Financial Statements

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

Year Ended June 30, 2018

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

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Year Ended June 30, 2018

MCM

CPAs & ADVISORS

Independent Auditor's Report

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

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, 2018, 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.

Independent Auditor's Report (Continued)

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, 2018, 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.

Emphasis of Matter - New GASB Implementation

As discussed in Note M to the financial statements, the Commission adopted Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation resulted in a restatement of the prior year net position (deficit) (See Note Y).

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 4-9, budgetary comparison information on page 40, GASB 68 schedules on pages 41-42 and GASB 75 schedules on pages 43-44 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Collection of Transient Room Tax - Historical Transient Room Tax Collections on page 45 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Collection of Transient Room Tax - Historical Transient Room Tax Collections is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Collection of Transient Room Tax - Historical Transient Room Tax Collections is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent Auditor's Report (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 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.

MCM CPAs & Advisors LLP

Louisville, Kentucky
October 31, 2018

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 Louisville Tourism. 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 on August 31, 2016 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 $124.3 million at June 30, 2018.
- Total net position increased by $8.5 million for the fiscal year ending June 30, 2018.
- At June 30, 2018, the Commission's governmental funds reported an ending fund balance of $33.8 million. This was an increase of $6.3 million from June 30, 2017.
- At June 30, 2018, unassigned general fund balance was $8.8 million, or 51% 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, net pension obligation, and net OPEB liability 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 10) 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 11) 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, 2018, 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 12) 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 13) 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 14) 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 15-16) 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 17 through 39.

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, certain net pension obligation information, and certain net OPEB liability 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 $124.3 million at June 30, 2018 compared $132.8 million at June 30, 2017. The net position was impacted by the Commission's issuance on August 31, 2016 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 $147.4 million at June 30, 2018. The condensed information below was derived from the Commission's Statement of Net Position at June 30, 2018 and June 30, 2017. The restated amounts from 2017 are a result of the Commission’s adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as discussed in more detail in Note Y of the financial statements.

Louisville and Jefferson County Visitors and Convention Commission

Statement of Net Position

June 30

	2018	2017	Variance	% Change
Assets				
Other assets, net	$ 36,978,176	$ 30,218,034	$ 6,760,142	22%
Capital assets, net	232,972	310,005	$ (77,033)	-25%
Total Assets	37,211,148	30,528,039	6,683,109	22%
Deferred Outflows of Resources (Restated)	4,867,070	2,404,363	$ 2,462,707	102%
Total Assets and Deferred Outflows of Resources (Restated)	$ 42,078,218	$ 32,932,402	$ 9,145,816	28%
Liabilities				
Long-term liabilities, net (Restated)	$ 158,562,937	$ 159,735,575	$ (1,172,638)	-1%
Other liabilities, net	6,568,341	5,915,781	$ 652,560	11%
Total Liabilities (Restated)	165,131,278	165,651,356	(520,078)	0%
Deferred Inflows of Resources	1,227,874	35,598	$ 1,192,276	3349%
Total Liabilities and Deferred Inflows of Resources (Restated)	$ 166,359,152	$ 165,686,954	$ 672,198	0%
Net Position				
Invested in capital assets, net of related debt	$ 232,972	$ 310,005	$ (77,033)	-25%
Restricted for debt service	18,771,016	13,410,158	$ 5,360,858	40%
Unrestricted (Restated)	(143,284,922)	(146,474,715)	$ 3,189,793	-2%
Total Net Position (Restated)	$ (124,280,934)	$ (132,754,552)	$ 8,473,618	-6%

FINANCIAL ANALYSIS OF THE COMMISSION - CONTINUED

Other assets increased by $6.8 million, or 22%, primarily due to an increase of $1.2 million in cash and investments in the general fund resulting from higher transient room tax revenue and expense savings, an increase of $1.2 million in restricted cash predominantly to support future capital improvements at KICC, and an increase of $3.9 million in restricted cash and investments from debt service fund revenue that exceeded required debt service expenditures. Deferred outflows of resources increased by $2.5 million, or 102%, as the deferred outflow for pension rose $1.6 million and the deferred outflow for postemployment benefits other than pensions (OPEB) increased $0.8 million.

Long-term liabilities decreased by $1.2 million, or -1%, primarily as a result of a $3.8 million reduction in net bonds payable due to the $2.9 million bond principal payment during the year and $0.9 million amortization of the net bond issuance premium. This reduction was partially offset by a $1.9 million increase in the net pension liability and a $0.8 million increase in the net OPEB liability. Other liabilities increased by $0.7 million, or 11%, due mainly to higher accounts payable and accrued expenses in the normal course of business. Deferred inflows of resources increased by $1.2 million, or 3,349%, due primarily to a higher deferred inflow for pension with a smaller impact from a higher deferred inflow for OPEB.

