Financial Statements

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

June 30, 2017

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

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CPAs & ADVISORS

Independent Auditor's Report

The Board of Commissioners
Louisville and Jefferson County Visitors and
Convention Commission
Louisville, Kentucky

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Louisville and Jefferson County Visitors and Convention Commission ("the Commission") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Kentucky
Indiana
Ohio

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Commission as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 and budgetary comparison information on page 36 and GASB 68 schedules on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Commission's internal control over financial reporting and compliance.

Mountjoy Chilton Medley LLP

Louisville, Kentucky
November 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A is provided as a supplement to the accompanying financial statements and footnotes to help provide an understanding of the financial position, changes in financial position, and results of operations of the Louisville and Jefferson County Visitors and Convention Commission (the "Commission"), doing business as the Louisville Convention and Visitors Bureau. MD&A should be read in conjunction with the accompanying financial statements and footnotes.

The Commission was established pursuant to KRS 91A.350. The mission of the Commission is to enhance Greater Louisville's economy through tourism - to position and sell the community worldwide, in partnership with the public and private sector, as a premier destination for conventions, trade shows, corporate meetings, group tours and individual leisure travel. In pursuit of its mission, the Commission generates increased visitor spending, local tax receipts and job development.

FINANCIAL HIGHLIGHTS

To provide context to these financial highlights, it should be noted that the Commission's net position was impacted by the issuance of Dedicated Tax Revenue Bonds with a par amount of $148.8 million ("the Series 2016 Bonds") to finance a portion of the renovation and expansion of the Kentucky International Convention Center ("KICC"). KICC is owned by the Commonwealth of Kentucky and therefore not recorded as an asset by the Commission. The deficit net position results from the net bonds payable being reflected as a liability with no recognition of a corresponding asset.

- Total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by $130.0 million at June 30, 2017.
- Total net position decreased by $139.9 million for the fiscal year ending June 30, 2017.
- At June 30, 2017, the Commission's governmental funds reported an ending fund balance of $27.5 million. This was an increase of approximately $5.3 million from June 30, 2016.
- At June 30, 2017, unassigned general fund balance was $8.1 million, or approximately 49% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview and analysis is intended to serve as an introduction to the Commission's basic financial statements, which include two components: (1) the financial statements and (2) notes to the financial statements. This report also contains supplementary information, which is comprised of a budgetary comparison schedule and net pension obligation as required supplementary information and a schedule of collection of transient room tax as other supplementary information. These components are described below.

The financial statements provide both short-term and long-term information about the Commission's financial position and consist of (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The Commission's government-wide financial statements are prepared on an accrual basis. The fund financial statements are prepared on a modified accrual basis, in accordance with generally accepted accounting principles for governmental units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position (page 9) presents the Commission's assets and liabilities, with the difference between the two reported as "Total Net Position." Over time, increases or decreases in the Commission's net position serve as an indicator of whether the financial position of the Commission is improving or deteriorating. The Statement of Activities (page 10) reports information on all Commission revenues and expenses in a manner similar to that used by most private-sector companies and 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The Greater Louisville Sports Commission (the "GLSC") is included as a discretely presented component unit of the Commission as it is dependent upon the Commission for the majority of its funding. In the fiscal year ended June 30, 2017, the Commission provided $450,000 of operating funds to the GLSC without which the GLSC would have been unable to continue operations. It is the Commission's intention to continue to fund GLSC in future years. However, because the GLSC is a separate organization with a separate board that is not controlled by the Commission, the GLSC financial information has been intentionally omitted from this discussion.

FUND FINANCIAL STATEMENTS

The Balance Sheet - Governmental Funds (page 11) consists of two fund types, the General Fund and the Debt Service Fund. The General Fund is used to record the general operations of the Commission and the Debt Service Fund is used to account for the accumulation of resources for payment of general long-term debt principal and interest.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position (page 12) provides a summary and explanation of differences between the fund financial statements and the government-wide financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (page 13) reports actual operations of both the General and Debt Service funds.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities (pages 14-15) provides a summary and explanation of differences between the fund financial statements and the government-wide financial statements.

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, on pages 16 through 35.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also contains certain supplementary information. Required supplementary information includes a budget to actual comparison schedule and certain net pension obligation information. Other supplementary information includes a schedule of historical transient room tax collections.

FINANCIAL ANALYSIS OF THE COMMISSION

The Commission's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $130.0 million at June 30, 2017 compared to assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by $9.9 million at June 30, 2016. The net position was impacted by the Commission's issuance of the Series 2016 Bonds with a par amount of $148.8 million to finance a portion of the renovation and expansion of KICC. KICC is owned by the Commonwealth of Kentucky and therefore the facility, including any funds provided to support its renovation and expansion, is not recorded as an asset by the Commission. The deficit net position results from the net bonds payable being reflected as a liability with no recognition of a corresponding asset. Net bonds payable was $151.2 million at June 30, 2017. The condensed information below was derived from the Commission's Statement of Net Position at June 30, 2017 and June 30, 2016.

Louisville and Jefferson County Visitors and Convention Commission
Statement of Net Position
June 30

	2017	2016	Variance	% Change
Assets				
Other assets, net	$ 30,218,034	$ 30,993,732	$ (775,698)	-3%
Capital assets, net	310,005	375,151	(65,146)	-17%
Total Assets	30,528,039	31,368,883	(840,844)	-3%
Deferred Outflows of Resources	2,163,501	3,435,874	(1,272,373)	-37%
Total Assets and Deferred Outflows of Resources	$ 32,691,540	$ 34,804,757	$ (2,113,217)	-6%
Liabilities				
Long-term liabilities, net	$ 156,763,208	$ 15,322,725	$ 141,440,483	923%
Other liabilities, net	5,915,781	8,383,358	(2,467,577)	-29%
Total Liabilities	162,678,989	23,706,083	138,972,906	586%
Deferred Inflows of Resources	35,598	1,198,346	(1,162,748)	-97%
Total Liabilities and Deferred Inflows of Resources	$ 162,714,587	$ 24,904,429	$ 137,810,158	553%
Net Position				
Invested in capital assets, net of related debt	$ 310,005	$ 375,151	$ (65,146)	-17%
Restricted for debt service	13,410,158	8,358,437	5,051,721	60%
Unrestricted	(143,743,210)	1,166,740	(144,909,950)	-12420%
Total Net Position	$ (130,023,047)	$ 9,900,328	$ (139,923,375)	-1413%

FINANCIAL ANALYSIS OF THE COMMISSION - CONTINUED

Deferred outflows of resources decreased by $1.3 million, or 37%, as the deferred amount on refunding was eliminated upon the full redemption of the Dedicated Tax Revenue Refunding Bonds Series 2004B (the "Series 2004B Bonds").

Long-term liabilities increased by $141.4 million, or 923%. The vast majority of this change resulted from the issuance of the Series 2016 Bonds. The Series 2016 Bonds were issued with a par amount of $148.8 million and a related net bond premium of $5.9 million, which collectively increased net bonds payable by $154.7 million. An increase of $1.3 million in the net pension liability also contributed to this change. Partially offsetting this increase was the full redemption of the Series 2004B Bonds in the amount of $7.2 million and a $2.7 million principal payment on the Series 2016 Bonds. Other liabilities decreased by $2.5 million, or 29%. Amounts due to other governmental units to support the renovation and expansion of KICC were remitted to the Commonwealth of Kentucky during the year, which led to a decrease of $7.0 million. This decrease was partially offset by increases in accounts payable and accrued expenses of $0.3 million along with current bonds payable, net of $3.8 million and interest payable of $0.4 million, both of which were due to issuance of the Series 2016 Bonds. Deferred inflows of resources decreased by $1.2 million, or 97%, due to termination of the interest rate swap agreement on a portion of the Series 2004B Bonds.

Restricted net position increased by $5.1 million from the prior fiscal year. This increase resulted from additional assets being allocated to the debt service reserve fund upon issuance of the Series 2016 Bonds coupled with funds restricted for capital improvements at KICC. Unrestricted net position decreased by $144.9 million due primarily to the Series 2016 Bonds being reflected as a liability with no recognition of a corresponding asset as previously described.

A summary of the Commission's changes in net position is show below.

