Lexington Convention and Visitors Bureau

Financial Statements

Year Ended June 30, 2019

Lexington Convention and Visitors Bureau

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June 30, 2019

Financial Section

MCM
CPAs & ADVISORS

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 business-type activity 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, 2019, 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

The Bureau's 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.

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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, 2019 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.

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 and the required supplementary information on pages 26 through 28 regarding the Bureau's participation in the County Employees' Retirement System, 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 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule is the responsibility of management and was derived from and relates 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 is 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 October 11, 2019 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.

MCM CPAs & Advisors LLP

Lexington, Kentucky
October 11, 2019

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, 2019. 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 and deferred outflows of resources of the Bureau exceeded liabilities and deferred inflows of resources at fiscal year-end by $3,962,291.36 (presented as Total Net Position). Of this amount, $1,990,351.67 was reported as "unrestricted net position." This compares to the previous year when net position exceeded liabilities by $4,466,664.26 and unrestricted net position was $2,437,924.94. Unrestricted net position represents the amount available to meet ongoing obligations.

Change in Net Position Total net position decreased by $504,372.90 during fiscal year 2019.

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 three components: (1) the financial statements, (2) notes to the financial statements and (3) the required supplementary information. 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 25.

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 29. The required supplementary information is the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Notes to the Schedules Related to the County Employees Retirement System of KRS Information, Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios, and the Notes to Schedules Related to the County Employees Insurance Fund of KRS found on pages 26 through 28.

FINANCIAL ANALYSIS OF THE BUREAU

The condensed information below was derived from the Bureau's Statement of Net Position at June 30, 2019 and June 30, 2018. The net position at June 30, 2019 is $3,962,291.36, a decrease of $504,372.90 over fiscal year 2018's net position of $4,466,664.26.

	Net Position as of		Amount	%
	June 30, 2019	June 30, 2018	Change	Change
Current Assets	$ 2,514,285.84	$ 2,456,826.67	$ 57,459.17	2%
Capital Assets	1,971,939.69	2,028,739.32	(56,799.63)	-3%
Other Assets	3,351,852.64	3,354,035.70	(2,183.06)	0%
Deferred Outflows	4,967,490.56	1,479,531.56	3,487,959.00	236%
Total Assets and Deferred Outflows	12,805,568.73	9,319,133.25	3,486,435.48	37%
Current Liabilities	1,153,138.85	433,580.47	719,558.38	166%
Noncurrent Liabilities	7,232,093.99	4,083,907.99	3,148,186.00	77%
Deferred Inflows	458,044.53	334,980.53	123,064.00	37%
Total Liabilities and Deferred Inflows	8,843,277.37	4,852,468.99	3,990,808.38	82%
Invested in Capital Assets	1,971,939.69	2,028,739.32	(56,799.63)	-3%
Unrestricted Net Position	1,990,351.67	2,437,924.94	(447,573.27)	-18%
Total Net Position	$ 3,962,291.36	$ 4,466,664.26	$ (504,372.90)	-11%

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 2019, the Bureau invested in computer equipment, technical upgrades, furniture and fixtures. The total cost of these items was $233,065.99. After applying depreciation, total capital assets decreased by $56,799.63.

The financial statements include deferred outflows totaling $4,967,490.56. This is a result of a pledge of future occupancy tax receipts in the amount of $3,372,502.00 to the Lexington Convention Center (LCC) and contributions to the pension and OPEB plans paid subsequent to June 30, 2018 and Amounts related to the pension and OPEB plans that are actuarially determined.

Current Liabilities, which includes accounts payable, accrued wages and benefits, the employee cafeteria plan payable, compensated absences and the current portion of the pledge of future occupancy tax payments to the LCC, increased by 166% to $1,153,138.85. Of this amount, $747,502.00 is the current amount due to the LCC.

Noncurrent liabilities include the Bureau's pension and OPEB liability and the non-current portion of the pledge of future occupancy tax payments to the LCC. Fiscal 2019 activity resulted in an increase of 77% or $3,148,186.00. Of this amount, $2,625,000.00 is the current amount due to the LCC.

Deferred inflows total $458,044.53. These assets relate to the pension and OPEB plans and will be allocated to a future accounting period.

The larger component of the Bureau's net position 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 decreased by $447,573.27 at June 30, 2019.

