

**CITY OF GRAYSON TOURISM AND
CONVENTION COMMISSION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Kelley Galloway
Smith Goolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.kgsgcpa.com Member of  **AICPA** GLOBAL

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
City of Grayson Tourism and Convention Commission
Grayson, Kentucky 41143

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Grayson Tourism and Convention Commission (the "Commission"), as of and for the year ended June 30, 2021, 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Grayson Tourism and Convention Commission, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

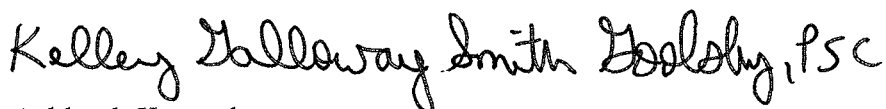
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022 on our consideration of the 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 solely 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 the effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.



Ashland, Kentucky
January 10, 2022

CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental- Type Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 81,237
Restricted cash	1,104,395
Accounts receivable	79,963
Prepaid insurance	3,456
Noncurrent assets:	
Capital assets, being depreciated	6,833,065
Capital assets, not being depreciated	775,000
Total assets	<u>8,877,116</u>
 LIABILITIES	
Accounts payable	118,714
Current portion of long-term debt	162,083
Payroll liabilities	4,079
Total current liabilities	<u>284,876</u>
 Long-term debt	<u>6,633,794</u>
Total liabilities	<u>6,918,670</u>
 NET POSITION	
Net investment in capital assets	966,792
Restricted	840,708
Unrestricted	150,946
Total net position	<u>\$ 1,958,446</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net Expense and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
Tourism and promotion	\$ 215,240	\$ -	\$ -	\$ -	\$ (215,240)
Interest expense	270,170	-	-	-	(270,170)
Total governmental activities	485,410	-	-	-	(485,410)
Total primary government	<u>\$ 485,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(485,410)</u>
General revenues:					
Taxes:					
Restaurant taxes					796,443
Hotel taxes, levied for general purposes					76,710
Sports park concessions					3,362
Investment income					96
Other					621
Total general revenues and transfers					<u>877,232</u>
Change in net position					391,822
Net position, June 30, 2020					<u>1,566,624</u>
Net position, June 30, 2021					<u>\$ 1,958,446</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
BALANCE SHEET AND RECONCILIATION TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 81,237	\$ -	\$ 81,237
Restricted cash	840,708	263,687	1,104,395
Accounts receivable	79,963	-	79,963
Interfund receivable	21,769	-	21,769
Prepaid insurance	3,456	-	3,456
Total assets	<u>\$ 1,027,133</u>	<u>\$ 263,687</u>	<u>\$ 1,290,820</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 31,400	\$ 87,314	\$ 118,714
Interfund payable	-	21,769	21,769
Payroll liabilities	4,079	-	4,079
Total liabilities	<u>35,479</u>	<u>109,083</u>	<u>144,562</u>
Fund balances			
Unreserved -			
Restricted	840,708	154,604	995,312
Nonspendable	3,456	-	3,456
Unassigned	147,490	-	147,490
Total fund balances	<u>991,654</u>	<u>154,604</u>	<u>1,146,258</u>
Total liabilities and fund balance:	<u>\$ 1,027,133</u>	<u>\$ 263,687</u>	<u>\$ 1,290,820</u>

Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Position-

Total governmental fund balance \$ 1,146,258

Amounts reported for governmental activities in the
Statement of Net Position are different because:

The following assets (liabilities) used in governmental activities are not
financial resources and therefore are not reported in the funds-

Assets:

Capital assets 7,608,065

Liabilities:

Long-term debt (6,795,877)

