS' long-term inflation assumption was 2.75%.

**Net Pension Liability**

At June 30, 2020, the Authority reported a liability of $1,291,547 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions in the PERS pension plan relative to the total contributions of all participating PERS employers and members. At July 1, 2019, the Authority's proportion was 0.00947 percent, which is a decrease of 0.00026 percent from its proportion measured as of June 30, 2018 of 0.00973 percent.

**Pension Liability Discount Rate Sensitivity**

The following presents the net pension liability of the Authority as of June 30, 2019, calculated using the discount rate of 7.50%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 – percentage – point lower (6.50%) or 1 – percentage – point higher (8.50%) than the current discount rate:

| | 1% Decrease in Discount Rate (6.50%) | Discount Rate (7.50%) | 1% Increase in Discount Rate (8.50%) |
|---|---|---|---|
| Authority's proportionate share of net pension liability | $ 1,999,804 | $ 1,291,547 | $ 702,806 |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position and additional information is available in the PERS Comprehensive Annual Financial Report, available on the PERS website (www.nvpers.org).

**Actuarial Assumptions**

The Authority's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation Rate | 2.75% |
| Investment Rate of Return | 7.50% |
| Productivity Pay Increase | 0.50% |
| Projected Salary Increases | Regular: 4.25% to 9.15%, depending on service<br>Rates include inflation and productivity increases |
| Consumer Price Index | 2.75% |
| Other Assumptions | Same as those used in the June 30, 2019 funding actuarial valuation |

Mortality rates for healthy members were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For ages less than 50, mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for healthy annuitants at age 50 to the mortality rate for employees at age 50. The mortality rates are then projected to 2020 with Scale MP-2016. Mortality rates for disabled were based on the Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years. Mortality rates for pre-retirement were based on Headcount-Weighted RP-2014 Employee Table, projected to 2020 with Scale MP-2016. The additional projection of six years is a provision made for future mortality improvement.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of the experience review completed in 2017.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2019, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

For the year ended June 30, 2020 the Authority recognized pension expense of $144,505. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 48,432 | $ 37,253 |
| Net difference between projected and actual earnings on pension plan investments | - | 64,249 |
| Changes in assumptions or other inputs | 52,561 | - |
| Changes in the Authority's proportion and differences between the Authority's contributions and the Authority's proportionate contributions | 53,771 | 58,587 |
| Authority contributions subsequent to the measurement date | 60,912 | - |
| | $ 215,676 | $ 160,089 |

The $60,912 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined is 6.18 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | |
|---|---|
| 2020 | $ 14,196 |
| 2021 | (16,358) |
| 2022 | 3,396 |
| 2023 | (3,732) |
| 2024 | (2,376) |
| Thereafter | (451) |

**Additional Information**

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on PERS website at www.nvpers.org under Quick Links – Publications.

## Note 8 - Healthcare Plan

The Authority participates in a healthcare plan for current employees sponsored by Elko County, Nevada, Elko County Employee Health Benefits Plan (ECEHBP). The Authority is responsible to pay all premiums required under the plan and also to establish a reserve to assist in payment of health claims, should they exceed the plan reserves, in the amount of $52,000. As of June 30, 2020, the Authority has committed $52,000 of General Fund ending fund balance for this purpose. Authority retirees do not participate in this plan. For more information regarding this plan, contact Elko County in writing at 569 Court Street, Elko, Nevada 89801 or by calling (775) 738-5398.

## Note 9 - Postemployment Healthcare Plan

The Authority contributes to a single employer defined benefit postemployment healthcare plan, Public Employees' Benefits Plan (PEBP). This plan provides medical and life insurance benefits to eligible retired Authority employees and beneficiaries.

Benefit provisions for PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine – member board of trustees. Authority employees who met the eligibility requirements effective September 1, 2008 for retirement within the Nevada Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 discontinued the option to join PEBP for Authority employees who retired after November 29, 2008. Local governments are required to pay the same portion of the cost of coverage for their retirees joining PEBP that the State of Nevada pays for state retirees participating in their plan. As of June 30, 2020, three Authority retirees were utilizing this benefit.

For PEBP, NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired Authority employees. The contribution requirements of plan members and the Authority may be amended by the PEBP board. As a participating employer, the Authority is billed for the subsidy on a monthly basis and is legally required to provide for it. For the plan year ended June 30, 2020, the Authority paid subsidies for qualified retirees ranging from $91 to $246 per month. For fiscal year 2020, the Authority contributed $6,384.