The remaining net position balance represents the Bureau's investment in capital assets such as furniture and fixtures, leasehold improvements, office equipment, software, tradeshow booths 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 $56,799.63 or 3%.

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, 2019 and June 30, 2018. 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 Position for Fiscal Year Ending		Amount	%
	June 30, 2019	June 30, 2018	Change	Change
REVENUES				
Occupancy Tax	$ 7,821,671.11	$ 7,399,864.93	$ 421,806.18	6%
Matching Funds	325,437.00	322,328.00	3,109.00	1%
Miscellaneous	84,293.69	21,635.58	62,658.11	290%
Interest and Investment Income	17,056.98	10,717.66	6,339.32	59%
Total Revenues	8,248,458.78	7,754,546.17	493,912.61	6%
EXPENSES				
Personnel	3,067,038.21	2,733,475.70	333,562.51	12%
Professional Services	151,600.66	161,501.21	(9,900.55)	-6%
Office Expense	426,222.19	440,126.33	(13,904.14)	-3%
Media	260,684.14	240,367.40	20,316.74	8%
Printing	107,489.20	126,551.10	(19,061.90)	-15%
Promotion	1,300,501.13	1,257,614.86	42,886.27	3%
Advertising	2,526,951.73	2,381,446.37	145,505.36	6%
Research	27,800.00	48,302.97	(20,502.97)	-42%
Staff Development	54,070.43	50,907.91	3,162.52	6%
Lexington Center Contribution	501,500.00	348,000.00	153,500.00	44%
LFUCG Collection Fee	39,108.37	36,999.32	2,109.05	6%
Depreciation	289,865.62	174,193.96	115,671.66	66%
Loss on Disposal of Assets	-	12,533.05	(12,533.05)	100%
Total Expenses	8,752,831.68	8,012,020.18	740,811.50	9%
Decrease in Net Assets	(504,372.90)	(257,474.01)	(246,898.89)	96%
Net Position - Beginning	4,466,664.26	4,724,138.27	(257,474.01)	-5%
Net Position - Ending	$ 3,962,291.36	$ 4,466,664.26	$ (504,372.90)	-11%

Occupancy tax is the 4% transient room tax levied on occupancy of hotels and motels located in Fayette County that is received by the Bureau. Occupancy tax revenue increased during the year with total receipts at $7,821,671.11, a 6% increase from the previous fiscal year. Some of this increase is directly related to 2019 being the first full year of the contract between the Lexington-Fayette Urban County Government Division of Revenue and AirBnB to collect occupancy tax on behalf of all hosts in Fayette County.

Miscellaneous income increased by $62,658.11 or 290%. The increase was due to a small increase in retail revenue as well as film incentives and credit card rebates that were not received in 2018.

Personnel expense increased by 12% or $333,562.51 from fiscal year 2018. The increase is directly related to the GASB 68 and GASB 75 entries that increased the pension and OPEB liabilities and related expenses.

Printing decreased by 15% or $19,061.90 related to changes in printing in response to electronic distribution of materials.

Research expenses increased $20,502.97 to $27,800.00 in 2019. During 2018 several research projects were completed.

Lexington Convention Center (LCC) contributions increased 44% or $153,500.00. A new agreement with LCC was executed effective January 1, 2019. The agreement terminated the prior agreement and provides financial assistance through fiscal year 2023.

Depreciation increased 66% or $115,671.66. This increase is the direct result of the investments the Bureau made in the new administrative office and visitors center in 2018 and 2019.

The Bureau did not dispose of any assets in 2019 that resulted in a loss.

BUDGETARY HIGHLIGHTS

The Bureau's Board of Commissioners approves the annual budget prior to the beginning of the fiscal year. Budget amendments, which included expense re-alignments, were approved on September 19, 2018.

Bureau management strives to reduce expenses and pursue cost saving techniques without sacrificing visitor and client services or staff resources. During fiscal year 2019 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:

- Expanded relationships with public relations and the media to increase the advertising equivalency which expands overall advertising reach without significantly increasing costs.
- Expanded the use of the CRM to automate processes to reduce manual tasks and improve efficiency.
- Implemented an electronic time keeping platform that integrates with the human resource management platform.
- Developed export/import templates for corporate credit card transactions to improve efficiencies in data entry and reporting.
- Printed select materials in-house, resulting in reduced printing costs.
- Expanded document scanning to eliminate or reduce photocopying, physical storage and supplies expense.
- Utilized electronic distribution tools for sales and marketing materials, resulting in reduced production and distribution costs.
- Utilized social media technologies to expand low cost sales and marketing opportunities.

