LEXINGTON CONVENTION AND VISITORS BUREAU

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTAL INFORMATION

Year Ended June 30, 2024

Cherry Bekaert LLP
Your Guide Forward

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Report of Independent Auditor

To the Commission Members
Lexington Convention and Visitors Bureau

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Lexington Convention and Visitors Bureau (the “Bureau"), a component unit of Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bureau as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Bureau and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bureau's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bureau's basic financial statements. The accompanying budgetary comparison schedule and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") are presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024 on our consideration of the Bureau'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 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 Bureau's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Lexington, Kentucky
September 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion about the financial performance of the Lexington Convention and Visitors Bureau (Bureau) provides a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2024. Readers are encouraged to consider this narrative with the financial statements that follow.

The Bureau is a component unit of the Lexington-Fayette Urban County Government and all activities are intended to recover costs through the generation of occupancy tax revenue. As such, the Bureau's financial reports are prepared following generally accepted accounting principles of a governmental unit engaged in business-type activity.

HIGHLIGHTS

Net Position The assets and deferred outflows of resources of the Bureau exceeded liabilities and deferred inflows of resources at fiscal year-end by $8,964,722.85 (presented as Total Net Position). Of this amount, $8,138,880.64 was reported as "unrestricted net position." This compares to the previous year when net position exceeded liabilities by $7,999,719.03 and unrestricted net position was $6,810,441.42. Unrestricted net position represents the amount available to meet ongoing obligations.

Change in Net Position Total net position increased by $965,003.82 during fiscal year 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview and analysis are intended to serve as an introduction to the Bureau's basic financial statements, which include three components: (1) the financial statements, (2) notes to the financial statements and (3) the required supplementary information. This report also contains other supplementary information, which is a budgetary comparison schedule. These components are described below.

FINANCIAL STATEMENTS

Because the Bureau reports as a business-type activity, it presents the statements required for that type of entity. The statements provide both short-term and long-term information about the Bureau's financial position. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting that is used in the private sector. These financial statements take into account all revenues and expenses related to the fiscal year regardless of whether the cash involved has been received or disbursed. The financial statements include three statements:

1. The Statement of Net Position presents the Bureau's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as "Total Net Position." Over time, increases or decreases in the Bureau's net position serve as an indicator of whether the financial position of the Bureau is improving or deteriorating.

2. The Statement of Revenues, Expenses and Changes in Net Position (page 9) presents information regarding how net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for items that will not result in cash transactions until future fiscal periods (such as uncollected revenues and earned, but not used, personal leave).

3. The Statement of Cash Flows (page 10) presents the cash receipts and cash payments occurring during the fiscal year. In this statement, changes in net position are reported when the cash transaction occurs, regardless of the timing of the underlying events. This report provides users with the information needed to assess the Bureau's ability to generate future cash flow and meet obligations as they come due and to identify operating versus investing activity.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements may be found immediately following the financial statements and preceding the supplementary information, pages 11 through 19.

FINANCIAL ANALYSIS OF THE BUREAU

The condensed information below was derived from the Bureau's Statement of Net Position at June 30, 2024 and June 30, 2023. The net position at June 30, 2024 is $8,964,722.85, an increase of $965,003.82 from fiscal year 2023's net position of $7,999,719.03.

	Net Position as of		Amount	%
	June 30, 2024	June 30, 2023	Change	Change
Current Assets	$ 11,467,820.34	$ 10,236,868.49	$ 1,230,951.85	12%
Capital Assets	1,821,461.51	2,142,737.46	(321,275.95)	-15%
Other Assets	6,506,550.07	8,798,156.92	(2,291,606.85)	-26%
Deferred Outflows of Resources	2,947,390.04	3,613,349.73	(665,959.69)	-18%
Total Assets and Deferred Outflows of Resources	$ 22,743,221.96	$ 24,791,112.60	$ (2,047,890.64)	-8%
Current Liabilities	6,311,900.38	8,141,356.84	(1,829,456.46)	-22%
Noncurrent Liabilities	5,165,254.80	7,369,542.89	(2,204,288.09)	-30%
Deferred Inflows of Resources	2,301,343.93	1,280,493.84	1,020,850.09	80%
Total Liabilities and Deferred Inflows of Resources	$ 13,778,499.11	$ 16,791,393.57	$ (3,012,894.46)	-18%
Invested in Capital Assets	825,842.21	1,136,422.55	(310,580.34)	-27%
Unrestricted Net Position	8,138,880.64	6,863,296.48	1,275,584.16	19%
Total Net Position	$ 8,964,722.85	$ 7,999,719.03	$ 965,003.82	12%

Current Assets increased by 12% or $1,230,951.85. This is the result of the increase in cash from interest income, accounts receivable and prepaid expenses.

Capital Assets decreased by 15% or $321,275.95. This decrease is depreciation and amortization expense.

Other Assets decreased by $2,291,606.85 as the ARPA grants from the Kentucky Department of Tourism were executed.

Deferred Outflows of Resources total $2,947,390.04. This is a result of a pledge of future occupancy tax receipts in the amount of $1,275,000.00 to the Lexington Convention Center (LCC) and contributions to the pension and OPEB plans paid subsequent to June 30, 2023, as well as an actuarially determined deferred outflow of resources related to the pension and OPEB plans.

Current Liabilities, which includes accounts payable, accrued wages and benefits, the employee cafeteria plan payable, compensated absences, and the current portion of the pledge of future occupancy tax receipts to the LCC, decreased by 22% to $6,311,900.38. The change is a combination of the increase in accounts payable, accrued wages and benefits and compensated absences and a decrease in the unearned revenue that has been received for the ARPA grants from the Kentucky Department of Tourism ($3,820,961.33).

Deferred Inflows of Resources total $2,301,343.93. These deferred inflows relate to the pension and OPEB plans and are actuarially determined; the deferred inflows will be allocated to a future accounting period.

The Bureau's Unrestricted Net Position, which is the resources that may be used at the Bureau's discretion to meet ongoing obligations increased 19% from June 30, 2023. This increase is due to the increase in occupancy tax receipts, other income and interest income.

