

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU

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INDEPENDENT AUDITORS' REPORT

Hopkinsville-Christian County
Convention and Visitor's Bureau
Hopkinsville, Kentucky

We have audited the accompanying financial statements of the governmental activities of Hopkinsville-Christian County Convention and Visitor's Bureau as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

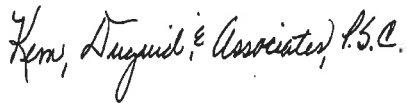
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Hopkinsville-Christian County Convention and Visitor's Bureau, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and pages 22-23 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.

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

February 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Hopkinsville-Christian County Convention and Visitor's Bureau (the Bureau), we offer readers of the Bureau's financial statements this narrative overview and analysis of the financial activities of the Bureau for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash and investments for the Governmental Funds was \$129,594. This balance was \$729,688, for the current year-end.
- Hopkinsville-Christian County Convention and Visitor's Bureau had net position of \$236,465 as of June 30, 2015, which was a decrease of \$4,571.
- At the close of the current fiscal year, the Bureau's governmental funds reported a total unassigned fund balance of \$785,175, all of which was available for spending at the government's discretion.
- The Bureau's total liabilities at the close of fiscal year June 30, 2015 were \$615,124 consisting of accounts payable, interest payable, and new notes payable described in Note 7.
- The Bureau received \$33,300 from matching funds in the 2015 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Bureau's basic financial statements. The Bureau's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements report information about the Bureau as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the Bureau's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Bureau's net position and how it has changed. Net position – the difference between the Bureau's assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the Bureau's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City, the reader needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of buildings and infrastructure.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

OVERVIEW OF FINANCIAL STATEMENTS, continued

In the government-wide financial statements, all the Bureau's activities are reported as governmental activities.

- Governmental activities – All of the Bureau's basic services are included here, such as administration and advertising. Transient room taxes and matching funds finance most of the activities.

The fund financial statements provide more detailed information about the Bureau's *funds*, focusing on its most significant or "major funds" – not the Bureau as a whole. Funds are accounting devices the Bureau uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The Bureau establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The City has one fund:

- *Governmental funds* – Most of the Bureau's basic services are included in the governmental funds, which generally focus on (1) how *cash and other financial assets* that can be readily converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Bureau's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the Bureau provides additional information with the governmental funds statements that explain the relationship (or differences) between them.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 22.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Bureau, assets exceeded liabilities by \$236,465 as of June 30, 2015.

The Bureau's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Table 1
Summary of Net Position
as of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Percent Increase (Decrease)</u>
Assets			
Current assets	\$ 800,709	\$ 231,707	246%
Noncurrent assets	<u>50,880</u>	<u>22,198</u>	129%
Total assets	<u>851,589</u>	<u>253,905</u>	235%
Liabilities			
Current liabilities	15,534	12,869	21%
Non-current liabilities	<u>599,590</u>	<u>-</u>	100%
Total liabilities	<u>615,124</u>	<u>12,869</u>	4680%
Net position			
Net investment in capital assets	50,880	22,198	129%
Unreserved net position	<u>185,585</u>	<u>218,838</u>	-15%
Total net position	<u><u>\$ 236,465</u></u>	<u><u>\$ 241,036</u></u>	-2%

The Bureau's financial position is the product of many factors. For example, the determination of the Bureau's investment in capital assets, net of related debt, involves many assumptions and estimates such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

Total net position decreased by \$4,571 for the year ended June 30, 2015. New asset purchases amounted to \$35,273.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

**Table 2
Change in Net Position
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Percent Increase (Decrease)</u>
REVENUES			
General revenues:			
Transient room tax	\$ 272,325	\$ 280,524	-3%
Earnings on investments	535	202	165%
Matching funds	<u>33,300</u>	<u>59,699</u>	-44%
Total revenues	<u>306,160</u>	<u>340,425</u>	-10%
EXPENSES			
Tourism and promotion	<u>310,731</u>	<u>315,172</u>	-1.41%
Total expenses	<u>310,731</u>	<u>315,172</u>	-1.41%
Change in net position	<u>\$ (4,571)</u>	<u>\$ 25,253</u>	-118%

The statement is presented on an accrual basis of accounting and includes all of the governmental activities. This statement includes depreciation expense, but excludes capital asset purchase costs.