Louisville and Jefferson County Visitors and Convention Commission
Changes in Net Position
For the Year Ended June 30

	2017	2016	Variance	% Change
Expenses				
Operating	$ 17,169,750	$ 17,084,253	$ 85,497	1%
Interest	5,442,597	228,973	5,213,624	2277%
Transfer to Commonwealth	144,000,000	-	144,000,000	100%
Other	2,327,754	527,825	1,799,929	341%
Total Expenses	$ 168,940,101	$ 17,841,051	$ 151,099,050	847%
General Revenues				
Transient room tax	$ 27,508,629	$ 25,431,290	$ 2,077,339	8%
Matching funds	577,148	577,922	(774)	0%
Membership dues	288,806	277,515	11,291	4%
Advertising	254,054	244,309	9,745	4%
Investment income	77,388	34,081	43,307	127%
Other income	310,701	387,115	(76,414)	-20%
Total General Revenues	$ 29,016,726	$ 26,952,232	$ 2,064,494	8%
Changes in Net Position	$ (139,923,375)	$ 9,111,181	$ (149,034,556)	-1636%

FINANCIAL ANALYSIS OF THE COMMISSION - CONTINUED

The Commission's change in net position was a decrease of $139.9 million for the year ended June 30, 2017 compared to an increase of $9.1 million for the year ended June 30, 2016. This change in net position is primarily due to issuance of the Series 2016 Bonds and the subsequent transfer of $144.0 million of net bond proceeds to the Commonwealth of Kentucky to support the renovation and expansion of KICC. KICC is owned by the Commonwealth of Kentucky and therefore the facility, including any funds provided to support its renovation and expansion, is not recorded as an asset by the Commission. As such, the $144.0 million transferred to the Commonwealth of Kentucky must be recognized as an expense resulting in a decrease in the net position.

Interest expense increased by $5.2 million, or 2,277%, primarily due to higher interest costs following issuance of the Series 2016 Bonds coupled with amortization expense on the deferred amount on refunding, which was fully amortized upon redemption of the Series 2004B Bonds. Other expenses increased by $1.8 million, or 341%, due to debt issuance expense from issuance of the Series 2016 Bonds. Transient room tax increased by $2.1 million, or 8%, as a result of revenue from the 1% Additional Dedicated Tax following issuance of the Series 2016 Bonds. The 1% Additional Dedicated Tax is further described in Note O in the Notes to Financial Statements.

BUDGETARY CONTROLS

The Commission adopts a budget, which is approved by its Board of Commissioners and Louisville/Jefferson County Metro Government prior to the start of each new fiscal year. Budgets are a measure of the Commission's financial performance and accountability and are compared with actual revenues and expenses by the Board of Commissioners on a bi-monthly basis.

The Commission reviews unbudgeted expenditures that may arise due to unforeseen opportunities and that may also result in significant variations from the original budget amounts. The budgetary comparison schedule presented in the required supplementary information section of this report highlights the original and final budgets as compared to the actual revenues and expenditures. Budget adjustments or reallocations for salaries and related expenses, rent, sponsorships and events, client events, research, professional fees, and capital expenditures totaling $0.3 million were approved by the Commission. Budget adjustments related to issuance of the Series 2016 Bonds were approved by the Commission consisting of $154.6 million for bond proceeds, $144.0 million for the transfer of net bond proceeds to the Commonwealth of Kentucky to support the renovation and expansion of KICC, and $3.1 million for transient room tax revenue from the 1% Additional Dedicated Tax. Budget adjustments for bond principal totaling $9.0 million were approved by the Commission in anticipation of the full redemption of the Series 2004B Bonds and the annual principal payment on the Series 2016 Bonds.

Revenues exceeded budget by $0.4 million while expenditures were below budget by $0.9 million. The Commission's revenues were generally consistent with budgeted amounts. The Commission's expenditures were generally consistent with budgeted amounts, although the Commission did closely monitor expenditures given the potential impact of KICC closure on transient room tax revenues.

ECONOMIC CONDITION AND OUTLOOK

It should be noted that KICC closed in August 2016 for renovation and expansion, which is expected to be completed in or about August 2018.

The Commission prepared a budget for the fiscal year ending June 30, 2018 based on current and forecasted economic conditions, which included consideration of the KICC closure. The closure of KICC could impact the Commission's budgeted financial performance. Management will actively monitor the Commission's financial performance and will adjust to changes in the economic landscape as necessary.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Commission to interested persons. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief Financial Officer
Louisville Convention & Visitors Bureau
One Riverfront Plaza
401 W. Main Street - Suite 2300
Louisville, KY 40202

The GLSC prepares separately issued annual financial statements. Requests for a copy of the GLSC audit report or other questions concerning the GLSC should be addressed to:

Executive Director
Greater Louisville Sports Commission
One Riverfront Plaza
401 W. Main Street - Suite 2200
Louisville, KY 40202

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2017

	Louisville and Jefferson County Visitors and Convention Commission	Component Unit Greater Louisville Sports Commission, Inc.
ASSETS		
Cash and cash equivalents	$ 3,506,513	$ 141,208
Cash and cash equivalents restricted	1,947,696	-
Investments	15,465,351	-
Due from other governmental units	5,643,689	-
Due from trustee	1,359,340	-
Due from related parties	500,000	-
Other receivables, net	526,219	428,729
Inventory	117,036	-
Prepaid expenses	601,281	24,583
Debt issuance costs, net	550,909	-
Capital assets, net of depreciation	310,005	15,300
Total Assets	30,528,039	609,820
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension	2,163,501	-
Total Assets and Deferred Outflow of Resources	32,691,540	609,820
LIABILITIES		
Accounts payable and accrued expenses	1,672,606	93,372
Deferred revenue	32,750	154,949
Interest payable	427,755	-
Due to related parties	-	500,000
Current bonds payable, net	3,782,670	-
Compensated absences	186,098	-
Net pension liability	9,161,861	-
Long-term bonds payable, net	147,415,249	-
Total Liabilities	162,678,989	748,321
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension	35,598	-
Total Liabilities and Deferred Inflow of Resources	162,714,587	748,321
NET POSITION (DEFICIT)		
Net investment in capital assets	310,005	-
Restricted	13,410,158	130,340
Unrestricted	(143,743,210)	(268,841)
Total Net Position (Deficit)	$ (130,023,047)	$ (138,501)

See accompanying independent auditor's report and notes to financial statements.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

	Louisville and Jefferson County Visitors and Convention Commission	Component Unit Greater Louisville Sports Commission, Inc.
EXPENSES		
Operating	$ 17,169,750	$ 2,944,793
Interest	5,442,597	-
Depreciation and amortization	123,089	6,575
Transfer to Commonwealth	144,000,000	-
Debt issuance expense	2,104,155	-
Other bond fees	100,510	-
Total Expenses	168,940,101	2,951,368
GENERAL REVENUES		
Transient room tax	27,508,629	-
Membership dues	288,806	100
Advertising	254,054	-
Merchandise, net	98,429	-
Services and fees	120,449	-
Matching funds	577,148	-
Investment income	77,388	-
Agency funding	-	450,000
Program service revenue	-	1,764,107
Other income	91,823	-
Total General Revenues	29,016,726	2,214,207
Change In Net Position	(139,923,375)	(737,161)
Net Position, Beginning of Year	9,900,328	598,660
Net Position (Deficit), End of Year	$ (130,023,047)	$ (138,501)

See accompanying independent auditor's report and notes to financial statements.

