

MOREHEAD RECREATION, TOURISM  
AND CONVENTION COMMISSION  
Morehead, Kentucky

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS  
for the year ended June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Morehead Recreation, Tourism and Convention Commission  
Morehead, Kentucky

We have audited the accompanying financial statements of the governmental activities of the Morehead Recreation, Tourism & Convention Commission as of and for the year ended June 30, 2019, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Morehead Recreation, Tourism & Convention Commission's management. Our responsibility is to an express opinion on these financial statements based on our audit.

### ***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 opinions 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.

### ***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 Morehead Recreation, Tourism & Convention Commission, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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, Schedule of Proportionate Share of Net Pension Liability, Schedule of Employer Contributions – Net Pension Liability, Schedule of the Proportionate Share of Net OPEB Liability, Schedule of Employer Contributions – Net OPEB Liability, Statement Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the Morehead Recreation, Tourism & Convention 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 the Morehead Recreation, Tourism & Convention Commission's internal control over financial reporting and compliance.

*John T. Lane & Associates LLC*

Mount Sterling, Kentucky

October 24, 2019

This report contains 39 pages.



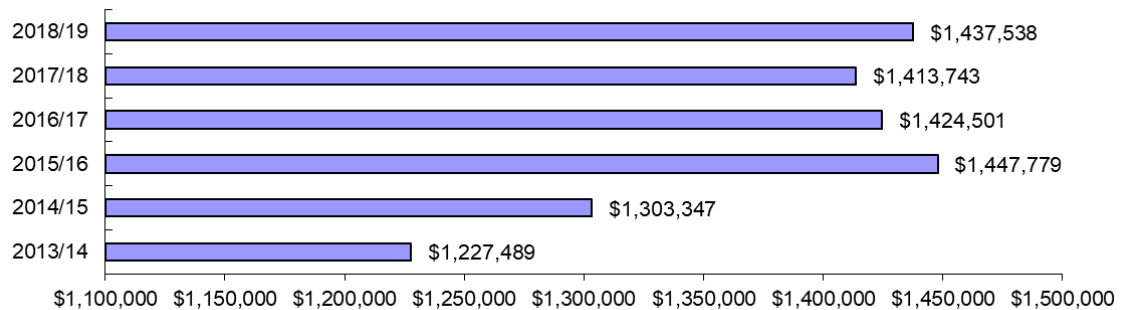
## Management Discussion and Analysis (MD&A) Fiscal Year Ending June 30, 2019

The Management of the Morehead Recreation, Tourism, and Convention Commission ( the Commission) offers readers of the Commission’s financial statements this narrative overview and analysis of their financial activities for the fiscal year ended (FYE) June 30, 2019. We encourage readers to read the information presented here in conjunction with the auditor’s report on page 1-2 and the Commission’s financial statements, which begin to appear on page 10.

### Financial Highlights

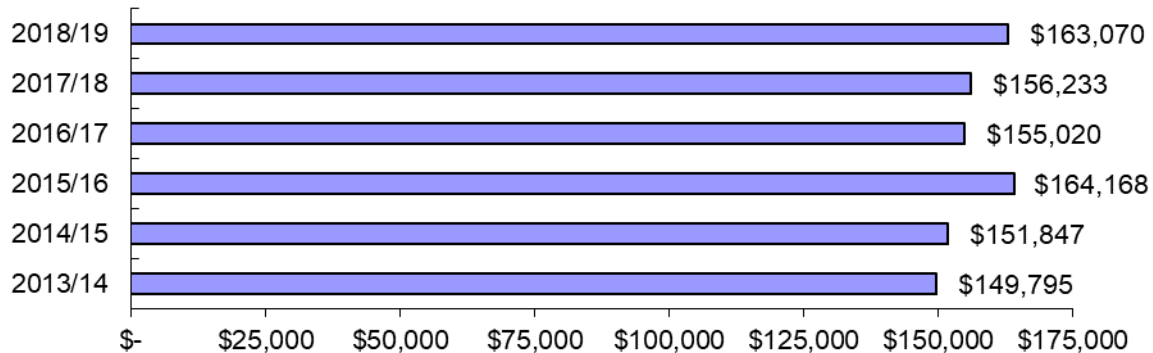
- Restaurant tax collections have increased \$23,795 (or 1.68%) to \$1,437,538 from \$1,413,743 in the prior year. A historical graph follows:

FY2018/2019 RESTAURANT TAX



- Hotel tax collections have increased (or 4.4%) to \$163,070 from \$156,233 in the prior year. A historical graph follows:

FY2018/2019 HOTEL/MOTEL TAX



- Revenues from Conference Center operations decreased \$15,425 (or 32.3%) to \$32,399 from 47,824 the prior year.
- General and Administrative Expenses increased \$27,143 (or 2.7%) to \$1,033,946 from \$1,006,803 in the prior year.
- The Commission's Long-Term Debt decreased \$254,328 (or 3.7%) to \$6,551,328 from \$6,805,656 in the prior year.
- The Commission's net assets increased \$50,448 (or 4.4%) to \$1,190,476 from \$1,140,028 in the prior year's end.

### **Overview of the Financial Statements**

The Commission's basic financials statements consist of the three components; 1) the MD&A, 2) financial statements and 3) notes to the financial statements. The Commission's financial statements present two kind of statements, each with a different snapshot of the Commission's finances. The focus is both the Commission as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Commission's overall financial status. The fund financial statements focus on the individual funds of the Commission, reporting the Commission's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Commission's accountability.

The financial statements prepared by management include the Statement of Net Position; Statement of Activities; Balance Sheet- Government Fund, Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds; the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities; and Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds Budget and Actual

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on page 15 through 23 of this report. After the notes, supplemental information is provided to show details about the Commission's individual funds.

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information required by the Comptroller General of the United States.

### **Overview of the Commission**

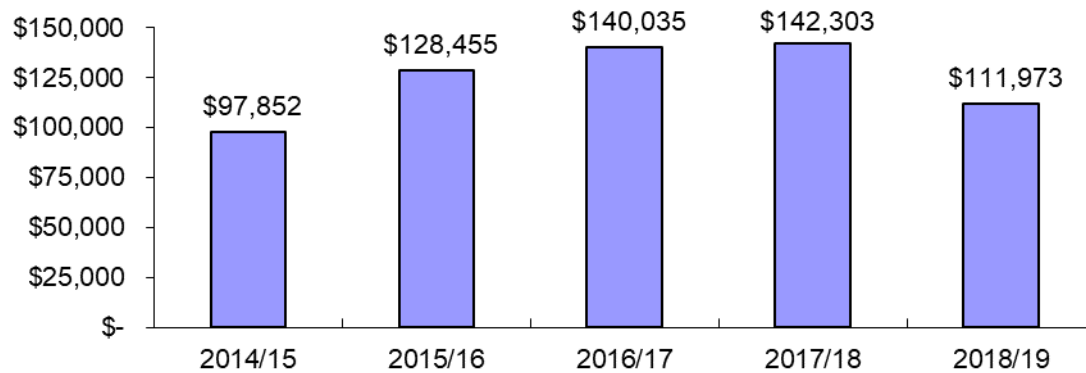
#### **Morehead Visitor Center overview**

The Morehead Visitor Center continues to welcome guests from all over the United States. We have had visitors from 37 states and Washington D.C. The countries that have visited are Israel, Canada, Sweden, Costa Rica, Switzerland, England, New Zealand, Ireland, Scotland, Australia, and Germany. The gift shop continues to get more traffic, and adding more offerings the sales have increased. Our staff at the center also monitors results for all tourism social media, updates the tourism website and communicates online updates with the Kentucky Department of Tourism. All requests for information are filtered through the visitor for accurate tracking for the commission.