The remaining net position balance represents the Bureau's investment in capital assets such as furniture and fixtures, leasehold improvements, office equipment, software, tradeshow booths, trademarks, websites and right to use assets. The Bureau uses these assets to provide services to visitors and clients to promote the Lexington brand; these assets are not available for future spending. After netting capital asset acquisitions with the related depreciation, Net Position Invested in Capital Assets decreased $310,580.34 or 27%. This decrease was due to normal depreciation of assets as well as the disposal of obsolete assets.

The following condensed financial information was derived from the Bureau's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2024 and June 30, 2023. Line items from the statement have been re-categorized into the major functions to summarize the Bureau's operations for the two fiscal years and show the changes in the Bureau's Total Net Position.

	Statement of Change Statement of Changes in Net Position for Fiscal Year Ending			
	June 30, 20234	June 30, 2023	Amount Change	% Change
REVENUES				
Occupancy Tax	$ 10,837,913.78	$ 10,635,851.66	$ 202,062.12	2%
Matching Funds	265,951.00	238,890.00	27,061.00	11%
Federal Funds	3,361,982.34	2,887,590.63	474,391.71	16%
Miscellaneous	138,864.78	26,243.44	112,621.34	429%
Interest and Investment Income	796,652.38	483,275.33	313,377.05	65%
Total Revenues	15,401,364.28	14,271,851.06	1,129,513.22	8%
EXPENSES				
Personnel	2,987,555.92	2,951,021.54	36,534.38	1%
Professional Services	336,075.13	316,490.52	19,584.61	6%
Office Expense	581,832.59	435,727.65	146,104.94	34%
Media	238,076.69	196,282.79	41,793.90	21%
Printing	184,385.23	333,657.28	(149,272.05)	-45%
Promotion	2,187,944.40	1,851,294.34	336,650.06	18%
Advertising	6,520,655.09	5,117,915.52	1,402,739.57	27%
Research	96,000.00	234,300.00	(138,300.00)	-59%
Staff Development	83,121.32	36,371.54	46,749.78	129%
Lexington Center Contribution	750,000.00	405,000.00	345,000.00	85%
LFUCG Collection Fee	54,189.48	53,179.26	1,010.22	2%
Interest Expense	33,481.33	35,401.27	(1,919.94)	-5%
Depreciation and Amortization	383,043.28	438,628.47	(55,585.19)	-13%
Total Expenses	14,436,360.46	12,405,270.18	2,031,090.28	16%
Increase in Net Assets	965,003.82	1,866,580.88	(901,577.06)	-48%
Net Position - Beginning	7,999,719.03	6,133,138.15	1,866,580.88	30%
Net Position - Ending	$ 8,964,722.85	$ 7,999,719.03	$ 965,003.82	12%

Occupancy Tax is the 4% transient room tax levied on occupancy of hotels and motels located in Fayette County that is received by the Bureau. Occupancy tax was up 2% in fiscal year 2024, which is the largest amount collected in the history of the Bureau and included four months where greater than $1,000,000.00 was collected.

Federal Funds revenue was $3,361,982.34. The Bureau was awarded a total of $10,179,597.00 in ARPA funds from the Lexington-Fayette Urban County Government and the Kentucky Department of Tourism. Of that amount, $180,934.97 was spent from the Lexington-Fayette Urban County Government allotment, $1,444,782.67 from the Kentucky Department of Tourism allotment and $1,012,954.65 from the Kentucky Department of Tourism Meetings and Convention allotment, $723,310.05 from the Kentucky Department of Tourism Multi Jurisdiction allotments. The remainder of the Kentucky Department of Tourism allotments will be spent in future fiscal years.

Other income increased 429% or $112,621.34. Of the amount, $80,000.00 is match requirements collected from participating members of the Kentucky Department of Tourism Multi Jurisdiction projects. Additionally, a portion of the increase relates to the Bureau's focus on maximizing credit card spend to drive rebates. For fiscal year 2024 credit card rebates totaled $13,066.92.

Interest and Investment Income increased by 65% or $313,377.05. The increase resulted from the growth in the overnight investment rates and the positive cash flow the Bureau experienced that increased the cash balance and generated interest income.

Office expense increased 34% or $146,104.95. This increase was directly tied to the increase in subscriptions and tools to expand services and provide additional insight for visitors and meeting planners.

Printing decreased 45% or $149,272.05. These costs were reclassified to promotions and advertising as they were directly related to those programs.

Research decreased 59% or $138,300.00 as several research projects were completed in 2023.

Most other expense line items increased significantly during the fiscal year. This was directly related to the increase in occupancy tax receipts the receipt of federal funds.

BUDGETARY HIGHLIGHTS

The Bureau's Board of Commissioners approves the annual budget prior to the beginning of the fiscal year. The budget was amended at the February 12, 2024 commission meeting.

With the increase in interest income and the receipt of federal funds spending was significantly increased. Spending for the following line items were increased from 2023:

- Industry associations and subscriptions were increased to resume services and subscriptions paused or reduced during the pandemic; $362,762.97.
- Sales efforts, inclusive of meetings and conventions, were ramped up with the Bureau attending more tradeshows, having a higher level of presence at tradeshows, hosting an out-of-market meeting planner event, hosting two meeting planner familiarization tours and assisting with expanding destination assets; $1,289,401.67.
- Advertising campaigns were significantly expanded and new markets were explored with the Kentucky Department of Tourism ARPA grants; $6,520,655.09.
- Development programs tools were used to increase Lexington's competitive status with meetings, to help launch/expand tourism assets and to promote destination stewardship; $686,501.97.
- Lexington Center Corporation bond payments was restored to pre-pandemic levels; $750,000.00.

ECONOMIC CONDITION AND OUTLOOK

The Bureau experienced its' best financial year ever in 2024 with $10,837,913.78 in occupancy tax receipts, $3,361,982.34 in federal funding, $796,652.38 in interest income and a $965,003.82 increase in net position. Hotel occupancy has remained stable while average daily rate has continued to steadily grow.