ECONOMIC CONDITION AND OUTLOOK

The Bureau experienced a positive financial year during 2019. Current year revenue projections were slightly more than budget.

For fiscal year 2020, due to uncertainties with the convention center project and additional room supply being added, the Bureau prepared a conservative operating budget with a slight decrease in occupancy tax collections.

Revenues will be closely monitored and, if appropriate, the 2020 budget will be amended.

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, 215 West Main Street, Suite 150, Lexington, KY 40507, (859) 233-1221.

Lexington Convention and Visitors Bureau
Statement of Net Position
June 30, 2019

Assets		
Current Assets:		
Cash and Cash Equivalents	$	732,722.87
Accounts Receivable		1,631,814.41
Inventory		98,975.47
Prepaid Expenses		50,773.09
Total Current Assets		2,514,285.84
Noncurrent Assets:		
Restricted Cash		762.64
Commission Designated Investments		3,351,090.00
Capital Assets, Net of Accumulated Depreciation		1,971,939.69
Total Noncurrent Assets		5,323,792.33
Deferred Outflows of Resources		4,967,490.56
Total Assets and Deferred Outflows of Resources	$	12,805,568.73
Liabilities		
Current Liabilities:		
Accounts Payable	$	23,073.11
Accrued Wages and Benefits		283,152.72
Compensated Absences Payable		98,648.38
Employee Cafeteria Plan Payable		762.64
Notes Payable - Lexington Center Corporation		747,502.00
Total Current Liabilities		1,153,138.85
Noncurrent Liabilities:		
Net Pension Liability		3,567,212.99
Net OPEB Liability		1,039,881.00
Notes Payable - Lexington Center Corporation		2,625,000.00
Total Noncurrent Liabilities		7,232,093.99
Deferred Inflows of Resources		458,044.53
Total Liabilities and Deferred Inflows of Resources		8,843,277.37
Net Position		
Invested in Capital Assets		1,971,939.69
Unrestricted		1,990,351.67
Total Net Position		3,962,291.36
Total Liabilities and Net Position	$	12,805,568.73

See Accompanying Notes

Lexington Convention and Visitors Bureau
Statement of Revenues, Expenses and Change in Net Position
June 30, 2019

Revenues	
Occupancy Tax Receipts	$ 7,821,671.11
Matching Funds Revenue	325,437.00
Other Income	84,293.69
Total Operating Revenues	8,231,401.80
Operating Expenses	
Personnel Expense	3,067,038.21
Lexington Center Corporation	501,500.00
Professional Services	151,600.66
Office Expense	292,194.62
Industry Associations and Subscriptions	134,027.57
Industry Programs and Relation	61,828.93
Promotional Travel	27,690.36
Advertising	2,526,951.73
Fulfillment	56,749.88
Sales Efforts	210,262.92
Conventions and Meetings	284,054.99
Promotional Items	76,962.63
Printing	107,489.20
Media Relations and Support	260,684.14
Website	77,946.31
Research	27,800.00
Staff Development	54,070.43
Development Programs	505,005.11
LFUCG Collection Fee	39,108.37
Depreciation Expense	289,865.62
Total Operating Expenses	8,752,831.68
Operating Loss	(521,429.88)
Nonoperating Revenues (Expenses)	
Interest and Investment Income	17,056.98
Total Nonoperating Revenues	17,056.98
Change in Net Position	(504,372.90)
Total Net Position - Beginning	4,466,664.26
Total Net Position - Ending	$ 3,962,291.36

