

**Lexington Convention and Visitors Bureau**

**Financial Statements**

**Year Ended June 30, 2015**

**Lexington Convention and Visitors Bureau**

Table of Contents  
June 30, 2015

**Financial Section**

Independent Auditor’s Report ..... 1-2  
Management’s Discussion and Analysis..... 3-7

**Basic Financial Statements**

Statement of Net Position..... 8  
Statement of Revenues, Expenses and Changes in Net Position ..... 9  
Statement of Cash Flows ..... 10  
Notes to the Financial Statements..... 11-19

**Required Supplementary Information**

Budgetary Comparison Schedule..... 20  
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios..... 21  
Schedule of Employer Contributions ..... 21  
Notes to Schedules Related to the County Employees Retirement System of KRS Information ..... 21  
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
And Other Matters Based on an Audit of the Financial Statements Performed in  
Accordance with Governmental Auditing Standards ..... 22



## **Independent Auditor's Report**

To the Commission Members  
**Lexington Convention and Visitors Bureau**

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Lexington Convention and Visitors Bureau, (Bureau), a component unit of Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Bureau'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bureau as of June 30, 2015 and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report (continued)**

### **Emphasis of Matter – New GASB Implementation**

As discussed in Note 11 to the financial statements, the Bureau adopted Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The implementation resulted in a restatement of prior year net position (See Note 1).

### **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 3 through 7 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.

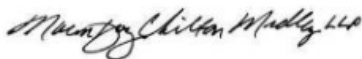
#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bureau's basic financial statements. The Budgetary Comparison Schedule on page 20 and the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and the Notes to Schedules Related to the County Employees Retirement System of KRS Information on page 21 are presented for purposes of additional analysis and are a required part of the basic financial statements.

The Budgetary Comparison Schedule, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and the Notes to Schedules Related to the County Employees Retirement System of KRS Information 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 Budgetary Comparison Schedule, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and the Notes to Schedules Related to the County Employees Retirement System of KRS Information are fairly stated in all material respects in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2015 on our consideration of the Bureau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bureau's internal control over financial reporting and compliance.



Lexington, Kentucky  
September 30, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion about the financial performance of the Lexington Convention and Visitors Bureau (Bureau) provides a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. Readers are encouraged to consider this narrative with the financial statements that follow.

The Bureau is a component unit of the Lexington-Fayette Urban County Government and all activities are intended to recover costs through the generation of occupancy tax revenue. As such, the Bureau's financial reports are prepared following generally accepted accounting principles of a governmental unit engaged in business-type activity.

### HIGHLIGHTS

**Net Position** The assets of the Bureau exceeded liabilities at fiscal year-end by \$4,201,515.67 (presented as Total Net Position). Of this amount, \$4,023,942.32 was reported as "unrestricted net position." This compares to the previous year when, after restatement, net position exceeded liabilities by \$3,072,445.85 and unrestricted net position was \$2,836,497.14. Unrestricted net position represents the amount available to meet ongoing obligations.

**Change in Net Position** Total net position increased by \$1,129,069.82 during fiscal year 2015. Net Position as of July 1, 2014 has been restated for the adoption of GASB Statement No. 68, as amended by GASB Statement No. 71.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This overview and analysis is intended to serve as an introduction to the Bureau's basic financial statements, which include two components: (1) the financial statements and (2) notes to the financial statements. This report also contains other supplementary information, which is a budgetary comparison schedule. These components are described below.

### FINANCIAL STATEMENTS

Because the Bureau reports as a business-type activity, it presents the statements required for that type of entity. The statements provide both short-term and long-term information about the Bureau's financial position. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting that is used in the private sector. These financial statements take into account all revenues and expenses related to the fiscal year regardless of whether the cash involved has been received or disbursed. The financial statements include three statements:

1. The Statement of Net Position (page 8) presents the Bureau's assets and liabilities, with the difference between the two is reported as "Total Net Position." Over time, increases or decreases in the Bureau's net position serves as an indicator of whether the financial position of the Bureau is improving or deteriorating.
2. The Statement of Revenues, Expenses and Changes in Net Position (page 9) presents information regarding how net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for items that will not result in cash transactions until future fiscal periods (such as uncollected revenues and earned, but not used, personal leave).
3. The Statement of Cash Flows (page 10) presents the cash receipts and cash payments occurring during the fiscal year. In this statement, changes in net position are reported when the cash transaction occurs, regardless of the timing of the underlying events. This report provides users with the information needed to assess the Bureau's ability to generate future cash flow and meet obligations as they come due and to identify operating versus investing activity.

## NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements may be found immediately following the financial statements and preceding the supplementary information, pages 11 through 19.

## SUPPLEMENTARY INFORMATION

Following the basic financial statements is supplementary information that is used to further explain and support the information in the financial statements. The supplementary information is the Budgetary Comparison Schedule, which can be found on page 20, and the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and the Notes to the Schedules Related to the County Employees Retirement System of KRS Information found on page 21.