For fiscal year 2025, the Bureau approved an operating budget of $14,000,000.00, which is $2,000,000.00 less than fiscal year 2024. The decrease is due to the completion of a portion of the Kentucky Department of Tourism ARPA grants and is seen in the advertising line item. Campaign assets developed from the grants will still be utilized at a smaller scale to maximize the impact.

The budget line items will be closely monitored as occupancy tax forecasts are revised and expense line items will be monitored to ensure compliance with regulatory guidelines. The budget will be amended as appropriate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Lexington Convention and Visitors Bureau to interested individuals. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lexington Convention and Visitors Bureau, Attention: Vice President, Finance and Operations, 215 West Main Street, Suite 150, Lexington, KY 40507, (859) 233-1221.

Lexington Convention and Visitors Bureau
Statement of Net Position
June 30, 2024

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 8,136,635.42
Accounts Receivable	2,466,578.74
Inventory	169,824.20
Prepaid Expenses	694,781.98
Total Current Assets	11,467,820.34
Noncurrent Assets:	
Restricted Cash	$ 3,825,627.07
Cash held for Competitive Development and Pensions	2,601,090.00
Capital Assets, Net of Accumulated Depreciation	1,821,461.51
Net OPEB Asset	79,833.00
Total Noncurrent Assets	8,328,011.58
Deferred Outflows of Resources	2,947,390.04
Total Assets and Deferred Outflows of Resources	$ 22,743,221.96
Liabilities	
Current Liabilities:	
Accounts Payable	$ 1,012,368.08
Accrued Wages and Benefits	513,242.87
Compensated Absences Payable	144,940.87
Employee Cafeteria Plan Payable	4,740.74
Lease Liability	65,646.49
Notes Payable - Lexington Center Corporation	1,141,967.04
Unearned Revenue	3,820,961.33
Total Current Liabilities	6,703,867.42
Noncurrent Liabilities:	
Lease Liability	929,972.81
Net Pension Liaiblity	3,710,281.99
Notes Payable - Lexington Center Corporation	133,032.96
Total Noncurrent Liabilities	4,773,287.76
Deferred Inflows of Resources	2,301,343.93
Total Liabilities and Deferred Inflows of Resources	13,778,499.11
Net Position	
Invested in Capital Assets	825,842.21
Unrestricted	8,138,880.64
Total Net Position	8,964,722.85
Total Liabilities and Net Position	$ 22,743,221.96

Lexington Convention and Visitors Bureau
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

Revenues		
Occupancy Tax Receipts	$	10,837,913.78
Matching Funds Revenue		265,951.00
Federal Funds Received		3,361,982.34
Other Income		138,864.78
Total Operating Revenues		14,604,711.90
Operating Expenses		
Personnel Expense	$	2,987,555.92
Lexington Center Corporation		750,000.00
Professional Services		336,075.13
Office Expense		219,069.62
Industry Associations and Subscriptions		362,762.97
Industry Programs and Relations		121,927.73
Promotional Travel		33,735.92
Advertising, Branding & Marketing		6,520,655.09
Sales Efforts		402,455.64
Conventions and Meetings		886,946.03
Promotional Items		56,377.11
Printing		184,385.23
Media Relations and Support		238,076.69
Research		96,000.00
Staff Development		83,121.32
Development Programs		686,501.97
LFUCG Collection Fee		54,189.48
Depreciation And Amortization Expense		383,043.28
Total Operating Expenses		14,402,879.13
Operating Income		201,832.77
Nonoperating Revenues (Expenses)		
Interest and Investment Income	$	796,652.38
Interest Expense		(33,481.33)
Total Nonoperating Revenues		763,171.05
Change in Net Position		965,003.82
Total Net Position - Beginning		7,999,719.03
Total Net Position - Ending	$	8,964,722.85

Lexington Convention and Visitors Bureau
Statement of Cash Flows
For the Year Ended June 30, 2024

	Unrestricted Cash	Restricted Cash	Total Cash
Cash Flows from Operating Activities			
Receipts from Taxpayers	$ 10,480,839.13	$ -	$ 10,480,839.13
Receipts from State Matching Funds	138,135.14	-	138,135.14
Receipts from the Federal Government	-	806,860.91	806,860.91
Receipts from Cafeteria Plan Participants	-	16,317.25	16,317.25
Receipts from Others	114,678.61	-	114,678.61
Payments to Vendors	(7,501,601.43)	(3,183,072.79)	(10,684,674.22)
Payments to Employees	(3,466,613.20)	-	(3,466,613.20)
Payments to Cafeteria Plan Participants	-	(11,544.43)	(11,544.43)
Net Cash Provided by Operating Activities	(234,561.75)	(2,371,439.06)	(2,606,000.81)
Cash Flows from Capital and Related Financing Activities			
Purchases of Capital Assets	(61,767.33)	-	(61,767.33)
Payments for Right of Use Assets	(63,550.67)	-	(63,550.67)
Interest on Right of Use Assets	(33,481.33)	-	(33,481.33)
Net Cash Used by Capital and Related Financing Activities	(158,799.33)	-	(158,799.33)
Cash Flows from Investing Activities			
Interest and Dividends	796,652.38	-	796,652.38
Net Increase in Cash Provided by Investing Activities	796,652.38	-	796,652.38
Net Decrease in Cash and Cash Equivalents	403,291.30	(2,371,439.06)	(1,968,147.76)
Balances - Beginning of the Year	10,334,434.12	6,197,066.13	16,531,500.25
Balances - End of the Year	$ 10,737,725.42	$ 3,825,627.07	$ 14,563,352.49

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	$ 201,832.77
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation & Amortization	383,043.28
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(509,076.68)
Decrease in Inventory	33,800.22
Increase in Prepaid Expense	(352,383.30)
Increase in Account Payable	670,961.83
Increase in Accrued Wages and Benefits	27,600.71
Increase in Compensated Absences	25,006.01
Decrease in Notes Payable - Lexington Center Corporation	(750,000.00)
Decrease in Unearned Revenue	(2,555,121.43)
Decrease in Net Pension and OPEB Lailbity/Asset	(1,468,474.00)
Increase in Deferred Inflows and Outflows	1,686,809.78
Net Cash Used by Operating Activities	$ (2,606,000.81)

Lexington Convention and Visitors Bureau
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the Bureau as of and for the year ended June 30, 2024.

a. Reporting Entity

The Bureau was established by the Lexington-Fayette Urban County Government (LFUCG), under the authority of KRS 91A.350, for the purpose of promoting recreational, convention and tourist activity in Fayette County.