See Accompanying Notes

Lexington Convention and Visitors Bureau
Statement of Cash Flows
June 30, 2019

	Unrestricted Cash	Restricted Cash
Cash Flows from Operating Activities		
Receipts from Taxpayers	$ 7,849,698.60	$ -
Receipts from State Matching Funds	269,052.98	-
Receipts from Cafeteria Plan Participants	-	8,311.22
Receipts from Others	84,293.69	-
Payments to Vendors	(5,397,245.79)	-
Payments to Employees	(2,491,013.22)	-
Payments to Cafeteria Plan Participants	-	(10,494.28)
Net Cash Provided (Used) by Operating Activities	314,786.26	(2,183.06)
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(233,065.99)	-
Proceeds from the Sale of Capital Assets	-	-
Net Cash Used by Capital and Related Financing Activities	(233,065.99)	-
Cash Flows from Investing Activities		
Proceeds from the Sale and Maturity of Investments	513,264.65	-
Purchase of Investments and Securities	(513,264.65)	-
Interest and Dividends	17,056.98	-
Net Increase in Cash Provided by Investing Activities	17,056.98	-
Net Decrease in Cash and Cash Equivalents	98,777.25	(2,183.06)
Balances - Beginning of the Year	3,985,035.62	2,945.70
Balances - End of the Year	$ 4,083,812.87	$ 762.64

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Loss	$ (521,429.88)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	289,865.62
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(28,356.53)
Decrease in Inventory	(10,724.53)
Increase in Prepaid Expense	80,399.14
Decrease in Account Payable	(73,175.61)
Increase in Accrued Wages and Benefits	25,403.38
Increase in Compensated Absences	19,828.61
Increase in Notes Payable - Lexington Center Corporation	3,372,502.00
Increase in Net Pension & OPEB Liability	523,186.00
Increase in Deferred Inflows and Outflows	(3,364,895.00)
Net Cash Provided by Operating Activities	$ 312,603.20

See Accompanying Notes

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 supplementary information titled *Management's Discussion and Analysis*, which precedes the financial statements and the *Budgetary Comparison Schedule*. The Bureau has also prepared required supplementary information titled *Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Employer Contributions -Pension, Notes to the Schedules Related to the County Employee Retirement System of KRS Information, Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios, Schedule of Employer Contributions - OPEB and Notes to Schedules Related to the County Employees Insurance Fund of KRS Information*. Other reports included in the accompanying financial statements are the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with Governmental Auditing Standards*.

The accompanying financial statements present the financial position of the Bureau as of and for the year ended June 30, 2019.

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. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

d. **Budgetary Data**

The annual budget for fiscal year 2019 was prepared using the accrual basis of accounting. The Bureau's Commission approves the budget and any subsequent revisions.

e. **Capital Assets**

Capital assets, which include leasehold improvements, office equipment, furniture, and software, are reported on the Statement of Net Position. 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.

f. **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).

g. **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.

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 when due and payable on accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2018.

i. **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the Bureau's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms. The liability was measured at June 30, 2018.

NOTE 2 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS

Cash and Cash Equivalents are assets with a maturity of 16 months or less and can be readily converted into cash.

As of June 30, 2019, the Bureau had the following cash investments and securities:

Deposit Type	Fair Value
Cash	
Demand	$ 1,089,718.60
Commission Designated Investments	2,837,825.35
Certificates of Deposit	513,264.65
Total	$ 4,440,808.60
Net Withdrawals and Deposits in Transit	(356,233.09)
Total Cash and Investments	$ 4,084,575.51

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 for funds on deposit in excess of the FDIC limit. As of June 30, 2019, none of the Bureau's bank deposits were exposed to custodial credit risk.

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, 2019, 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	$ 1,474,551.97
KY Department of Travel	153,714.27
Other	3,548.17
Accounts Receivable, June 30, 2019	$ 1,631,814.41

NOTE 4 INVENTORY

The Bureau's investment in inventory as of June 30, 2019 amounts to $98,975.47. This investment in inventory includes apparel and merchandise for retail. Inventory activity for the year ended June 30, 2019 is summarized below:

	Beginning Balance	Increases	Decreases	Ending Balance
Apparel	$ 22,846.96	$ 22,388.77	$ (27,254.56)	$ 17,981.17
Home Goods	65,403.98	77,955.18	(62,364.86)	80,994.30
Inventory, June 30, 2019	$ 88,250.94	$ 100,343.95	$ (89,619.42)	$ 98,975.47