The Authority was determined to be a Level 3 governmental entity for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* reporting requirements. As part of GASB Statement No. 75 requirements, an actuarial study needs to be performed to determine the unfunded actuarial liability, the annual OPEB cost, net OPEB obligation, and other information. The Authority should also provide prior year information for comparison as to funding progress made. The Authority evaluated its potential liability using the Fidelity Municipal Government AA 20 years index rate of 2.45%, readily available actuarial life expectancy tables, and current PEBP premiums to estimate its future liability. The Authority determined the net

OPEB obligation required to be recorded on its financial statements was immaterial. Based on this determination, the Authority did not have a formal actuarial study performed. The Authority will evaluate this estimate of liability in each future year and will have the actuarial study performed when it estimates the liability to be recorded would materially misstate the financial statements, if not included. At June 30, 2020, not all information required to be reported by GASB Statement No. 75 is available and therefore is not included in this report.

## Note 10 - Subsequent Events

The Authority has evaluated subsequent events through December 9, 2020, which is the date these financial statements were available to be issued.

### General Operations

The Authority has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Authority is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Authority's financial position is not known.

Required Supplementary Information
June 30, 2020

# Elko Convention & Visitors Authority

*This page intentionally left blank*

| Fiscal Year Ending | Authority's Proportion of the Net Pension Liability | Authority's Proportionate Share of the Net Pension Liability | Authority's Covered Payroll | Authority's Proportionate Share of the Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2014 | 0.00891% | $ 928,237 | $ 525,631 | 176.59% | 76.30% |
| 2015 | 0.00917% | 1,051,342 | 549,949 | 191.17% | 75.13% |
| 2016 | 0.01000% | 1,345,209 | 610,691 | 220.28% | 72.23% |
| 2017 | 0.01006% | 1,338,575 | 645,275 | 207.44% | 74.42% |
| 2018 | 0.00973% | 1,327,259 | 499,441 | 265.75% | 75.24% |
| 2019 | 0.00947% | 1,291,547 | 494,326 | 261.27% | 76.46% |

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

| Fiscal Year Ending | Statutorily Required Contribution ** | Contributions in Relation to the Statutorily Required Contribution** | Contribution Deficiency (Excess) | Authority's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2015 | $ 70,806 | $ 70,806 | $ - | $ 549,949 | 12.88% |
| 2016 | 84,754 | 84,754 | - | 610,691 | 13.88% |
| 2017 | 90,344 | 90,344 | - | 645,275 | 14.00% |
| 2018 | 63,213 | 63,213 | - | 499,441 | 12.66% |
| 2019 | 58,166 | 58,166 | - | 494,326 | 11.77% |
| 2020 | 60,912 | 60,912 | - | 492,353 | 12.37% |

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year tend is compiled, the Authority will present information for those years for which information is available.