## FINANCIAL ANALYSIS OF THE BUREAU

The condensed information below was derived from the Bureau's Statement of Net Position at June 30, 2015 and June 30, 2014. The net position at June 30, 2015 is \$4,201,515.67, an increase of \$1,129,069.82 over fiscal year 2014's restated net position of \$3,072,445.85.

	Net Position as of		Amount	%
	June 30, 2015	June 30, 2014	Change	Change
Current Assets	\$ 3,531,714.99	\$ 3,065,475.26	\$ 466,239.73	15%
Capital Assets	177,573.35	235,948.71	(58,375.36)	-25%
Other Assets	2,378,515.31	1,626,693.30	751,822.01	46%
Total Assets	<u>\$ 6,087,803.65</u>	<u>\$ 4,928,117.27</u>	<u>\$ 1,159,686.38</u>	<u>24%</u>
Current Liabilities	274,973.06	267,671.42	7,301.64	3%
Noncurrent Liabilities, Restated	1,611,314.92	1,588,000.00	23,314.92	1%
Total Liabilities	<u>\$ 1,886,287.98</u>	<u>\$ 1,855,671.42</u>	<u>\$ 30,616.56</u>	<u>2%</u>
Invested in Capital Assets	177,573.35	235,948.71	(58,375.36)	-25%
Unrestricted Net Position, Restated	4,023,942.32	2,836,497.14	1,187,445.18	42%
Total Net Position, Restated	<u><u>\$ 4,201,515.67</u></u>	<u><u>\$ 3,072,445.85</u></u>	<u><u>\$ 1,129,069.82</u></u>	<u><u>37%</u></u>

Current Assets accounts for cash, cash equivalents, investments, deposits, accounts receivable, inventory and prepaid expenses. Current assets at June 30, 2015 increased by \$466,239.73 or 15% when compared to 2014. This increase was primarily in cash and cash equivalents. It is attributed to the additional revenue received for occupancy tax receipts and a decrease in expenses.

Capital Assets accounts for the Bureau's investment in capital assets including furniture and fixtures, leasehold improvements, office furniture, equipment, software applications and trademarks. During 2015, the Bureau invested in computer equipment, furniture and fixtures, office equipment and trademarks. The total cost of these items was \$11,716.58. After applying depreciation, total capital assets decreased by \$58,375.36.

Other Assets accounts for the employee cafeteria plan and the Commission designated investments. At June 20, 2015, the balance of the employee cafeteria plan was \$3,515.31, an increase of \$1,822.01 from 2014. Commission designated investments increased \$750,000.00 during the year and were \$2,375,000.00 at June 30, 2015. During 2015 the Bureau elected not to purchase additional investments due to current market conditions and interest rates. Amounts available to purchase investments are being retained in a fully collateralized account.

Current Liabilities, which includes accounts payable, accrued wages and benefits, the employee cafeteria plan payable and compensated absences, increased by 3% or \$7,301.64 for the year.

Noncurrent liabilities include the Bureau's pension liability. Fiscal 2015 activity resulted in an increase of 1% or \$23,314.92 in the total liability.

The larger component of the Bureau's net position (96%) is the Unrestricted Net Position, which are the resources that may be used at the Bureau's discretion to meet ongoing obligations. Unrestricted Net Position was \$1,129,069.82 more at June 30, 2015, than they were at June 30, 2014.

The remaining net position balance represents the Bureau's investment in capital assets such as furniture and fixtures, leasehold improvements, office equipment, software and trademarks. The Bureau uses these assets to provide services to visitors and clients to promote the Lexington brand; these assets are not available for future spending. After netting capital asset acquisitions with the related depreciation, Net Position Invested in Capital Assets decreased by \$58,375.36 or 25%.

The following condensed financial information was derived from the Bureau's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2015, and June 30, 2014. Line items from the statement have been re-categorized into the major functions to summarize the Bureau's operations for the two fiscal years and show the changes in the Bureau's Total Net Position.

	Statement of Changes in Net Assets		Amount Change	% Change
	for Fiscal Year Ending June 30, 2015	2014		
<b>REVENUES</b>				
Occupancy Tax	\$ 6,406,167.61	\$ 5,926,314.41	\$ 479,853.20	8%
Matching Funds	332,712.00	497,395.25	(164,683.25)	-33%
Miscellaneous	14,020.75	20,710.39	(6,689.64)	-32%
Interest and Investment Income	4,729.15	3,712.49	1,016.66	27%
Total Revenues	<u>6,757,629.51</u>	<u>6,448,132.54</u>	<u>309,496.97</u>	<u>5%</u>
<b>EXPENSES</b>				
Personnel	1,621,409.41	1,585,050.40	36,359.01	2%
Professional Services	94,163.52	351,687.89	(257,524.37)	-73%
Office Expense	350,351.49	421,948.46	(71,596.97)	-17%
Printing & Publishing	213,467.92	169,619.90	43,848.02	26%
Promotion	796,249.74	714,628.10	81,621.64	11%
Marketplace Travel	40,730.96	29,190.87	11,540.09	40%
Advertising	1,699,421.24	1,200,954.70	498,466.54	42%
Research	17,750.00	12,000.00	5,750.00	48%
Staff Education	45,540.62	29,849.25	15,691.37	53%
Lexington Center Contribution	648,000.00	748,000.00	(100,000.00)	-13%
LFUCG Collection Fee	32,030.85	29,631.56	2,399.29	8%
Depreciation	69,443.94	68,567.07	876.87	1%
Total Expenses	<u>5,628,559.69</u>	<u>5,361,128.20</u>	<u>267,431.49</u>	<u>5%</u>
Increase in Net Assets	1,129,069.82	1,087,004.34	42,065.48	4%
Net Position - Beginning, Restated	<u>3,072,445.85</u>	<u>1,985,441.51</u>	<u>1,087,004.34</u>	<u>55%</u>
Net Position - Ending, Restated	<u>\$ 4,201,515.67</u>	<u>\$ 3,072,445.85</u>	<u>\$ 1,129,069.82</u>	<u>37%</u>