NOTE 5 CAPITAL ASSETS

The Bureau's investment in capital assets as of June 30, 2019 amounts to $1,971,939.69 (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, 2019 is summarized below.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Furniture and Fixtures	$ 344,475.89	$ 57,330.74	$ -	$ 401,806.63
Leasehold Improvements	1,804,800.10	99,060.00	-	1,903,860.10
Office Equipment	117,907.36	56,635.25	(10,887.51)	163,655.10
Software	49,605.65	20,040.00	-	69,645.65
Trademarks	22,602.00	-	-	22,602.00
Total Capital Assets	2,339,391.00	233,065.99	(10,887.51)	2,561,569.48
Less Accumulated Depreciation				
Furniture and Fixtures	$ 114,879.12	$ 62,191.18	$ -	$ 177,070.30
Leasehold Improvements	90,239.73	190,868.10	-	281,107.83
Office Equipment	55,927.18	33,466.34	(10,887.51)	78,506.01
Software	49,605.65	3,340.00	-	52,945.65
Total Accumulated Depreciation	310,651.68	289,865.62	(10,887.51)	589,629.79
Capital Assets, June 30, 2019	$ 2,028,739.32	$ (56,799.63)	$ -	$ 1,971,939.69

NOTE 6 ACCOUNTS PAYABLE

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

Taxes	$ (15.68)
Vendors	23,088.79
Accounts Payable, June 30, 2019	$ 23,073.11

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	$ 208,061.53
Benefits	61,239.96
Taxes	13,851.23
Accrued Wages and Benefits, June 30, 2019	$ 283,152.72

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, 2019:

Year Ending June 30	Copier	Office Space	Visitors Center	Total
2020	$ 4,740.00	$ 73,512.00	$ 14,820.00	$ 93,072.00
2021	4,740.00	73,512.00	14,820.00	93,072.00
2022	4,740.00	73,512.00	14,820.00	93,072.00
2023	3,950.00	61,260.00	13,585.00	78,795.00
Future Minimum Payments	$ 18,170.00	$ 281,796.00	$ 58,045.00	$ 358,011.00

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

Copier	$ 4,740.00
Office Space	73,512.00
Visitors Center	14,820.00
Total, June 30, 2019	$ 93,072.00

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.

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's original agreement pledged $248,000.00 to the LCC for fiscal year 2019. A new agreement was executed effective January 1, 2019 that terminated the prior agreement and provides financial assistance through fiscal year 2024. The agreement includes five auto renewals that allows the agreement to extend through 2049. This agreement requires the Bureau to pay annually $750,000.00 to help meet the LCC expansion project bond requirements. The amount is payable in equal monthly installments of $62,500.00 being due the last day of each month. LCC may assign its rights to the Bureau's contributions to the bondholders or lenders and in such event, the Bureau would be required to make payments directly to the lender. As of June 30, 2019, the balance of funds payable under this agreement is $3,372,502.00 and is recognized as a deferred outflows of resources in the Statement of Net Position. Annual contribution requirements are as follows:

The Bureau's remaining obligations as of June 30, 2019 are as follows:

Fiscal Year	
2020	$ 747,502.00
2021	750,000.00
2022	750,000.00
2023	750,000.00
2024 & Beyond	375,000.00
Total Remaining Obligations	$ 3,372,502.00

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 County Employees Retirement System (CERS), a cost-sharing multiple-employer defined pension plan administered by the Kentucky Retirement Systems (KRS). The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. KRS 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, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Tier 1 Non-Hazardous 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, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age + earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Contributions. Contributions for employees are 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 plan members prior to September 1, 2008. Employees that entered the plan after September 1, 2008 are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 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, 2019, employer contributions for the Bureau were $358,596.00 ($268,014.00 pension and $86,915.00.16 insurance) based on a rate of 21.48% (16.22% pension and 5.26% insurance) 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 any unfunded liability.

Net Pension Liability

The Bureau's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.05 percent, average
Investment rate of return	6.25 percent

The mortality for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity		
US Large Cap	4.50%	5.00%
US Mid Cap	4.50%	6.00%
US Small Cap	5.50%	6.50%
International Equity		
International Developed	6.50%	12.50%
Emerging Markets	7.25%	5.00%
Global Bonds	3.00%	4.00%
Credit Fixed		
Global IG Credit	3.75%	2.00%
High Yield	5.50%	7.00%
EMD	6.00%	5.00%
Illiquid Private	8.50%	10.00%
Private Equity	6.50%	10.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Cash	1.50%	2.00%
	6.09%	100.00%

Discount rate. The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major class are summarized in the Kentucky Retirement Systems' Comprehensive Annual Financial Report (CAFR).

