

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU**

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Governmental Fund Financial Statements	
Balance Sheet – Governmental Fund	10
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities	13
Notes to Financial Statements	14
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual – General Fund	25
Notes to Required Supplementary Information	26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2016, and the related notes to financial statements, which collectively comprise the Bureau's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2016, 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 25–26 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.

York, Neel & Associates, LLP



Certified Public Accountants
Hopkinsville, Kentucky

June 2, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

As management of the Hopkinsville-Christian County Convention and Visitor's Bureau (the Bureau), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Bureau for the fiscal year ended June 30, 2016. 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 \$729,688. This balance was \$705,350, for the current year-end.
- Hopkinsville-Christian County Convention and Visitor's Bureau had net position of \$247,025 as of June 30, 2016, which was an increase of \$10,560.
- At the close of the current fiscal year, the Bureau's governmental funds reported a total unassigned fund balance of \$767,388, all of which was available for spending at the government's discretion. A total restricted fund balance of \$4,985, which consisted of a donation restricted for use towards purchasing an air conditioning unit for the new building construction.
- The Bureau's total liabilities at the close of fiscal year June 30, 2016 were \$588,854 consisting of accounts payable, interest payable, and a note payable described in Note 9.
- The Bureau received \$33,750 from matching funds in the 2016 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 Bureau's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Bureau, the reader needs to consider additional non-financial factors such as changes in the Bureau's transient room 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, 2016**

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.

Fund financial statements - The fund financial statements provide more detailed information about the Bureau's *fund*, focusing on its most significant or "major fund" – 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.

The Bureau has one type of fund:

- *Governmental fund* – All of the Bureau's basic services are included in the governmental fund, which generally focuses 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 fund statements that explain the relationships (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 25.

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 \$247,025 as of June 30, 2016.

A portion of the Bureau's net position reflects its investment in capital assets (e.g., buildings and improvements, vehicles, equipment, and construction in progress, less any outstanding debt used to acquire those assets). The Bureau uses these capital assets for the benefit of the Bureau; consequently, these assets are not available for future spending.

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

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

**Table 1
Summary of Net Position
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 786,166	\$ 800,709	\$ (14,543)	-1.82%
Noncurrent assets	49,713	50,880	(1,167)	-2.29%
Total assets	<u>835,879</u>	<u>851,589</u>	<u>(15,710)</u>	-1.84%
Liabilities				
Current liabilities	11,742	15,534	(3,792)	-24.41%
Non-current liabilities	<u>577,112</u>	<u>599,590</u>	<u>(22,478)</u>	-3.75%
Total liabilities	<u>588,854</u>	<u>615,124</u>	<u>(26,270)</u>	-4.27%
Net position				
Net investment in capital assets	49,713	50,880	(1,167)	-2.29%
Restricted	4,985	-	4,985	100.00%
Unrestricted	<u>192,327</u>	<u>185,585</u>	<u>6,742</u>	3.63%
Total net position	<u>\$ 247,025</u>	<u>\$ 236,465</u>	<u>\$ 10,560</u>	4.47%

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 increased by \$10,560 for the year ended June 30, 2016. Restricted net position increased by \$4,985 from a donation as described in Note 6 to the financial statements.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

**Table 2
Changes in Net Position
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
General revenues:				
Transient room tax	\$ 251,851	\$ 272,325	\$ (20,474)	-7.52%
Earnings on investments	919	535	384	71.78%
Matching funds	33,750	33,300	450	1.35%
Marketing and branding	16,934	-	16,934	100.00%
Miscellaneous	19,297	-	19,297	100.00%
Total revenues	<u>322,751</u>	<u>306,160</u>	<u>16,591</u>	5.42%
Expenses				
Tourism and promotion	<u>312,191</u>	<u>310,731</u>	<u>1,460</u>	0.47%
Total expenses	<u>312,191</u>	<u>310,731</u>	<u>1,460</u>	0.47%
Change in net position	<u>\$ 10,560</u>	<u>\$ (4,571)</u>	<u>\$ 15,131</u>	-331.02%

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

BUDGETARY HIGHLIGHTS

- The Bureau's General Fund revenues for the fiscal year ended June 30, 2016 were \$322,751 for governmental activities versus budgeted revenue of \$316,150. The increase was mainly due to \$24,231 more received in miscellaneous revenue than budgeted.
- The Bureau's General Fund expenditures for the fiscal year ended June 30, 2016 were \$333,502 versus budgeted expenditures of \$363,398. The reduction was mainly due to less spending on the building work in process than anticipated.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

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, 2016**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 636,607
Investments	68,743
Accounts receivable	78,765
Prepaid expenses	2,051
Capital assets:	
Non-depreciable	40,681
Depreciable, net	<u>9,032</u>
Total assets	<u>835,879</u>
LIABILITIES	
Accounts payable	9,184
Interest payable	2,558
Long-term obligations:	
Portion due or payable within one year:	
Note payable	23,062
Portion due or payable after on year:	
Note payable	<u>554,050</u>
Total liabilities	<u>588,854</u>
NET POSITION	
Net investment in capital assets	49,713
Restricted	4,985
Unrestricted	<u>192,327</u>
Total net position	<u><u>\$ 247,025</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, 2016**