FUND FINANCIAL STATEMENTS

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 3,506,513	$ -	$ 3,506,513
Cash and cash equivalents restricted	998,577	949,119	1,947,696
Investments	6,720,848	8,744,503	15,465,351
Due from other governmental units	2,925,730	2,717,959	5,643,689
Due from trustee	1,359,340	-	1,359,340
Other receivables	526,219	-	526,219
Inventory	117,036	-	117,036
Prepaid expenses	601,281	-	601,281
Total Assets	$ 16,755,544	$ 12,411,581	$ 29,167,125
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued expenses	$ 1,672,606	$ -	$ 1,672,606
Deferred revenue	32,750	-	32,750
Total Liabilities	1,705,356	-	1,705,356
FUND BALANCE			
Nonspendable:			
Inventory	117,036	-	117,036
Prepaid expenses	601,281	-	601,281
Restricted	998,577	12,411,581	13,410,158
Committed	200,000	-	200,000
Assigned	5,000,000	-	5,000,000
Unassigned	8,133,294	-	8,133,294
Total Fund Balance	15,050,188	12,411,581	27,461,769
Total Liabilities and Fund Balance	$ 16,755,544	$ 12,411,581	$ 29,167,125

See accompanying independent auditor's report and notes to financial statements.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balance for governmental funds		$ 27,461,769
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, not reported in the governmental funds financial statements.		310,005
Governmental funds financial statements report debt issuance costs as expenditures. However, debt issuance costs related to prepaid insurance are reported as an asset in the Statement of Net Position and amortized over the term of the debt.		550,909
Long-term assets and liabilities, and deferred inflows and outflows, are not due in the current period and, therefore, not reported in governmental funds.		
Due from related parties	$ 500,000	
Bonds payable, net	(151,197,919)	
Net pension liability	(9,161,861)	
Deferred outflow - pension (Note L)	2,163,501	
Interest payable	(427,755)	
Deferred inflow - pension (Note L)	(35,598)	
Compensated absences	(186,098)	(158,345,730)
Total Net Position of Governmental Activities		$ (130,023,047)

See accompanying independent auditor's report and notes to financial statements.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2017	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Transient room tax	$ 16,495,425	$ 11,013,204	$ 27,508,629
Partnership dues	288,806	-	288,806
Advertising	254,054	-	254,054
Merchandise, net	98,429	-	98,429
Services and fees	120,449	-	120,449
Matching funds	577,148	-	577,148
Investment income	51,256	26,132	77,388
Other income	44,560	47,263	91,823
Total Revenues	17,930,127	11,086,599	29,016,726
EXPENDITURES			
Rent	420,449	-	420,449
Parking	60,164	-	60,164
Maintenance	48,482	-	48,482
Utilities	5,044	-	5,044
Telephone	76,639	-	76,639
Supplies	97,750	-	97,750
Postage	124,456	-	124,456
Data processing	77,588	-	77,588
Payroll, full-time	4,377,005	-	4,377,005
Payroll, part-time	259,802	-	259,802
Payroll taxes	368,685	-	368,685
Commissions and incentive pay	729,640	-	729,640
Pension plan	966,792	-	966,792
Employee relations	155,837	-	155,837
Employee benefits	377,868	-	377,868
Professional fees	210,738	-	210,738
Insurance	50,878	-	50,878
Dues and subscriptions	83,081	-	83,081
Printing	577,095	-	577,095
Advertising	1,878,252	-	1,878,252
Promotional items	505,833	-	505,833
Photography and video	120,333	-	120,333
Website marketing	297,599	-	297,599
Mass marketing	417,747	-	417,747
Client events and site visits	265,067	-	265,067
Travel and trade shows	1,025,451	-	1,025,451
Entertainment	157,833	-	157,833
Sponsorships and events	2,570,262	-	2,570,262
Capital expenditures	57,943	-	57,943
Research	269,732	-	269,732
Loss on interest rate swap	-	1,139,173	1,139,173
Bond principal	-	9,855,000	9,855,000
Interest expense	-	3,934,537	3,934,537
Debt issuance expense	-	2,655,064	2,655,064
Other bond fees	-	100,510	100,510
Total Expenditures	16,634,045	17,684,284	34,318,329
Excess of Revenues Over Expenditures	1,296,082	(6,597,685)	(5,301,603)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	154,650,829	154,650,829
Transfer to Commonwealth	-	(144,000,000)	(144,000,000)
Total Other Financing Sources and Uses	-	10,650,829	10,650,829
Net Change in Fund Balances	1,296,082	4,053,144	5,349,226
Fund Balance, Beginning of Year	13,754,106	8,358,437	22,112,543
Fund Balance, End of Year	$ 15,050,188	$ 12,411,581	$ 27,461,769

See accompanying independent auditor's report and notes to financial statements.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2017

Net change in fund balances - total governmental funds	$	5,349,226
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds financial statements report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities. This is the amount by which depreciation ($123,089) exceeded capital outlays ($57,943) in the current period.		(65,146)
Governmental funds financial statements report a bond issuance as an other financing source. However, a bond issuance is reported as a liability in the Statement of Net Position and is not reported in the Statement of Activities.		(154,650,829)
Governmental funds financial statements report payments of bond principal as expenditures. However, bond principal payments are reflected as a reduction in the related liability in the Statement of Net Position.		9,855,000
Deferred amount on refunding is reported as a deferred outflow on the Statement of Net Position and amortized over the terms of the defeased bonds. It is not reflected on the fund financial statements. Deferred amount on refunding was amortized and increased interest expense by $1,929,281.		(1,929,281)
Governmental funds financial statements report debt issuance costs as expenditures. However, debt issuance costs related to the insurance premium are reported as an asset in the Statement of Net Position and amortized over the term of the debt.		550,909
Governmental funds financial statements report bond issuance premium as an other financing source. However, bond issuance premium is amortized in the Statement of Activities. Bond issuance premium was amortized and reduced interest expense by $872,383.		872,383

See accompanying independent auditor's report and notes to financial statements.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)

Governmental funds financial statements report bond issuance discount as an other financing use. However, bond issuance discount is amortized in the Statement of Activities. Bond issuance discount was amortized and increased interest expense		(25,576)
Pension expense related to long-term Net Pension Obligation that is not included in the Governmental Funds.		(616,710)
Governmental funds financial statements report payments on interest rate swaps as expenditures. However, interest rate swap payments are reflected as a reduction in the related liability in the Statement of Net Position.		1,139,173
Various expenses in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	$ 23,062	
Change in interest payable	(425,586)	(402,524)
Change in Net Position of Governmental Activities		$ (139,923,375)

See accompanying independent auditor's report and notes to financial statements.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: In 1968, the Commonwealth of Kentucky's General Assembly enacted legislation which authorized the establishment of tourist and convention commissions. This legislation is now codified at KRS 91A.350 et seq. The Louisville and Jefferson County Visitors and Convention Commission (the “Commission”), doing business as the Louisville Convention and Visitors Bureau, was established in 1968 pursuant to this legislation and operates to enhance Greater Louisville's economy through tourism - to position and sell the community worldwide, in partnership with the public and private sector, as a premier destination for conventions, trade shows, corporate meetings, group tours and individual leisure travel. In pursuit of its mission, the Commission generates increased visitor spending, local tax receipts and job development.

As required by generally accepted accounting principles, these financial statements present the Commission (the primary government) and its component units. The component units, as discussed in Notes T and U, are included in the Commission's reporting entity because of the significance of their operational and financial relationship with the Commission.

The Commission does not own the Kentucky International Convention Center ("KICC"), although it is authorized to issue bonds and pledge tax revenue used to finance its construction and renovation. As a result, the net book value of KICC is not reflected in these financial statements.

Government-Wide Financial Statements: In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the Commission has presented a Statement of Net Position and Statement of Activities for the Commission as a whole. These statements include the primary government, its blended component unit (Note U), and its discretely presented component unit (Note T). Government-wide accounting is designed to provide a more comprehensive view of the Commission's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental-type activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. The Commission has no business-type activities.

Policies specific to the government-wide statements are as follows:

- **Capitalizing Assets** - Tangible assets greater than $1,000 that are used in operations and have an initial useful life that extends beyond one year are capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Position.

Fund Financial Statements: The Commission uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A Fund is a separate entity with a self-balancing set of accounts. Funds of the Commission are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds - Governmental funds account for all or most of the Commission's general activities, including the collection of legally restricted monies, administrative expenses, and the acquisition or construction of capital assets. Governmental funds include:

General Fund - The general operating fund accounts for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund - The debt service fund accounts for the resources accumulated and payments made for principal and interest on general long-term debt.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting: The accounting and financial treatment applied to a fund is determined by the type of financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows in the statement of activities. In these financial statements, capital assets are reported and depreciated.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when they are both measurable and available. Revenues are considered measurable when the dollar amount is known or reasonably estimable. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when incurred, as under accrual accounting. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

Budgetary Accounting: The budget information reflected in the financial statements is the annual budget adopted by the Commission in accordance with the provisions of Commonwealth of Kentucky law. The budget is prepared on a basis consistent with generally accepted accounting principles.

