

**REPORT OF THE AUDIT OF THE
WHITLEY COUNTY TOURISM BOARD**

**For The Fiscal Year Ended
June 30, 2013**



PEERCY AND GRAY, PSC

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY TOURISM BOARD

June 30, 2013

Peercy & Gray, PSC has completed the audit of the Whitley County Tourism Board (Tourism Board), a special government entity created by the Whitley County Judge/Executive. We have issued an unqualified opinion, based on our audit on the governmental activities of the Tourism Board.

Financial Condition:

The Tourism Board had total net assets of \$48,774 as of June 30, 2013. The Tourism Board had unrestricted net assets of \$48,774 in its governmental activities as of June 30, 2013, with total cash and cash equivalents of \$48,774.

Deposits:

The Tourism Board's deposits were insured and collateralized by bank securities.

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Honorable Richard Prewitt, Whitley County Tourism Board Chairman
Members of the Whitley County Tourism Board
Honorable Jeffrey Gray, Treasurer

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Whitley County Tourism Board (Tourism Board), a special purpose entity of Whitley County as of and for the year ended June 30, 2013, 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, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting 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.

As described in Note 1, the Tourism Board prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Honorable Richard Prewitt, Whitley County Tourism Board Chairman
Members of the Whitley County Tourism Board
Honorable Jeffrey Gray, Treasurer

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 Tourism Board as of June 30, 2013, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Whitley County Tourism Board. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2014 on our consideration of the Tourism Board'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,



Percy & Gray, PSC
Certified Public Accountants

June 12, 2014

**WHITLEY COUNTY TOURISM BOARD
STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

June 30, 2013

WHITLEY COUNTY TOURISM BOARD
STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 48,774
Total Assets	<u>48,774</u>
NET POSITION	
Unrestricted	48,774
Total Net Position	<u>\$ 48,774</u>

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

**WHITLEY COUNTY TOURISM BOARD
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2013

WHITLEY COUNTY TOURISM BOARD
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2013

Functions/Programs:

Governmental Activities	
Recreation and Culture	\$ 39,681
Total Governmental Activities	<u>39,681</u>

General Revenues

Transient Room Tax	53,448
Reimbursements	6,205
Interest	306
Total General Revenues	<u>59,959</u>
Change in Net Position	20,278
Net Position- Beginning	<u>28,496</u>
Net Position- Ending	<u>\$ 48,774</u>

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

**WHITLEY COUNTY TOURISM BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

June 30, 2013

**WHITLEY COUNTY TOURISM BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

June 30, 2013

ASSETS

Cash and Cash Equivalents	\$ 48,774
Total Assets	<u>\$ 48,774</u>

FUND BALANCES

Assigned To:

Recreation and Culture	<u>\$ 48,774</u>
Total Fund Balances	<u>\$ 48,774</u>

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

**WHITLEY COUNTY TOURISM BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2013

WHITLEY COUNTY TOURISM BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2013

	General Fund
REVENUES	
Transient Room Tax	\$ 53,448
Reimbursements	6,205
Interest	306
Total Revenues	59,959
EXPENDITURES	
Advertising	230
Website Services	812
Special Event Funding	30,500
Tourism Projects	4,225
Signage	570
Contributions	2,656
Memberships	597
Postage	32
Mileage Reimbursements	59
Total Expenditures	39,681
Excess (Deficiency) of Revenues Over Expenditures Before Other	20,278
Net Change in Fund Balances	20,278
Fund Balances - Beginning	28,496
Fund Balances - Ending	\$ 48,774

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

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TO THE FINANCIAL STATEMENTS**

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WHITLEY COUNTY TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The Whitley County Tourism Board presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

B. Reporting Entity

The Whitley County Tourism Board is a special purpose entity in Whitley County, Kentucky that was established by the Whitley Judge/Executive on September 1, 2009. The Tourism Board was established to promote and develop convention and tourist activities and facilities within the Whitley County. The Board is governed by KRS 91A.350 (2), 91A.360, 91A.390, 91A.392, 91A.391, and other applicable provisions of the Kentucky Revised Statutes. Members of the Board are appointed by the Judge/Executive. The financial statements of the Tourism Board include the funds, agencies, boards, and entities for which the Tourism Board is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The Tourism Board has no component units.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

WHITLEY COUNTY TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The entity may also designate any fund as major.

Governmental Funds

General Fund – The General Fund is the general operating fund of the Tourism Board, this fund is used to account for all financial resources.