Because the Bureau is a component unit of the LFUCG, its financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB.

b. Measurement Focus, Basis of Accounting and Basis of Presentation

The Bureau is considered a special purpose government and reports as a business-type activity, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses result from providing services in connection with ongoing operations. Operating revenues include revenues from the Bureau's federal grant which funds normal, operating activities. Items not meeting the criteria of operating transactions are recorded as nonoperating.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with an original maturity of six months or less.

d. Inventory

Inventory is presented at the lower of cost or market value. Cost is determined using the first-in, first-out ("FIFO") method.

e. Prepaid Expenses

Payments made for goods or services that will be received or used in future accounting periods are recorded as prepaid expenses.

f. Capital Assets

Capital assets, which include leasehold improvements, office equipment, furniture, and software, are reported on the Statement of Net Position. The Bureau defines capital assets as assets that have a cost of $1,000.00 or more at the date of acquisition and have an expected useful life of more than one year. Capital assets are depreciated using the straight-line method over the assets' estimated useful lives. Right-of-use assets represent the Bureau's right to occupy a leased asset during the rental period. Right-of-use assets are valued at the total present value of the lease payments less accumulated amortization. Amortization expense is computed using the straight-line method over the lease term.

g. **Basis for Cash Restriction**

The Bureau classifies cash into two categories, restricted and unrestricted. Restricted cash balances are cash amounts whereby a third party places restraints on how those funds may be used. Restricted cash balances reported in the financial statements includes the balance of the employee cafeteria plan and federal ARPA funds. All other cash held by the Bureau is considered unrestricted for reporting purposes.

h. **Unearned Revenue**

Unearned revenue represents grant funds received in advance. Revenue is recognized as the Bureau incurs allowable expenses for the purpose of the grant.

i. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the Bureau's participation in the County Employees Retirement System (CERS) of the Kentucky Public Pension Authority (KPPA) have been determined on the same basis as they are reported by the KPPA for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized when due and payable on accordance with the benefit terms of the CERS plan of KPPA. The liability was measured at June 30, 2023.

j. **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the Bureau’s OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the CERS’ Insurance Fund and additions to/deductions from the Insurance Fund’s fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms. The asset was measured at June 30, 2023.

k. **Transient Room Tax**

Pursuant to KRS 153.450 and local Ordinance, a transient room tax of 4% is levied on room occupancy for hotels, motels and like businesses located in Fayette County, Kentucky. This tax is collected by the Lexington-Fayette Urban County Government (LFUCG). The LFUCG retains 1/2% for collection expenses. The remainder is forwarded to the Bureau on a monthly basis.

The Bureau recognizes occupancy tax revenue when it becomes measurable. Occasionally, taxpayers may become delinquent on remitting the tax to the LFUCG. The Bureau does not recognize these revenues until they are received unless the LFUCG Department of Law has a fully executed promissory note for the collection of the tax revenue, interest and penalty.

NOTE 2 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS

Cash and Cash Equivalents are assets with a maturity of 6 months or less and can be readily converted into cash.

As of June 30, 2024 the Bureau had the following cash investments and securities:

Cash	
Demand	$ 11,988,397.01
Cash held for Competitive Development and Pensions	2,601,090.00
Total	$ 14,589,487.01
Net Withdrawals and Deposits in Transit	(26,134.52)
Total Cash and Investments	$ 14,563,352.49

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Bureau's deposits may not be returned to it. The Bureau's policy requires banking institutions to provide collateralization for funds on deposit in excess of the FDIC limit. As of June 30, 2024 none of the Bureau's bank deposits were exposed to custodial credit risk.

Interest Rate Risk. Interest rate risk is a means of limiting its exposure to fair value losses arising from interest rates. The Bureau's investment policy limits investments with maturities of more than 36 months. As of June 30, 2024 the Bureau had no investments with a maturity greater than one year.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable have been aggregated and presented in the financial statements. Detailed information is presented below:

Occupancy Tax	$ 2,241,823.12
KY Matching Funds	191,933.50
Other	32,822.12
Accounts Receivable, June 30, 2024	$ 2,466,578.74

NOTE 4 CAPITAL ASSETS

The Bureau's investment in capital assets as of June 30, 2024 amounts to $1,821,461.51 (net of accumulated depreciation and amortization). This investment in capital assets includes the leasehold improvements, furniture, office equipment, software, a website and right of use assets. Capital asset activity for the year ended June 30, 2024 is summarized below.

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable Capital Assets				
Equipment	$ 156,508.24	$ 6,903.89	$ (6,291.09)	$ 157,121.04
Furniture & Fixtures	542,979.44	28,088.44	-	571,067.88
Leasehold Improvements	1,912,564.99	-	-	1,912,564.99
Software & Websites	288,158.00	26,000.00	(6,190.50)	307,967.50
Trademarks	30,203.00	775.00	-	30,978.00
Totals at Cost	$ 2,930,413.67	$ 61,767.33	$ (12,481.59)	$ 2,979,699.41
Less: Accumulated Depreciation	$ 1,793,991.12	$ 308,280.08	$ (12,481.59)	$ 2,089,789.61
Depreciable Capital Assets, Net	$ 1,136,422.55	$ (246,512.75)	$ -	$ 889,909.80
Right-of-Use Assets				
Lease Asset - Admin Office	$ 972,420.00	$ -	$ -	$ 972,420.00
Lease Asset - Visitors Center	195,410.00	-	-	$ 195,410.00
Totals at Cost	$ 1,167,830.00	$ -	$ -	$ 1,167,830.00
Less: Accumulated Amortization	$ 161,515.09	$ 74,763.20	$ -	$ 236,278.29
Right-of-Use Assets, Net	$ 1,006,314.91	$ (74,763.20)	$ -	$ 931,551.71
Capital Assets, Net	$ 2,142,737.46	$ (321,275.95)	$ -	$ 1,821,461.51
Total Depreciation and Amortization Expense				$ 383,043.28

NOTE 5 LEASE LIABILITY

The Bureau, as a lessee, recognizes a lease liability and right-of-use asset at the commencement of the lease term. The lease liability is based on the present value of the lease payments expected to be paid during the lease term. The right-of-use asset should be valued at the lease liability in addition to accumulated amortization expense recognized throughout the life of the leases. The lease liability was discounted to the net present value by using a 3.25% implied interest rate.