Occupancy tax is the 4% transient room tax levied on occupancy of hotels and motels located in Fayette County. Occupancy tax revenue increased during the year with total receipts at \$6,406,167.61, an 8% increase from the previous fiscal year.

Matching funds revenue decreased by 33% or \$164,683.25 for fiscal year 2015. This decrease was due to the change in the allocation formula after the 2014 Legislative session that eliminated \$9,000,000.00 from the Department of Travel and Tourism budget. During 2015 the amount allocated to the Bureau was \$332,712.00.

Interest income increased \$1,016.66 or 27% during 2015. This increase is the result of an increase in the amount of cash or cash equivalents in the Bureau's operating account.

Professional services expense decreased by 73% or \$257,524.37 during fiscal year 2015. This decrease was due to the professional services for design and creative associated with advertising being charged to the advertising line item rather than professional services.

Office expense decreased by 17% or \$71,596.97 during fiscal year 2015. This decrease is the direct result of the expense for fulfillment associated with consumer requests being moved from the postage line in office expense to advertising.

Promotion increased 11% or \$81,621.64 for the year. This increase is the result of an overall increase expenses due to a budget amendment in early 2015.

Advertising increased 42% or \$498,466.54 for the year. This increase is the result of an overall increase expenses due to a budget amendment in early 2015.

Research increased 48% or \$5,750.00 for 2015 as the Bureau conducted a marketing related research project during the year.

Lexington Center Contributions decreased 13% or \$100,000.00. Beginning in fiscal year 2013, contributions decrease \$100,000.00 per year until the amount is extinguished.

Several other line items had variances for fiscal year 2015. These variances were the result of management decisions to reallocate resources to accommodate changes in priorities and needs during the year.

## **BUDGETARY HIGHLIGHTS**

The Bureau's Board of Commissioners approves the annual budget prior to the beginning of the fiscal year. The Bureau closely monitored expenses and occupancy tax collections for the first six months of the year. A budget amendment, which included expense re-alignments, was approved on March 18, 2015.

Bureau management strives to reduce expenses and pursue cost saving techniques without sacrificing visitor and client services. During fiscal year 2015 we continued to explore opportunities to further reduce expenses. We have initiated and continued the following cost saving techniques which will continue in future fiscal years:

- Continued to improve the monitoring of occupancy tax collections for timely payment and collections, resulting in a slight increase in revenue and timely payments.
- Utilized document scanning to eliminate or reduce photocopying, physical storage and supplies expense.
- Utilized electronic distribution tools for marketing materials, resulting in reduced production and distribution costs.
- Utilized social media technologies to expand low cost marketing opportunities.
- Expanded relationships with the media to increase the advertising equivalency which reduces overall advertising costs.
- Printed select materials in-house, resulting in reduced printing costs.



## **ECONOMIC CONDITION AND OUTLOOK**

The Bureau experienced a very positive financial year during 2015. Revenue projections were significantly more than budget while initiatives continued to reduce expenses to the extent possible, where appropriate.

For fiscal year 2016, the Bureau prepared a conservative operating budget with a 3% decrease in occupancy tax collections. Due to the two month lag on occupancy tax collection, the 2016 budget was required to be approved prior to knowing that year end revenue would exceed prior year revenue by 8%. As such, the conservative operating budget will be amended in October 2015.

Preliminary reports from the industry are positive as both occupancy and rate continue to improve. All indications are that the pattern will continue through fiscal 2016.

As a result of targeted advertising campaigns, leisure travel has been steadily improving and will continue to do so as major events are announced. During fiscal year 2016 Lexington will host the Breeders Cup. As such, revenue will increase for a period around the event as demand increases, creating compression and increasing occupancy and rate.

Revenues will be closely monitored and the 2016 budget will be amended as appropriate.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances of the Lexington Convention and Visitors Bureau to interested individuals. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lexington Convention and Visitors Bureau, Attention: Vice President, Finance and Operations, 250 West Main Street, Suite 2100, Lexington, KY 40507, (859) 233-1221.