BUDGETARY HIGHLIGHTS

The Bureau's revenues for the fiscal year ended June 30, 2015 were \$306,160. General Fund budgeted receipts compared to actual receipts varied slightly from line item to line item with the ending actual balance being \$7,543 more than anticipated. The total costs of all General Fund programs and services were \$324,823. The budgeted costs of all General Fund programs and services, found on page 22, were \$38,794 less than anticipated.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

CONTACTING THE BUREAU'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Bureau's finances, comply with finance-related laws and regulations, and demonstrate the Bureau's commitment to public accountability. If you have questions about this report or would like to request additional information, contact Cheryl Cook, Hopkinsville Christian County Convention and Visitor's Bureau, 2800 Fort Campbell Boulevard, Hopkinsville, Kentucky 42240.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 661,702
Investments	67,986
Accounts receivable	65,616
Prepaid expenses	5,405
Capital assets:	
Non-depreciable	35,273
Depreciable (net)	<u>15,607</u>
Total assets	<u>851,589</u>
LIABILITIES	
Accounts payable	12,976
Interest payable	2,558
Long-term obligations:	
Portion due or payable within one year:	
Note payable	22,478
Portion due or payable after on year:	
Note payable	<u>577,112</u>
Total liabilities	<u>615,124</u>
NET POSITION	
Net investment in capital assets	50,880
Unrestricted	<u>185,585</u>
Total net position	<u><u>\$ 236,465</u></u>

See accompanying notes to financial statements

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position
Governmental Activities	Total Governmental Activities
General Expenses	
Advertising	\$ (109,097)
Administration	(26,055)
Office expense	(9,849)
Travel & conference	(9,912)
Salary & benefits	(110,466)
Depreciation	(6,591)
Interest on long-term debt	(12,717)
Note issuance costs	(14,590)
Miscellaneous	(11,454)
	(310,731)
Total general expenses	(310,731)
General Revenues	
Taxes:	
Transient room tax	272,325
Earnings on investments	535
Matching funds	33,300
	306,160
Total general revenues	306,160
Change in net position	(4,571)
Net position, July 1, 2014	241,036
Net position, June 30, 2015	\$ 236,465

See accompanying notes to financial statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**HOPKINSVILLE- CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 661,702
Investments	67,986
Accounts receivable	65,616
Prepaid expenses	<u>5,405</u>
Total assets	<u><u>\$ 800,709</u></u>
LIABILITIES AND FUND BALANCE	
Current liabilities	
Accounts payable	\$ 12,976
Interest payable	<u>2,558</u>
Total current liabilities	<u>15,534</u>
Fund balance	
Nonspendable	5,405
Spendable	
Unassigned	<u>779,770</u>
Total fund balance	<u>785,175</u>
Total liabilities and fund balance	<u><u>\$ 800,709</u></u>

See accompanying notes to financial statements

**HOPKINSVILLE-CHRISTIAN COUNTY
 CONVENTION AND VISITOR'S BUREAU
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015**

Total fund balance per fund financial statements		\$ 785,175
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.</p>		
Note payable		(599,590)
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Governmental capital assets	93,262	
Less accumulated depreciation	<u>(42,382)</u>	<u>50,880</u>
Net position of governmental activities		<u><u>\$ 236,465</u></u>

See accompanying notes to financial statements

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 272,325
Earnings on investments	535
Matching funds	<u>33,300</u>
Total revenues	<u>306,160</u>
EXPENDITURES	
Advertising	109,097
Administration	26,055
Office expense	9,849
Travel & conference	9,912
Salary & benefits	110,466
Interest on long-term debt	12,717
Capital outlay	35,273
Miscellaneous	<u>11,454</u>
Total expenditures	<u>324,823</u>
Other financing sources (uses)	
Note proceeds	599,590
Note issuance costs	<u>(14,590)</u>
Total other financing sources	<u>585,000</u>
Net change in fund balance	<u>566,337</u>
Fund balance, July 1, 2014	<u>218,838</u>
Fund balance, June 30, 2015	<u><u>\$ 785,175</u></u>

See accompanying notes to financial statements

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in total fund balance per fund financial statements \$ 566,337

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	35,273	
Depreciation	<u>(6,591)</u>	
Net adjustment		28,682

Note proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Note proceeds		<u>(599,590)</u>
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Change in net position of governmental activities		<u><u>\$ (4,571)</u></u>
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See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bureau was ordained by the City of Hopkinsville in 1984 for the purpose of tourism and promotion activities within the boundaries of the city, all to the benefit of the inhabitants of the city.