#### **Morehead Conference Center overview**

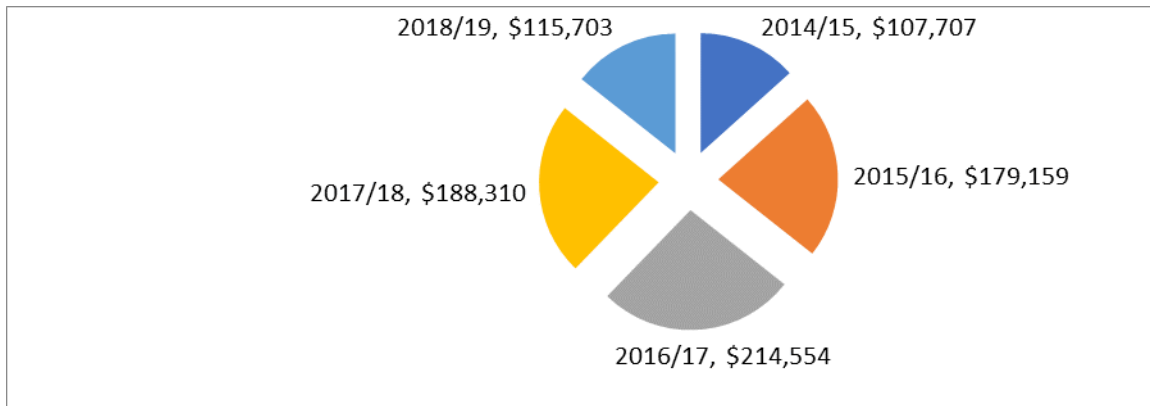
The Morehead Conference Center (MCC) continues to grow a large client base including clients that have been with us since opening the center. Over the past 13 years, we have welcomed over 5,000 events, averaging 380 events per year. Our Kentucky Proud Expo continues to be a success and increasing in attendance annually. Most notably, the event is coordinated annually by the facility interns. This is an excellent opportunity for event planners attending Morehead State University to get hands on experience with oversight from the MCC Director. We also working on a Summer and Winter event that could also be annual events that would generate more Internship hours.

#### MCC EVENTS, CATERING AND RENTAL INCOME



#### Morehead Tourism overview

Tourism in Morehead shows consistent economic impact growth. According to reports collected by Kentucky Tourism, Morehead has experience 20% revenue growth since 2014. This fiscal year, we led the seven counties that surround us in total tourism spending with 38% of the total. We provided over \$100,000 in local marketing/advertising event support. The largest of those grants were to the Morehead Freedom Fest, Morehead Arts and Eats Festival and 16<sup>th</sup> Region Basketball Tournaments. We continue to drive the Kentucky Trail Town mission throughout our community and across the state. We expanded our marketing efforts to bring a nationally recognized food blogger to town and to host a smaller travel show base so we could assist with local projects. The team continues to be cross-trained in all areas of tourism so each can assist with various events.



### Rowan County Arts Center overview

This year was a great year for gallery sales, art classes and auditorium rentals. We had 10 exhibits for the year and great artwork that people had to take home with them. Along with sales from exhibits, we sold items from our gift shop. Our weekly art class for elementary students started off strong. We also added several 4-week and 6-week classes for drawing and painting. Once again art camp was a huge success almost doubling our original attendance goal. This was our busiest year to date for auditorium rentals. Along with our usual plays, concerts, weddings and showers, we added square dances, Greek recruitment events, formals and banquets.

**Table 1**  
**The Commission's Net Position**

Net position may serve over time as one useful indicator of a government's financial condition. The assets of the Commission's exceeded liabilities by \$1,190,476 as of June 30, 2019. The Commission's net position increased by \$50,448 for the fiscal year ended June 30, 2019. The largest portion of net position (95.0%) reflects the Commission's investment in capital assets (e.g. land, buildings, machinery, and equipment);

	2019	2018	Dollar Change	Percent Change
Current and Other Assets	\$ 274,779	\$ 246,902	\$ 27,877	0.11
Capital Assets, net	7,716,647	7,841,434	\$ (124,787)	(0.02)
Deferred outflow of resources	256,474	246,811	9,663	0.04
Total Assets	\$ 8,247,900	\$ 8,335,147	\$ (87,247)	(0.01)
Current Liabilities	\$ 423,743	\$ 322,842	\$ 100,901	0.31
Long-Term Debt Outstanding	6,551,328	6,805,656	\$ (254,328)	(0.04)
Deferred inflow of resources	82,353	66,621	15,732	1.00
Total Liabilities	\$ 7,057,424	\$ 7,195,119	\$ (137,695)	(0.02)
Net Position:				
Invested in Capital Assets, net of debt	\$ 1,627,831	\$ 1,524,875	\$ 102,956	0.07
Restricted	-	-	-	0.00
Unrestricted	(437,355)	(384,847)	(52,508)	0.14
Total Net Position	\$ 1,190,476	\$ 1,140,028	\$ 50,448	0.04

less any related debt still outstanding that was issued to acquire those items. The Commission uses these capital assets to provide recreation, tourism and convention services; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$-437,355 is unrestricted.



**Table 2**  
**Condensed Statement of Activities**

	2019	2018	Dollar Change	Percent Change
<b>Program Revenues</b>				
Charges for Services	32,399	47,824	(15,425)	(0.32)
Operating Grants and Contributions	27,059	31,909	(4,850)	(0.15)
Total Revenue	59,458	79,733	(20,275)	(0.25)
<b>Program Expenses</b>				
General and Administrative	1,329,204	1,292,767	36,437	0.03
Special Events and Catering	131,134	160,539	(29,405)	(0.18)
Debt Services	300,635	302,218	(1,583)	(0.01)
Total Expenses	1,760,973	1,755,524	5,449	0.00
Net (Expense) Revenue	(1,701,515)	(1,675,791)	(25,724)	(0.26)
<b>General Revenues</b>				
Hotel Tax	163,070	156,233	6,837	0.04
Restaurant Tax	1,437,538	1,413,743	23,795	0.02
Rental service	104,893	119,274	(14,381)	(0.12)
RCAC Mgmt Fee	-	-	-	
Other	46,462	55,379	(8,917)	(0.16)
Total General Revenue	1,751,963	1,744,629	7,334	0.00
Extraordinary Item-loss on disposal of capital asset	-	(15,655)		
Change in Net Position	\$ 50,448	\$ 53,183	\$ (2,735)	0.05

The Commission's condensed Statement of Activities separates Program Revenues from General revenues. Program revenues are those which the Commission earns through its "business" operations and from grants from Commonwealth of Kentucky. The General revenues consist of various taxes and other revenues that the Commission receives.

### Capital Asset and Debt Administration

**Capital Assets-** The Commissions investments in capital assets as of June 30, 2019, total \$7,716,647 (net of accumulated depreciation). These assets include buildings, land, equipment, and vehicles. There were no major capital asset transactions during the year.

Additional information on the Commission's capital assets can be found in Note 3 of the Basic Financial Statements.

**Table 3**  
**Commission's Capital Assets**  
Total Primary Government

	\$
Land	2,516,671
Buildings & Land Improvements	7,349,711
Vehicles	34,995
Equipment	407,742
Land Improvements	<u>89,257</u>
Total Capital Assets	10,398,376
Accumulated Depreciation	2,681,729
Capital Assets, net of Depreciation	<u><u>\$ 7,716,647</u></u>

**Debt-** As of June 30, 2019, The Commission had a total debt outstanding of \$6,088,816. The Kentucky League of Cities Bonds are secured by the assets associated with the debt.