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Bureau calculated using the discount rate of 6.25 percent,as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	**Current Discount Rate (6.25%)**	**1% Increase (7.25%)**
Lexington Convention and Visitors Bureau's Net Pension Liability	$ 4,490,752.00	$ 3,567,213.00	$ 2,793,450.00

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

Pension expense. For the year ended June 30, 2019, the Bureau recognized pension expense of $748,426.00.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, the Bureau 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
Liability Experience	$ 116,353.00	$ 52,216.00
Investment Experience	165,878.00	208,651.00
Change of Assumptions	348,621.00	-
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	307,766.00	-
Contributions Subsequent to the Measurement Date of June 30, 2018	268,014.00	-
	$ 1,206,632.00	$ 260,867.00

In the table shown below, deferred inflows of resources amounts will decrease pension expense while deferred outflows of resources amounts will increase pension expense.

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years
2019	$ 436,361.00
2020	259,146.00
2021	1,389.00
2022	(19,145.00)
	$ 677,751.00

Payable to the Pension Plan

At June 30, 2019, the Bureau reported a payable of $37,558.48 (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, 2019.

Note 12 Postemployment Benefits Other Than Pensions (OPEB)

General Information about the Pension Plan

Plan description. Employees of the Bureau are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10.00 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The Bureau's contractually required contribution rate for the year ended June 30, 2019 was 5.26% of covered payroll. Contributions to the Insurance Fund from the Bureau were $86,915.00 for the year ended June 30, 2019. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is 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).

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Bureau reported a liability of $1,039,881.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The Bureau's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2018. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2018, the Bureau's proportion was .058569%.

For the year ended June 30, 2019, the Bureau recognized OPEB expense of $149,076.00. At June 30, 2019, the Bureau reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	$ -	$ 121,184.00
Investment Experience	-	71,627.00
Change of Assumptions	207,680.00	2,403.00
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	89,408.00	1,964.00
Contributions Subsequent to the Measurement Date of June 30, 2018	91,268.56	
	$ 388,356.56	$ 197,178.00

Of the total amount reported as deferred outflows of resources related to OBEP, $91,268.56 resulting from Bureau's contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. This amount also includes the effect of the implicit subsidy. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Bureau's OPEB expense as follows:

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years
2019	$ 20,112.00
2020	20,112.00
2021	20,112.00
2022	34,023.00
2023	7,336.00
Thereafter	(1,785.00)
	$ 99,910.00

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.30 percent
Salary increases	2.00 percent, average
Investment rate of return	6.25 percent
Healthcare cost trend rates	Initial trend starting at 7.00% and gradually decreasing to (Pre-65) an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare cost trend rates	Initial trend starting at 5.00% and gradually decreasing to (Post-65) an ultimate trend rate of 5.00% over a period of 2 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (multiplied by 50% for males and 30% for females for active members and set back 1 year for females for healthy retired members). The mortality rates for disabled members were based on the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) for the period after disability retirement.

For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity		
US Large Cap	4.50%	5.00%
US Mid Cap	4.50%	6.00%
US Small Cap	5.50%	6.50%
International Equity		
International Developed	6.50%	12.50%
Emerging Markets	7.25%	5.00%
Global Bonds	3.00%	4.00%
Credit Fixed		
Global IG Credit	3.75%	2.00%
High Yield	5.50%	7.00%
EMD	6.00%	5.00%
Illiquid Private	8.50%	10.00%
Private Equity	6.50%	10.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Cash	1.50%	2.00%
	6.09%	100.00%

Discount rate. The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity of the Bureau's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the Bureau's proportionate share of the collective net OPEB liability as well as what the Bureau's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.85%) or 1 percentage point higher (6.85%) than the current discount rate:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Lexington Convention and Visitors Bureau's Net OPEB Liaiblity	$ 1,350,639.00	$ 1,039,881.00	$ 775,172.00

Sensitivity of the Bureau's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the Bureau's proportionate share of the collective net OPEB liability, as well as what the Bureau's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Lexington Convention and Visitors Bureau's Net OPEB Liaiblity	$ 774,202.00	$ 1,039,881.00	$ 1,353,040.00

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

Payables to the OPEB Plan. At June 30, 2019, the Bureau reported a payable of $12,181.26 (included in payroll liabilities amount on the Statement of Net Position and on the Balance Sheet Governmental Funds) and for the outstanding amount of contributions to the OPEB plan required at the year ended June 30, 2019.