As of June 30, 2024, the lease liability was as follows:

	Beginning Lease Liability	Reduction	Ending Balance
Lease Liability - Admin Office	$ 881,912.29	$ 52,979.07	$ 828,933.22
Lease Liability - Visitors Center	177,257.68	10,571.60	166,686.08
Lease Liabilities	$ 1,059,169.97	$ 63,550.67	$ 995,619.30

Admin Office Lease. The Bureau currently has a building lease for the use of approximately 6,126 square feet located at the Historic Courthouse. The lease commenced on May 1, 2018 and ends on April 30, 2023, with the option for two (2) additional periods of five (5) years. All options to renew are included in the measurement of the lease liability.

Visitors Center Lease. The Bureau currently has a building lease for the use of approximately 1,235 square feet located at the Historic Courthouse. The lease commenced on June 1, 2018 and ends on May 31, 2023, with the option for three (3) additional periods of five (5) years. All options to renew are included in the measurement of the lease liability.

The Future minimum lease payments for the above leases are as follows:

	Principal	Interest	Total
2025	65,646.49	31,385.51	97,032.00
2026	67,812.06	29,219.94	97,032.00
2027	71,532.91	26,981.09	98,514.00
2028	82,250.60	24,477.40	106,728.00
2029	84,963.91	21,764.09	106,728.00
2030 - 2034	623,413.33	65,355.07	688,768.40
Total Future Lease Payments	$ 995,619.30	$ 199,183.10	$ 1,194,802.40

NOTE 6 CONTRIBUTIONS TO LEXINGTON CENTER CORPORATION

The Bureau has pledged a portion of its occupancy tax receipts to the Lexington Center Corporation (LCC) to support the growth and expansion of the arena and convention facilities. A agreement was executed effective January 1, 2019 provides financial assistance through fiscal year 2024. The agreement includes five automatic renewals to allows the agreement to extend through 2049. This agreement requires the Bureau to pay annually $750,000.00 to help meet the expansion project bond requirements. The amount is payable in equal monthly installments of $62,500.00 being due the last day of each month. For fiscal year 2025, the monthly payment increased to $95,163.92. LCC may assign its rights to the Bureau's contributions to the bondholders or lenders and in such event, the Bureau would be required to make payments directly to the lender.

Effective July 1, 2020, LCC assigned its rights to the Bureau's contributions to the bondholders and the Bureau will make future payments directly to the bondholder. The remaining balance and interest is reported as a deferred outflow of resources due to the time requirement of the use of the funds.

Annual contribution requirements are as follows:

Fiscal Year	
2025	$ 1,141,967.04
2026	133,032.96
Total Remaining Obligations	$ 1,275,000.00

The Bureau's Executive Director serves as an ex-officio member of the Lexington center Corporation's Board of Directors.

NOTE 7 NET PENSION LIABILITY

General Information about the Pension Plan

Plan description. Employees of the Bureau are provided a defined benefit pension plan through the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined pension plan administered by the Kentucky Public Pensions Authority (KPPA). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the County Employees Retirement System (CERS) to a separate 9-member board of trustees. Six trustees are appointed by the governor and three are elected by CERS members and retired members. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. KRS Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

KRS Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age + earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index ("CPI") for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

Contributions. Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. Employees that entered the plan after September 1, 2008 are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The Bureau makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, employer contributions for the Bureau were $521,943.12. based on a rate of 23.34% of covered payroll. By law, employer contributions are required to be paid. The KRS may intercept the Bureau’s state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The Bureau’s net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate net pension liability was determined by an actuarial valuation performed as of June 30, 2023. The total pension liability was rolled forward from the valuation date (June 30, 2022) to the measurement date using generally accepted actuarial principles.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023, and include a change in the investment return assumption from 6.25% to 6.50%. House Bill 506 adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. The total pension liability as of June 30, 2023, for the nonhazardous plan was determined using this updated benefits provision.

Actuarial assumptions. The total pension liability as of June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by services
Payroll growth rate	2.00%
Investment return	6.5%

The mortality table used for active members was a PUB-2010 General Mortality table, for the non-hazardous system projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term (10-year) expected rates of return was determined using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity		
Public Equity	5.90%	50.00%
Private Equity	11.73%	10.00%
Fixed Income		
Core Fixed Income	2.45%	10.00%
Specialty Credit	3.65%	10.00%
Cash	1.39%	0.00%
Inflation Protected		
Real Estate	4.99%	7.00%
Real Return	5.15%	13.00%
		100.00%

Discount rate. The projection of cash flows used to determine the discount rate of 6.50% assumes that the funds receive the required employer contribution each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Bureau calculated using the discount rate of 6.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.50%)	**Current Discount Rate (6.50%)**	**1% Increase (7.50%)**
Lexington Convention and Visitors Bureau's Net Pension Liability	$ 4,684,455.00	$ 3,710,281.99	$ 2,900,707.00

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2024, the Bureau recognized pension expense of $152,296.00.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, the Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	$ 192,074.00	$ 10,082.00
Investment Experience	400,816.00	451,426.00
Change of Assumptions	-	340,050.00
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	104,343.00	24,011.00
Contributions Subsequent to the Measurement Date of June 30, 2023	521,943.12	
	$ 1,219,176.12	$ 825,569.00

In the table shown below, deferred inflows of resources amounts will decrease pension expense while deferred outflows of resources amounts will increase pension expense.