**Table 4**  
**The Commission's Outstanding Debt**

	<u>Total Primary Government</u>
Kentucky League of Cities & Citizens Bank	\$ 6,088,816
Total Debt Outstanding	<u>\$ 6,088,816</u>

The Commission's total debt decreased by \$227,743 during the past fiscal year. The decrease was due to the payment on outstanding debt

Additional information on the Commission's debt can be found in Note 4 of the Basic Financial Statements.

#### **Economic Factors and Next Years Budget**

The depreciation asset reserve account continues to grow. This account was created to help pay for major repairs on the capital assets for normal wear and tear. The monthly transfer into the account is \$5000.00

The Commission considered many factors when setting the FYE June 30, 2020 budget. Some of the factors are local and national economy and anticipated tax revenues. These factors when combined with continued growth in the Restaurant Tax provide the basis for the next year's budget.

**Requests for Information**

This report is designed to provide an overview of the Commission's finances for those with an interest in this area and to show the Commission's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Joy Brown, at 111 East First Street, Morehead, Kentucky 40351.

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	Governmental Activities
<b><u>ASSETS &amp; DEFERRED OUTFLOWS</u></b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 140,562
Accounts receivable	<u>134,217</u>
Total Current Assets	<u>274,779</u>
<i>Noncurrent Assets</i>	
Buildings, land and equipment (Note 3)	10,398,376
Accumulated depreciation	<u>(2,681,729)</u>
Total Noncurrent Assets	<u>7,716,647</u>
Deferred outflows of resources	<u>256,474</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,247,900</u>
<b><u>LIABILITIES &amp; DEFERRED INFLOWS</u></b>	
<i>Current Liabilities</i>	
Accounts payable	\$ 29,497
Accrued liabilities	8,928
Accrued interest	20,433
Accrued compensated absences	5,172
Notes and leases payable (Note 4)	<u>359,713</u>
Total Current Liabilities	<u>423,743</u>
<i>Noncurrent Liabilities</i>	
Accrued compensated absences	12,067
Notes and leases payable (Note 4)	5,729,103
Net pension liability	627,301
Net pension liability - OPEB	<u>182,857</u>
Total Noncurrent Liabilities	<u>6,551,328</u>
Deferred inflows of resources	<u>82,353</u>
Total Liabilities and Deferred Inflows of Resources	<u>7,057,424</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	1,627,831
Unrestricted	<u>(437,355)</u>
Total Net Position	<u>\$ 1,190,476</u>

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

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**

**Statement of Activities**

**For the year ended June 30, 2019**

<u>Functions/Programs</u>		<u>Program Revenues</u>			<b>Net (Expense)</b>
<u>Primary Government</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>		<b>Revenue and Changes in Net Position</b>
<b>Governmental Activities</b>					
General and administrative	\$ 1,329,204	\$ -	\$ 27,059		\$ (1,302,145)
Events and catering	131,134	32,399			(98,735)
Interest on long-term debt	<u>300,635</u>	<u>-</u>	<u>-</u>		<u>(300,635)</u>
Total Governmental Activities	<u>1,760,973</u>	<u>32,399</u>	<u>27,059</u>		<u>(1,701,515)</u>
<b>General Revenues</b>					
					163,070
Hotel tax					1,437,538
Restaurant tax					18,657
Miscellaneous					74,286
Facility room rental					5,288
Facility service income					17,290
Studio rentals					12,108
Auditorium rentals					3,613
Art classes					1,209
Other rentals					3,325
Gallery sales					1,418
Gift shop sales					13,478
Fundraisers and donations					<u>683</u>
Interest					
Total General Revenues					<u>1,751,963</u>
<b>Change in Net Position</b>					50,448
Net position -- beginning					<u>1,140,028</u>
<b>Net position -- ending</b>					<u><u>\$ 1,190,476</u></u>

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

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**June 30, 2019**

<b><u>ASSETS</u></b>	<u>General</u>
<i>Current Assets</i>	
Cash and cash equivalents	\$ 140,562
Accounts receivable	<u>134,217</u>
Total Assets	<u>274,779</u>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>	
<i>Current Liabilities</i>	
Accounts payable	\$ 29,497
Accrued liabilities	8,928
Accrued interest	20,433
Accrued compensated absences	<u>5,172</u>
Total Liabilities	<u>64,030</u>
 <b><u>FUND BALANCE</u></b>	
Unrestricted	<u>210,749</u>
Total Fund Balance	<u>210,749</u>
Total Liabilities and Fund Balance	<u>\$ 274,779</u>
Total Governmental Fund Balance	\$ 210,749
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,398,376
Accumulated depreciation	(2,681,729)
Deferred outflows are not due and payable in the current period and therefore are not reported in the funds	256,474
Deferred inflows are not due and payable in the current period and therefore are not reported in the funds	(82,353)
Long-term liabilities, including bonds/notes payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds	<u>(6,911,041)</u>
Net Position of Governmental Activities	<u>\$ 1,190,476</u>

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

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2019**

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**REVENUES**

Hotel tax	\$ 163,070
Restaurant tax	1,437,538
State matching funds	27,059
Events and catering	32,399
Loan proceeds	98,000
Facility room rental	74,286
Facility service income	5,288
Studio rentals	17,290
Auditorium rentals	12,108
Art classes	3,613
Other rentals	1,209
Gallery sales	3,325
Gift shop sales	1,418
Fundraisers and donations	13,478
Other	<u>19,340</u>
 Total Revenues	 <u>1,909,421</u>

**EXPENSES**

General and administrative	1,033,946
Events & catering	131,134
Debt service - principal	325,744
Debt service - interest	300,635
Capital outlay	<u>95,059</u>
 Total Expenses	 <u>1,886,518</u>
 Excess (deficiency) of revenues over expenses	  <u>22,903</u>
 <b>Net Change in Fund Balance</b>	  22,903
 Fund balances - beginning	 <u>187,846</u>
 <b>Fund balances - ending</b>	 <u><b>\$ 210,749</b></u>

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

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance of Governmental Funds to the**  
**Statement of Activities**  
**For the year ended June 30, 2019**

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Reconciliation to government-wide change in net position:

Net change in fund balances	\$ 22,903
increase/(decrease):	
capital outlay expenditures capitalized	95,059
principal on long-term debt	325,744
loan proceeds	(98,000)
GASB 68/75 pension adjustment	(79,403)
depreciation on governmental activities' capital assets	(219,846)
change in long-term portion of accrued compensated absences	<u>3,991</u>
Change in net position, Governmental Activities	<u><u>\$ 50,448</u></u>

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



MOREHEAD RECREATION, TOURISM AND CONVENTION COMMISSION  
Notes to the Financial Statements  
June 30, 2019

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Note 1 – Summary of Significant Accounting Policies

A. Nature of Activities

Morehead Recreation, Tourism and Convention Commission ("Commission") was established on October 13, 1975, by the City of Morehead pursuant to KRS 83.345 (as amended) for the purpose of promoting recreational, tourist, and convention activities in Morehead and Rowan County. The Commission's primary source of revenue is from a restaurant tax and a hotel and motel room tax, which are both collected by the City of Morehead.

B. Basis of Presentation

The Commission presents its financial statements in accordance with the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," and consists of the following:

Management's discussion and analysis  
Basic Financial Statements  
Government-wide financial statements  
Fund financial statements  
Notes to the financial statements  
GASB 68 and GASB 75 Schedules  
Notes to the required supplementary information

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the Commission as a whole. The statements distinguish between governmental and business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted by the program. Revenues which are not classified as program revenues are presented as general revenues of the Commission.