Management's Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include cash on-hand and highly liquid investments with an original maturity of three months or less.

Investments: Investments consist of United States Treasury securities and certificates of deposit and are stated at fair market value.

Allowance for Doubtful Accounts: The Commission evaluates the collectability of receivables by considering several factors including historical loss rates, the age of the accounts receivable, changes in collection patterns, the status of ongoing disputes with third party payers, and general industry conditions. An allowance for doubtful accounts is recorded, if necessary, based on management's evaluation based on these criteria. Accounts receivable reflects the net realizable value of the receivables, and approximates fair value.

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

Capital Assets: Capital assets owned by the Commission, including leaseholds improvements, furniture and fixtures, office equipment, trademarks and intangibles are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred.

All capital assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

Leasehold improvements	2 - 10 years
Furniture and fixtures	10 - 15 years
Office equipment	3 - 10 years
Trademarks	Indefinite
Intangibles	5 years

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Derivative Financial Instruments: Generally accepted accounting principles require the Commission to recognize all derivative financial instruments on the Statement of Net Position at fair value with the changes in fair value reported in the Statement of Activities.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the Commission's participation in the County Employees Retirement System (CERS) of the Kentucky Retirement Systems (KRS) have been determined on the same basis as they are reported by the KRS for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms of the CERS plan of Kentucky Retirement Systems. The liability was measured at June 30, 2016.

Net Position/Fund Balance: In the Statement of Net Position, the difference between the Commission's assets and deferred outflows of resources and the Commission's liabilities and deferred inflows of resources is recorded as net position. The components of net position are as follows:

Unrestricted - This category represents net assets not appropriated for expenditures or legally segregated for a specific future use.

Invested in Capital Assets, Net of Related Debt - This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

Restricted - This category represents net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. The Commission's restricted net assets consist of cash equivalents held by a trustee for future debt service.

In the Balance Sheet - Governmental Funds, the difference between the Commission's assets and liabilities is reported as fund balance. The classifications of fund balance are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned - This classification includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The highest level of decision-making authority is the Board of Commissioners, which is comprised of nine (9) commissioners who function as the board of directors. In order to establish (and modify or rescind) amounts of fund balance as committed, a formal vote by the Commission outlining the specific purposes for which the amounts can only be used is required.

The Board of Commissioners is authorized to assign amounts to a specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted amounts to have been spent.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the Commission first considers committed amounts to have been spent followed by assigned and then unassigned.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements: In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this pronouncement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The impact of this statement on the financial statements has not yet been determined.

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This pronouncement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No 82 is effective for fiscal years beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The impact of this statement on the financial statements has not yet been determined.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This pronouncement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs) and requires that recognition occur when the liability is both incurred and reasonably estimable. GASB Statement No. 83 is effective for reporting periods beginning after June 15, 2018. The impact of this statement on the financial statements has not yet been determined.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This pronouncement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. GASB Statement No. 84 is effective for reporting periods beginning after December 15, 2018. The impact of this statement on the financial statements has not yet been determined.

In March 2017, GASB issued Statement No. 85, *Certain Debt Extinguishment Issues*. This pronouncement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB Statement No. 85 is effective for reporting periods beginning after June 15, 2017. The impact of this statement on the financial statements has not yet been determined.

In May 2017, GASB issued Statement No. 86, *Omnibus 2017*. This pronouncement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB Statement No. 86 is effective for reporting periods beginning after June 15, 2017. The impact of this statement on the financial statements has not yet been determined.

In June 2017, GASB issued Statement No. 87, *Leases*. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019. The impact of this statement on the financial statements has not yet been determined.

Subsequent Events: Subsequent events for the Commission have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued. No recognized or non-recognized subsequent events occurred through that date.

NOTE B -- CASH AND CASH EQUIVALENTS

At June 30, 2017, restricted cash equivalents in the amount of $949,119 were held by financial institutions in accordance with bonded and other indebtedness trust agreements which do not require that the trustee provide collateral for the cash equivalents. These cash equivalents were held in money market funds that invest only in United States Treasury securities, which are backed by the full faith and credit of the United States government. These cash equivalents were held by the trustee for the benefit of the Commission and can be used only for debt service.

At June 30, 2017, restricted cash deposits in the amount of $998,577 and unrestricted cash deposits in the amount of $5,022,382 were held by financial institutions, of which $2,377,652 was collectively insured by the Federal Deposit Insurance Corporation ("FDIC") and the remainder was collateralized by securities held by the pledging financial institution.

Custodial Credit Risk - For a deposit, custodial credit risk is the risk that the deposit may not be returned to the Commission in the event of a bank failure. Consistent with the Commission's deposit policy, all unrestricted cash deposits were covered by FDIC insurance or a properly executed collateral security agreement at June 30, 2017.

NOTE C -- INVESTMENTS

At June 30, 2017, the fair market values of the Commission's investment balances were as follows:

	Debt Service Fund	General Fund	Total
US Treasuries	$ 8,002,875	$ 4,970,911	$ 12,973,786
Certificates of Deposits	741,628	1,749,937	2,491,565
Total	$ 8,744,503	$ 6,720,848	$ 15,465,351

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The Commission’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from a change in interest rates.

Credit Risk - Credit risk is the risk of a loss of principal stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. KRS 66.480 of Commonwealth of Kentucky law limits the investment of public funds to obligations of the United States Government, obligations backed by the full faith and credit of the United States Government, obligations of any corporation or agency of the United States Government, certificates of deposits, commercial paper, bonds or securities issued by a state or local government, and shares of mutual funds. The Commission’s written investment policy does not further limit its investment choices beyond those defined in KRS 66.480.

NOTE C -- INVESTMENTS – CONTINUED

Concentration Risk - Concentration risk is the risk of loss arising from lopsided exposure to a particular group of counterparties. The Commission places no limit on the amount it may invest in any one issuer or type of investment except that the collective amount invested at any one time in uncollateralized certificates of deposit, bankers' acceptances, commercial paper, and securities issued by a state or local government may not exceed 20% of the total amount of funds invested.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of failure of the counterparty or bank, the Commission will not be able to recover the value of its investments held in the possession of an outside party. Investments are held for the benefit of the Commission by a registered broker/dealer that is a member of the Financial Industry Regulatory Authority and the Securities Investors Protection Corporation.

NOTE D -- FAIR VALUE MEASUREMENTS

The fair value provisions of the Accounting Standards Codification ("ASC") define fair value as the price that would be received by the entity for an asset or paid by the entity to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the entity's principal or most advantageous market for the asset or liability. The ASC also established a fair value hierarchy which requires the entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The following provides a description of the three levels of inputs that may be used to measure fair value under generally accepted accounting principles, the types of entity investments that fall under each category, and the valuation methodologies used to measure these investments at fair value.

- Level 1--Quoted prices in active markets for identical assets or liabilities.
- Level 2--Observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active, or unobservable inputs that are derived principally from or corroborated by observable market data.
- Level 3--Unobservable inputs that are based on the Commission's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

Fair values of assets/liabilities measured on a recurring basis at June 30, 2017:

	Fair Value	Level 1	Level 2	Level 3
Investments (See Note C)	$15,465,351	$ 15,465,351	$ -	$ -

NOTE E -- DUE FROM OTHER GOVERNMENTAL UNITS

The amount due from other governmental units consists of transient room taxes due from the Louisville Metro Revenue Commission ("Revenue Commission").

NOTE F -- DUE FROM TRUSTEE

The amount due from trustee consists of transient room taxes due from the trustee related to the Pledged 1.5% Operations Tax, as further described in Note J.

NOTE G -- OTHER RECEIVABLES

Other receivables are stated at the amount the Commission expects to collect from balances outstanding at year-end. Other receivables reflect the net realizable value and approximate fair value of the receivables.

NOTE H -- INVENTORY

Inventory is presented at the lower of cost or market value. Cost is determined using the FIFO method. Inventory consists of merchandise and expendable advertising supplies such as convention brochures.