The Bureau is composed of seven (7) members who are appointed by the following:

- (a) Three (3) commissioners from a list submitted by the local city hotel and motel association
- (b) One (1) commissioner by the County Judge Executive
- (c) One (1) commissioner from a list submitted by the local restaurant association
- (d) One (1) commissioner from a list submitted by the Chamber of Commerce
- (e) One (1) commissioner by the Mayor

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Bureau's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Bureau, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Bureau.

Fund Financial Statements

Fund financial statements report detailed information about the Bureau. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. The Bureau has one fund, the General Fund, which is presented as a major fund. This is the Bureau's primary operating fund. It accounts for all financial resources of the Bureau.

HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current assets.

The Bureau has the following fund:

Governmental Fund Type

The *General Fund* is the general operating fund of the Bureau and accounts for all revenues and expenditures of the Bureau not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means expected to be received within 60 days after year-end.

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the Bureau's policy to use restricted resources first, then unrestricted resources as they are needed.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Bureau's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences

The Bureau does not permit carryover of vacation time from year-to-year and employees are not compensated for unused sick leave at termination of employment. Therefore, there is no accrued liability for compensated absences.

Budgetary Process

The Bureau's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to susceptible to accrual (GAAP).

Differences between budgetary accounting method and GAAP are not material.

The Executive Director is required to submit estimated receipts and proposed expenditures to the Bureau by June 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Board by July 1.

The Bureau may change the original budget by transferring appropriations at the activity level; however, the Bureau may not increase the total budget without approval by the Board. Expenditures may not exceed budgeted appropriations at the activity level.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The Bureau's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Prepaid Expenditures

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and expenditure is reported in the year in which services are consumed.

Accounts Receivable

Accounts receivable consist of transient hotel/motel room tax from the City of Hopkinsville and matching funds from Kentucky Department of Tourism.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Bureau maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is recorded using the straight-line method over the following useful lives for general capital assets.

Description	Governmental Activities Estimated Lives
Equipment	5 years
Furniture and fixtures	5-7 years
Web design	5 years
Vehicles	5 years

Accrued Liabilities

All payables and accrued liabilities are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The Bureau applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balances

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

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Directors' formal action.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the Bureau's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed, assigned and then unassigned fund balances.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Subsequent Events

Subsequent events have been evaluated through February 29, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2015, the carrying amount of the Bureau's deposits was \$729,688 and the bank balances were \$731,180. Cash and investments at June 30, 2015 consisted of the following:

Cash in bank	\$	661,702
Certificates of deposit		67,986
		\$ 729,688

Interest Rate Risk

The Bureau does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates. In general, certificates of deposit are not subject to interest rate risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the Bureau's deposits may not be returned to it. The Bureau does not have a deposit policy for custodial credit risk. As of June 30, 2015, all deposits were covered by FDIC insurance or by collateral held by the pledging banks' trust department in the Bureau's name.

NOTE 3 – RECEIVABLES

Receivables was composed of the following:

Transient room tax	\$	47,514
Matching funds		17,175
Miscellaneous		927
		\$ 65,616

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CAPITAL ASSET

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not depreciated:				
Construction in progress	\$ -	\$ 35,273	\$ -	\$ 35,273
Total capital assets, not depreciated	-	35,273	-	35,273
Capital assets, depreciated:				
Furniture	6,294	-	-	6,294
Equipment	13,721	-	-	13,721
Web design	7,960	-	-	7,960
Vehicles	25,495	-	-	25,495
Improvements	4,519	-	-	4,519
Total capital assets, depreciated	57,989	-	-	57,989
Less accumulated depreciation for:				
Furniture	(5,284)	(101)	-	(5,385)
Equipment	(9,932)	(939)	-	(10,871)
Web design	(7,960)	-	-	(7,960)
Vehicles	(10,623)	(5,099)	-	(15,722)
Improvements	(1,992)	(452)	-	(2,444)
Total accumulated depreciation	(35,791)	(6,591)	-	(42,382)
Total capital assets, depreciated, net	22,198	(6,591)	-	15,607
Governmental activities capital assets, net	<u>\$ 22,198</u>	<u>\$ 28,682</u>	<u>\$ -</u>	<u>\$ 50,880</u>