Fund Financial Statements

Fund financial statements report detailed information about the Commission. The accounts of the Commission are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

Governmental Funds are those through which most governmental functions are detailed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary Fund Types are used to account for operations that are financed and operated in a manner similar to business enterprises-where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following fund is used by the Morehead Recreation, Tourism and Convention Commission:

Governmental Fund Types

General Fund – The general operating fund of the Commission is used to account for all financial resources except those required to be accounted for in another fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which

governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

#### Fund Financial Statements

The financial transactions of the Commission are recorded in individual funds. Their focus is on individual funds rather reporting funds by type. The accounting and financial reporting 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 generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Investment earnings are recorded when earned since they are measurable and available in all funds.

#### D. Budgeting

The Commission follows procedures established by the City of Morehead in budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are adopted by the Commission Board, the City Council of Morehead, and submitted to the Fiscal Court before July 1 of every year.

#### E. Use of Estimates

The preparation of financial statements in the 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.

#### F. Reporting Entity

The Commission's functions include the promotion of area tourism and recreation activities. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and results of operations of the Morehead Recreation, Tourism and Convention Commission, a primary government. There are no component units to be included herewith, but this report does include all funds, account groups and programs which are controlled by the entity's governing body. The Commission is a component unit of the City of Morehead.

#### G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 2. Cash and Investments

KRS 66.480 allows local governments to invest money in obligations of the United States and of its agencies and instrumentalities, repurchase agreements for U.S. government securities, bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies and instrumentalities; deposits with savings and loan associations insured by an agency of the U.S. government, or interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the U.S. government. Amounts invested in interest-bearing deposits that exceed FDIC insurance must be fully collateralized in accordance with KRS 41.240(4), with securities pledged that have a current quoted market value at least equal to any uninsured deposits.

Cash consists of demand deposit balances and a savings account with local financial institutions. All balances as of June 30, 2019 were covered by FDIC insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

The Commission periodically transfers money from its operating account into a depreciation reserve account to help pay for major repairs on its capital assets due to normal wear and tear.

The Commission's cash and cash equivalents consist of cash held in a checking account in the amount of \$99,533 and a depreciation reserve account in the amount of \$40,929, totaling \$140,462. The remaining \$100 is held as petty cash for a total cash and cash equivalents of \$140,562. Deposits with financial institutions are secured as follows:

	Reconciled Bank Balance	Deposits in Bank
Insured by FDIC	\$ 140,462	\$ 133,512
Collateralized with specific securities in the Commission's name which are held by the financial institution	0	0
Uncollateralized	<u>0</u>	<u>0</u>
	<u>\$ 140,462</u>	<u>\$ 133,512</u>

### 3. Capital Assets

The following is a summary of capital assets for the year ended June 30, 2019:

Description	Balance, 07/01/18	Adjustments/ Additions	Deletions	Balance, 06/30/19
Land, non-depreciable	\$ 2,516,671	\$ -	\$ -	\$ 2,516,671
Convention Center	7,254,652	95,059	-	7,349,711
Automobiles	34,995	-	-	34,995
Equipment	407,742	-	-	407,742
Land improvements	89,257	-	-	89,257
Total	<u>\$ 10,303,317</u>	<u>\$ 95,059</u>	<u>\$ -</u>	<u>\$ 10,398,376</u>
Accumulated depreciation	<u>\$ 2,461,883</u>	<u>\$ 219,846</u>	<u>\$ -</u>	<u>\$ 2,681,729</u>
Capital assets, net of accumulated depreciation	<u>\$ 7,841,434</u>			<u>\$ 7,716,647</u>

Capital assets are recorded at cost or estimated cost. Depreciation of capital assets is provided over the useful lives of the respective assets using the straight-line method. The estimated useful lives are as follows:

Vehicles, furniture and equipment	5-10 years
Buildings and improvements	25-40 years
Land improvements	10-20 years

### 4. Notes and Leases Payable

#### Leases Payable

- A. On, June 19, 2003, the Commission entered into a lease financing arrangement with the Kentucky League of Cities. The total amount financed was \$ 4,970,000. The lease has a variable interest rate and a term of 28 ½ years. The interest rate at June 30, 2019 was 4.04%. The Commission entered into this lease for acquisition, construction, installation and equipping of a convention center that is located in Morehead, Kentucky.

Maturity for Note A:

	Principal	Interest	Fees	Total Payment
2020	\$ 178,921	\$ 120,121	\$ 23,254	\$ 322,296
2021	174,288	112,575	21,844	308,707
2022	183,204	105,579	20,500	309,283
2023	192,578	98,006	19,074	309,658
2024	202,430	90,209	17,611	310,250
2025-2029	1,178,514	315,672	62,915	1,557,101
2030-2033	926,629	64,981	8,212	999,822
Total	<u>\$ 3,036,564</u>	<u>\$ 907,143</u>	<u>\$ 173,410</u>	<u>\$ 4,117,117</u>

In addition to the above, the Commission total base rental also includes a .25% administration fee, a fiduciary fee, a .4% credit fee, and a .08% remarketing fee. These fees are calculated on the remaining principal of the base lease.

- B. On June 19, 2003, the Commission entered into a lease financing arrangement with the Kentucky League of Cities. The total amount financed was \$1,520,000. The lease has a variable interest rate and a term of 26 ½ years. The interest rate at June 30, 2019 was 4.07 %. This lease was acquired to help finance the acquisition, construction, installation and equipping of the convention center.

Maturity for Note B:

	Principal	Interest	Fees	Total Payment
2020	\$ 61,351	\$ 32,042	\$ 6,887	\$ 100,280
2021	64,298	29,427	6,426	100,151
2022	67,386	26,861	5,947	100,194
2023	70,622	24,114	5,441	100,177
2024	74,014	21,273	4,916	100,203
2025-2029	426,926	57,875	15,728	500,529
2030	64,828	1,029	957	66,814
Total	\$ 829,425	\$ 192,621	\$ 46,302	\$ 1,068,348

In addition to the above, the Commission total base rental also includes a .25% administration fee, a fiduciary fee, a .4% credit fee and a .08% remarketing fee. These fees are calculated on the remaining principle of the base lease.

- C. On December 15, 2005, the Commission entered into a lease financing arrangement with the Kentucky League of Cities. The total amount financed was \$1,500,000. The lease has a variable interest rate and a term of 28 ½ years. The interest rate at June 30, 2019 was 3.99 %. This lease was acquired to help finance the acquisition, construction, installation and equipping of the convention center.

Maturity for Note C:

	Principal	Interest	Fees	Total Payment
2020	\$ 49,625	\$ 39,351	\$ 8,024	\$ 97,000
2021	51,623	37,154	7,645	96,422
2022	53,535	35,086	7,256	95,877
2023	55,576	32,870	6,849	95,295
2024	57,642	30,624	6,439	94,705
2025-2029	323,108	115,099	25,322	463,529
2030-2034	389,389	42,981	12,200	444,570
2035	7,126	24	77	7,227
Total	\$ 987,624	\$ 333,189	\$ 73,812	\$ 1,394,625

- D. On November 30, 2007, the Commission entered into a lease financing arrangement with the Kentucky League of Cities. The total amount financed was \$1,250,000. The lease has a variable interest rate and a term of 28 ½ years. The interest rate at June 30, 2019 was 4.10%. This lease was acquired to help finance the acquisition, construction, installation and equipping of the convention center and its parking lot.