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues
Governmental Activities		Operating Grants and Contributions	Total Governmental Activities
General Expenses			
Advertising	\$ 139,652	\$ 16,934	\$ (122,718)
Administration	27,025	-	(27,025)
Office expense	8,374	-	(8,374)
Travel and conference	9,704	-	(9,704)
Salary and benefits	96,002	-	(96,002)
Depreciation	6,575	-	(6,575)
Interest on long-term debt	15,342	-	(15,342)
Miscellaneous	9,517	4,985	(4,532)
Total general expenses	\$ 312,191	\$ 21,919	(290,272)
General Revenues			
Taxes:			
Transient room tax			251,851
Earnings on investments			919
Matching funds			33,750
Miscellaneous			14,312
Total general revenues			300,832
Change in net position			10,560
Net position, July 1, 2015			236,465
Net position, June 30, 2016			\$ 247,025

See accompanying notes to financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HOPKINSVILLE- CHRISTIAN COUNTY
 CONVENTION AND VISITOR'S BUREAU
 BALANCE SHEET - GOVERNMENTAL FUND
 JUNE 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 636,607
Investments	68,743
Accounts receivable	78,765
Prepaid expense	<u>2,051</u>
Total assets	<u><u>\$ 786,166</u></u>
LIABILITIES AND FUND BALANCE	
Current liabilities	
Accounts payable	\$ 9,184
Interest payable	<u>2,558</u>
Total current liabilities	<u>11,742</u>
Fund balance	
Nonspendable	2,051
Restricted	4,985
Unassigned	<u>767,388</u>
Total fund balance	<u>774,424</u>
Total liabilities and fund balance	<u><u>\$ 786,166</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, 2016**

Total fund balance per fund financial statements		\$ 774,424
<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		(577,112)
<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	\$ 98,670	
Less accumulated depreciation	<u>(48,957)</u>	<u>49,713</u>
Net position of governmental activities		<u><u>\$ 247,025</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, 2016**

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 251,851
Earnings on investments	919
Matching funds	33,750
Marketing and branding	16,934
Donations	4,985
Miscellaneous	<u>14,312</u>
Total revenues	<u>322,751</u>
EXPENDITURES	
Advertising	139,652
Administration	27,025
Office expense	8,374
Travel and conference	9,704
Salary and benefits	96,002
Interest on long-term debt	15,342
Capital outlay	5,408
Debt Service	22,478
Miscellaneous	<u>9,517</u>
Total expenditures	<u>333,502</u>
Net change in fund balance	<u>(10,751)</u>
Fund balance, July 1, 2015	<u>785,175</u>
Fund balance, June 30, 2016	<u><u>\$ 774,424</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, 2016

Net change in total fund balance per fund financial statements \$ (10,751)

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	\$ 5,408	
Depreciation	<u>(6,575)</u>	
Net adjustment		(1,167)

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 payments		<u>22,478</u>
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Change in net position of governmental activities \$ 10,560

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 net position presents the financial condition of the governmental activities of the Bureau at year end. 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 governmental function is self-financing or draws from the general revenues of the Bureau.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Financial Statements

Fund financial statements report detailed information about the Bureau. The focus of governmental 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.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Bureau considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments. General capital asset acquisitions are reported as expenditures in governmental funds.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental funds combined must also be reported as major funds.

Governmental Funds

Governmental Funds are those through which most of the Bureau's functions are financed. The acquisition, use and balances of the Bureau's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income.

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. This fund is always classified as a major fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

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 Bureau, "available" means expected to be received within 60 days after year end.

Non-exchange transactions, in which the Bureau receives value without directly giving equal value in return, includes transient room taxes, grants, entitlements, and donations. On accrual basis, revenue from transient room taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements in which the Bureau must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Bureau on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the Bureau's policy to use restricted resources first, and then unrestricted resources as they are needed.

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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures during the reporting period. Actual results could vary from those estimates and assumptions.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Investments

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), derivatives, and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and security pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the Bureau's investment operations, as well as the internal administrative expenses directly related to the Bureau's investment program. The Bureau's investments at June 30, 2016 consist of certificates of deposit.

Restricted Assets – Cash and Investments

Certain assets of the General Fund are classified as restricted assets, because their use is restricted by donors.

Prepaid Expenditures

Payments made that will benefit periods beyond June 30, 2016 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.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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.

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, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 nor 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.

Net Position

Net positions represent 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".

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Subsequent Events

Subsequent events have been evaluated through June 2, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

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, 2016, all deposits were covered by FDIC insurance or by collateral held by the pledging banks' trust department in the Bureau's name.