** All contributions shown reflect employer-paid contributions only. Member contributions are excluded.

Supplementary Information
June 30, 2020

# Elko Convention & Visitors Authority

*This page intentionally left blank*

| | Budgeted Amounts | | | Final Budget | |
|---|---|---|---|---|---|
| | Original | Final | Actual | Variance | 2019 |
| Revenues | | | | | |
| Taxes | | | | | |
| Room taxes | $ 640,000 | $ 640,000 | $ 544,275 | $ (95,725) | $ 662,803 |
| Intergovernmental revenues | | | | | |
| Combined state apportionment | 391,396 | 391,396 | 391,396 | - | 391,396 |
| Charges for servcies | | | | | |
| Facilities revenue | 873,800 | 873,800 | 300,270 | (573,530) | 864,349 |
| Community support | 171,400 | 171,400 | 44,920 | (126,480) | 186,644 |
| | 1,045,200 | 1,045,200 | 345,190 | (700,010) | 1,050,993 |
| Miscellaneous | | | | | |
| Interest income | 10,500 | 10,500 | 15,274 | 4,774 | 10,833 |
| Net increase (decrease) in fair value of investments | - | - | 6,579 | 6,579 | 626 |
| Other | 1,000 | 1,000 | 185 | (815) | 347 |
| | 11,500 | 11,500 | 22,038 | 10,538 | 11,806 |
| Total revenues | 2,088,096 | 2,088,096 | 1,302,899 | (785,197) | 2,116,998 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Salaries | 715,955 | 715,955 | 682,126 | 33,829 | 722,978 |
| Employee benefits | 410,321 | 410,321 | 396,890 | 13,431 | 386,970 |
| Services and supplies | 735,655 | 806,827 | 522,365 | 284,462 | 727,592 |
| Advertising and promotion | 151,100 | 152,928 | 25,598 | 127,330 | 117,323 |
| Capital outlay | 86,500 | 88,500 | 16,767 | 71,733 | 55,646 |
| | 2,099,531 | 2,174,531 | 1,643,746 | 530,785 | 2,010,509 |
| Debt service | | | | | |
| Principal payment - capital lease | 206,283 | 206,283 | 206,283 | - | 196,734 |
| Interest payment - capital lease | 359,403 | 359,403 | 359,403 | - | 368,952 |
| | 565,686 | 565,686 | 565,686 | - | 565,686 |
| Total expenditures | 2,665,217 | 2,740,217 | 2,209,432 | 530,785 | 2,576,195 |
| Excess (Deficiency) of Revenues Over Expenditures | (577,121) | (652,121) | (906,533) | (254,412) | (459,197) |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | - | - | 401 | 401 | 12 |
| Contingency | (75,000) | - | - | - | - |
| Transfers in | 450,000 | 450,000 | 431,915 | (18,085) | 200,000 |
| Total other financing sources (uses) | 375,000 | 450,000 | 432,316 | (17,684) | 200,012 |
| Net Change in Fund Balance | (202,121) | (202,121) | (474,217) | (272,096) | (259,185) |
| Fund Balances, Beginning of Year | 1,986,454 | 1,986,454 | 1,595,253 | (391,201) | 1,854,438 |
| Fund Balances, End of Year | $ 1,784,333 | $ 1,784,333 | $ 1,121,036 | $ (663,297) | $ 1,595,253 |

# Elko Convention & Visitors Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual –
Marketing and Tourism Promotion Fund
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | Budgeted Amounts | | | | |
|---|---|---|---|---|---|
| | Original | Final | Actual | Final Budget Variance | 2019 |
| Revenues | | | | | |
| Taxes | | | | | |
| Room taxes | $ 475,000 | $ 475,000 | $ 401,157 | $ (73,843) | $ 488,845 |
| Intergovernmental revenues | | | | | |
| State grant revenue | 40,000 | 40,000 | 5,833 | (34,167) | 30,668 |
| Miscellaneous | | | | | |
| Interest income | 1,500 | 1,500 | 6,858 | 5,358 | 2,367 |
| Other | - | - | 63 | 63 | 1,250 |
| Net increase (decrease) in fair value of investments | - | - | 806 | 806 | - |
| | 1,500 | 1,500 | 7,727 | 6,227 | 3,617 |
| Total revenues | 516,500 | 516,500 | 414,717 | (101,783) | 523,130 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Advertising and promotioı | 705,000 | 705,000 | 338,123 | 366,877 | 328,594 |
| Grant expenses | 85,000 | 85,000 | 24,671 | 60,329 | 25,364 |
| Total expenditures | 790,000 | 790,000 | 362,794 | 427,206 | 353,958 |
| Excess (Deficiency) of Revenues Over Expenditures | (273,500) | (273,500) | 51,923 | 325,423 | 169,172 |
| Other Financing Sources (Uses) | | | | | |
| Contingency | (15,000) | (15,000) | - | 15,000 | - |
| Net Change in Fund Balance | (288,500) | (288,500) | 51,923 | 340,423 | 169,172 |
| Fund Balances, Beginning of Year | 1,088,899 | 1,088,899 | 1,199,637 | 110,738 | 1,030,465 |
| Fund Balances, End of Year | $ 800,399 | $ 800,399 | $ 1,251,560 | $ 451,161 | $ 1,199,637 |