Maturity for Note D:

	Principal	Interest	Fees	Total Payment
2020	\$ 37,978	\$ 37,028	\$ 8,075	\$ 83,081
2021	39,851	35,303	7,781	82,935
2022	41,620	33,702	7,475	82,797
2023	43,536	31,960	7,153	82,649
2024	45,479	2,942	3,885	52,306
2025-2029	261,070	120,244	28,555	409,869
2030-2034	326,748	60,414	17,600	404,762
2035-2036	122,416	4,317	2,864	129,597
Total	\$ 918,698	\$ 325,910	\$ 83,388	\$ 1,327,996

**Notes Payable**

- A. On December 21, 2017, the Commission signed a promissory note with The Citizens Bank for \$250,000 that was used to purchase land from the City of Morehead, Kentucky. To secure the payment of the promissory note, the Commission pledged, assigned and transferred to The Citizens Bank a first priority interest in the following collateral: The City of Morehead, Kentucky, Restaurant Tax Receipts.

The Commission will pay this note in 59 regular payments of \$1,837 and one irregular payment estimated at \$184,123. First payment was due on January 21, 2019, and the final payment is due on December 21, 2022.

**Maturity for Note A:**

	Principal	Interest	Total Payment
2020	\$ 13,242	\$ 8,807	\$ 22,049
2021	13,792	8,257	22,049
2022	14,340	7,709	22,049
2023	189,123	3,652	192,775
Total	\$ 230,497	\$ 28,425	\$ 258,922

- B. November 05, 2018, the Commission signed a promissory note with The Citizens Bank for \$98,000 that was used for improvements to the Morehead Convention Center. To secure the payment of the promissory note, the Commission pledged, assigned and transferred to The Citizens Bank a first priority interest in the following collateral: The City of Morehead, Kentucky, Restaurant Tax Receipts.

The Commission will pay this note in 60 regular payments of \$1,801. First payment was due on November 05, 2018, and the final payment is due on October 05, 2023.

**Maturity for Note B:**

	Principal	Interest	Total Payment
2020	\$ 18,572	\$ 3,036	\$ 21,608
2021	19,318	2,290	21,608
2022	20,086	1,522	21,608
2023	20,884	724	21,608
2024	7,148	58	7,206
Total	\$ 86,008	\$ 7,630	\$ 93,638

**Changes in Leases and Notes Payable**

During the year ended June 30, 2019, the following changes occurred:

Description	07/01/2018	Proceeds	Principal Paid	06/30/2019	Current Portion
Kentucky League of Cities	\$ 6,072,776	\$ -	\$ 300,465	\$ 5,772,311	\$ 327,875
The Citizens Bank	243,784	98,000	25,279	316,505	31,814
Total	\$ 6,316,560	\$ 98,000	\$ 325,744	\$ 6,088,816	\$ 359,689

**5. Matching Funds**

Each year the Commission files a matching grant application with the Kentucky Department of Tourism. Under the terms of the grant, the Commission is reimbursed for fifty percent of allowable advertising expenses.

**6. Note 2 – Defined Benefit Pension Plan****General Information About the Pension Plan**

*Plan description* - Regular, full-time, employees of the Commission are provided with pensions through the County Employees' Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System. The assets of CERS are pooled with two other retirement systems Kentucky Retirement System administers, KERS & SPRS. Although invested each system's assets are used only for the members of that plan. Kentucky Revised Statute (KRS) chapter 61 grants the authority to establish and amend the benefit terms to

the Kentucky Retirement System's Board of Trustees (Board). Kentucky Retirement System issues a publicly available financial report that can be obtained on their website.

*Benefits provided* - CERS provides retirement, insurance, disability, and death benefits. Retirement benefits are determined from an average of the five highest years of compensation for those whose participation began before September 01, 2008. For those who began participation on or after September 01, 2008 retirement benefits are determined as an average of the last complete five years. A percentage is then taken from those averages based on the employee's months of service. Employees are eligible for service-related disability benefits with at least 60 months of service. If the member is receiving monthly benefits based on at least four years of service, then a \$5,000 death benefit is payable to the member's designated beneficiary. For those employees whose participation began prior to July 01, 2003, CERS will pay a portion of the monthly premium for single coverage based upon service credit accrued at retirement. For those employees whose participation began on or after July 01, 2003 and before September 01, 2008, employees are required to earn at least 10 years of service credit to be eligible for insurance benefits. Employees whose participation began on or after September 01, 2008 must earn at least 15 years of service credit to be eligible for insurance benefits.

Membership in the CERS Non-hazardous Pension Fund consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

**Membership Status**

Inactive plan members currently receiving benefits	56,629
Inactive plan members entitled to but not yet receiving benefits	81,608
Active plan members	<u>84,435</u>
Total plan members	222,672

Cost of living adjustments to monthly retirement allowance must be approved by the Kentucky State Legislature (Legislature) and requires the system to be either 100% funded or appropriations are made to cover the increase are by the Legislature.

*Contributions* - Employees are required to contribute 5% of their annual pay. Employees whose participation began on or after September 01, 2008 are required to contribute an additional 1%. This additional 1% is credited to the insurance fund and is non-refundable. The Commission's contractually required contribution rate for the year ended June 30, 2019 was 21.48% (16.22% pension; 5.26% insurance) of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$55,422 for the year ended June 30, 2019. The contribution was allocated \$41,851 to the pension fund and \$13,571 to the insurance fund.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the reported a liability of \$627,301 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's portion of the net pension liability was based on the Commission's proportionate share of retirement contributions for the fiscal year ended June 30, 2018. At June 30, 2018 the Commission's proportionate share was 0.010300%.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. For the year ended June 30, 2019, the Commission recognized pension expense of \$114,376. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Liability Experience	\$ 20,461	9,182
Changes in assumptions	61,306	-0-
Differences between expected and actual Investment Experience	29,170	36,692
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,271	1,798
Contributions subsequent to the measurement date	<u>41,851</u>	<u>-0-</u>
Total	\$ 191,059	\$ 47,672

\$41,851 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The remaining amount of \$101,536 reported as the net effect of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2020	\$65,906
June 30, 2021	40,279
June 30, 2022	(1,283)
June 30, 2023	(3,366)
June 30, 2024	-0-
Thereafter	<u>-0-</u>
Total	\$ 101,536

*Actuarial methods & assumptions:* For financial reporting, the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Salary Increases	3.05%
Investment Rate of Return	6.25% for CERS Non-hazardous, and hazardous, and KERS Hazardous, 5.25% for KERS Non-hazardous

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00% average
Investment Rate of Return	7.50% for CERS Non-hazardous, CERS Hazardous, and KERS Hazardous, 6.75% for KERS Non-hazardous

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	<u>2.00%</u>	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

*Discount rate* - The projection of cash flows used to determine the discount rate of 5.25% for the KERS Non-hazardous, and 6.25% for KERS Hazardous, CERS Non-hazardous, and CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

*Sensitivity of the Commission's proportionate share of the net pension liability to changes in the discount rate* - The following presents the net pension liability of the System, calculated using the discount rate of percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate for non-hazardous:



	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
Proportionate share of the net pension liability	\$ 789,707	\$ 627,301	\$ 491,234

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

### Note 3 - Other Postemployment Benefits Plan (OPEB)

Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS) is a participating employer of the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* - The Kentucky Retirement Systems' (KRS) Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan that covers substantially all regular full-time members employed in positions of each participating county, city and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

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

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	0.0% for KERS non-hazardous and hazardous, and 2.0% for CERS non-hazardous and hazardous
Salary Increases	3.05%, average
Investment Rate of Return	6.25% Healthcare
Trend Rates	
Pre - 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

*Discount Rate* - The projection of cash flows used to determine the discount rate of 5.86% for KERS Non-hazardous, 5.88% for KERS Hazardous, 5.85% for CERS Non-hazardous, and 5.97% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

*Use of Estimates in the Preparation of the Schedules* - The preparation of the schedules in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

The following actuarial methods and assumptions, for actuarially determined contributions effective for the fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal Amortization
Method	Level Percent of Pay Remaining
Amortization Period	27 Years, Closed Payroll Growth
Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00%, average
Investment Rate of Return	7.50% Healthcare Trend Rates
Pre - 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.