**Lexington Convention Visitors Bureau**  
**Statement of Net Position**  
**June 30, 2015**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 2,077,063.77
Accounts Receivable	1,254,722.04
Inventory	79,843.67
Prepaid Expenses	120,085.51
Total Current Assets	<u>3,531,714.99</u>

Noncurrent Assets:

Restricted Cash	3,515.31
Commission Designated Investments	2,375,000.00
Capital Assets, Net of Accumulated Depreciation	177,573.35
Total Noncurrent Assets	<u>2,556,088.66</u>

Deferred Outflows of Resources 136,134.60

Total Assets and Deferred Outflows of Resources \$ 6,223,938.25

**Liabilities**

Current Liabilities:

Accounts Payable	\$ 160,094.78
Accrued Wages and Benefits	63,162.82
Compensated Absences Payable	48,200.15
Employee Cafeteria Plan Payable	3,515.31
Total Current Liabilities	<u>274,973.06</u>

Noncurrent Liabilities:

Net Pension Liability	<u>1,403,000.00</u>
Total Noncurrent Liabilities	<u>1,403,000.00</u>

Deferred Inflows of Resources 344,449.52

Total Liabilities and Deferred Inflows of Resources 2,022,422.58

**Net Position**

Invested in Capital Assets	177,573.35
Unrestricted	4,023,942.32
Total Net Position	<u>4,201,515.67</u>

Total Liabilities and Net Position \$ 6,223,938.25

**Lexington Convention and Visitors Bureau**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Period Ended June 30, 2015**

**Revenues**

Occupancy Tax Receipts	\$ 6,406,167.61
Matching Funds Revenue	332,712.00
Other Income	14,020.75
Total Operating Revenues	6,752,900.36

**Operating Expenses**

Personnel Expense	\$ 1,621,409.41
Contributions to Lexington Center Corporation	648,000.00
Professional Services	94,163.52
Rent and Utilities	166,418.77
Leases and License Fees	8,655.05
Office Supplies	32,988.33
Postage	5,803.45
Industry Associations and Subscriptions	69,508.88
Printing and Publishing	213,467.92
Insurance	10,617.96
Communications Expense	54,312.10
Website	19,553.40
Equipment Repair and Maintenance	1,398.95
FAM Tours/Site Visits/Travel Writers	71,743.85
Marketplace Travel	40,730.96
Conventions and Meetings	117,437.56
Promotional Items	60,194.20
Advertising	1,582,772.84
Fulfillment	89,957.54
Research	17,750.00
Staff Education and Industry Relations	45,540.62
Programs and Promotions	456,916.59
Media	97,095.00
LFUCG Collection Fee	32,030.85
Depreciation Expense	69,443.94
Total Operating Expenses	5,627,911.69
Operating Income	\$ 1,124,988.67

Nonoperating Revenues (Expenses)

Interest and Investment Income	4,729.15
Loss on Disposal of Assets	(648.00)
Total Nonoperating Revenues	4,081.15

Change in Net Position	1,129,069.82
Total Net Position - Beginning, Restated	3,072,445.85
Total Net Position - Ending	\$ 4,201,515.67

**Lexington Convention and Visitors Bureau**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

	Unrestricted Cash	Restricted Cash	Total Cash
<b>Cash Flows from Operating Activities</b>			
Receipts from Taxpayers	\$ 6,279,129.32		\$ 6,279,129.32
Receipts from State Matching Funds	511,524.05		511,524.05
Receipts from Cafeteria Plan Participants		9,963.96	9,963.96
Receipts from Others	13,506.39		13,506.39
Payments to Vendors	(4,095,330.63)		(4,095,330.63)
Payments to Employees	(1,586,009.88)		(1,586,009.88)
Payments to Cafeteria Plan Participants		(8,141.95)	(8,141.95)
Net Cash Provided by Operating Activities	<u>1,122,819.25</u>	<u>1,822.01</u>	<u>1,124,641.26</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of Capital Assets	<u>(11,716.58)</u>		<u>(11,716.58)</u>
Loss on Disposal of Assets			
Net Cash Used by Capital and Related Financing Activities	(11,716.58)	-	(11,716.58)
<b>Cash Flows from Investing Activities</b>			
Proceeds from the Sale and Maturity of Investments	511,142.50		511,142.50
Purchase of Investments and Securities	(511,142.50)		(511,142.50)
Interest and Dividends	4,729.15		4,729.15
Net Cash Provided by Investing Activities	<u>4,729.15</u>	<u>-</u>	<u>4,729.15</u>
Net Increase in Cash and Cash Equivalents	1,115,831.82	1,822.01	1,117,653.83
Balances - Beginning of the Year	\$ 3,336,231.95	\$ 1,693.30	\$ 3,337,925.25
Balances - End of the Year	<u>\$ 4,452,063.77</u>	<u>\$ 3,515.31</u>	<u>\$ 4,455,579.08</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 1,124,988.67		
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	69,443.94		
Change in Assets and Liabilities:			
Decrease in Accounts Receivable	51,259.40		
Increase in Inventory	(51,860.08)		
Increase in Prepaid Expense	(99,807.23)		
Decrease in Account Payable	(6,604.98)		
Decrease in Accrued Wages and Benefits	(24,460.44)		
Increase in Compensated Absences	36,545.05		
Decrease in Net Pension Liability	(185,000.00)		
Increase in Deferred Inflows and Outflows	208,314.92		
Net Cash Provided by Operating Activities	<u>\$ 1,122,819.25</u>		

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Lexington Convention and Visitors Bureau (Bureau) has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the financial statements and other supplementary information, which includes the *Budgetary Comparison Schedule*, which follow these footnotes.