Restricted net position increased by $5.4 million, or 40%. This increase largely resulted from $4.1 million of additional accumulated debt service fund assets coupled with a $1.0 million increase in funds restricted for capital improvements at KICC.

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

	2018	2017	Variance	% Change
Expenses				
Operating	$ 18,674,235	$ 17,169,750	$ 1,504,485	9%
Interest	4,195,876	5,442,597	(1,246,721)	-23%
Transfer to Commonwealth	-	144,000,000	(144,000,000)	-100%
Other	124,821	2,327,754	(2,202,933)	-95%
Total Expenses	$ 22,994,932	$ 168,940,101	$(145,945,169)	-86%
General Revenues				
Transient room tax	$ 29,619,999	$ 27,508,629	$ 2,111,370	8%
Matching funds	570,410	577,148	(6,738)	-1%
Membership dues	331,633	288,806	42,827	15%
Advertising	280,877	254,054	26,823	11%
Investment income	340,204	77,388	262,816	340%
Other income	325,427	310,701	14,726	5%
Total General Revenues	$ 31,468,550	$ 29,016,726	$ 2,451,824	8%
Changes in Net Position	$ 8,473,618	$(139,923,375)	148,396,993	-106%

FINANCIAL ANALYSIS OF THE COMMISSION - CONTINUED

The Commission's change in net position was an increase of $8.5 million for the year ended June 30, 2018 compared to a decrease of $139.9 million for the year ended June 30, 2017.

Operating expenses rose $1.5 million, or 9%, as additional funds available were utilized to support strategic objectives in key functional areas. Higher pension expense also contributed to this increase. Interest expense decreased by $1.2 million, or -23%. In the year ended June 30, 2017, interest expense included amortization expense on the deferred amount on refunding, which was fully amortized upon redemption of the Series 2004B Bonds. No such similar expense occurred in the year ended June 30, 2018. Transfer to Commonwealth decreased $144.0 million, or -100%. In the year ended June 30, 2017, the Commission issued the Series 2016 Bonds and subsequently transferred $144.0 million of net bond proceeds to the Commonwealth of Kentucky to support the renovation and expansion of KICC. No such similar expense occurred in the year ended June 30, 2018. Other expenses decreased by $2.2 million, or -95%. In the year ended June 30, 2017, other expenses included $1.8 million of debt issuance expense from the Series 2016 Bonds. No such similar expense occurred in the year ended June 30, 2018. 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.

Transient room tax increased by $2.1 million, or 8%, as a result of higher average daily rate (ADR) and an increase in hotel room supply. Investment income rose $0.3 million, or 340%, due to both an increase in funds available for investment and higher market interest rates.

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, sponsorships and events, mass marketing, and professional fees, $0.5 million were approved by the Commission.

Revenues exceeded budget by $1.9 million primarily as a result of stronger transient room tax revenues from growth in ADR and hotel room supply. Expenditures were below budget by $1.0 million from savings in select areas including salaries and related expenses, sponsorships and events, and printing. 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 was completed in August 2018.

The Commission prepared a budget for the fiscal year ending June 30, 2019 based on current and forecasted economic conditions, which included consideration of the KICC reopening. The reopening 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 Tourism
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, 2018

	Louisville and Jefferson County Visitors and Convention Commission	Component Unit Greater Louisville Sports Commission, Inc.
ASSETS		
Cash and cash equivalents	$ 5,669,098	$ 189,767
Cash and cash equivalents restricted	4,102,721	-
Investments	17,499,116	-
Due from other governmental units	5,956,221	-
Due from trustee	1,457,670	-
Due from related parties	375,000	-
Other receivables, net	637,107	520,125
Inventory	114,632	-
Prepaid expenses	634,590	16,488
Debt issuance costs, net	532,021	-
Capital assets, net of depreciation	232,972	4,725
Total Assets	37,211,148	731,105
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension	3,765,181	-
Deferred outflow - OPEB	1,101,889	-
Total Assets and Deferred Outflow of Resources	42,078,218	731,105
LIABILITIES		
Accounts payable and accrued expenses	2,085,111	135,402
Deferred revenue	31,975	188,264
Interest payable	418,238	-
Due to other governmental units	200,000	-
Due to related parties	-	375,000
Current bonds payable, net	3,833,017	-
Compensated absences	157,725	-
Net pension liability	11,033,485	-
Net OPEB liability	3,789,495	-
Long-term bonds payable, net	143,582,232	-
Total Liabilities	165,131,278	698,666
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension	1,029,467	-
Deferred inflow - OPEB	198,407	-
Total Liabilities and Deferred Inflow of Resources	166,359,152	698,666
NET POSITION (DEFICIT)		
Net investment in capital assets	232,972	-
Restricted	18,771,016	117,165
Unrestricted	(143,284,922)	(84,726)
Total Net Position (Deficit)	$ (124,280,934)	$ 32,439