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years
2024	$ (84,151.00)
2025	(91,094.00)
2026	82,829.00
2027	(35,920.00)
	$ (128,336.00)

Payable to the Pension Plan

At June 30, 2024, the Bureau reported a payable of $79,169.12 (included in the Accrued Wages and Benefit amount on the Statement of Net Position) for the outstanding amount of contributions to the pension plan required at the year end.

Note 8 Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan description. Employees of the Bureau are provided hospital and medical insurance through the Kentucky Public Pensions Authority's County Employees' Retirement System insurance fund ("Insurance Fund"), a cost-sharing multiple-employer defined benefit OPEB plan. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The Bureau's contractually required contribution rate for the year ended June 30, 2024 was 0% of covered payroll. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, the Bureau reported an asset of $79,833 for its proportionate share of the collective net OPEB liability. The collective net OPEB asset was measured as of June 30, 2023 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was rolled forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. The Bureau’s proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2023. This method is expected to be reflective of the employers' long-term contribution effort.

For the year ended June 30, 2023, the Bureau recognized OPEB expense of ($149,337). At June 30, 2024, the Bureau reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	$ 55,656.00	$ 1,133,547.93
Investment Experience	149,404.00	167,932.00
Change of Assumptions	157,103.84	109,487.00
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	64,974.00	64,808.00
Implicit Subsidy and Contributions Subsequent to the Measurement Date of June 30, 2023	26,076.08	-
	$ 453,213.92	$ 1,475,774.93

Of the total amount reported as deferred outflows of resources related to OPEB, $26,076.08 resulting from the Bureau's contributions subsequent to the measurement date and before the end of the fiscal year and the implicit subsidy will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Bureau's OPEB expense as follows:

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years
2024	$ (265,451.00)
2025	(329,414.00)
2026	(243,486.16)
2027	(210,286.00)
	$ (1,048,637.16)

Actuarial assumptions. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service
Payroll growth rate	2.0%
Investment rate of return	6.25%
Healthcare cost trend rates (Pre-65)	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 8.50% in 2025 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality pre-retirement	PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2 mortality improvement scale using a base year of 2010

Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and femail rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity		
Public Equity	5.90%	50.00%
Private Equity	11.73%	10.00%
Fixed Income		
Core Fixed Income	2.45%	10.00%
Speciality Credit	3.65%	10.00%
Cash	1.39%	0.00%
Inflation Protected		
Real Estate	4.99%	7.00%
Real Return	5.15%	13.00%
		100.00%

Discount rate. The single discount rate of 5.93% was used to measure the total OPEB liability as of June 30, 2023. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected and were sufficient to finance the future benefit payments of the current plan members. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarially determined contributions. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Bureau's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the Bureau's proportionate share of the collective net OPEB liability as well as what the Bureau's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20%) or 1 percentage point higher (5.70%) than the current discount rate:

	1% Decrease (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
Lexington Convention and Visitors Bureau's Net OPEB Liaiblity	$ 149,816.00	$ (79,833.00)	$ (272,136.00)

Sensitivity of the Bureau's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the Bureau's proportionate share of the collective net OPEB liability, as well as what the Bureau's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Healthcare Trend	1% Increase
Lexington Convention and Visitors Bureau's Net OPEB Liaiblity	$ (255,878.00)	$ (79,833.00)	$ 136,422.00

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KPPA financial report.

NOTE 9 DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources as presented on the statement of net position at June 30, 2024 were comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension	$ 1,219,176.12	$ 825,569.00
OPEB	453,213.92	1,475,774.93
Contribution to Lexington Center Corporation	1,275,000.00	
	$ 2,947,390.04	$ 2,301,343.93

NOTE 10 RETIREMENT PLAN - VOLUNTARY

In addition to the above, employees may make voluntary contributions to a 457 or a Roth IRA plan sponsored by the Bureau. Under the 457 plan, employees may contribute up to $23,000.00 pre-tax. Employee contributions to the plan for 2024 were $97,551.85. Employees may contribute up to $7,000.00 after-tax to the Roth IRA plan. There were no employee contributions to the ROTH IRA plan for the year.

NOTE 11 COMMISSION DESIGNATED FUNDS

Commission designated funds consist of $625,000.00 reserved for competitive development and $1,976,090.00 for pension liability. The Commission reviews the designations on a monthly basis and has the ability to amend as needed in order to best serve the purposes of the Bureau.

NOTE 12 FUTURE ACCOUNTING PRONOUNCEMENTS

In June of 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

In December 2023, GASB issued Statement No. 102 – *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Statement defines both concentration and constraint and requires governments to assess whether a concentration or constraint makes the government reporting unit vulnerable to the risk of substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

In April 2024, GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

The Bureau is currently evaluating the impact that will result from adopting GASB Statements No. 101, 102 and 103 and is therefore unable to disclose the impact that adopting these Statements will have on the Bureau's financial position and the results of its operations.

Required Supplementary Information

LEXINGTON CONVENTION AND VISITORS BUREAU

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN THE COUNTY EMPLOYEES RETIREMENT SYSTEM

	Plan Year Ended June 30, 2014	Plan Year Ended June 30, 2015	Plan Year Ended June 30, 2016	Plan Year Ended June 30, 2017	Plan Year Ended June 30, 2018
Total Net Pension Liability for CERS	$3,244,376,000.00	$4,299,525,000.00	$4,923,618,237.00	$5,853,307,463.00	$6,090,305,000.00
Employer's Proportionate (%) of Net Pension Liability	0.04%	0.05%	0.05%	0.05%	0.06%
Employer's Proportionate ($) of Net Pension Liability	$1,403,000.00	$1,976,090.00	$2,371,530.00	$3,039,857.00	$3,567,213.00
Employer's Covered - Employer Payroll	$1,000,331.85	$1,005,599.50	$1,160,742.61	$1,364,853.00	$1,477,740.00
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Employer's Covered Payroll	139.52%	170.24%	173.76%	205.71%	215.88%
Total Pension Plan's Fiduciary Net Position	$6,528,147,000.00	$6,440,800,000.00	$6,141,394,000.00	$6,687,237,095.00	$7,018,963,000.00
Total Pension Plan's Pension Liability	$9,772,523,000.00	$10,740,325,000.00	$11,065,013,000.00	$12,540,544,538.00	$13,109,268,000.00
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.50%	53.32%	53.54%