The accompanying financial statements present the financial position of the Bureau as of and for the year ended June 30, 2015.

**a. Reporting Entity**

The Bureau was established by the Lexington-Fayette Urban County Government (LFUCG), under the authority of KRS 91A.350, for the purpose of promoting recreational, convention and tourist activity in Fayette County.

Because the Bureau is a component unit of the LFUCG, its financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB.

**b. Measurement Focus, Basis of Accounting and Basis of Presentation**

The Bureau is considered a special purpose government and reports as a business-type activity, 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.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses result from providing services in connection with ongoing operations. Items not meeting the criteria of operating transactions are recorded as nonoperating.

**c. Budgetary Data**

The annual budget for fiscal year 2015 was prepared using the accrual basis of accounting. The Bureau's Commission approves the budget and any subsequent revisions.

**d. Capital Assets**

Capital assets, which include leasehold improvements, office equipment, furniture, and software, are reported on the Statement of Net Assets. The Bureau defines capital assets as assets that have a cost of \$1,000.00 or more at the date of acquisition and have an expected useful life of more than one year.

Capital assets are depreciated using the straight-line method over the assets' estimated useful lives.

**e. Business-Type Activity Accounting and Financial Reporting**

The Bureau's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**f. Basis for Cash Restriction**

The Bureau classifies cash into two categories, restricted and unrestricted. Restricted cash balances are cash amounts administered by the Bureau, but the principal balance neither belongs to nor is controlled by the Bureau. Restricted cash balances reported in the financial statements includes the balance of the employee cafeteria plan. All other cash held by the Bureau is considered unrestricted for reporting purposes.

**g. Change in Accounting Principle**

Net Position as of July 1, 2014 has been restated as follows for the adoption of GASB Statement No. 68, as amended by GASB Statement No. 71.

<b>Net Position as Previously Reported, June 30, 2014</b>	\$ 4,660,445.85
Prior Period Adjustment:	
Net Pension Liability (measurement date June 30, 2014)	<u>(1,588,000.00)</u>
<b>Net Position as Restated, July 1, 2014</b>	<u><u>\$ 3,072,445.85</u></u>

**h. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the Bureau's participation in the County Employees Retirement System of the Kentucky Retirement Systems (KRS) have been determined on the same basis (CERS) as they are reported by the KRS for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized with due and payable on accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2014.

**NOTE 2 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS**

Cash and Cash Equivalents are assets with a maturity of 12 months or less and can be readily converted into cash.

As of June 30, 2015 the Bureau had the following investments and securities:

<u>Deposit Type</u>	<u>Fair Value</u>
Cash	
Demand	\$ 2,136,400.57
Commission Designated Investments	2,375,000.00
Short-Term Investments	
Certificates of Deposit	<u>511,142.50</u>
Total	\$ 5,022,543.07
Net Withdrawals and Deposits in Transit	<u>(566,963.99)</u>
Total Cash and Investments in Bank	<u><u>\$ 4,455,579.08</u></u>

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the Bureau's deposits may not be returned to it. The Bureau's policy requires banking institutions to provide collateralization in excess of the FDIC limit. As of June 30, 2015 none of the Bureau's bank deposits were exposed to custodial credit risk.

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Interest Rate Risk.** Interest rate risk is a means of limiting its exposure to fair value losses arising from interest rates. The Bureau's investment policy limits investments with maturities of more than 36 months. As of June 30, 2015 the Bureau had no investments with a maturity greater than one year.

**NOTE 3            ACCOUNTS RECEIVABLE**

Accounts receivable have been aggregated and presented in the financial statements. Detailed information is presented below:

Occupancy Tax	\$ 1,219,939.92
KY Department of Travel	33,252.18
Other	<u>1,529.94</u>
Accounts Receivable, June 30, 2015	<u><u>\$ 1,254,722.04</u></u>

**NOTE 4            INVENTORY**

The Bureau's investment in inventory as of June 30, 2015 amount to \$79,843.67. This investment in inventory includes apparel and merchandise for retail. Inventory activity for the year ended June 30, 2015 is summarized below:

	Beginning Balance	Increases	Decreases	Ending Balance
Apparel	\$ 2,547.00	\$ 11,239.93	\$ (6,327.43)	\$ 7,459.50
Home Goods	<u>25,436.59</u>	<u>77,540.03</u>	<u>(30,592.45)</u>	<u>72,384.17</u>
Inventory, June 30, 2015	<u><u>\$ 27,983.59</u></u>	<u><u>\$ 88,779.96</u></u>	<u><u>\$ (36,919.88)</u></u>	<u><u>\$ 79,843.67</u></u>