Post - 65

Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

*Implicit Subsidy* - The fully-insured premiums KRS pays for the KERS, CERS and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB Statement No. 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after the measurement date. The Commission's implicit subsidy for the year ended June 30, 2019 was \$2,950.

*Contributions* - Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board.

For the fiscal year ended June 30, 2019, participating employers contributed 5.26% of each employee's covered payroll to the Kentucky Retirement Systems' Insurance Fund, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

Employees hired after September 1, 2008 are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits, and the 1% contribution to the 401(h) account is non-refundable.

The Commission contributed \$13,571 for the year ended June 30, 2019 of the required contribution to the insurance fund. Total contributions to the insurance fund, including the implicit subsidy for the year ended June 30, 2018 were \$14,180. For additional information regarding contributions, please refer to the Defined Benefit Pension Plan footnote.

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* - At June 30, 2019, the Commission reported a liability of \$182,857 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled-forward to June 30, 2018 using generally accepted actuarial principles. The Commission's proportion of the net OPEB liability was determined using the Commission's actual contributions for the year ended June 30, 2018. This method is expected to be reflective of the Commission's long-term contribution effort. For the year ended June 30, 2019, the Commission's proportion was 0.010299% which is equal to its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Commission recognized OPEB expense of \$25,580. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ -0-	\$ 21,310
Effects of changes in assumptions	36,519	422
Differences between projected and actual earnings on plan investments	-0-	12,595

Changes in proportion and differences between employer contributions and proportionate share of contributions	12,375	354
Contributions subsequent to the measurement date + implicit subsidy	<u>16,522</u>	<u>-0-</u>
Total	\$ 65,416	\$ 34,681

\$16,522 reported of deferred outflows of resources resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as the net effect of deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2020	\$ 2,903
June 30, 2021	2,903
June 30, 2022	2,903
June 30, 2023	5,349
June 30, 2024	658
Thereafter	<u>(503)</u>
Total	\$ 14,213

*Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the proportionate share of the net OPEB liability calculated using the single discount rate of 5.84%, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (4.84 percent) or 1% higher (6.84 percent) than the current rate:

	<u>Discount Rate</u>	<u>Proportionate Share of Net OPEB Liability</u>
1% decrease	4.84%	\$ 237,502
Current discount rate	5.84%	\$182,857
1% increase	6.84%	\$ 136,309

*Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate* - The following presents the proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1% lower or 1% higher than the current rates:

	<u>Proportionate Share of Net OPEB Liability</u>
1% decrease	\$ 136,139
Current healthcare cost trend rate	\$ 182,857
1% increase	\$ 237,924

#### 9. Kentucky Employees' Deferred Compensation Plan

Kentucky Public Employees' Deferred Compensation Authority (KDC) is authorized under the Kentucky Revised Statutes (18A.230-18A.275) to provide administration of tax-deferred supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate. It is an agency attached to the Personnel Cabinet of the Commonwealth of Kentucky for administrative purposes only.

A 457(b) pre-tax plan is a governmental deferred compensation plan that allows participants to make tax-deferred contributions each pay period, which are then invested and potentially grow usually until retirement. The Kentucky Public Employees' Deferred Compensation Authority (KDC) 457(b) Deferred Compensation Plan allows State employees to get the same benefit, through a program that is specifically tailored to the needs of Kentucky public employees. A minimum monthly payroll contribution of \$30 per plan is required. The Internal Revenue Services' maximum elective deferrals for 2019 is \$18,500 for those under age 50, \$24,500 age 50 and up, and \$37,000 for

special catch-up contributions. You can learn more about the plan by visiting the Kentucky Deferred Comp website at [www.KentuckyPlans.com](http://www.KentuckyPlans.com).

Employee contributions to the plan:

<u>2017</u>	<u>2018</u>	<u>2019</u>
\$5,450	\$ 6,320	\$6,900

#### 10. Risk Management

The Morehead Recreation, Tourism and Convention 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. In addition to its general liability insurance, the Commission also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance.

#### 11. Accrued Compensated Absences

**Sick Leave** – All employees occupying full-time established positions should receive eight hours sick leave credit for each month of service. Sick leave may be accrued up to a maximum of 120 days (960 hours). Accumulated sick leave shall not be compensated upon termination.

**Vacation Leave** – All employees occupying full-time established positions should be granted annual leave at full pay at the current salary rate.

The following schedule applies for maximum accrual:

First seven years of employment – 80 hours
8 years or more of employment – 120 hours

Vacation leave shall be accrued at the rate of 1/12<sup>th</sup> of the annual rate per month of employment. After completing 12 months of employment, any employee who terminates employment shall be compensated for all accrued but unused vacation leave.

Current portion	\$ 5,172
Noncurrent portion	<u>12,067</u>
Total	<u>\$ 17,239</u>

#### 12. Noncurrent Liabilities

<u>Description</u>	<u>Balance,</u>			<u>Balance,</u>		
	<u>07/01/2018</u>	<u>Additions</u>	<u>Subtractions</u>	<u>06/30/2019</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Accrued compensated absences	\$ 22,941	\$ -	\$ 5,702	\$ 17,239	\$ 5,172	\$ 12,067
Notes & leases payable	6,316,560	98,000	325,744	6,088,816	359,713	5,729,103
Net pension liability	548,455	78,846		627,301	-	627,301
Net pension liability - OPEB	<u>188,369</u>	<u>-</u>	<u>5,512</u>	<u>182,857</u>	<u>-</u>	<u>182,857</u>
Total	<u>\$ 7,076,325</u>	<u>\$ 176,846</u>	<u>\$ 336,958</u>	<u>\$ 6,916,213</u>	<u>\$ 364,885</u>	<u>\$ 6,551,328</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Schedule of Employer's Proportionate Share of Net Pension Liability**  
**June 30, 2019**

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	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Proportion of net pension liability (asset)	0.008039%	0.009040%	0.009370%	0.010300%
Proportionate share of net pension liability (asset)	\$ 405,547	\$ 444,993	\$ 548,455	\$ 627,301
Covered employee payroll	\$ 220,070	\$ 215,601	\$ 228,165	\$ 255,281
Proportionate share of net pension liability (asset) as a percentage of covered employee payroll	184.28%	206.40%	240.38%	245.73%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.30%	53.30%

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Schedule of Employer's Contributions - Net Pension Liability**  
**June 30, 2019**

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	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
Contractually required contribution	\$ 26,778	\$ 31,829	\$ 36,965	\$ 41,851
Contributions in relation to the contractually required contribution	<u>26,778</u>	<u>31,829</u>	<u>36,965</u>	<u>41,851</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 215,601</u>	<u>\$ 228,165</u>	<u>\$ 255,281</u>	<u>\$ 258,020</u>
Contributions as a percentage of covered employee payroll	12.42%	13.95%	14.48%	16.22%



**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Schedule of Employer's Proportionate Share of Net OPEB Liability**  
**June 30, 2019**