In the fund financial statements, inventory is recorded as an asset upon transfer of title and risk of loss. Recorded inventories are equally offset by a fund balance reserve since they do not constitute "available spendable resources", even though they are a component of fund balance.

NOTE I -- CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Louisville and Jefferson County Visitors and Convention Commission:				
Cost				
Leasehold improvements	$ 1,064,365	$ 19,909	$ -	$ 1,084,274
Furniture and fixtures	457,352	2,746	-	460,098
Office equipment	738,615	34,203	(39,278)	733,540
Intangible assets	110,492	1,085	-	111,577
Total cost	2,370,824	57,943	(39,278)	2,389,489
Less Accumulated Depreciation				
Leasehold improvements	1,027,464	26,593	-	$ 1,054,057
Furniture and fixtures	361,327	30,385	-	391,712
Office equipment	606,882	66,111	(39,278)	633,715
Total accumulated depreciation	1,995,673	123,089	(39,278)	2,079,484
Net Book Value	$ 375,151	$ (65,146)	$ -	$ 310,005

	Beginning Balance	Additions	Disposals	Ending Balance
The Greater Louisville Sports Commission:				
Cost				
Equipment	$ 17,505	$ -	$ -	$ 17,505
Construction in progress - BMX	355,244	598,040	(953,284)	-
Intangible assets	20,000	-	-	20,000
Total cost	392,749	598,040	(953,284)	37,505
Less Accumulated Depreciation				
Equipment	7,630	2,575	-	10,205
Intangible assets	8,000	4,000	-	12,000
	15,630	6,575	-	22,205
Net Book Value	$ 377,119	$ 591,465	$ (953,284)	$ 15,300

NOTE J -- DEDICATED TAX REVENUE BONDS PAYABLE AND DEFERRED REFUNDING

The Commission issued Dedicated Tax Revenue Bonds consisting of its Series A, B, BB, BBB, and C Bonds (collectively hereinafter referred to as the "Prior Bonds") to fund the 1995 expansion of KICC.

2004 Defeasance and Escrow Restructuring: In January 2004, the Commission issued Dedicated Tax Revenue Refunding Bonds Series 2004A and 2004B (collectively, the "Series 2004 Bonds") in order to achieve substantial debt service savings. As it relates to the Commission's Prior Bonds, an in-substance defeasance occurred on January 28, 2004 whereby $34,482,578 of bond proceeds was irrevocably deposited into the Escrow Account of the escrow agent and trustee. Amounts deposited were to be used solely for satisfying future scheduled payments of both interest and principal until the Prior Bonds were retired. The escrow agent was legally required under the escrow agreement to make future principal and interest payments until the Prior Bonds were fully retired. The Series BBB and C Bonds were retired on March 1, 2004 and the Series A Bonds were retired on July 1, 2005. The Series BB and B Bonds were retired on January 1, 2010 and July 1, 2010, respectively. The Series 2004A Bonds were fully redeemed on November 1, 2014.

The advanced refunding and in-substance defeasance that occurred on January 28, 2004 resulted in a difference between the reacquisition price and the net carrying amount of the Commission's Prior Bonds. This difference was reported as deferred amount on refunding with the unamortized balance reflected as a reduction to net bonds payable. The deferred amount on refunding was being amortized using the straight-line method over the remaining term of the defeased bonds. As all Series 2004A and Series 2004B Bonds were fully redeemed, the unamortized balance on the deferred amount on refunding was also eliminated on October 1, 2016.

Dedicated Tax Revenue Refunding Bonds Series 2004B: The Series 2004B Bonds (the "Series 2004B Bonds"), dated January 27, 2004, were fully registered demand bonds without coupons in a minimum denomination of $100,000 and integral multiples of $5,000 in excess of such denomination. Bonds bear interest at a daily rate, as determined by the remarketing agent, with interest paid monthly. The Series 2004B Bonds were subject to optional redemption provisions at a price of 100% of the principal amount plus accrued interest.

The Commission entered into a Standby Bond Purchase Agreement (the "SBPA") with the remarketing agent on January 1, 2004 to enhance the liquidity of the Series 2004B Bonds. Under the SBPA, the remarketing agent will remarket the Series 2004B Bonds and purchase any Series 2004B Bonds that are unable to be remarketed. The SBPA had an expiration date of January 28, 2007. On December 22, 2006, the Commission entered into the First Amendment to the SBPA, which extended the expiration date of the SBPA to January 28, 2012. On June 30, 2011, the Commission entered into the Second Amendment to the SBPA, which extended the expiration date of the SBPA to January 28, 2015. On October 31, 2014, the Commission entered into the Third Amendment to the SBPA, which extended the expiration date of the SBPA to January 1, 2017. On July 1, 2016, the Commission optionally redeemed $1,625,000 of the outstanding Series 2004B Bonds. On October 1, 2016, the Commission fully redeemed the remaining $5,500,000 of the outstanding Series 2004B Bonds.

Dedicated Tax Revenue Bonds Series 2016: On August 31, 2016, the Commission issued Dedicated Tax Revenue Bonds with a par amount of $148,765,000 (the “Series 2016 Bonds”) to finance a portion of the renovation and expansion of the Kentucky International Convention Center. The Series 2016 Bonds are a special revenue obligation of the Commission secured solely by a pledge to and security interest in, (i) the 2% Dedicated Tax, (ii) the 1% Additional Dedicated Tax, and (iii) one-half of the receipts from the 3% Operations Tax (the “Pledged 1.5% Operations Tax”). See Note O for a further description of these taxes. The 2% Dedicated Tax, the 1% Additional Dedicated Tax, and the Pledged 1.5% Operations Tax are referred to collectively herein as the “Dedicated Taxes.”

The Series 2016 Bonds are fully registered bonds in denominations of $5,000 or integral multiples thereof. The Series 2016 Bonds have a final maturity on June 1, 2046. Interest is payable on June 1, 2017 and semiannually thereafter on June 1 and December 1 of each year. The Series 2016 Bonds maturing on or after June 1, 2027, are subject to redemption prior to maturity at the option of the Commission, from time to time in whole or in part on any date, on or after June 1, 2026, at the redemption price of 100% of the principal amount of the Series 2016 Bonds to be redeemed plus accrued interest to the redemption date. Following issuance of the Series 2016 Bonds, the Commission transferred $144,000,000 of net bond proceeds to the Commonwealth of Kentucky to support the renovation and expansion of KICC.

NOTE J -- DEDICATED TAX REVENUE BONDS PAYABLE AND DEFERRED REFUNDING - CONTINUED

The Series 2016 Bonds outstanding at June 30, 2017 consist of the following:

Description	Due to be Redeemed Or Repaid During Year Ending June 30	Interest Rate	Outstanding Balance
Serial and Term Bonds	2018 - 2046	2.75% - 4.00%	$146,035,000

Debt service for the next five years and to maturity on all outstanding bonds at June 30, 2017 is as follows:

Payable During Year Ending June 30	Principal	Interest	Total
2018	$ 2,855,000	$ 5,133,063	$ 7,988,063
2019	2,970,000	5,018,863	7,988,863
2020	3,090,000	4,900,063	7,990,063
2021	3,215,000	4,776,463	7,991,463
2022	3,340,000	4,647,863	7,987,863
2023-2027	18,825,000	21,124,313	39,949,313
2028-2032	22,715,000	17,222,313	39,937,313
2033-2037	27,190,000	12,752,888	39,942,888
2038-2042	32,230,000	7,709,375	39,939,375
2043-2046	29,605,000	2,348,281	31,953,281
	146,035,000	85,633,485	231,668,485
Bond Issuance Premium	5,162,919	-	5,162,919
Total	$ 151,197,919	$ 85,633,485	$ 236,831,404

Security and Guarantee: The Series 2016 Bonds are payable from, and secured solely by a pledge to and security interest of the Trustee in, (i) the 2% Dedicated Tax, (ii) the 1% Additional Dedicated Tax, and (iii) one-half of the receipts from the 3% Operations Tax (the “Pledged 1.5% Operations Tax”). The Revenue Commission will remit directly to the Trustee monthly as collected the 2% Dedicated Tax, the 1% Additional Dedicated Tax, and the Pledged 1.5% Operations Tax. The 2% Dedicated Tax, the 1% Additional Dedicated Tax, and the 3% Operations Tax are further described in Note O.