| | Budgeted Amounts | | | | |
|---|---|---|---|---|---|
| | Original | Final | Actual | Final Budget Variance | 2019 |
| Revenues | | | | | |
| Taxes | | | | | |
| Ad valorem taxes | $ 454,146 | $ 454,146 | $ 514,651 | $ 60,505 | $ 521,227 |
| Miscellaneous | | | | | |
| Interest income | 12,000 | 12,000 | 12,041 | 41 | 17,107 |
| Other | 100 | 100 | - | (100) | 100 |
| Net increase (decrease) in fair value of investments | - | - | 7,770 | 7,770 | 4,714 |
| | 12,100 | 12,100 | 19,811 | 7,711 | 21,921 |
| Total revenues | 466,246 | 466,246 | 534,462 | 68,216 | 543,148 |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | | | | | |
| Services and supplies | 2,000 | 2,000 | 4,245 | (2,245) | 1,962 |
| Capital outlay | 335,000 | 335,000 | 76,672 | 258,328 | 1,488,374 |
| Total expenditures | 337,000 | 337,000 | 80,917 | 256,083 | 1,490,336 |
| Excess (Deficiency) of Revenues Over Expenditures | 129,246 | 129,246 | 453,545 | 324,299 | (947,188) |
| Other Financing Sources (Uses) | | | | | |
| Contingency | (8,000) | (8,000) | - | 8,000 | - |
| Transfer out | (200,000) | (200,000) | (200,000) | - | - |
| Total other financing sources (uses) | (208,000) | (208,000) | (200,000) | 8,000 | - |
| Net Change in Fund Balance | (78,754) | (78,754) | 253,545 | 332,299 | (947,188) |
| Fund Balances, Beginning of Year | 1,747,227 | 1,747,227 | 1,977,439 | 230,212 | 2,924,627 |
| Fund Balances, End of Year | $ 1,668,473 | $ 1,668,473 | $ 2,230,984 | $ 562,511 | $ 1,977,439 |

| | Budgeted Amounts | | | Final Budget | |
|---|---|---|---|---|---|
| | Original | Final | Actual | Variance | 2019 |
| Revenues | | | | | |
| Taxes | | | | | |
| Room taxes | $ 215,000 | $ 215,000 | $ 349,876 | $ 134,876 | $ - |
| Miscellaneous | | | | | |
| Interest income | 100 | 100 | 59 | (41) | 105 |
| Total revenues | 215,100 | 215,100 | 349,935 | 134,835 | 105 |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | | | | | |
| Services and supplies | 200 | 200 | - | 200 | - |
| Excess (Deficiency) of Revenues Over Expenditures | 214,900 | 214,900 | 349,935 | 135,035 | 105 |
| Other Financing Sources (Uses) | | | | | |
| Transfer out | (250,000) | (250,000) | (231,915) | 18,085 | (200,000) |
| Net Change in Fund Balance | (35,100) | (35,100) | 118,020 | 153,120 | (199,895) |
| Fund Balances, Beginning of Year | 99,493 | 99,493 | 16,588 | (82,905) | 216,483 |
| Fund Balances, End of Year | $ 64,393 | $ 64,393 | $ 134,608 | $ 70,215 | $ 16,588 |

Compliance Section
June 30, 2020

# Elko Convention & Visitors Authority

*This page intentionally left blank*

**Independent Auditor's 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 Governors
Elko Convention & Visitors Authority
Elko, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Elko Convention & Visitors Authority, State of Nevada (the 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 statement and have issued our report thereon dated December 9, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial

reporting that might be material weaknesses 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 (2020-001, 2020-002, and 2020-003) that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**Elko Convention & Visitors Authority's Response to Findings**

The Authority's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Elko, Nevada
December 9, 2020

**Auditor's Comments**

To the Board of Governors
Elko Convention & Visitors Authority
Elko, Nevada

In connection with our audit of the financial statements of the governmental activities and each major fund of the Elko Convention & Visitors 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 Elko Convention & Visitors Authority failed to comply with the specific requirements of Nevada Revised Statutes cited below other than the violations reported in Note 2 to the financial statements. However, our audit was not directed primarily toward obtaining knowledge of such 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**
Compliance with Nevada Revised Statues and the Nevada Administrative Code is contained in Note 2 of the financial statements.

**Disposition of Prior Year Statute Violations**
In the prior year, there was an apparent violation of NAC 354.750. No similar violations were noted in the current year.