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	<u>6/30/2017</u>	<u>6/30/2018</u>
Proportion of net OPEB liability (asset)	0.009370%	0.010299%
Proportionate share of net OPEB liability (asset)	\$ 188,369	\$ 182,857
Covered employee payroll	\$ 228,165	\$ 255,281
Proportionate share of net OPEB liability (asset) as a percentage of covered employee payroll	82.56%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	52.40%

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Schedule of Employer's Contributions - Net OPEB Liability**  
**June 30, 2019**

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	<u>6/30/2018</u>	<u>6/30/2019</u>
Statutorily required contribution	\$ 11,999	\$ 13,572
Contributions in relation to the statutorily required contribution	<u>11,999</u>	<u>13,572</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 255,281</u>	<u>\$ 258,020</u>
Contributions as a percentage of covered-employee payroll	4.70%	5.26%

MOREHEAD RECREATION, TOURISM AND CONVENTION COMMISSION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the year ended June 30, 2019

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**Net Pension Liability**

*Method and assumptions used in calculations of actuarially determined contributions:* The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ending 2018, determined as of June 30, 2017. Based on the June 30, 2017 actuarial valuation report, the actuarial methods and assumptions used to calculate these contributions rates are below:

- |  |   |
|--|---|
| • Determined by the actuarial valuation as of: | June 30, 2016   |
| • Actuarial cost method                        | Entry age   |
| • Asset valuation method:                      | 20% of the difference between market value of assets and the expected actuarial value of assets is recognized |
| • Amortization method                          | Level percent of pay  |
| • Amortization period                          | 27 years, closed  |
| • Investment return                            | 7.50%   |
| • Inflation                                    | 3.25%   |
| • Salary increase                              | 4.00%, average  |
| • Mortality                                    | RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)               |

**Net OPEB Liability**

The actuarially determined contributions rates effective for fiscal year ending 2018 that are documented in the schedule, Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate, are calculated as of June 30, 2017. Based on the June 30, 2017 actuarial valuation report, the actuarial methods and assumptions used to calculate these contributions are below:

- |   |   |
|---|---|
| • Determined by the actuarial valuation as of | June 30, 2016   |
| • Actuarial cost method                       | Entry Age Normal  |
| • Asset valuation method                      | 20% of the difference between market value of assets and the expected actuarial value of assets is recognized         |
| • Amortization method                         | Level Percent of Pay  |
| • Amortization period                         | 27 Years, Closed  |
| • Payroll Growth Rate                         | 4.00%   |
| • Investment return                           | 7.50%   |
| • Inflation                                   | 3.25%   |
| • Salary Increase                             | 4.00%, average  |
| • Mortality                                   | RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)7.50%                  |
| • Healthcare Trend Rates                      | Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years. |
| Pre-65  | Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years. |
| Post-65                                       |   |

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Governmental Fund**  
**Budget and Actual**  
***Morehead Tourism Commission (MTC)***  
**For the year ended June 30, 2019**

	Original Budget	Amended Budget #7 & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<b><u>Morehead Tourism Commission (MTC)</u></b>				
Carryover	\$ 42,446	\$ 42,446	\$ -	\$ (42,446)
Outdoor theatre grant	19,500	19,500	-	(19,500)
Hotel/motel tax	150,604	150,604	163,070	12,466
Restaurant tax - MTC	346,180	346,180	377,079	30,899
State matching funds	14,500	14,500	12,386	(2,114)
Reimbursements	10,000	19,485	13,526	(5,959)
Gift shop sales	5,000	5,000	1,418	(3,582)
Total MTC revenue	<u>588,230</u>	<u>597,715</u>	<u>567,479</u>	<u>(30,236)</u>
<b>EXPENSES</b>				
<b><u>Morehead Tourism Commission (MTC)</u></b>				
Accountant expense - MTC	7,200	7,200	6,250	950
Administrative expenses - City of Morehead	13,315	13,315	14,364	(1,049)
Administrative expenses - office supplies	5,000	3,800	6,212	(2,412)
Audit	7,500	7,500	6,450	1,050
Benefits - MTC	28,000	25,966	35,423	(9,457)
Cell phone expense	2,400	2,400	-	2,400
City of Morehead-recreation property purchase	22,049	22,049	-	22,049
Copier lease	7,200	5,276	4,411	865
Executive director	59,244	59,244	59,751	(507)
Grant funding	30,160	10,000	877	9,123
1st Annual Model Train Show	-	2,000	-	2,000
16th Region Basketball Tournaments	7,500	7,500	7,500	-
19th Annual Rudy Fest Bluegrass Festival	-	-	3,000	(3,000)
Appalachian Classic	4,500	4,500	4,500	-
Big Turtle 50 Miler Trail Race	4,500	4,500	4,500	-
Bluegrass Kayak Anglers	4,000	4,000	-	4,000
Cave Run Spring Shootout	-	-	6,500	(6,500)
Cave Run Storytelling Festival	3,500	3,500	3,500	-
Cave Run Symphony Orchestra	4,000	2,000	2,000	-
Crappie USA Tournament Trail	4,000	4,000	-	4,000
Echoes from the Halls of the Rowan County Courthouse	-	4,000	4,000	-
Friends of Cave Run Lake Memorial Bass Tournament	4,000	4,000	4,000	-
Haldeman-Hayes Crossing Gourd Festival and Reunion	500	500	-	500
Morehead Hometown Holiday & CRSO Holiday Concert	3,000	3,000	3,000	-
Morehead Arts and Eats Festival	14,000	11,000	11,000	-
Morehead Art Guild Art Show	500	500	-	500
Morehead Freedom Fest	20,000	20,000	20,000	-
Morehead Kentucky Proud Expo	2,500	2,500	-	2,500
Morehead Outdoor Theatre Festival	4,000	4,000	-	4,000
Morehead-Rowan County EDC marketing	5,000	5,000	-	5,000
(MTC budget-actual continued on next page)				

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Governmental Fund**  
**Budget and Actual**  
***Morehead Tourism Commission (MTC)***  
**For the year ended June 30, 2019**

	<b>Original Budget</b>	<b>Amended Budget #7 &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Morehead State University Appalachian Horse Revival	-	-	3,000	(3,000)
Morehead State University Concert Band Clinic	1,500	1,500	1,500	-
Morehead Trail Town Support	5,000	4,501	2,091	2,410
National Wild Turkey Federation	500	500	500	-
Rowan County Arts Center marketing	5,000	5,000	5,000	-
Rowan County 4-H Sharpshooters	-	500	500	-
Rowan County Quilt Show	-	-	4,000	(4,000)
Viking Tennis Challenge	-	500	500	-
Insurance - MTC	12,020	12,020	5,550	6,470
Kentucky Folk Art Center Partnership Commitment		12,500	12,500	-
Laughlin Health Building Partnership Commitment		35,000	-	35,000
Legal	2,000	3,200	2,679	521
Marketing/travel/education/dues - MTC	107,895	110,336	167,257	(56,921)
Moonlight stage	2,000	1,500	890	610
Morehead-Rowan Co EDC marketing	-	-	5,000	(5,000)
Morehead Visitor Center	15,100	14,100	18,156	(4,056)
Outdoor theatre grant expense	19,500	6,735	6,735	-
Payroll tax expenses - MTC	12,000	12,000	13,589	(1,589)
Postage/meter lease	2,500	2,500	2,680	(180)
RCAC building assistants (part-time)	5,000	5,000	3,339	1,661
RCAC director	50,367	50,367	51,527	(1,160)
Retirement - MTC	41,539	32,365	37,478	(5,113)
Visitor center program specialist	38,741	38,741	36,594	2,147
Total MTC expenses	<u>588,230</u>	<u>592,115</u>	<u>588,303</u>	<u>73</u>
Profit/(loss)	<u>\$ -</u>	<u>\$ 5,600</u>	<u>\$ (20,824)</u>	<u>\$ (26,424)</u>
<b><u>MTC Summary</u></b>				
Revenues	\$ 588,230	\$ 597,715	\$ 567,479	\$ (30,236)
Expenses	<u>588,230</u>	<u>592,115</u>	<u>588,303</u>	<u>3,812</u>
Profit/(loss)	<u>\$ -</u>	<u>\$ 5,600</u>	<u>\$ (20,824)</u>	<u>\$ (26,424)</u>