A municipal bond insurance company has issued a municipal bond insurance policy for only the portion of the Series 2016 Bonds maturing on June 1, 2046 that guarantees the scheduled payment of principal and interest on the insured bonds when due.

NOTE J -- DEDICATED TAX REVENUE BONDS PAYABLE AND DEFERRED REFUNDING – CONTINUED

Continuing Disclosure: The Commission has entered into with a Disclosure Dissemination Agent, a Disclosure Dissemination Agent Agreement dated as of the date of original issuance of the Series 2016 Bonds (the "Continuing Disclosure Agreement"), for the benefit of the holders of the Series 2016 Bonds and in order to assist the underwriters of the Series 2016 Bonds in assuring continuing disclosure with respect to the Series 2016 Bonds in accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended. Under the Continuing Disclosure Agreement, the Commission has agreed to provide to the Disclosure Dissemination Agent, for posting on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board at https://emma.msrb.org the following information:

- audited financial statements of the Commission for its fiscal year ending June 30, 2016, and each fiscal year thereafter;
- the respective amounts of the 2% Dedicated Tax, the 1% Additional Dedicated Tax, and the 3% Operations Tax collected during the fiscal year and the percentage change in the total of such collections compared to the immediately preceding fiscal year;
- notice of any of the following events with respect to the Series 2016 Bonds: principal and interest payment delinquencies; non-payment related defaults, if material; unscheduled draws on debt service reserves reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2016 Bonds, or other material events affecting the tax status of the Series 2016 Bonds; modifications to rights of securities holders, if material; bond calls, if material; defeasances; release, substitution, or sale of property securing repayment of the securities, if material; rating changes; tender offers; bankruptcy, insolvency, receivership or similar event of the Commission; merger, consolidation, or acquisition of the Commission, if material; and appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- notice of a failure to timely provide any of the information required to be provided.

NOTE K -- BOND ISSUANCE PREMIUM

In connection with the issuance of the Series 2004 Bonds, the Commission recognized a bond issuance premium of $939,007. This bond issuance premium has been amortized using the effective interest method over the term of the Series 2004B Bonds with the unamortized balance reflected as an increase to net bonds payable. The unamortized balance of the bond issuance premium at June 30, 2017 was $0.

In connection with the issuance of the Series 2016 Bonds, the Commission recognized a net bond issuance premium of $5,885,829, which consists of bond issuance premium of $7,173,954 and bond issuance discount of $1,288,125. This net bond issuance premium is being amortized using the effective interest method over the term of the Series 2016 Bonds with the unamortized net balance reflected as an increase to net bonds payable. The unamortized net balance of the bond issuance premium at June 30, 2017 was $5,162,919.

NOTE L -- RETIREMENT PLAN

General Information

Plan description: Employees of the Commission are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the Kentucky Retirement Systems. The Kentucky Retirement Systems was created by state statute under KRS 61.645. The Kentucky Retirement Systems Board of Trustees is responsible for the proper operation and administration of the Kentucky Retirement Systems. The Kentucky Retirement Systems issues a publicly available financial report that can be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 696-8800.

Benefits provided: KRS 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. Tier 1 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 and the member's years of service credit. 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. A description of benefits for members of other tiers can be obtained by contacting the Kentucky Retirement System at the address or telephone number outlined above.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- Tiered Structure for benefit accrual rates
- New retirement eligibility requirements
- Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

NOTE L -- RETIREMENT PLAN - CONTINUED

Contributions. Contributions for employees are established in the statutes governing the Kentucky Retirement Systems and may only be changed by the Kentucky General Assembly. 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 (5%) 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 Commission makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions for the Commission were $926,844 based on a rate of 18.68% of covered payroll. By law, employer contributions are required to be paid. The Kentucky Retirement System may intercept the Commission'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 Commission's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using standard roll-forward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The Kentucky Retirement Systems Board of Directors lowered the three actuarial assumptions in May 2017. The inflation rate was lowered from 3.25% to 2.3%, the projected salary increases was lowered from 4% to 2%, and the investment rate of return was lowered from 7.50% to 6.25%. These assumption changes will become effective for the actuarial valuation as of the June 30, 2017 measurement date.

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

NOTE L -- RETIREMENT PLAN - CONTINUED

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The discount rate determination does not use a municipal bond rate.

Projected future benefit payments for all current plan members were projected through 2017.

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Combined Equity	5.40%	44.00%
Combined Fixed Income	1.50%	19.00%
Real Return (Diversified Inflation Strategies)	3.50%	10.00%
Real Estate	4.50%	5.00%
Absolute Return (Diversified Hedge Funds)	4.25%	10.00%
Private Equity	8.50%	10.00%
Cash	-0.25%	2.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the Kentucky Retirement Systems Board of Trustees as 7.50% based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.50%.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Commission calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Bureau's net pension liability	$ 11,417,163	$ 9,161,861	$ 7,228,619

NOTE L -- RETIREMENT PLAN – CONTINUED

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

Pension expense. For the year ended June 30, 2017, the Commission recognized pension expense of $1,308,866.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, the Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 39,998
Difference between projected and actual investment earns on plan investments	861,309
Change of assumptions	485,346
Changes in proportion and difference between employer contributions and proportionate share of contributions	84,692
Contributions subsequent to the measurement date of June 30, 2016	692,156
Total	$ 2,163,501

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction to net pension liability in the following measurement period.

NOTE L -- RETIREMENT PLAN – CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows of Resources

Original Deferral Year	Original Deferral Amount	2016	2017	2018	2019	2020	2021
2015	$ 671,000	$ (167,750)	$ (167,750)	$ (167,750)	$ (167,750)	$ -	$ -
2016	(444,077)	-	111,019	111,019	111,019	111,019	-
2017	33,156	-	-	(8,289)	(8,289)	(8,289)	(8,289)
	$ 260,079	$ (167,750)	$ (56,731)	$ (65,020)	$ (65,020)	$ 102,730	$ (8,289)
Amortization - 2017							$ 224,481
Unamortized Amount 2017							$ 35,598

Deferred Outflows of Resources

Original Deferral Year	Original Deferral Amount	2017	2018	2019	2020	2021	Total
2015	$ 928,924	$ (232,231)	$ (232,231)	$ (232,231)	$ (232,231)	$ -	$ (928,924)
2016	774,652	-	(193,663)	(193,663)	(193,663)	(193,663)	(774,652)
	$ 1,703,576	$ (232,231)	$ (425,894)	$ (425,894)	$ (425,894)	$ (193,663)	$(1,703,576)
Amortization - 2017							$ 232,231
Unamortized Amount 2017							$ 1,471,345

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2017, the Commission reported a payable of $121,665 (included in accounts payable and accrued expenses amount on the Statement of Net Position and on the Balance Sheet - Governmental Funds) for the outstanding amount of contributions and other amounts payable to the pension plan required at June 30, 2017.

GLSC

The GLSC adopted a simple Individual Retirement Account on January 1, 2004 for the benefit of its full-time employees. The GLSC matches contributions up to 3% of each participant's compensation. The GLSC matching contributions related to the Plan were $10,432 for the year ended June 30, 2017.

NOTE M -- LEASES

The Commission is obligated under an operating lease for office space that expires in September 2023. The lease allows for cancellation in September 2018 with payment of the unamortized portion of any tenant improvements plus three months' rent. However, the Commission does not intend to cancel the lease and the full lease term is disclosed below. The operating lease includes a rent escalation beginning October 2018.

The Commission is obligated under an operating lease for retail space that expires in December 2026. The operating lease includes a rent escalation beginning January 2023. The Commission has the option to extend the term for a period of five (5) years ending December 2031 and for a further period of five (5) years ending December 2036.

Rental expense under continuing obligations was $420,449 for the year ended June 30, 2017.

At June 30, 2017, obligations under operating leases with initial or remaining non-cancellable lease terms longer than one year were as follows:

Year Ending June 30	Operating Leases
2018	$ 410,100
2019	427,722
2020	433,596
2021	433,596
2022	418,096
2023-2027	865,945
Total	$ 2,989,055

Sublease income was $12,048 for the year ended June 30, 2017. The total amount of minimum rentals to be received in the future under non-cancellable subleases was $25,420 as of June 30, 2017.