At June 30, 2016, the carrying amount of the Bureau's deposits was \$705,350 and the bank balance was \$710,708. The cash and investments at June 30, 2016 consisted of the following:

Deposits in bank	\$ 636,607
Certificates of deposit	<u>68,743</u>
	<u>\$ 705,350</u>

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – INVESTMENTS

Fair Value Measurement

The Bureau measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three tiered fair value hierarchy, as follows:

- Level 1 – Quoted prices for identical investments in active markets;
- Level 2 – Observable inputs other than quoted market prices; and
- Level 3 – Unobservable inputs.

At June 30, 2016, the Bureau had the following investments at fair value measurements.

Certificates of Deposit	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Heritage Bank	\$ -	\$ 26,227	\$ -
Planter's Bank	-	42,516	-
Total investments measured at fair value	<u>\$ -</u>	<u>\$ 68,743</u>	<u>\$ -</u>

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. The Bureau does not have an investment policy for custodial credit risk. In general, certificates of deposit are not subject to investment credit risk.

NOTE 4 – RECEIVABLES

Receivables were composed of the following at June 30, 2016:

Transient room tax	\$ 46,916
Matching funds	14,343
Donation	4,985
Trail of Tears reimbursement	12,000
Miscellaneous	521
	<u>\$ 78,765</u>

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – CAPITAL ASSET

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction work in progress	\$ 35,273	\$ 5,408	\$ -	\$ 40,681
 Total capital assets not being depreciated	<u>35,273</u>	<u>5,408</u>	<u>-</u>	<u>40,681</u>
Capital assets being 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 being depreciated	<u>57,989</u>	<u>-</u>	<u>-</u>	<u>57,989</u>
Less accumulated depreciation:				
Furniture	(5,385)	(101)	-	(5,486)
Equipment	(10,871)	(923)	-	(11,794)
Web design	(7,960)	-	-	(7,960)
Vehicles	(15,722)	(5,099)	-	(20,821)
Improvements	(2,444)	(452)	-	(2,896)
 Total accumulated depreciation	<u>(42,382)</u>	<u>(6,575)</u>	<u>-</u>	<u>(48,957)</u>
 Total capital assets being depreciated, net	<u>15,607</u>	<u>(6,575)</u>	<u>-</u>	<u>9,032</u>
 Governmental activities capital assets, net	<u>\$ 50,880</u>	<u>\$ (1,167)</u>	<u>\$ -</u>	<u>\$ 49,713</u>

Construction Work in progress consists of amounts paid toward the construction of a new office building for the Bureau. Work on the building is expected to be completed July 2017.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – FUND BALANCE REPORTING

The following is a summary of classifications of fund balances at June 30, 2016 for governmental funds.

	<u>General Fund</u>
Nonspendable	\$ 2,051
Restricted	4,985
Committed	-
Assigned	-
Unassigned	<u>767,388</u>
	<u>\$ 774,424</u>

The \$4,985 restricted fund balance consists of a donation restricted toward the purchase of an air conditioning unit for the building construction work in process.

NOTE 7 – 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 78% of the Bureau's receipts.

NOTE 8 – 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.

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – 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
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	26,417	14,196	40,613
2022-2026	138,443	61,509	199,952
2027-2031	163,468	39,282	202,750
2032-2035	149,800	10,583	160,383
Total	<u>\$ 577,112</u>	<u>\$ 185,014</u>	<u>\$ 762,126</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 270,000	\$ 270,000	\$ 251,851	\$ (18,149)
From local sources:				
Earnings on investments	150	150	919	769
Matching funds	17,000	34,000	33,750	(250)
Trail of Tears reimbursement	12,000	12,000	12,000	-
Miscellaneous	-	-	24,231	24,231
Total revenues	<u>299,150</u>	<u>316,150</u>	<u>322,751</u>	<u>6,601</u>
EXPENDITURES				
Current:				
Advertising	126,335	127,861	139,652	(11,791)
Administration	14,303	26,055	27,025	(970)
CVB building project	50,000	75,000	43,228	31,772
Office expense	11,000	9,165	8,374	791
Travel and conference	11,500	10,216	9,704	512
Salary and benefits	120,912	103,191	96,002	7,189
Depreciation	2,100	2,100	-	2,100
Uncategorized	-	410	-	410
Miscellaneous	13,000	9,400	9,517	(117)
Total expenditures	<u>349,150</u>	<u>363,398</u>	<u>333,502</u>	<u>29,896</u>
Net change in fund balance	(50,000)	(47,248)	(10,751)	(23,295)
Fund balance, July 1, 2015	<u>50,000</u>	<u>75,000</u>	<u>785,175</u>	<u>710,175</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ 27,752</u>	<u>\$ 774,424</u>	<u>\$ 746,672</u>

**HOPKINSVILLE-CHRISTIAN COUNTY
CONVENTION AND VISITOR'S BUREAU
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETS AND ACTUAL
JUNE 30, 2016**

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.

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NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

The General Fund had excess current year advertising expenditures over current year advertising appropriations of \$11,791. Overall, the General Fund had excess current year appropriations over current year expenditures of \$29,896.