NOTE 13 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 plans, employees may contribute up to $19,000.00 pre-tax. Employee contributions to the plan for 2019 were $82,053.89. Employees may contribute up to $5,500.00 after-tax to the Roth IRA plan. There were no employee contributions to the plan for the year.

NOTE 14 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, 2019. The Bureau does not participate in any risk pools.

NOTE 15 COMMISSION DESIGNATED FUNDS

Commission designated funds consist of $725,000 reserved for catastrophic events, $650,000 reserved for competitive development and $1,976,090.00 for pension liability. The Commission reviews the designations on a monthly basis and has the ability to amend as needed in order to best serve the purposes of the Bureau.

NOTE 16 FUTURE ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued statement No. 87, Leases. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Bureau is currently evaluating the impact that will result from adopting GASB No. 87 and is therefore unable to disclose the impact that adopting the Standard will have on the Bureau's financial position and the results of its operations when the Statement is adopted.

NOTE 17 RELATED PARTIES

The Bureau's Executive Director serves as an ex-officio member of the Lexington Center Corporation's Board of Directors.

Supplementary Information

LEXINGTON CONVENTION AND VISITORS BUREAU
REQUIRED SUPPLMENTARY INFORMATION
JUNE 30, 2019

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

	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
Total Net Pension Liability for CERS	$ 3,244,376,000.00	$ 4,299,525,000.00	$ 4,923,618,237.00	$ 5,853,307,463.00	$ 6,090,305.00
Employer's Proportionate (%) of Net Pension Liability	0.04325%	0.04596%	0.04817%	0.05193%	0.05857%
Employer's Proportionate ($) of Net Pension Liability	$ 1,403,000.00	$ 1,976,090.00	$ 2,371,530.00	$ 3,039,857.00	$ 3,567,213.00
Employer's Covered - Employer Payroll	$ 1,005,599.50	$ 1,160,742.61	$ 1,364,853.00	$ 1,477,740.00	$ 1,652,369.00
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Employer's Covered Payroll	139.52%	170.24%	173.76%	205.71%	215.88%
Total Pension Plan's Fiduciary Net Position	$ 6,528,147,000.00	$ 6,440,800,000.00	$ 6,141,394,000.00	$ 6,687,237,095.00	$ 7,018,963.00
Total Pension Plan's Pension Liability	$ 9,772,523,000.00	$ 10,740,325,000.00	$ 11,065,013,000.00	$ 12,540,544,538.00	$ 13,109,268.00
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.50%	53.32%	53.54%

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, 2018.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 136,134.60	$ 136,134.60	$ -	$ 1,067,722.35	12.75%
2016	$ 141,531.77	$ 141,531.77	$ -	$ 1,165,830.07	12.14%
2017	$ 190,397.06	$ 190,397.06	$ -	$ 1,364,853.00	13.95%
2018	$ 213,976.77	$ 213,976.77	$ -	$ 1,477,740.15	14.48%
2019	$ 268,014.00	$ 268,014.00	$ -	$ 1,652,369.00	16.22%

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 2018 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage pay
Amortization period	27 years, closed
Investment return	7.50 percent
Inflation	3.25 percent
Salary increases	4.00 percent, average
Mortality	RP - 2000 Combined Mortality Table, projected to 2013 with scale BB (set back 1 year for females)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
Total Net OPEB Liability for CERS	$ 1,576,852,345.00	$ 2,010,342,054.00	$ 1,775,480,122.00
Employer's Proportionate (%) of Net OPEB Liability	0.05193%	0.05193%	0.05857%
Employer's Proportionate ($) of Net OPEB Liability	$ 818,922.00	$ 1,044,051.00	$ 1,039,881.00
Employer's Covered - Employer Payroll	$ 1,364,853.00	$ 1,477,740.00	$ 1,652,369.00
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of Employer's Covered Payroll	60.00%	70.65%	62.93%
Total OPEB Plan's Fiduciary Net Position	$ 1,946,179,093.00	$ 2,212,535,662.00	$ 2,414,126.00
Total OPEB Plan's Pension Liability	$ 3,523,031,438.00	$ 4,222,877,716.00	$ 4,189,606.00