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – ECONOMIC DEPENDENCY

The Bureau is dependent on transient room tax collected by the City of Hopkinsville for its continued existence. Transient room tax received approximates 89% of the Bureau's receipts.

NOTE 6 – RISK MANAGEMENT

The Bureau is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the Bureau carries commercial insurance.

NOTE 7 – LONG-TERM DEBT

The Bureau issued a note through the City of Hopkinsville for the construction of a new Visitor's Center building. The payments for the loan are deducted out of the transient room taxes that the City pays to the Bureau. The original loan amount was for \$599,590, which included \$14,590 of issuance costs. The note and interest of \$3.03% are payable in annual installments. The loan is expected to be paid off by June 30, 2035.

Annual Requirement to Retire Debt Obligation

Year Ending June 30	Principal	Interest	Total
2016	\$ 22,478	\$ 15,342	\$ 37,820
2017	23,062	15,160	38,222
2018	25,034	14,968	40,002
2019	26,982	14,760	41,742
2020	23,906	14,556	38,462
2021-2025	136,585	64,967	201,552
2026-2030	157,910	44,228	202,138
2031-2035	183,633	16,377	200,010
Total	<u>\$ 599,590</u>	<u>\$ 200,358</u>	<u>\$ 799,948</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
REVENUES				
From local sources:				
Matching funds	\$ 17,000	\$ 33,673	\$ 33,300	\$ (373)
Trail of Tears reimbursement	12,000	-	-	-
Earnings on investments	150	150	535	385
Intergovernmental revenue	<u>270,000</u>	<u>264,794</u>	<u>272,325</u>	<u>7,531</u>
Total revenues	<u>299,150</u>	<u>298,617</u>	<u>306,160</u>	<u>7,543</u>
EXPENDITURES				
Current:				
Advertising	125,600	126,526	109,097	17,429
Administration	26,033	26,055	26,055	-
Office expense	9,400	9,700	9,849	(149)
Travel & conference	10,769	9,719	9,912	(193)
Salary & benefits	114,248	114,248	110,466	3,782
Depreciation	2,100	2,100	-	2,100
Interest on long-term debt	-	-	12,717	(12,717)
Capital outlay	-	65,000	35,273	29,727
Miscellaneous	<u>10,000</u>	<u>10,269</u>	<u>11,454</u>	<u>(1,185)</u>
Total expenditures	<u>298,150</u>	<u>363,617</u>	<u>324,823</u>	<u>38,794</u>
Excess (deficit) of revenues over (under expenditures)	<u>1,000</u>	<u>(65,000)</u>	<u>(18,663)</u>	<u>46,337</u>
Other financing sources (uses)				
Note proceeds	-	-	599,590	599,590
Note issuance costs	-	-	(14,590)	(14,590)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>585,000</u>	<u>585,000</u>
Net change in fund balance	1,000	(65,000)	566,337	631,337
Fund balance, July 1, 2014	<u>191,014</u>	<u>190,958</u>	<u>218,838</u>	<u>27,880</u>
Fund balance, June 30, 2015	<u>\$ 192,014</u>	<u>\$ 125,958</u>	<u>\$ 785,175</u>	<u>\$ 659,217</u>

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

The Executive Director is required to submit estimated receipts and proposed expenditures to the Bureau by June 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Board by July 1.

The Bureau may change the original budget by transferring appropriations at the activity level; however, the Bureau may not increase the total budget without approval by the Board. Expenditures may not exceed budgeted appropriations at the activity level.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Bureau's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to susceptible to accrual (GAAP).

Differences between budgetary accounting method and GAAP are not material.

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

The General Fund had excess current year expenditures over current year appropriations of \$38,794.