Net Position, end of year - governmental activities \$ 1,958,446

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
Restaurant tax	\$ 796,443	\$ -	\$ 796,443
Hotel taxes	76,710	-	76,710
Marketing incentive program	-	-	-
Sports park concession	3,362	-	3,362
Investment income	61	35	96
Other	621	-	621
Total receipts	<u>877,197</u>	<u>35</u>	<u>877,232</u>
Expenditures:			
Current:			
Debt service	424,903	-	424,903
Capital outlay	194,695	1,126,562	1,321,257
Tourism and promotion	178,218	-	178,218
Total expenditures	<u>797,816</u>	<u>1,126,562</u>	<u>1,924,378</u>
Other financing sources (uses):			
Transfer in (out)	<u>37,702</u>	<u>(37,702)</u>	<u>-</u>
Total other financing sources and uses	37,702	(37,702)	-
Net change in fund balances	117,083	(1,164,229)	(1,047,146)
Fund balances, June 30, 2020	<u>874,571</u>	<u>1,318,833</u>	<u>2,193,404</u>
Fund balances, June 30, 2021	<u><u>\$ 991,654</u></u>	<u><u>\$ 154,604</u></u>	<u><u>\$ 1,146,258</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	\$ (1,047,146)
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Amounts reported for governmental activities in the statement of activities are

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(37,022)
Capital outlay	1,321,257

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Amortization of capital lease discounts	(2,350)
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds.

Long-term debt principal payments	<div style="border-top: 1px solid black; display: inline-block;">157,083</div>
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 391,822</div>
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The accompanying notes to financial statements
are an integral part of this statement.

CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(1) NATURE OF ORGANIZATION AND BASIS OF ACCOUNTING

The City of Grayson Tourism and Convention Commission (the "Commission") was established by City ordinance on September 5, 1995 pursuant to the authority set forth in KRS 91A.350(2) for the purpose of creating and promoting convention and tourist activity in the City of Grayson, Kentucky.

The Commission membership consists of seven people appointed by the Mayor pursuant to the authority set forth in KRS 91A.350(2). Appointments are for a term of three years. A chairman and a treasurer are elected from the membership of the Commission.

The funds for the Commission are derived from transient room and restaurant taxes authorized by Kentucky Revised Statutes. The transient room and restaurant taxes are collected by the City Treasurer and remitted to the Commission on a monthly basis.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

For financial statement reporting purposes, the Commission is considered a single purpose governmental entity. The Commission's basic financial statements consist of fund financial statements presented with adjustments reconciling to government-wide financial statements.

Government-Wide Financial Statements

The government-wide statements are financial statements (i.e., the Statement of Net Position and the Statement of Activities) that report information on all of the activities of the Commission.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. The financial statements include adjustments with explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and revenues for each governmental program.

Net position is reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

The accounts of the Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities,

fund balance, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements, in this report as follows:

Governmental Funds

General fund - the General fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. This is a major fund of the Commission.

Construction fund - the Construction fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the Commission.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, investment earnings and fees received from other governments are revenue sources that are deemed both measureable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period).

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measureable and are recorded when the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

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

Restricted Assets

Certain proceeds of the Commission's capital lease obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. In the absence of specific statutory provisions governing the issuance of capital leases, these monies may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make.

Capital Assets

Capital assets include land, furniture, fixtures, equipment, and building and improvements owned by the Commission. These assets are reported in the government-wide financial statements. Capital assets are stated on the basis of historical cost, or, if contributed, at fair market value at the dates received. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Equipment & Vehicles	3-20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Debt Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Estimates

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

Budgeting

The Commission prepares an annual budget as required by the City of Grayson in establishing budgetary data reflected in the financial statement. The Commission's budget is approved by the Board of Commissioners.

Fund Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the Commission itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the action to remove or change the constraint;
- Assigned fund balance - amounts the Commission intends to use for a specific purpose (such as encumbrances); intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

(3) DEPOSITS AND OBLIGATIONS WITH FINANCIAL INSTITUTIONS

At June 30, 2021 the carrying amount was \$1,185,632. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 503,712
Amount collateralized	705,628
Total bank balance	<u>\$ 1,209,340</u>

(4) INCOME TAXES

The Commission qualifies as a local government taxing district and therefore is exempt from federal and state income taxes.

(5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Capital Assets, Not Depreciated:				
Land	\$ 775,000	\$ -	\$ -	\$ 775,000
Construction in progress	5,331,767	-	5,331,767	-
Capital Assets, Depreciated:				
Buildings	282,251	-	-	282,251
Land improvements	18,150	6,640,819	-	6,658,969
Equipment	2,599	12,205	-	14,804
Totals at historical cost	6,409,767	6,653,024	5,331,767	7,731,024
Accumulated depreciation	(85,937)	(37,022)	-	(122,959)
Capital assets, net	<u>\$ 6,323,830</u>	<u>\$ 6,616,002</u>	<u>\$ 5,331,767</u>	<u>\$ 7,608,065</u>

Depreciation expense charged to operations during the year ended June 30, 2021 was \$37,022.

