

NICHOLASVILLE/WILMORE/JESSAMINE COUNTY JOINT TOURISM COMMISSION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2018



CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
Statement of Net Position	3
Statement of Activities	4
Balance Sheet - Governmental Fund	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	8
Notes to Financial Statements	9-14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
Nicholasville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Nicholasville/Wilmore/Jessamine County Joint Tourism Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Phone: (859)623-4027 • Fax: (859)623-0443

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 Nicholasville/Wilmore/Jessamine County Joint Tourism Commission, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion of the basic financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018 on our consideration of the Nicholasville/Wilmore/Jessamine County Joint Tourism Commission'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 Nicholasville/Wilmore/Jessamine County Joint Tourism Commission's internal control over financial reporting and compliance.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
September 13, 2018

Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
Statement of Net Position
June 30, 2018

Assets	
Current Assets:	
Cash and cash equivalents	\$ 203,533
Certificate of Deposit	100,000
Accounts receivable	24,312
Prepaid expenses	<u>2,000</u>
Total Current Assets	329,845
Fixed Assets:	
Depreciable buildings, property and equipment, net of depreciation	1,190
Total Fixed Assets	<u>1,190</u>
Total Assets	<u>\$ 331,035</u>
 Liabilities and Net Position	
Liabilities:	
Current Liabilities:	
Accounts payable	<u>\$ 21,947</u>
Total Current Liabilities	<u>-</u> 21,947
Total Liabilities	<u>21,947</u>
Net Position:	
Investment in Capital Assets	1,190
Unrestricted	<u>307,898</u>
Total Net Position	<u>309,088</u>
Total Liabilities and Net Position	<u>\$ 331,035</u>

The accompanying notes are an integral part of these financial statements.

Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
Statement of Activities
For The Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Primary Government
Governmental activities				
Tourism activities	\$ 69,465	-	9,791	\$ (59,674)
				General Revenues:
				Transient Room Tax \$ 106,061
				Investment income 26,766
				Other Income 30,000
				Transfers 232,433
				Total general revenues 368,766
				Change in net position 309,088
				Net position - beginning
				\$ 309,088

The accompanying notes are an integral part of these financial statements.

Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
 Balance Sheet
 Governmental Fund
 June 30, 2018

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 203,533
Certificate of deposit	100,000
Accounts receivable	24,312
Total Assets	\$ 327,845
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 21,947
Total Liabilities	21,947
Fund Balances	
Unassigned	305,898
Total Fund Balances	\$ 305,898
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of \$6,175, net of accumulated depreciation of \$4,985, are not financial resources and therefore, are not reported in the fund	\$ 1,190
Prepaid expenses applicable to governmental activities are not due and payable in the current period and therefore are not reported in governmental funds.	2,000
Net position of governmental activities	\$ 309,088

The accompanying notes are an integral part of these financial statements.

Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2018

	Governmental Fund
Revenues	
Transient room tax	\$ 106,061
Other revenues	39,791
Investment income	267
Total Revenues	146,119
Expenditures	
General Government	
Management fee	6,000
Insurance	3,610
Internet site	1,851
Training and travel	1,065
Dues and memberships	1,911
General advertising	20,423
Contract labor	14,276
Creative Art League	2,500
Awards and other programs	13,500
Repairs and maintenance	2,563
Equipment	1,652
Office expense	541
Miscellaneous	2,763
Total Current Expenditures	72,655
Other Financing Sources (Uses)	
Transfers	232,434
Net change in fund balance	305,898
Fund balance - beginning	-
Fund balance - ending	\$ 305,898

The accompanying notes are an integral part of these financial statements.

Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund to the Statement of Activities
 For The Year Ended June 30, 2018

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	305,898
<p>Government Funds report capital outlays as expenditures: however in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses</p>		
Capital Outlay	\$	1,231
Depreciation Expense	\$	(41)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported in revenues in the fund. There were no such resources in the current year.</p>		
		-
<p>The Statement of Activities records prepaid expenses: however they are not accrued in the fund. This is the current years prepaid insurance amount recored as an expense in the fund.</p>		
		2,000
Change in Net Position of Governmental Activities	\$	309,088

The accompanying notes are an integral part of these financial statements.

Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2018

Revenues	Original Budget	Revised Budget	Actual	Favorable (Unfavorable) Balance
Transient room tax	\$ 83,900	\$ 83,900	\$ 106,061	\$ 22,161
Contributions	-	-	-	-
Downtown revenue	30,000	30,000	30,000	
Grant revenues	10,000	10,000	9,791	(209)
Investment income	-	-	267	267
Total Revenue	123,900	123,900	146,119	22,219
Expenditures				
General Government				
Management fees	6,000	6,000	6,000	-
Accounting & legal	6,000	6,000		6,000
Insurance	1,700	1,700	3,610	(1,910)
Internet site	5,000	5,000	1,851	3,149
Training/travel	3,000	3,000	1,065	1,935
Dues & memberships	2,000	2,000	1,911	89
General advertising	15,000	15,000	20,423	(5,423)
Contract labor	17,000	17,000	14,276	2,724
Creative Art League	3,000	3,000	2,500	500
Awards and other grants	32,900	32,900	13,500	19,400
Repairs and maintenance	3,000	3,000	2,563	437
Bowl games/soccerama	8,500	8,500		8,500
Equipment	-	-	1,652	(1,652)
Office expense	2,000	2,000	541	1,459
Miscellaneous	-	-	2,763	(2,763)
Total Expenditures	105,100	105,100	72,655	32,445
Other sources (uses) of funds				
Transfers in	151,671	151,671	232,434	(80,763)
Transfers out	(170,471)	(170,471)	-	(170,471)
Total Expenditures	123,900	123,900	72,655	51,245
Net change in fund balance	-	-	305,898	
Fund balance - beginning			-	
Fund balance - ending			<u>\$ 305,898</u>	

The accompanying notes are an integral part of these financial statements.

NICHOLASVILLE/WILMORE/JESSAMINE COUNTY JOINT TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Nicholasville/Wilmore/Jessamine County Joint Tourism Commission (the “Commission”) was established by the similar ordinances enacted by the cities of Nicholasville and Wilmore and the Jessamine County Fiscal Court on December 18, 2017. It operates under K.R.S. 91-A-350 and K.R.S. 91-A-360. These laws allow the establishment of a tourist commission for the purpose of promoting convention and tourist activity by the local governing bodies of first through sixth class cities. The Tourism Commission is composed of seven members that are appointed by the joint action and agreement of the Nicholasville City Mayor, the Wilmore city Mayor and the Jessamine County Judge Executive.

Basis of Presentation

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the Commission’s activities as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The Commission has only one such governmental fund that accounts for the daily operating activity of the Commission. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the Commission. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Transient taxes are recorded as revenue when collected and available to be remitted to the Commission by the City of Nicholasville, the City of Wilmore and the Jessamine County Fiscal Court. For this purpose, the Commission considers revenues to be available for reporting purposes when collected within 60 days. Expenditures are recognized when the related fund liability is incurred.

Cash and Investments

The Commission considers all monies in banks and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Commission does not have any investments at this time, except for bank certificates of deposit, but their written policy provides guidance for acceptable investments.

NICHOLASVILLE/WILMORE/JESSAMINE COUNTY JOINT TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgeting

The Commission follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles. Amendments to the budget must be approved by the majority of the Commissioners.

Property, Equipment and Depreciation

Property and equipment is stated at cost in the fund financial statements. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. The Commission has established a capitalization policy to recognize capital assets as assets with an initial individual cost of more than \$1,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2018 was \$41.

Fund Balance

In the fund financial statements, the Commission has implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Commission. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2018, fund balances are comprised of the following:

	<u>General Fund</u>
Assigned	\$ -
Unassigned	305,898
	<u>\$ 305,898</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NICHOLASVILLE/WILMORE/JESSAMINE COUNTY JOINT TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Commission maintains cash and cash equivalents in local banks. The Commission’s cash and cash equivalents are categorized to give an indication of the level of risk assumed by the Commission as of June 30, 2018. The categories are described as follows:

Category - (1) Insured or collateralized with securities held by the entity or by its agent in the entity’s name.

Category - (2) Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name.

Category - (3) Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name).

The Commission’s deposits are categorized as Category 1, except for \$53,533, which is categorized as Category 3, uncollateralized and uninsured.

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements as of June 30, 2018 as current assets because they are available to meet current obligations. Investments consist of certificates of deposit. Market values at June 30, 2018 are as follows:

<u>Type of Security</u>	<u>Cost</u>	<u>Market Value</u>	<u>Appreciation</u>
Certificates of deposit	\$ 100,000	\$ 100,000	-
	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>

Fair Value Measurements

FASB issued FASB ASC 820, *Fair Value Measurements and Disclosures* in order to establish a single definition of fair value and a framework for measuring fair value in Generally Accepted Accounting Principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. FASB ASC 820 also expands disclosures about fair value measurements. FASB ASC 820 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured for fair value but does not expand the use of fair value.