**NOTE 5            CAPITAL ASSETS**

The Bureau's investment in capital assets as of June 30, 2015 amount to \$177,573.35 (net of accumulated depreciation). This investment in capital assets includes the leasehold improvements, furniture, office equipment and software. Capital asset activity for the year ended June 30, 2015 is summarized below:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Furniture and Fixtures	\$ 124,981.32	\$ 5,290.00	\$ (354.00)	\$ 129,917.32
Leasehold Improvements	201,672.85	-	-	201,672.85
Office Equipment	63,865.42	4,501.58	(1,620.00)	66,747.00
Software	49,605.65	-	-	49,605.65
Trademarks	<u>19,727.00</u>	<u>1,925.00</u>	<u>-</u>	<u>21,652.00</u>
Total Capital Assets	459,852.24	11,716.58	(1,974.00)	469,594.82
Less Accumulated Depreciation				
Furniture and Fixtures	\$ 58,788.87	\$ 14,402.15	\$ (354.00)	\$ 72,837.02
Leasehold Improvements	83,985.41	41,181.77	-	125,167.18
Office Equipment	32,161.99	13,221.63	(972.00)	44,411.62
Software	<u>48,967.26</u>	<u>638.39</u>	<u>-</u>	<u>49,605.65</u>
Total Accumulated Depreciation	<u>223,903.53</u>	<u>69,443.94</u>	<u>(1,326.00)</u>	<u>292,021.47</u>
Capital Assets, June 30, 2015	<u><u>\$ 235,948.71</u></u>	<u><u>\$ (57,727.36)</u></u>	<u><u>\$ (648.00)</u></u>	<u><u>\$ 177,573.35</u></u>

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6          ACCOUNTS PAYABLE**

Accounts payable have been aggregated and presented in the financial statements. Detailed information is presented below:

Taxes	\$     200.13
Vendors	<u>159,894.65</u>
Accounts Payable, June 30, 2015	<u><u>\$ 160,094.78</u></u>

**NOTE 7          ACCRUED WAGES AND BENEFITS**

Accrued wages and benefits have been aggregated and presented in the financial statements. Detailed information is presented below:

Wages	\$ 47,474.44
Benefits	12,501.52
Taxes	<u>3,186.86</u>
Accrued Wages and Benefits, June 30, 2015	<u><u>\$ 63,162.82</u></u>

**NOTE 8          OPERATING LEASES**

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015:

Year Ending June 30	Copier	Office Space	Total
2016	\$ 5,280.00	\$ 140,545.20	\$ 145,825.20
2017	5,280.00	140,545.20	145,825.20
2018	<u>                    </u>	<u>21,735.10</u>	<u>21,735.10</u>
Future Minimum Payments	<u><u>\$ 10,560.00</u></u>	<u><u>\$ 302,825.50</u></u>	<u><u>\$ 313,385.50</u></u>

The following schedule shows the composition of total rental expenditures for all operating leases:

Minimum Rentals:	
Copier	\$ 5,280.00
Office Space	<u>140,545.20</u>
Total, June 30, 2015	<u><u>\$ 145,825.20</u></u>

**NOTE 9          OCCUPANCY TAX RECEIPTS**

Pursuant to KRS 153.450 and local Ordinance, a transient room tax of 4% is levied on room occupancy for hotels, motels and like businesses located in Fayette County, Kentucky. This tax is collected by the Lexington-Fayette Urban County Government (LFUCG). The LFUCG retains 1/2% for collection expenses. The remainder is forwarded to the Bureau on a monthly basis.



**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

The Bureau recognizes occupancy tax revenue when it becomes measurable and available. Occasionally, taxpayers may become delinquent on remitting the tax to the LFUCG. The Bureau does not recognize these revenues until they are received unless the LFUCG Department of Law has a fully executed promissory note for the collection of the tax revenue, interest and penalty.

**NOTE 10      CONTRIBUTIONS TO LEXINGTON CENTER CORPORATION**

The Bureau has pledged a portion of its occupancy tax receipts to the Lexington Center Corporation (LCC) to support the growth and expansion of the arena and convention facilities. The Bureau pledged \$648,000.00 to the LCC for fiscal year 2015 and has agreed to provide financial assistance through fiscal year 2021. As of June 30, 2015 no amount was due to the LCC.

The Bureau's remaining obligations as of June 30, 2015 are as follows:

Fiscal Year		
2016	\$	548,000.00
2017		448,000.00
2018		348,000.00
2019		248,000.00
2020 and Beyond		196,000.00
 Total Remaining Obligations		 \$ 1,788,000.00

**NOTE 11      NET PENSION LIABILITY**

**General Information about the Pension Plan**

*Plan Description* Employees of the Bureau are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the Kentucky Retirement System (KRS). The KRS Board was created by state statute under Kentucky Revised Statute Section 61.645. The Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publically available financial report that can be obtained by writing to the Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone to (502) 564-4646.

*Benefits Provided* Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Members vest with five years of service credit. Service credit disability benefits are provided after five years of service.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least the 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving the benefit in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce COLA if, in its judgment, the welfare of the Commonwealth so demands.

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

*Contributions* Contributions for employees established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were a plan member prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The Bureau makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the Bureau were \$188,666.54 based on a rate of 17.67% of covered payroll. By law, employer contributions are required to be paid. The KRS may intercept the Bureau's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of the unfunded liability.