(6) LONG-TERM DEBT

A summary of changes in long-term debt (including current portion) of the Commission for the year ended June 30, 2021 is as follows:

<u>Governmental Activities</u>	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
Capital lease to Kentucky Bond Corporation of \$7,285,000, due in monthly installments through January 2048, imputed interest rate of 4.79%	\$ 7,015,417	\$ -	\$ 157,083	\$ 6,858,334
Discount on capital lease	(64,807)	-	2,350	(62,457)
	<u>\$ 6,950,610</u>	<u>\$ -</u>	<u>\$ 159,433</u>	<u>\$ 6,795,877</u>

Minimum future principal and interest requirements relating to the above capital leases are as follows at June 30, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total Requirements</u>
2022	162,083	244,819	17,896	424,798
2023	167,083	239,956	17,491	424,530
2024	172,083	234,944	17,073	424,100
2025	177,083	229,781	16,643	423,507
2026	182,083	224,469	16,200	422,752
2027-2031	999,583	1,036,070	73,899	2,109,552
2032-2036	1,191,667	862,546	60,476	2,114,689
2037-2041	1,427,917	637,370	44,474	2,109,761
2042-2046	1,746,250	341,617	25,101	2,112,968
2047-2049	632,502	34,750	2,609	669,861
	<u>\$ 6,858,334</u>	<u>\$ 4,086,322</u>	<u>\$ 291,862</u>	<u>\$ 11,236,518</u>

(7) RETIREMENT PLAN

The Commission provides employees with the opportunity to participate in a retirement plan consisting of a simple IRA with 3% employer match. The Commission's contribution expense for the year ended June 30, 2021 was \$1,874.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Hotel tax	\$ 55,650	\$ 55,650	\$ 76,710	\$ 21,060
Restaurant tax	770,000	770,000	796,443	26,443
Marketing incentive program	8,620	8,620	-	(8,620)
Sports park concession	-	-	3,362	3,362
Investment income	25	25	61	36
Other	-	-	621	621
Total revenues	<u>834,295</u>	<u>834,295</u>	<u>877,197</u>	<u>42,902</u>
EXPENDITURES				
Advertising	13,400	13,400	587	12,813
Local community grants	12,250	12,250	7,963	4,287
Fairs and events	7,825	7,825	-	7,825
Dues	1,000	1,000	236	764
Insurance	1,450	1,450	8,963	(7,513)
Debt service	438,000	438,000	424,903	13,097
Professional services	3,550	3,550	7,760	(4,210)
Office supplies	4,920	4,920	2,721	2,199
Utilities	5,500	5,500	8,060	(2,560)
Sports park maintenance and operations	228,000	228,000	30,339	197,661
Capital expenditures reserve	19,692	19,692	194,766	(175,074)
Payroll	93,708	93,708	107,943	(14,235)
Maintenance and repair	5,000	5,000	1,780	3,220
Other	-	-	1,795	(1,795)
Total expenditures	<u>834,295</u>	<u>834,295</u>	<u>797,816</u>	<u>36,479</u>
Other financing sources (uses):				
Transfer in (out)	-	-	37,702	37,702
Total other financing sources and uses	-	-	37,702	37,702
NET CHANGE IN FUND BALANCE	-	-	117,083	117,083
Fund balance, June 30, 2020	-	-	874,571	874,571
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,654</u>	<u>\$ 991,654</u>




Kelley Galloway
Smith Goolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.kgsgcpa.com Member of  **GLOBAL**

**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 of
City of Grayson Tourism and Convention Commission
Grayson, 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 and each major fund of City of Grayson Tourism and Convention Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Grayson Tourism and Convention Commission's basic financial statements, and have issued our report thereon dated January 10, 2022.

Internal Control Over Financial Reporting

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

Kelley Galloway Smith Dolsby, PSC

Ashland, Kentucky
January 10, 2022