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 2 assets and liabilities include certificates of deposit.

NICHOLASVILLE/WILMORE/JESSAMINE COUNTY JOINT TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – INVESTMENTS (CONTINUED)

Level 3 – Assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2018 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit	<u>\$ 100,000</u>	<u>-</u>	<u>\$ 100,000</u>	<u>-</u>
Total	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>June 30, 2018</u>
Computer Equipment	\$ 2,279	\$ 1,231	\$ 3,510
Other equipment	2,665	-	2,665
Total at historical cost	4,944	1,231	6,175
Less: Accumulated Depreciation	4,944	41	4,985
Total accumulated depreciation	4,944	41	4,985
Capital assets – net	\$ -	\$ 1,190	\$ 1,190

NOTE 5 – RECEIVABLES

Receivables consist of taxes collected on behalf of the Commission by the City of Nicholasville, the City of Wilmore and the Jessamine County Fiscal Court, but have not yet been remitted. The balance of tax receivables as of June 30, 2018 was \$24,312.

12

NICHOLASVILLE/WILMORE/JESSAMINE COUNTY JOINT TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – PAYABLES

The Commission's payables consist of payments due for expenses incurred during the current fiscal year. As of June 30, 2018, the accounts payable balance was \$21,947.

NOTE 7 – COMMITMENTS, LEASES AND CONTRACTS

Although a signed contract has not been used, the Commission has committed in the budget to quarterly payments of \$3,000 to the Jessamine County Chamber of Commerce. The Chamber of Commerce provided the use of their facilities, secretarial staff and telephones for the Commission. The terms remain unchanged for the upcoming year.

NOTE 8 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2018 the Commission was covered under an additional insurance endorsement through the City of Nicholasville with the Kentucky League of Cities Insurance Services (KLCIS) for general liability, automobile liability and public official liability thru 11/21/17. As of 11/22/17 the Commission was covered under its own policy with KLCIS, for general liability, and public official's liability.

NOTE 9 – REVENUE

Major sources of revenue for the Commission are:

Transient room tax- The City of Nicholasville, the City of Wilmore and the Jessamine County Fiscal Court established a three (3) percent transient room tax on local hotels, motels and bed and breakfast operations within the

limits of each locality. This local tax revenue is recognized when due. The entities must disperse collected funds within 30 days of collection.

Grant revenues – The majority of grant revenue consists of reimbursement grants from the Tourism Marketing Incentive Program of the state of Kentucky. Certain types of expenses the Commission incurs for advertising and promoting tourism may be reimbursed by the state on a fixed percent of the qualified type of expense.

Downtown revenue – This is revenue from the City of Nicholasville, which it had been giving to their Main Street Program, but the program dissolved. As a result, the City is transferring this revenue to the Commission.

NOTE 10 – NICHOLASVILLE/WILMORE/JEASSAMINE COUNTY TOURISM COMMISSION MEMBERS

The following is a list of commissioners and officers as of June 30, 2018:

Tommy Cobb	Doug Fain
Benjamin Quigg	Dave Carlstedt
Steve Vinson	Roberta Warren

One of the board members resigned on May 1, 2018 and the board is in the process of finding a replacement.

13

NICHOLASVILLE/WILMORE/JESSAMINE COUNTY JOINT TOURISM COMMISSION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - TRANSFERS

When the Nicholasville/Wilmore/Jessamine County Joint Tourism Commission was established, the Nicholasville Tourism and Convention Commission was dissolved, and all assets were transferred to the joint Commission. At the time of dissolution, \$232,434 from all cash accounts was transferred from Nicholasville Tourism to the joint Commission. These amounts are recorded as transfers in the financial statements, as they were not revenue received.

NOTE 12 -ON-BEHALF PAYMENTS

The City hired an Executive Director in April 2018, to oversee the daily operations of the Commission. His salary and fringe benefits are paid directly by the City of Nicholasville and the Commission reimburses the City every quarter. For the year ended June 30, 2018 the total amount paid by the Commission was \$14,276.

NOTE 13 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through September 13, 2018, the date this report became available for issuance.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Nicholasville/Wilmore/Jessamine County Joint Tourism Commission
Nicholasville, Kentucky

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 governmental activities of the Nicholasville/Wilmore/Jessamine County Joint Tourism Commission (Commission), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 opinions on the financial statements, but not for the purpose of expressing an

opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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.



Phone: (859)623-4027 • Fax: (859)623-0443

Compliance and Other Matters

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

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
September 13, 2018