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, 2018

	Louisville and Jefferson County Visitors and Convention Commission	Component Unit Greater Louisville Sports Commission, Inc.
EXPENSES		
Operating	$ 18,674,235	$ 2,061,304
Interest	4,195,876	-
Depreciation and amortization	94,741	10,575
Other bond fees	30,080	-
Total Expenses	22,994,932	2,071,879
GENERAL REVENUES		
Transient room tax	29,619,999	-
Membership dues	331,633	-
Advertising	280,877	-
Merchandise, net	91,107	-
Services and fees	172,717	-
Matching funds	570,410	-
Investment income	340,204	-
Agency funding	-	450,000
Program service revenue	-	1,745,610
Other income	61,603	47,209
Total General Revenues	31,468,550	2,242,819
Change In Net Position (Deficit)	8,473,618	170,940
Net Position (Deficit), Beginning of Year (Restated)	(132,754,552)	(138,501)
Net Position (Deficit), End of Year	$ (124,280,934)	$ 32,439

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, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 5,669,098	$ -	$ 5,669,098
Cash and cash equivalents restricted	2,204,253	1,898,468	4,102,721
Investments	5,764,171	11,734,945	17,499,116
Due from other governmental units	3,040,881	2,915,340	5,956,221
Due from trustee	1,457,670	-	1,457,670
Other receivables	619,097	18,010	637,107
Inventory	114,632	-	114,632
Prepaid expenses	634,590	-	634,590
Total Assets	$ 19,504,392	$ 16,566,763	$ 36,071,155
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued expenses	$ 2,085,111	$ -	$ 2,085,111
Deferred revenue	31,975	-	31,975
Due to other governmental units	200,000	-	200,000
Total Liabilities	2,317,086	-	2,317,086
FUND BALANCE			
Nonspendable:			
Inventory	114,632	-	114,632
Prepaid expenses	634,590	-	634,590
Restricted	2,204,253	16,566,763	18,771,016
Committed	400,000	-	400,000
Assigned	5,000,000	-	5,000,000
Unassigned	8,833,831	-	8,833,831
Total Fund Balance	17,187,306	16,566,763	33,754,069
Total Liabilities and Fund Balance	$ 19,504,392	$ 16,566,763	$ 36,071,155

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, 2018

Total fund balance for governmental funds		$ 33,754,069
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.		232,972
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.		532,021
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	$ 375,000	
Bonds payable, net	(147,415,249)	
Net pension liability	(11,033,485)	
Net OPEB liability	(3,789,495)	
Deferred outflow - pension (Note L)	3,765,181	
Deferred outflow - OPEB (Note M)	1,101,889	
Interest payable	(418,238)	
Deferred inflow - pension (Note L)	(1,029,467)	
Deferred inflow - OPEB (Note M)	(198,407)	
Compensated absences	(157,725)	(158,799,996)
Total Net Position (Deficit) of Governmental Activities		$ (124,280,934)

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, 2018	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Transient room tax	$ 17,692,236	$ 11,927,763	$ 29,619,999
Partnership dues	331,633	-	331,633
Advertising	280,877	-	280,877
Merchandise, net	91,107	-	91,107
Services and fees	172,717	-	172,717
Matching funds	570,410	-	570,410
Investment income	138,214	201,990	340,204
Other income	36,919	24,684	61,603
Total Revenues	19,314,113	12,154,437	31,468,550
EXPENDITURES			
Rent	416,226	-	416,226
Parking	66,178	-	66,178
Maintenance	60,095	-	60,095
Utilities	4,827	-	4,827
Telephone	85,118	-	85,118
Supplies	103,429	-	103,429
Postage	120,971	-	120,971
Data processing	81,493	-	81,493
Payroll, full-time	4,280,958	-	4,280,958
Payroll, part-time	289,444	-	289,444
Payroll taxes	368,447	-	368,447
Commissions and incentive pay	743,800	-	743,800
Pension plan	942,698	-	942,698
Employee relations	148,078	-	148,078
Employee benefits	399,508	-	399,508
Professional fees	214,017	-	214,017
Insurance	53,956	-	53,956
Dues and subscriptions	88,692	-	88,692
Printing	443,711	-	443,711
Advertising	2,028,855	-	2,028,855
Promotional items	577,566	-	577,566
Photography and video	90,506	-	90,506
Website marketing	288,291	-	288,291
Mass marketing	462,867	-	462,867
Client events and site visits	270,543	-	270,543
Travel and trade shows	1,123,709	-	1,123,709
Entertainment	189,860	-	189,860
Sponsorships and events	3,080,802	-	3,080,802
Capital expenditures	17,708	-	17,708
Research	259,642	-	259,642
Bond principal	-	2,855,000	2,855,000
Interest expense	-	5,133,063	5,133,063
Other bond fees	-	11,192	11,192
Total Expenditures	17,301,995	7,999,255	25,301,250
Excess of Revenues Over Expenditures	2,012,118	4,155,182	6,167,300
OTHER FINANCING SOURCES			
Proceeds from loan to related party	125,000	-	125,000
Total Other Financing Sources	125,000	-	125,000
Net Change in Fund Balances	2,137,118	4,155,182	6,292,300
Fund Balance, Beginning of Year	15,050,188	12,411,581	27,461,769
Fund Balance, End of Year	$ 17,187,306	$ 16,566,763	$ 33,754,069