D. Deposits and Investments

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

The funds of the Tourism Board available for investment shall be invested in accordance with the Tourism Board's investment policy and all applicable state statutes. The Tourism's policy lists the following allowable investments:

- 1) Cash Equivalents (Treasury Bills, Money Market Funds, STIF Funds, Commercial Paper, Banker's Acceptances, Repurchase Agreements, Certificates of Deposits)
- 2) Fixed Income Securities (U.S. Government and Agency Securities, Corporate Notes and Bonds, Mortgage Backed Bonds, Preferred Stocks, Collateralized Mortgage Obligations, Exchange Traded Funds)
- 3) Equity Securities (Common Stocks, Convertible Notes and Bonds, Convertible Preferred Stocks, American Depository Receipts of Non-U.S. Companies, Stocks of Non-U.S. Companies (Ordinary Shares), Exchange Traded Funds)

WHITLEY COUNTY TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are recorded at cost and changes in fair market value of investments are not recorded.

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset. Though there is a capitalization policy established, the Tourism Board does not have any capitalized assets.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 15,000	10-75
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-25

F. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed - amounts constrained for a specific purpose by the entity using its highest level of decision making authority.

WHITLEY COUNTY TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Fund Equity (Continued)

- Assigned - for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the entity or the delegated committee or official given authority to assign amounts.
- Unassigned - for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

It is the policy of the entity to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

G. Budgetary Information

The budget is prepared on the modified-cash basis of accounting. The budget is amended by Board approval and appropriations lapse at year-end.

Note 2. Deposits and Investments

A. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transient Room Tax

Effective the same date as the creation of the Tourism Board, the Whitley County Fiscal Court enacted a monthly transient room tax of three percent (3%) of the gross rent of organizations doing business as motor courts, motels, hotels, inns or like businesses in Whitley County. All room tax revenues are to be remitted to the Tourist Board no later than 30 days following the last day of the month in which said tax has been charged.

**WHITLEY COUNTY TOURISM BOARD
BUDGETARY COMPARISON SCHEDULE
Other Information - Modified Cash Basis**

For The Year Ended June 30, 2013

**WHITLEY COUNTY TOURISM BOARD
BUDGETARY COMPARISON SCHEDULE
Other Information - Modified Cash Basis**

For The Year Ended June 30, 2013

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Transient Room Tax	\$ 51,000	\$ 51,000	\$ 53,448	\$ 2,448
Reimbursements	100	6,205	6,205	
Interest	600	600	306	(294)
Total Revenues	<u>51,700</u>	<u>57,805</u>	<u>59,959</u>	<u>2,154</u>
EXPENDITURES				
Executive Director	12,480	12,480		12,480
Advertising	4,600	4,600	230	4,370
Marketing	10,000	10,000		10,000
Website Services	1,000	1,000	812	188
Matching Funds	500	500		500
Special Event Funding	24,000	30,500	30,500	
Tourism Projects	500	4,250	4,225	25
Office Supplies	250	250		250
Signage	1,000	1,000	570	430
Contributions	1,500	2,657	2,656	1
Memberships	500	597	597	
Postage	100	100	32	68
Reimbursements	500	500		500
Conferences/Trainings	250	250		250
Mileage Reimbursements	500	500	59	441
Office Equipment	100	100		100
Administration	4,420	17,017		17,017
Total Expenditures	<u>62,200</u>	<u>86,301</u>	<u>39,681</u>	<u>46,620</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(10,500)</u>	<u>(28,496)</u>	<u>20,278</u>	<u>48,774</u>
Net Changes in Fund Balance	(10,500)	(28,496)	20,278	48,774
Fund Balance - Beginning	<u>10,500</u>	<u>28,496</u>	<u>28,496</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,774</u>	<u>\$ 48,774</u>

WHITLEY COUNTY TOURISM BOARD
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

An annual operating budget is prepared by the director and presented to the board for approval at least sixty (60) days prior to the beginning of the next fiscal year. The budget reflects the cost of carrying out the programs and services of Whitley County Tourism Board for the next fiscal year. This budget also reflects the anticipated revenues of the Whitley County Tourism Board.

**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**



PEERCY AND GRAY, PSC

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The Honorable Richard Prewitt, Whitley County Tourism Board Chairman
Members of the Whitley County Tourism Board
Honorable Jeffrey Gray, Treasurer

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

We have audited the financial statements of the governmental activities of the Whitley County Tourism Board (Tourism Board) as of and for the year ended June 30, 2013, which collectively comprise the Tourism Board's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 12, 2014. Whitley County Tourism Board County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

Management of the Whitley County Tourism Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Whitley County Tourism Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Whitley County Tourism Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whitley County Tourism Board's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Whitley County Tourism Board's financial statements as of and for the year ended June 30, 2013, are free of 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

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Percy & Gray, PSC
Certified Public Accountants

June 12, 2014