**Prior Year Recommendations**
Prior year finding 2019-A is reported again this year as finding 2020-001.

**Current Year Recommendations**
See items noted in the Schedule of Findings and Responses.

Eide Bailly LLP

Elko, Nevada
December 9, 2020

**2020-001 Report Preparation and Audit Adjustments**
**Material Weakness**

*Criteria:* Management of the Elko Convention & Visitors Authority is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control is a finance staff with adequate resources available to prepare the financial statements in accordance with generally accepted accounting principles. Additionally, a good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:* Based on our audit procedures performed as of June 30, 2020, we proposed the following material audit adjustments to properly state various account balances in order to fairly present the financial statements in accordance with generally accepted accounting principles:

- Accrued payroll liabilities and payroll expenditures were understated by $9,247 in the General Fund and the Governmental Activities government-wide statements.
- Due from other governments and deferred inflows of resources – unavailable revenue – delinquent property taxes were understated by $9,506 in the Capital Projects Fund.
- Accounts payable and expenditures were understated by $2,375 in the Capital Projects Fund, $9,351 in the Marketing and Tourism Fund, and $11,726 in the Governmental Activities government-wide statements.
- Investments and unrealized gain revenues were understated by $6,579 in the General Fund, $805 in the Marketing & Tourism Fund, $8,150 in the Capital Projects Fund, and $15,534 in the Governmental Activities government-wide statements.
- Grant revenue and unearned revenues were overstated by $1,667 in the Marketing and Tourism Fund and the Governmental Activities government-wide statements.
- Room tax revenue and due to other governments were overstated by $6,156 in the General Fund, $4,536 in the Marketing and Tourism Fund, and $10,692 in the Governmental Activities government-wide statements.
- Cash was overstated by $6,886, facility revenue was overstated by $5,118, expenditures was understated by $225, and due from other funds was understated by $1,543 in the General fund. Cash and due to other funds was understated by $1,543 in the Marketing and Tourism Fund. Cash was overstated by $5,343, charges for services revenue was overstated by $5,118, and expenditures were understated by $225 in the Governmental Activities government-wide statements.

*Cause:* Given the daily responsibilities of management, the resources of time and training necessary to prepare the Authority's financial statements in accordance with generally accepted accounting principles are not available. As a result, the Authority has chosen to contract with Eide Bailly LLP to prepare the financial statements. This circumstance is not unusual in an organization of this size, due to time constraints of management and costs associated with compliance of the standards. However, management has not implemented sufficient procedures to capture the necessary information needed for the financial statements and related disclosures to be prepared in all material respects.

*Effect:* The Authority's financial records required audit adjustments in order for the financial statements to be in accordance with generally accepted accounting principles. Internally prepared financial information may not be accurate and full disclosure financial statements may not be available as timely as they would be if prepared by the Authority's personnel.

*Recommendation:* We recommend Management perform a detailed review of all financial statements and fund trial balances throughout the year to ensure that all significant transactions have been appropriately reported. In addition, Management and Those Charged with Governance should annually make the decision to accept the degree of risk associated with this condition because of costs or other considerations.

*Views of Responsible Officials:* Management will annually review whether to accept the degree of risk associated with the auditors preparing the Authority's financial statements. In addition, management will perform year end reconciling procedures to ensure accounts are properly stated.

**2020-002 Internal Controls over Adjusting Journal Entries**
**Material Weakness**

*Criteria:* Management is responsible for establishing and maintaining an effective system of internal controls over financial reporting. One of the key components of an effective system of internal control is the ability to maintain accounting records necessary to prepare the financial statements in accordance with generally accepted accounting principles.

*Condition:* During the course of our engagement, it was noted that, of the fourteen journal entries selected for testing, one lacked documentation to support the journal entry that was made.

*Cause:* Internal controls in place were not sufficient to ensure that adjusting journal entries documentation kept were in support of the journal entries. Documentation could be improved to support amount calculations and reason for accounts used.

| | |
|---|---|
| *Effect:* | Possible misstatements of the financial statements. |
| *Recommendation:* | We recommend that management enhance controls to ensure that documentation supports each adjusting journal entry. |
| *Views of Responsible Officials:* | Management agrees with the finding. |

**2020-003 Internal Controls over Cash Reconciliations**
**Material Weakness**

| | |
|---|---|
| *Criteria:* | Management is responsible for establishing and maintaining an effective system of internal controls over financial reporting. One of the key components of an effective system of internal control is the ability to maintain accounting records necessary to prepare the financial statements in accordance with generally accepted accounting principles. |
| *Condition:* | During the course of our engagement, it was noted that two of the five bank accounts did not reconcile at June 30, 2020 to the general ledger. |
| *Cause:* | Internal controls in place were not sufficient to ensure that all cash accounts were accurately reconciled. |
| *Effect:* | Possible misstatements of the financial statements. |
| *Recommendation:* | We recommend that management enhance controls to ensure that all cash accounts are accurately reconciled each month and reviewed timely by someone other than the preparer. |
| *Views of Responsible Officials:* | Management agrees with the finding. |