

**CITY OF GRAYSON TOURISM AND
CONVENTION COMMISSION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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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, 2019, 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. 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, 2019, 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 13 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 December 16, 2019, 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 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 Commission's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
December 16, 2019

CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental- Type Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 20,225
Restricted cash	6,231,849
Accounts receivable	84,744
Prepaid insurance	3,621
Capital assets, being depreciated	205,727
Capital assets, not being depreciated	<u>1,795,128</u>
Total assets	<u>8,341,294</u>
 LIABILITIES	
Accounts payable	116,646
Current portion of long-term debt	152,083
Payroll liabilities	<u>2,183</u>
Total current liabilities	<u>270,912</u>
 Long-term debt	<u>6,948,261</u>
Total liabilities	<u>7,219,173</u>
 NET POSITION	
Net investment in capital assets	453,652
Restricted	562,062
Unrestricted	<u>106,407</u>
Total net position	<u><u>\$ 1,122,121</u></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, 2019

Functions/Programs	Program Revenues			Net Expense and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				Governmental Activities
Governmental activities:				
Tourism and promotion	\$ 107,312	\$ -	\$ 1,620	\$ (105,692)
Interest and bond issuance costs	287,224	-	-	(287,224)
Total governmental activities	394,536	-	1,620	(392,916)
Total primary government	<u>\$ 394,536</u>	<u>\$ -</u>	<u>\$ 1,620</u>	<u>\$ (392,916)</u>
General revenues:				
Taxes:				
Restaurant taxes				721,345
Hotel taxes, levied for general purposes				46,613
Investment income				110,308
Other				-
Total general revenues and transfers				<u>878,266</u>
Change in net position				485,350
Net position, June 30, 2018				<u>636,771</u>
Net position, June 30, 2019				<u>\$ 1,122,121</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, 2019

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 20,225	\$ -	\$ 20,225
Restricted cash	562,062	5,669,787	6,231,849
Accounts receivable	84,744	-	84,744
Prepaid insurance	3,621	-	3,621
Total assets	<u>\$ 670,652</u>	<u>\$ 5,669,787</u>	<u>\$ 6,340,439</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 116,646	\$ 116,646
Payroll liabilities	2,183	-	2,183
Total liabilities	<u>2,183</u>	<u>116,646</u>	<u>118,829</u>
Fund balances			
Unreserved -			
Restricted	562,062	5,553,141	6,115,203
Nonspendable	3,621	-	3,621
Unassigned	102,786	-	102,786
Total fund balances	<u>668,469</u>	<u>5,553,141</u>	<u>6,221,610</u>
Total liabilities and fund balances	<u>\$ 670,652</u>	<u>\$ 5,669,787</u>	<u>\$ 6,340,439</u>

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

Total governmental fund balance	\$ 6,221,610
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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	2,000,855
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Liabilities:

Long-term debt	(7,100,344)
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Net Position, end of year - governmental activities	<u>\$ 1,122,121</u>
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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, 2019**

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Restaurant tax	\$ 721,345	\$ -	\$ 721,345
Hotel taxes	46,613	-	46,613
Marketing incentive program	1,620	-	1,620
Investment income	32	110,276	110,308
Total receipts	<u>769,610</u>	<u>110,276</u>	<u>879,886</u>
Expenditures:			
Current:			
Debt service	402,375	-	402,375
Capital outlay	-	674,939	674,939
Tourism and promotion	70,903	29,023	99,926
Total expenditures	<u>473,278</u>	<u>703,962</u>	<u>1,177,240</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	296,332	(593,686)	(297,354)
Fund balances, June 30, 2018	<u>372,137</u>	<u>6,146,827</u>	<u>6,518,964</u>
Fund balances, June 30, 2019	<u><u>\$ 668,469</u></u>	<u><u>\$ 5,553,141</u></u>	<u><u>\$ 6,221,610</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, 2019**

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	\$ (297,354)
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Amounts reported for governmental activities in the statement of activities are different because:

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	(7,386)
Capital outlay	674,939

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	(2,349)
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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	<u>117,500</u>
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 485,350</u></u>
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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, 2019

(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.

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.

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 Fund

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

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:

Description
Buildings
Equipment & Vehicles

Estimated Lives
40 years
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.