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, 2018.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

	2018	2019
Actuarially determined contribution	$ 69,454.00	$ 86,915.00
Contributions in relation to the actuarially determined contribution	69,454.00	86,915.00
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 1,477,740.00	$ 1,652,369.00
Contributions as a percentage covered-employee payroll	4.70%	5.26%

NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES INSURANCE FUND OF KRS INFORMATION

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	27 years, closed
Payroll growth rate	4.00 percent
Investment return	7.50 percent
Inflation	3.25 percent
Salary increases	4.00 percent, average
Mortality	RP - 2000 combined mortality table, projected to 2013 with scale BB (set back 1 year for females)
Healthcare trend rates (pre - 65)	Initial trend starting at 7.50 percent and gradually decreasing to an ultimate trend rate of 5.00 percent over a period of 5 years.
Healthcare trend rates (post - 65)	Initial trend starting at 5.50 percent and gradually decreasing to an ultimate trend rate of 5.00 percent over a period of 2 years.

Lexington Convention and Visitors Bureau
Budgetary Comparison Schedule
June 30, 2019

	Original	Final	Actual	Variance
Revenues				
Occupancy Tax Receipts	$ 7,000,000.00	$ 7,692,500.00	$ 7,821,671.11	$ 129,171.11
Matching Fund Revenue	315,000.00	325,000.00	325,437.00	437.00
Other Income	25,000.00	25,000.00	84,293.69	59,293.69
Total Operating Revenues	7,340,000.00	8,042,500.00	8,231,401.80	188,901.80
Operating Expenses				
Personnel Expense	2,325,000.00	2,707,000.00	3,067,038.21	(360,038.21)
Lexington Center Corporation	248,000.00	499,000.00	501,500.00	(2,500.00)
Professional Services	155,000.00	155,000.00	151,600.66	3,399.34
Office Expense	325,000.00	325,000.00	292,194.62	32,805.38
Industry Associations and Subscriptions	155,000.00	161,000.00	134,027.57	26,972.43
Industry Programs and Relation	90,000.00	90,000.00	61,828.93	28,171.07
Promotional Travel	30,000.00	30,000.00	27,690.36	2,309.64
Advertising	2,155,000.00	2,155,000.00	2,526,951.73	(371,951.73)
Fulfillment	45,000.00	45,000.00	56,749.88	(11,749.88)
Sales Efforts	125,000.00	125,000.00	210,262.92	(85,262.92)
Conventions and Meetings	325,000.00	331,500.00	284,054.99	47,445.01
Promotional Items	60,000.00	60,000.00	76,962.63	(16,962.63)
Printing	165,000.00	165,000.00	107,489.20	57,510.80
Media Relations and Support	255,000.00	261,000.00	260,684.14	315.86
Website	65,000.00	65,000.00	77,946.31	(12,946.31)
Research	55,000.00	55,000.00	27,800.00	27,200.00
Staff Development	60,000.00	60,000.00	54,070.43	5,929.57
Development Programs	417,000.00	457,000.00	505,005.11	(48,005.11)
LFUCG Collection Fee	35,000.00	37,500.00	39,108.37	(1,608.37)
Depreciation Expense	260,000.00	268,500.00	289,865.62	(21,365.62)
Total Operating Expenses	7,350,000.00	8,052,500.00	8,752,831.68	(700,331.68)
Operating Income (Loss)	(10,000.00)	(10,000.00)	(521,429.88)	(511,429.88)
Nonoperating Revenues (Expenses)				
Loss on Disposal of Assets	-	-	-	-
Interest and Investment Income	10,000.00	10,000.00	17,056.98	7,056.98
Total Nonoperating Revenues (Expenses)	10,000.00	10,000.00	17,056.98	7,056.98
Change in Net Position	-	-	(504,372.90)	(504,372.90)
Total Net Position - Beginning	4,466,664.26	4,466,664.26	4,466,664.26	4,466,664.26
Total Net Position - Ending	$ 4,466,664.26	$ 4,466,664.26	$ 3,962,291.36	$ 3,962,291.36

MCM CPAs & ADVISORS

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

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, 2019, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements, and have issued our report thereon dated October 11, 2019.

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.

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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 (Continued)

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.

MCM CPAs & Advisors LLP

Lexington, Kentucky
October 11, 2019