The Commission is not obligated under any capital leases as of June 30, 2017.

NOTE N -- VACATION AND PTO

All full-time employees are eligible for paid vacation based on the number of years of service. Vacation days may be carried over to the succeeding fiscal year, up to a maximum of five (5) days. No payment can be made in lieu of vacation, except in the event of termination, resignation, or retirement. Accrued vacation was $60,370 at June 30, 2017. Accrued vacation is reported in the statement of net position under accrued expenses.

All full-time employees are eligible for paid time off ("PTO") based on the number of months worked during the year. PTO is earned as service is performed and days may be accumulated and carried over year-to-year, up to a maximum of 60 days. PTO is not payable upon termination of employment with the only exception being an employee who retires from the Commission. The Commission will compensate a retiring employee any unused PTO time to a maximum of 60 days upon retirement from the Commission. Accrued PTO was $186,098 at June 30, 2017. PTO is reported in the statement of net position under compensated absences.

NOTE O -- TRANSIENT ROOM TAX

Sections 91A.350 through 91A.394 (the “Tourism and Conventions Commission Act”) of the Kentucky Revised Statutes provides that a tourist and convention commission established thereunder shall submit annually to the local government which established the commission a request for funds for the operation of the commission and that the local government shall provide funds for the operation of the commission by imposing a transient room tax at a rate (in the case of a consolidated local government) of not more than three percent (3%) of the rent on every occupancy of a suite, room, or rooms charged by all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inn, or like or similar accommodations businesses (the “3% Operations Tax”). The Tourism and Conventions Commission Act further provides that, in addition to the 3% Operations Tax described above, a consolidated local government may impose a transient room tax at a rate of not more than 1.5% for the purpose of funding additional promotion of tourism and convention business (the “1.5% Operations Tax”). The primary source of the Commission's revenue is the 3% Operations Tax and the 1.5% Operations Tax. Monies collected from these transient room taxes support the operations of the Commission. A fee of 1.25% of tax collected is retained by the Revenue Commission for collection services. Net tax collected and interest are remitted on a monthly basis.

The Tourism and Conventions Commission Act further provides that a consolidated local government may levy an additional transient room tax at a rate of not more than 2% (the “2% Dedicated Tax”) and that all amounts collected from such tax shall be applied toward the retirement of bonds issued under the Tourism and Conventions Commission Act to finance the expansion, construction, or operation of a governmental convention center useful to the promotion of tourism located in the central business district of the consolidated local government. In 1995, Louisville Metro levied the 2% Dedicated Tax on every occupancy of a suite, room, or rooms charged by all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses in Jefferson County, Kentucky. Monies collected from the 2% Dedicated Tax are applied toward the payment of the Commission's Series 2004B Bonds and Series 2016 Bonds, which are described in Note J. A fee of 1.25% of tax collected is retained by the Revenue Commission for collection services. Net tax collected and interest are remitted on a monthly basis. The 2% Dedicated Tax is to remain in effect until June 23, 2046 or until the date on which all of the outstanding bonds of the Commission secured by the Dedicated Taxes are retired or no longer outstanding, whichever occurs first.

The Tourism and Conventions Commission Act further provides that on or after August 1, 2014 a consolidated local government may impose a special transient room tax at a rate of not more than 1% (the “1% Additional Dedicated Tax”) for the purpose of meeting the operating expenses of a convention center and financing the renovation or expansion of a convention center that is government-owned and located in the central business district of the consolidated local government, except that revenue derived from the 1% Additional Dedicated Tax shall not be used to meet the operating expenses of a convention center until any debt issued for financing such renovation or expansion is retired. In 2014, Louisville Metro levied the 1% Additional Dedicated Tax on every occupancy of a suite, room, or rooms charged by all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses in Jefferson County, Kentucky. Monies collected from the 1% Additional Dedicated Tax must be used for the purposes of financing the renovation or expansion of the Kentucky International Convention Center and are applied toward the payment of the Commission’s Series 2016 Bonds, which are described in Note J. A fee of 1.25% of tax collected is retained by the Revenue Commission for collection services. Net tax collected and interest are remitted monthly. The 1% Additional Dedicated Tax is to remain in effect until June 23, 2046 or until the date on which all of the outstanding bonds of the Commission secured by the Dedicated Taxes are retired or no longer outstanding, whichever occurs first. See Note J for the definition of the term “Dedicated Taxes.”

NOTE P -- STATE MATCHING FUNDS

The Commission is eligible to receive funding under KRS 142.400, which imposes a tax ("1% Statewide Transient Room Tax") at the rate of 1% of the rent (exclusive of any other local or state taxes paid by the person or entity renting the accommodations) for every occupancy of any suite, room, rooms, or cabins charged by all persons, companies, corporations, groups, or organizations doing business as motor courts, motels, hotels, inns, tourist camps, or similar accommodations businesses. Receipts from the 1% Statewide Transient Room Tax are deposited into the Tourism, Meeting and Convention Marketing Fund administered by the Tourism Cabinet, with the approval of the Governor's Office for Policy and Management, and used for the sole purpose of marketing and promoting tourism in the Commonwealth, including expenditures (except expenditures for capital construction projects) to market and promote events and venues related to meetings, conventions, trade shows, cultural activities, historical sites, recreation, entertainment, natural phenomena, areas of scenic beauty, craft marketing, and any other economic activity that brings tourists and visitors to the Commonwealth. The Tourism Cabinet distributes a portion of the 1% Statewide Transient Room Tax to tourism and convention commissions established under the Tourism and Convention Commission Act, including the Commission, based on the amount of the commission's expenses each year for marketing and promoting tourism in the Commonwealth, subject to an annual maximum amount determined by the Tourism Cabinet. The revenues distributed to the Commission under the Tourism and Convention Commission Act totaled $577,148 for the year ended June 30, 2017.

NOTE Q -- DERIVATIVE FINANCIAL INSTRUMENTS

The Commission entered into an interest rate swap agreement with a bank on January 28, 2004 to reduce its exposure to adverse fluctuations in market interest rates on a portion of the Series 2004B Bonds. The notional amount of the swap agreement is $7,000,000. The agreement required the Commission to pay the bank interest calculated at a fixed rate of 4.34%. The bank was required to pay the Commission interest calculated using a variable rate based on the Bond Market Association Municipal Swap Index. Payments between the Commission and the bank were netted and a net settlement amount was paid monthly. The agreement contains an interest rate cap whereby the bank's interest rate risk exposure is limited, which precludes the use of hedge accounting. The agreement was due to expire on December 1, 2020.

On July 1, 2016, the Commission terminated the interest rate swap agreement covering $7,000,000 of the Series 2004B Bonds by making a termination payment to the bank in the amount of $1,139,173, representing the fair market value to the bank of the interest rate swap agreement.

NOTE R -- CHANGES IN LONG-TERM LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Long-term liability and deferred inflow of resources activity for the year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due within one year
Bonds payable	$ 7,125,000	$ 148,765,000	$ (9,855,000)	$ 146,035,000	$ 2,855,000
Bond issuance premium	123,897	7,173,954	(872,383)	6,425,468	962,855
Bond issuance discount	-	(1,288,125)	25,576	(1,262,549)	(35,185)
Bonds payable, net	7,248,897	154,650,829	(10,701,807)	151,197,919	3,782,670
Interest rate swap liability	1,139,173	-	(1,139,173)	-	-
Interest payable	2,169	425,586	-	427,755	427,755
Compensated absences	209,160	-	(23,062)	186,098	-
Net pension liability	7,864,668	1,297,193	-	9,161,861	-
Deferred inflow - pension	59,173	33,156	(56,731)	35,598	(65,020)
	$ 16,523,240	$ 156,406,764	$ (11,920,773)	$ 161,009,231	$ 4,145,405

NOTE S – NET POSITION/FUND BALANCE

In the Statement of Net Position, the difference between the Commission's assets and deferred outflows of resources and the Commission’s liabilities and deferred inflows of resources is recorded as net position. Restricted net position includes $12,411,581 restricted for debt service and $998,577 restricted for capital improvements at KICC.