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, 2019 the carrying amount was \$6,252,074. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 503,705
Amount collateralized	5,768,393
Total bank balance	<u>\$ 6,272,098</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, 2019, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Capital Assets, Not Depreciated:				
Land	\$ 775,000	\$ -	\$ -	\$ 775,000
Construction in progress	345,189	674,939	-	1,020,128
Capital Assets, Depreciated:				
Buildings	282,251	-	-	282,251
Equipment	<u>1,646</u>	<u>-</u>	<u>-</u>	<u>1,646</u>
Totals at historical cost	<u>1,404,086</u>	<u>674,939</u>	<u>-</u>	<u>2,079,025</u>
Accumulated depreciation	<u>(70,784)</u>	<u>(7,386)</u>	<u>-</u>	<u>(78,170)</u>
Capital assets, net	<u>\$ 1,333,302</u>	<u>\$ 667,553</u>	<u>\$ -</u>	<u>\$ 2,000,855</u>

Depreciation expense charged to operations during the year ended June 30, 2019 was \$7,386. The Commission is obligated on commitments for the construction of a park at June 30, 2019 in the approximate amount of \$1.6 million.

(6) LONG-TERM DEBT

A summary of changes in long-term debt (including current portion) of the Commission for the year ended June 30, 2019 is as follows:

Governmental Activities

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2019</u>
Capital lease to Kentucky Bond Corporation of \$7,285,000, due in monthly installments through January 2048, imputed interest rate of 4.79%	\$ 7,285,000	\$ -	\$ 117,500	\$ 7,167,500
Discount on bonds	<u>(69,505)</u>	<u>-</u>	<u>2,349</u>	<u>(67,156)</u>
	<u>\$ 7,215,495</u>	<u>\$ -</u>	<u>\$ 119,849</u>	<u>\$ 7,100,344</u>

Minimum future principal and interest requirements relating to the above capital leases are as follows at June 30, 2019:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total Requirements</u>
2020	\$ 152,083	\$ 254,094	\$ 18,669	\$ 424,846
2021	157,083	249,531	18,289	424,903
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
2025-2029	937,500	1,094,180	78,662	2,110,342
2030-2034	1,111,667	937,817	66,134	2,115,618
2035-2039	1,323,750	733,801	51,216	2,108,767
2040-2044	1,612,083	470,738	33,323	2,116,144
2045-2048	<u>1,372,085</u>	<u>130,067</u>	<u>10,065</u>	<u>1,512,217</u>
	<u>\$ 7,167,500</u>	<u>\$4,589,947</u>	<u>\$328,818</u>	<u>\$ 12,086,265</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Hotel tax	\$ 55,513	\$ 55,513	\$ 46,613	\$ (8,900)
Restaurant tax	675,000	675,000	721,345	46,345
Marketing incentive program	11,850	11,850	1,620	(10,230)
Investment income	25	25	32	7
In-kind donation	-	-	-	-
Other	-	-	-	-
Total revenues	<u>742,388</u>	<u>742,388</u>	<u>769,610</u>	<u>27,222</u>
EXPENDITURES				
Advertising	21,700	21,700	5,856	15,844
Local community grants	13,250	13,250	10,050	3,200
Fairs and events	4,825	4,825	2,956	1,869
Dues	1,000	1,000	633	367
Insurance	13,200	13,200	5,117	8,083
Debt service	402,375	402,375	402,375	-
Professional services	14,050	14,050	5,087	8,963
Office supplies	26,748	26,748	2,736	24,012
Utilities	5,500	5,500	4,183	1,317
Park maintenance reserve	204,000	204,000	-	204,000
Payroll	30,340	30,340	28,637	1,703
Maintenance and repair	5,200	5,200	5,076	124
Other	200	200	572	(372)
Total expenditures	<u>742,388</u>	<u>742,388</u>	<u>473,278</u>	<u>269,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	296,332	296,332
Fund balance, June 30, 2018	<u>-</u>	<u>-</u>	<u>372,137</u>	<u>372,137</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,469</u>	<u>\$ 668,469</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE 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, 2019, 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 December 16, 2019.

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.

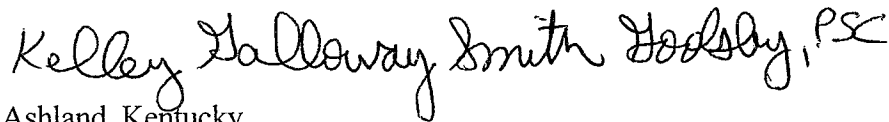
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 matter 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.

Handwritten signature of Kelley Hallaway Smith Godsey, PSC in black ink.

Ashland, Kentucky
December 16, 2019

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

We have audited the financial statements of the governmental activities and each major fund of the City of Grayson Tourism and Convention Commission for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 31, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Grayson Tourism and Convention Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation is based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the estimate of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the

misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board, parties to the interlocal agreement, and management of City of Grayson Tourism and Convention Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Kelley Holloway Smith Goolsby, PSC

Ashland, Kentucky
December 16, 2019

CITY OF GRAYSON TOURISM AND CONVENTION COMMISSION

PASSED AUDIT ADJUSTMENTS

FOR THE YEAR ENDED JUNE 30, 2019

There were no passed audit adjustments.