**Net Pension Liability**

The Bureau's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. (See Note 1g for a restatement related to the net pension liability.)

*Actuarial Assumptions* The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applies to all periods included in the measurement:

Inflation	4.0 percent
Salary Increases	Representative values of the assumed annual rates for future salary increases from 4.75% - 13.0% for nonhazardous members and 4.5% - 20.0% for hazardous members, including inflation.
Investment Rate of Return	7.75% per annum, compounded annual for retirement and insurance benefits.

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Table for other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2005 through June 30, 2008. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class (see chart below). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers longer timeframes. The assumption is intended to be a long-term assumption and is not expected to change absent a

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

significant change in the asset allocation, a change in the inflation assumption or a fundamental change in the market that alters expected returns in future years.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	8.45%	30.00%
International Equity	8.85%	22.00%
Emerging Market Equity	10.50%	5.00%
Private Equity	11.25%	7.00%
Real Estate	7.00%	5.00%
Core US Fixed Income	5.25%	10.00%
High Yield US Fixed Income	7.25%	5.00%
Non US Fixed Income	5.50%	5.00%
Commodities	7.75%	5.00%
TIPS	5.00%	5.00%
Cash	3.25%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.75% based on a blending of the factors described above.

*Discount Rate* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Bureau will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. 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.

*Sensitivity of the Net Pension Liability to changes in the Discount Rate* The following presents the net pension liability of the Bureau calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Lexington Convention and Visitors Bureau's Net Pension Liability	\$ 1,846,254.62	\$ 1,403,000.00	\$ 1,011,374.89

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Expense* For the year ended June 30, 2015, the Bureau recognized pension expense of \$211,981.46.

*Deferred Outflows of Resources and Deferred Inflows of Resources* For the year ended June 30, 2015, the Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability in the following measurement period.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (344,449.52)
Contributions subsequent to the measurement date of June 30, 2014	136,134.60	
<b>Total</b>	<b>\$ 136,134.60</b>	<b>\$ (344,449.52)</b>

Amounts reported as deferred inflows of resources related to pensions will be amortized as deferred inflows of resources as follows:

<b>Year Ended June 30</b>	
2016	\$ (86,112.38)
2017	(86,112.38)
2018	(86,112.38)
2019	(86,112.38)
	<u>\$ (344,449.52)</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2015, the Bureau reported a payable of \$7,139.43 (included in the Accrued Wages and Benefit amount on the Statement of Net Position) and for the outstanding amount of contributions to the pension plan required as of June 30, 2015.

**NOTE 12 RETIREMENT PLAN - VOLUNTARY**

In addition to the above, employees may make voluntary contributions to a 457 or a Roth IRA plan sponsored by the Bureau. Under the 457 plan, employees may contribute up to \$18,000.00 pre-tax. Employee contributions to the plan for 2015 were \$39,137.61. Employees may contribute up to \$5,000.00 after-tax to the Roth IRA plan. Employee contributions to the plan for the year were \$1,800.00.

**NOTE 13 RISK MANAGEMENT AND INSURANCE COVERAGE**

Bureau employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial carriers. A commercial insurance carrier provides coverage for property exposure. There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2015. The Bureau does not participate in any risk pools.

**LEXINGTON CONVENTION AND VISITORS BUREAU  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 14      COMMISSION DESIGNATED FUNDS**

Effective June 30, 1996, the Lexington Convention and Visitors Bureau Commission (the Commission) designated \$500,000.00 to be reserved for catastrophic events and capital purchases. On June 30, 2002, the Commission designated an additional \$150,000.00 to be reserved for the aforementioned purposes.

On June 30, 2005, the Commission designated \$350,000.00 to be used to enhance the Bureau's competitiveness when attracting specific conventions, meeting and special events.

On November 17, 2009, the Finance Committee approved that the \$350,000.00 reserved for conventions be used to issue payments for the convention development fund retroactive to July 1, 2009.

On May 21, 2013, the Commission approved the 2014 budget which included convention development budgets for 2014 – 2017. As of June 30, 2014 the balance of the fund is \$625,000.00 to cover the future cost of budgeted amounts. That amount includes \$75,000.00 transferred from the 2013 budget to fiscal years 2016 – 2018 as well as an increase of \$50,000.00 for 2017.

On June 19, 2013, the Commission designated \$500,000.00 to be reserved for a capital building fund to be used for a potential future property arrangement to permanently house the administrative office and/or the visitors center.

On September 17, 2014, the Commission designated \$500,000.00 to be reserved for a capital building fund to be used for a potential future property arrangement to permanently house the administrative office and/or the visitors center.

On September 17, 2014, the Commission designated \$250,000.00 to be reserved for a catastrophic events.

**NOTE 15      RELATED PARTY TRANSACTIONS**

**Lease Agreements**

The Bureau entered into lease agreements with the Lexington Financial Center (managed by the Webb Companies) and the Victorian Square during fiscal year 2012. Appointed commission members serve as representatives of both corporations. Those members recused themselves of all matters related to the lease agreements and did not receive any benefit, financial or otherwise, from the agreements.