In the Balance Sheet - Governmental Funds, the difference between the Commission’s assets and liabilities is reported as fund balance. Restricted fund balance includes $12,411,581 restricted for debt service and $998,577 restricted for capital improvements at KICC. Committed fund balance represents amounts that can be used only for assisting in the renovation, redevelopment, improvement, and operation of attractions. Assigned fund balance represents amounts that are intended to be used to cover any shortfall in the pledged receipts to secure payment of the Series 2016 Bonds.

Restricted net assets held by the Greater Louisville Sports Commission includes $10,000 of donor restricted funds and $120,340 of time restricted funds.

NOTE T -- DISCRETELY PRESENTED COMPONENT UNIT

The Greater Louisville Sports Commission (the "GLSC") is a legally separate, tax-exempt 501(c)(3), component unit of the Commission. The GLSC acts primarily to foster national and international amateur sports competition, and for other charitable purposes to make the Greater Louisville area a hub of amateur sports and promote the general welfare and common good of amateur sports in the Greater Louisville area. Although it is legally separate from the Commission, the GLSC is fiscally dependent upon the Commission. This causes the relationship between the Commission and the GLSC to be that of related entities resulting in the need for inclusion as a discretely presented component unit in the financial statements of the Commission.

NOTE U -- BLENDED COMPONENT UNIT

The Louisville Tourism Foundation (the "Foundation") is a legally separate, tax-exempt 501(c)(3), component unit of the Commission. The Foundation acts primarily to promote tourism and to raise funds for such purpose. Although it is legally separate from the Commission, the Foundation is reported as a blended component unit of the Commission because the Foundation is governed by the same Board of Directors. The Foundation had $9,561 of total assets and net position as of June 30, 2017. The Foundation recognized no revenues or expenses during the year ended June 30, 2017. Additional information regarding this blended component unit may be obtained through the Commission.

NOTE V -- RELATED PARTY TRANSACTIONS

Operating expenses on the Statement of Activities includes $450,000 that was paid to the GLSC to support its operations. The Commission issued an interest-free loan of $500,000 to GLSC on May 31, 2016. The loan is to be repaid to the Commission in four (4) annual installments of $125,000 each beginning October 1, 2017. The outstanding balance on the loan is reported as Due From Related Parties on the Statement of Net Position.

NOTE W -- CONTINGENCIES

The Commission has entered into various contracts which require future payments to organizations for future conventions and meetings to be held in Louisville; however if such conventions and meetings are cancelled by the respective organizations, no payments are due.

SUPPLEMENTARY INFORMATION

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL

Year ended June 30, 2017	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Transient room tax	$ 24,063,952	$ 27,149,074	$ 27,508,629	$ 359,555
Partnership dues	286,000	286,000	288,806	2,806
Advertising	289,900	289,900	254,054	(35,846)
Merchandise, net	88,000	88,000	98,429	10,429
Services and fees	116,522	116,522	120,449	3,927
Matching funds	575,000	575,000	577,148	2,148
Investment income	72,500	72,500	77,388	4,888
Other income	44,347	44,347	91,823	47,476
Total Revenues	25,536,221	28,621,343	29,016,726	395,383
EXPENDITURES				
Rent	431,500	416,500	420,449	3,949
Parking	68,460	68,460	60,164	(8,296)
Maintenance	61,630	61,630	48,482	(13,148)
Utilities	6,300	6,300	5,044	(1,256)
Telephone	83,300	83,300	76,639	(6,661)
Supplies	91,645	91,645	97,750	6,105
Postage	127,733	127,733	124,456	(3,277)
Data processing	78,425	78,425	77,588	(837)
Payroll, full-time	4,341,142	4,363,142	4,377,005	13,863
Payroll, part-time	302,439	302,439	259,802	(42,637)
Payroll taxes	355,533	357,533	368,685	11,152
Commissions and incentive pay	736,622	739,622	729,640	(9,982)
Pension plan	928,660	933,660	966,792	33,132
Employee relations	161,160	161,160	155,837	(5,323)
Employee benefits	379,620	379,620	377,868	(1,752)
Professional fees	97,700	238,200	210,738	(27,462)
Insurance	50,500	50,500	50,878	378
Dues and subscriptions	106,923	106,923	83,081	(23,842)
Printing	701,500	701,500	577,095	(124,405)
Advertising	2,000,000	2,000,000	1,878,252	(121,748)
Promotional items	546,768	546,768	505,833	(40,935)
Photography and video	136,000	136,000	120,333	(15,667)
Website marketing	330,000	330,000	297,599	(32,401)
Mass marketing	457,000	457,000	417,747	(39,253)
Client events and site visits	302,000	287,000	265,067	(21,933)
Travel and trade shows	1,236,836	1,236,836	1,025,451	(211,385)
Entertainment	132,275	132,275	157,833	25,558
Sponsorships and events	2,596,567	2,744,067	2,570,262	(173,805)
Capital expenditures	44,250	64,250	57,943	(6,307)
Research	227,439	257,439	269,732	12,293
Loss in interest rate swap	400,065	1,162,166	1,139,173	(22,993)
Bond principal	875,000	9,855,000	9,855,000	-
Interest expense	33,073	3,958,781	3,934,537	(24,244)
Debt issuance expense	-	2,659,366	2,655,064	(4,302)
Other bond fees	103,000	103,000	100,510	(2,490)
Total Expenditures	18,531,065	35,198,240	34,318,329	(879,911)
Excess of Revenues Over Expenditures	$ 7,005,156	$ (6,576,897)	$ (5,301,603)	$ 1,275,294
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	154,650,829	154,650,829	-
Transfer to Commonwealth	-	(144,000,000)	(144,000,000)	-
Fund Balance, Beginning of Year	22,112,543	22,112,543	22,112,543	-
Fund Balance, End of Year	$ 29,117,699	$ 26,186,475	$ 27,461,769	$ 1,275,294

See independent auditor's report

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended June 30, 2017

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

Year Ended June 30,	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
2014	0.18521%	$ 6,009,000	$ 4,504,431	133.40%	66.80%
2015	0.18292%	$ 7,864,668	$ 4,758,394	165.28%	59.97%
2016	0.18608%	$ 9,161,861	$ 4,961,692	184.65%	55.50%

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

The data provided in the schedule is as of the measurement date of KRS's net pension liability, which is June 30, 2016.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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	$ 574,316	$ 574,316	$ -	$ 4,504,431	12.75%
2016	$ 577,669	$ 577,669	$ -	$ 4,758,394	12.14%
2017	$ 692,156	$ 692,156	$ -	$ 4,961,692	13.95%

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

See independent auditor's report

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation	5-year smoothed market
Inflation	3.25 percent
Salary increases	4.00 percent
Investment Rate of Return	7.50 percent, net of investment expense, including Inflation
Retirement age	65 years or 27 years of service regardless of age

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF COLLECTION OF TRANSIENT ROOM TAX--Historical Transient Room Tax Collections

Year ended June 30, 2017

Fiscal Year Ended June 30,	2% Dedicated Tax	1% Additional Dedicated Tax	3% Operations Tax	% Change from Preceding Year
2008	$ 5,275,811	$ -	$ 7,913,717	6.6%
2009	$ 5,170,364	$ -	$ 7,755,546	-2.0%
2010	$ 4,666,717	$ -	$ 7,000,076	-9.7%
2011	$ 4,904,151	$ -	$ 7,356,227	5.1%
2012	$ 5,593,359	$ -	$ 8,390,039	14.1%
2013	$ 5,793,492	$ -	$ 8,690,238	3.6%
2014	$ 6,303,838	$ -	$ 9,455,757	8.8%
2015	$ 6,823,593	$ -	$ 10,235,390	8.2%
2016	$ 7,832,045	$ 3,916,023	$ 11,748,068	14.8%
2017	$ 7,342,136	$ 3,671,068	$ 11,013,204	-6.3%

MCM CPAs & ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Louisville and Jefferson County Visitors and
Convention Commission
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Louisville and Jefferson County Visitors and Convention Commission ("the Commission") as of and for the year ended June 30, 2017 and the related notes to the financial statements which collectively comprise the Commission's basic financial statement and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards (Continued)*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mountjoy Chilton Medley LLP

Louisville, Kentucky
November 13, 2017