	Plan Year Ended June 30, 2019	Plan Year Ended June 30, 2020	Plan Year Ended June 30, 2021	Plan Year Ended June 30, 2022	Plan Year Ended June 30, 2023
Total Net Pension Liability for CERS	$7,033,045,000.00	$7,669,917,211.00	$6,375,784,388.00	$7,229,013,496.00	$6,416,508,407.00
Employer's Proportionate (%) of Net Pension Liability	0.07%	0.06%	0.06%	0.06%	0.06%
Employer's Proportionate ($) of Net Pension Liability	$4,597,572.00	$4,633,474.00	$3,595,815.00	$4,005,596.00	$3,710,282.00
Employer's Covered - Employer Payroll	$1,652,369.00	$1,537,549.22	$1,424,268.50	$1,532,175.00	$1,678,502.02
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Employer's Covered Payroll	299.02%	325.32%	252.47%	261.43%	221.05%
Total Pension Plan's Fiduciary Net Position	$7,159,921,000.00	$7,027,327,000.00	$8,565,652,000.00	$7,963,586,000.00	$8,672,597,000.00
Total Pension Plan's Pension Liability	$14,192,966,000.00	$14,697,244,000.00	$14,941,437,000.00	$15,192,599,000.00	$15,089,106,000.00
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	50.45%	47.81%	57.33%	52.42%	57.48%

LEXINGTON CONVENTION AND VISITORS BUREAU

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE COUNTY EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2015	$136,134.60	$136,134.60	$-	$1,067,722.35	12.75%
2016	$141,531.77	$141,531.77	$-	$1,165,830.07	12.14%
2017	$190,397.06	$190,397.06	$-	$1,364,853.00	13.95%
2018	$213,976.77	$213,976.77	$-	$1,477,740.15	14.48%
2019	$268,014.00	$268,014.00	$-	$1,652,369.00	16.22%
2020	$296,747.00	$296,747.00	$-	$1,537,549.22	19.30%
2021	$274,884.00	$274,884.00	$-	$1,424,268.50	19.30%
2022	$324,361.00	$324,361.00	$-	$1,532,175.00	21.17%
2023	$392,769.47	$392,769.47	$-	$1,678,502.02	23.39%
2024	$521,943.12	$521,943.12	$-	$2,236,260.15	23.34%

NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES RETIREMENT SYSTEM

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ended June 30, 2024:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed at June 30, 2019; gains/loses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013 – 2018, projected with ultimate rates from MP-2014 mortality scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

LEXINGTON CONVENTION AND VISITORS BUREAU

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY IN THE COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND

	Plan Year Ended June 30, 2017	Plan Year Ended June 30, 2018	Plan Year Ended June 30, 2019	Plan Year Ended June 30, 2020
Total Net OPEB Liability for CERS	$2,010,342,054.00	$1,775,480,122.00	$1,681,955,000.00	$2,414,695,884.00
Employer's Proportionate (%) of Net OPEB Liability	0.05%	0.06%	0.07%	0.06%
Employer's Proportionate ($) of Net OPEB Liability	$69,453.79	$1,039,881.00	$1,099,225.00	$1,466,735.00
Employer's Covered - Employer Payroll	$1,364,853.00	$1,477,740.00	$1,652,369.00	$1,537,549.22
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of Employer's Covered Payroll	4.70%	62.93%	71.49%	95.39%
Total OPEB Plan's Fiduciary Net Position	$2,212,535,662.00	$2,414,126,000.00	$2,569,511,000.00	$2,581,613,000.00
Total OPEB Plan's Pension Liability	$4,222,877,716.00	$4,189,606,000.00	$4,251,466,000.00	$4,966,309,000.00
Total OPEB Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	52.39%	57.62%	60.44%	51.98%

	Plan Year Ended June 30, 2021	Plan Year Ended June 30, 2022	Plan Year Ended June 30, 2023
Total Net OPEB Liability for CERS	$1,914,449,967.00	$1,973,514.00	($138,066,692.00)
Employer's Proportionate (%) of Net OPEB Liability	0.06%	0.06%	0.06%
Employer's Proportionate ($) of Net OPEB Liability	$1,079,463.00	$1,093,327.00	($79,833.00)
Employer's Covered - Employer Payroll	$1,424,268.50	$1,532,175.00	$1,678,502.02
Employer's Proportionate Share of the Net OPEB Liability as a Percentage of Employer's Covered Payroll	75.79%	71.36%	-4.76%
Total OPEB Plan's Fiduciary Net Position	$3,246,801,000.00	$3,079,984.00	$3,398,375.00
Total OPEB Plan's Pension Liability	$5,161,251,000.00	$5,053,498.00	$3,260,308.00
Total OPEB Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	62.91%	60.95%	104.23%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

LEXINGTON CONVENTION AND VISITORS BUREAU

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

SCHEDULE OF EMPLOYER CONTRIBUTIONS IN THE COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND

	Year Ended June 30, 2018	Year Ended June 30, 2019	Year Ended June 30, 2020	Year Ended June 30, 2021	Year Ended June 30, 2022	Year Ended June 30, 2023	Year Ended June 30, 2024
Actuarially determined contribution	$ 69,454.00	$ 86,915.00	$ 73,187.00	$ 67,795.00	$ 88,560.00	$ 56,901.00	$ -
Contributions in relations to the actuarially determined contribution	69,454.00	86,915.00	73,187.00	67,795.00	88,560.00	56,901.00	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$1,477,740.00	$1,652,369.00	$1,537,548.00	$1,424,268.50	$1,532,175.00	$1,678,502.00	$2,236,260.15
Contributions as a percentage covered-employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%	0.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND

The following actuarial methods and assumptions were used to determine that actuarially determined contributions effective for fiscal year ending June 30, 2023.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 year closed period at June 30, 2019; gains/loses incurring after 2019 will be amortized over separate closed 20 year amortization bases
Payroll Growth Rate	2.0%
Investment Return	6.25%

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Mortality	System specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP- 2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Supplementary Information

Lexington Convention and Visitors Bureau
Budgetary Comparison Schedule
For the Year Ended June 30, 2024

	Original	Final	Actual
Revenues			
Occupancy Tax Receipts	$ 9,700,000.00	$ 10,250,000.00	$ 10,837,913.78
Matching Fund Revenue	235,000.00	266,000.00	265,951.00
Federal Funds Received	3,750,000.00	4,278,500.00	3,361,982.34
Other Income	40,000.00	48,000.00	138,864.78
Total Operating Revenues	13,725,000.00	14,842,500.00	14,604,711.90
Operating Expenses			
Personnel Expense	$ 3,725,000.00	$ 3,725,000.00	$ 2,987,555.92
Lexington Center Corporation	750,000.00	750,000.00	750,000.00
Professional Services	425,000.00	450,000.00	336,075.13
Office Expense	300,000.00	250,000.00	219,069.62
Industry Associations and Subscriptions	275,000.00	350,000.00	362,762.97
Industry Programs and Relation	125,000.00	150,000.00	121,927.73
Promotional Travel	25,000.00	40,000.00	33,735.92
Advertising	4,600,000.00	6,600,000.00	6,520,655.09
Fulfillment	25,000.00	-	-
Sales Efforts	475,000.00	475,000.00	402,455.64
Conventions and Meetings	750,000.00	800,000.00	886,946.03
Promotional Items	50,000.00	70,000.00	56,377.11
Printing	325,000.00	300,000.00	184,385.23
Media Relations and Support	375,000.00	350,000.00	238,076.69
Website	100,000.00	100,000.00	-
Research	175,000.00	145,000.00	96,000.00
Staff Development	125,000.00	65,000.00	83,121.32
Development Programs	950,000.00	950,000.00	686,501.97
LFUCG Collection Fee	50,000.00	55,000.00	54,189.48
Depreciation Expense	375,000.00	375,000.00	383,043.28
Total Operating Expenses	14,000,000.00	16,000,000.00	14,402,879.13
Operating Income (Loss)	$ (275,000.00)	$ (1,157,500.00)	$ 201,832.77
Nonoperating Revenues (Expenses)			
Interest and Investment Income	275,000.00	800,000.00	796,652.38
Interest Expense			(33,481.33)
Total Nonoperating Revenues (Expenses)	275,000.00	800,000.00	763,171.05
Change in Net Position	-	(357,500.00)	965,003.82
Total Net Position - Beginning	7,999,719.03	799,719.03	7,999,719.03
Total Net Position - Ending	$ 7,999,719.03	$ 442,219.03	$ 8,964,722.85

See Accompany Report of Independent Auditor

Lexington Convention and Visitors Bureau
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity's Identifying Number	Federal Expenditures
U. S. Department of the Treasury			
Passed through Kentucky Department of Tourism			
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	$ 1,444,782
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	1,349,556
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	221,408
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	500,000
Total Coronavirus State and Local Fiscal Recover Funds - COVID-19			3,515,746
Total Expenditures of Federal Awards			$ 3,515,746
Reconciliation to Total Revenue (Reimbursement Grant)			
Total Federal Funds Revenue			$ 3,361,982
Less: Capital Assets not billed in prior year			-
Less: 2023 Prepaid Expenses			(183,073)
Plus: 2024 Prepaid Expenses			336,837
Total Expenditures of Federal Awards per SEFA			$ 3,515,746

See Accompany Report of Independent Auditor

Lexington Convention and Visitors Bureau
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1—Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the Federal award activity of the Bureau, under programs of the federal government for the year ended June 30, 2024 in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of the Bureau, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Bureau.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3—Indirect cost rate

The Bureau has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4—Reconciliation of SEFA to statement of revenue

Reconciliation to Total Revenue (Reimbursement Grant)

Total Federal Funds Revenue	$ 3,361,982
Less: Capital Assets not billed in prior year	-
Less: 2023 Prepaid Expenses	(183,073)
Plus: 2024 Prepaid Expenses	336,837
Total Expenditures of Federal Awards per SEFA	$ 3,515,746

See Accompany Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor 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*

Board of Commissioners
Lexington Convention and Visitors Bureau

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 Lexington Convention and Visitors Bureau (the "Bureau"), a component unit of the Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements, and have issued our report thereon dated September 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bureau's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau'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 Bureau'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau'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 financial statements. 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 Bureau'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 Bureau's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Lexington, Kentucky
September 25, 2024

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance with the Uniform Guidance

Board of Commissioners
Lexington Convention and Visitors Bureau

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Bureau's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Bureau's major federal programs for the year ended June 30, 2024. The Bureau's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Bureau complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Bureau and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Bureau's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Bureau's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Bureau's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Bureau's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Bureau's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Bureau's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Lexington, Kentucky
September 25, 2024

Lexington Convention and Visitors Bureau
Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I—Summary of auditor's results

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	____ Yes __x__ no
Significant Deficiency(ies) identified not Considered to be Material Weaknesses?	____ Yes __x__ none reported
Noncompliance Material to Financial Statements Noted?	____ Yes __x__ no
Federal Awards	
Internal Control over Major Programs:	
Material Weakness(es) Identified?	____ Yes __x__ no
Significant Deficiency(ies) Identified that are not Considered to be Material Weakness(es)?	____ Yes __x__ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	____ Yes __x__ no

1. The programs tested as major programs included:

CFDA Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

2. The threshold used for distinguishing between Type A and B programs was $750,000.

3. The Bureau did not qualify as a low-risk auditee.

Section II—Financial statement of findings

No matters were reported.

Section III—Major federal award findings and questioned costs

No matters were reported.

Lexington Convention and Visitors Bureau
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2024

No matters were reported.