## **Supplementary Information**

**Lexington Convention and Visitors Bureau  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues</b>			
Occupancy Tax Receipts	\$ 5,277,000.00	\$ 5,752,000.00	\$ 6,406,167.61
Matching Fund Revenue	330,000.00	330,000.00	332,712.00
Other Income	38,000.00	18,000.00	14,020.75
Total Operating Revenues	<u>5,645,000.00</u>	<u>6,100,000.00</u>	<u>6,752,900.36</u>
<b>Operating Expenses</b>			
Personnel Expense	\$ 1,855,000.00	\$ 1,657,500.00	\$ 1,621,409.41
Contributions to Lexington Center Corporation	648,000.00	648,000.00	648,000.00
Professional Services	390,000.00	399,625.00	94,163.52
Rent and Utilities	158,000.00	169,000.00	166,418.77
Leases and License Fees	6,500.00	6,500.00	8,655.05
Office Supplies	37,650.00	37,650.00	32,988.33
Postage	7,500.00	7,500.00	5,803.45
Industry Associations and Subscriptions	77,000.00	79,600.00	69,508.88
Printing and Publishing	129,500.00	192,500.00	213,467.92
Insurance	10,000.00	10,000.00	10,617.96
Communications Expense	55,000.00	55,000.00	54,312.10
Website	60,000.00	45,000.00	19,553.40
Equipment Repair and Maintenance	1,500.00	1,500.00	1,398.95
FAM Tours/Site Visits/Travel Writers	59,500.00	84,000.00	71,743.85
Marketplace Travel	38,000.00	52,650.00	40,730.96
Conventions and Meetings	387,850.00	401,175.00	117,437.56
Promotional Items	40,000.00	60,300.00	60,194.20
Advertising	1,050,000.00	1,400,500.00	1,582,772.84
Fulfillment	85,000.00	85,000.00	89,957.54
Research	40,000.00	65,000.00	17,750.00
Staff Education and Industry Relations	51,500.00	52,000.00	45,540.62
Sponsorships and Promotions	300,000.00	375,000.00	456,916.59
Media	37,500.00	85,000.00	97,095.00
LFUCG Collection Fee	27,500.00	27,500.00	32,030.85
Other	500.00	10,500.00	
Depreciation Expense & Capital Purchases	95,000.00	95,000.00	69,443.94
Total Operating Expenses	<u>5,648,000.00</u>	<u>6,103,000.00</u>	<u>5,627,911.69</u>
Operating Income (Loss)	<u>\$ (3,000.00)</u>	<u>\$ (3,000.00)</u>	<u>\$ 1,124,988.67</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest and Investment Income	3,000.00	3,000.00	4,729.15
Loss on Disposal of Assets	-	-	(648.00)
Total Nonoperating Revenues (Expenses)	<u>3,000.00</u>	<u>3,000.00</u>	<u>4,081.15</u>
Change in Net Position	-	-	1,129,069.82
Total Net Position - Beginning, Restated	<u>3,072,445.85</u>	<u>3,072,445.85</u>	<u>3,072,445.85</u>
Total Net Position - Ending	<u>\$ 3,072,445.85</u>	<u>\$ 3,072,445.85</u>	<u>\$ 4,201,515.67</u>

**LEXINGTON CONVENTION AND VISITORS BUREAU  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS**

Year Ended June 30,	Proportion of the Net Pension Liability (Asset)	Proportionat Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Liability (Asset) as a Percentage of Covered Payroll	Percentage of Total Pension Liability
2013		\$ 1,588,000.00	\$ 1,160,261.37	136.87%	193.48%
2014	0.043254%	\$ 1,403,000.00	\$ 1,005,599.50	139.52%	299.47%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The data provided in the schedule is as of the measurement date of KRS's net pension liability, which is June 30, 2014.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 226,831.10	\$ 226,978.95	147.85	\$ 1,160,261.37	19.55%
2014	\$ 187,449.53	\$ 189,962.62	2,513.09	\$ 1,005,559.50	18.89%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES RETIREMENT SYSTEM OF KRS INFORMATION**

*Valuation date:* Actuarially determined contribution rates for 2015 were calculated based on the June 30, 2014 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation	5-year smoothed market
Inflation	4.0 percent
Salary increases	4.75% - 13.0%
Investment Rate of Return	7.75 percent, net of investment expense, including inflation
Retirement age	65 years or 27 years of service regardless of age



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



To the Commission Members  
**Lexington Convention and Visitors Bureau**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lexington Convention and Visitors Bureau (Bureau) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink, appearing to read 'Mountjoy Chilton Medley LLP'.

Lexington, Kentucky  
September 30, 2015

**Kentucky**  
**Indiana**  
**Ohio**

**Mountjoy Chilton Medley LLP**  
P 859.514.7800 | F 859.514.7805  
1000 Bluegrass Corporate Center | 333 West Vine Street | Lexington, KY 40507  
www.mcmcpa.com | 888.587.1719  
An Independent Member of Baker Tilly International