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Governmental Fund**  
**Budget and Actual**  
***Morehead Convention Commission (MCC)***  
**For the year ended June 30, 2019**

	Original Budget	Amended Budget #7 & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<b><u>Morehead Conference Center (MCC)</u></b>				
Carryover	\$ 26,040	\$ 26,040	\$ -	\$ (26,040)
Catering	64,840	64,840	32,399	(32,441)
Facility room rental	100,000	100,000	74,286	(25,714)
Facility services income	5,000	5,000	5,288	288
Interest income	472	472	4	(468)
Loan proceeds		98,000	-	(98,000)
Restaurant tax - MCC	985,281	985,281	1,060,459	75,178
Total MCC revenue	<u>1,181,633</u>	<u>1,279,633</u>	<u>1,172,436</u>	<u>(107,197)</u>
<b>EXPENSES</b>				
<b><u>Morehead Conference Center (MCC)</u></b>				
Benefits - MCC	11,000	13,066	13,428	(362)
Building assistants (part-time) - MCC	47,000	45,782	32,873	12,909
Building cleaning	25,000	25,000	15,581	9,419
Citizens Bank	-	-	37,011	(37,011)
Depreciative asset reserve / capital purchases	80,000	80,000	95,059	(15,059)
Event supplies/expense	60,000	60,000	48,483	11,517
Facilities operator/staff supervisor	48,900	48,900	47,561	1,339
Garbage pick up - MCC	720	720	644	76
Insurance - MCC	16,730	16,730	20,405	(3,675)
Interior improvements loan		14,603	-	14,603
Jeffersontown Pool	99,900	99,900	100,231	(331)
Maintenance - MCC	70,000	168,000	98,256	69,744
Marketing/travel/education/dues - MCC	50,000	40,060	37,002	3,058
MCC building operator & staff supervisor	-	-	522	(522)
MCC director	54,290	54,290	53,660	630
Morehead Pool	102,000	102,000	97,501	4,499
Newport Pool	295,000	295,000	308,431	(13,431)
Parking lot lease	7,200	7,200	7,200	-
Payroll tax expenses - MCC	8,000	8,000	10,022	(2,022)
Retirement - MCC	28,893	23,382	23,382	-
Richmond Pool	85,000	85,000	83,206	1,794
Utilities - electric	71,500	71,500	73,620	(2,120)
Utilities - electric sign	1,500	1,500	1,379	121
Utilities - gas	7,000	7,000	6,535	465
Utilities - phone/internet/cable	8,000	8,000	10,239	(2,239)
Utilities: water & sewer	3,000	3,000	2,112	888
Vehicle maintenance/gas	1,000	1,000	1,893	(893)
Depreciation expense	-	-	-	-
Interest expense	-	-	-	-
Total MCC expenses	<u>1,181,633</u>	<u>1,279,633</u>	<u>1,226,236</u>	<u>(53,397)</u>
Profit/(loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,800)</u>	<u>\$ (53,800)</u>
<b><u>MCC Summary</u></b>				
Revenues	\$ 1,181,633	\$ 1,279,633	\$ 1,172,436	\$ (107,197)
Expenses	<u>1,181,633</u>	<u>1,279,633</u>	<u>1,226,236</u>	<u>53,397</u>
Profit/(loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,800)</u>	<u>\$ (53,800)</u>

**MOREHEAD RECREATION, TOURISM & CONVENTION COMMISSION**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Governmental Fund**  
**Budget and Actual**  
**Rowan County Arts Center (RCAC)**  
**For the year ended June 30, 2019**

	Original Budget	Amended Budget #7 & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<b><u>Rowan County Arts Center (RCAC)</u></b>				
Carryover	\$ 28,562	\$ 28,562	\$ -	\$ (28,562)
Art classes	2,500	2,500	3,613	1,113
Auditorium rentals	9,500	9,500	12,108	2,608
Fundraisers and donations	14,000	16,000	13,478	(2,522)
Gallery sales	2,000	2,000	3,325	1,325
Grant income	13,000	13,000	14,673	1,673
Other rentals	1,500	1,500	1,209	(291)
Studio rentals	17,400	17,400	17,290	(110)
Reimbursement income	2,000	2,000	-	(2,000)
Total MCC revenue	<u>90,462</u>	<u>92,462</u>	<u>65,696</u>	<u>(26,766)</u>
<b>EXPENSES</b>				
<b><u>Rowan County Arts Center (RCAC)</u></b>				
Accountant expense - RCAC	1,800	1,800	1,650	150
Advertising	18,000	17,850	15,831	2,019
Art supplies	2,500	2,500	2,163	337
Building assistants (part time) - RCAC	6,000	6,000	5,000	1,000
Depreciative asset reserve / capital purchases	24,950	24,950	-	24,950
Exhibit expense	600	600	925	(325)
Fundraising expense	5,000	7,000	2,772	4,228
Gallery sales expense	2,500	2,500	2,128	372
Garbage pick up - RCAC	550	550	400	150
Instructor expense	2,000	2,000	1,032	968
Insurance - contents	462	462	1,025	(563)
Maintenance - RCAC	8,000	8,000	24,173	(16,173)
Office supplies/postage fees	2,000	2,000	1,942	58
Staff travel, dues and expense	1,500	1,500	1,472	28
Utilities - outdoor utility box	400	550	466	84
Utilities - phone/internet	2,200	2,200	-	2,200
Utilities/rent to County	12,000	12,000	11,000	1,000
Total MCC expenses	<u>90,462</u>	<u>92,462</u>	<u>71,979</u>	<u>(20,483)</u>
Profit/(loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,283)</u>	<u>\$ (6,283)</u>
<b><u>RCAC Summary</u></b>				
Revenues	\$ 90,462	\$ 92,462	\$ 65,696	\$ (26,766)
Expenses	<u>90,462</u>	<u>92,462</u>	<u>71,979</u>	<u>20,483</u>
Profit/(loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,283)</u>	<u>\$ (6,283)</u>

## SUPPLEMENTARY INFORMATION



# John T. Lane and Associates, LLC

*Certified Public Accountants*

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

To the Board of Commissioners  
Morehead Recreation, Tourism and Convention Commission  
Morehead, 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 Morehead Recreation, Tourism and Convention Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Morehead Recreation, Tourism and Convention Commission's basic financial statements, and have issued our report thereon dated October 24, 2019.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Morehead Recreation, Tourism & Convention 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Morehead Recreation, Tourism & Convention Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Morehead Recreation, Tourism & Convention 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Morehead Recreation, Tourism & Convention 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.

*John T. Lane & Associates LLC*

Mount Sterling, Kentucky

October 24, 2019

MOREHEAD RECREATION, TOURISM AND CONVENTION COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2019

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FINDINGS – FINANCIAL STATEMENTS AUDIT

PRIOR FINDINGS

None

CURRENT FINDINGS

None