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, 2018

Net change in fund balances - total governmental funds	$ 6,292,300
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 ($94,741) exceeded capital outlays ($17,708) in the current period.	(77,033)
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.	2,855,000
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. Debt issuance costs were amortized and increased other bond fees by $18,888.	(18,888)
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 $962,855.	962,855
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 by $35,185.	(35,185)

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)

Year ended June 30, 2018

Pension expense related to long-term Net Pension Obligation that is not included in the Governmental Funds.			(1,263,813)
Pension expense related to long-term Net OPEB Obligation that is not included in the Governmental Funds.			(154,508)
Governmental funds financial statements report loans to related parties as other financing uses. However, loans to related parties are reported as assets in the Statement of Net Position. This is the amount by which the loan to related party was partially repaid in the current period.			(125,000)
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	$	28,373	
Change in interest payable		9,517	37,890
Change in Net Position (Deficit) of Governmental Activities			$ 8,473,618

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 Louisville Tourism, 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 U and V, 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 V), and its discretely presented component unit (Note U). 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

Pension and Other Post-Employment Benefits (OPEB): For purposes of measuring the net pension liability, the net OPEB 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 liabilities were measured at June 30, 2017.

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 Commission adopted GASB Statement No. 75 for the fiscal year ended June 30, 2018. The adoption of this statement resulted in a restatement of the fiscal year 2018 beginning net position as further outlined in Note Y.

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 Commission adopted GASB Statement No. 82 for the fiscal year ended June 30, 2018. The adoption of this statement did not have an impact on the Commission's financial position, results of operations, or cash flows.

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 Commission adopted GASB Statement No. 85 for the fiscal year ended June 30, 2018. The adoption of this statement did not have an impact on the Commission's financial position, results of operations, or cash flows.

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 Commission adopted GASB Statement No. 86 for the fiscal year ended June 30, 2018. The adoption of this statement did not have an impact on the Commission's financial position, results of operations, or cash flows.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements (Continued): In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement improves the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. GASB Statement No. 88 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 June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This pronouncement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 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.

On July 19, 2018, the Louisville Tourism Foundation was dissolved. Assets held by the Louisville Tourism Foundation were transferred to the Commission upon dissolution.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2018, restricted cash equivalents in the amount of $1,898,468 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, 2018, restricted cash deposits in the amount of $2,204,253 and unrestricted cash deposits in the amount of $6,145,952 were held by financial institutions, of which $3,112,713 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, 2018.

NOTE C - INVESTMENTS

At June 30, 2018, the fair market values of the Commission's investment balances were as follows:

	Average Credit Quality	Debt Service Fund	General Fund	Total
US Treasuries	Aaa	$ 10,009,348	$ 5,014,248	$ 15,023,596
Certificates of Deposit	Aaa	1,725,597	749,923	2,475,520
Total		$ 11,734,945	$ 5,764,171	$ 17,499,116

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.

NOTE C - INVESTMENTS - CONTINUED

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.

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, 2018:

	Fair Value	Level 1	Level 2	Level 3
Investments (See Note C)	$17,499,116	$ 17,499,116	$ -	$ -

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	$ 1,084,274	$ -	$ -	$ 1,084,274
Furniture and fixtures	460,098	-	-	460,098
Office equipment	733,540	15,905	(154,373)	595,072
Intangible assets	111,577	1,803	-	113,380
Total cost	2,389,489	17,708	(154,373)	2,252,824
Less Accumulated Depreciation				
Leasehold improvements	1,054,057	16,282	-	$ 1,070,339
Furniture and fixtures	391,712	30,278	-	421,990
Office equipment	633,715	48,181	(154,373)	527,523
Total accumulated depreciation	2,079,484	94,741	(154,373)	2,019,852
Net Book Value	$ 310,005	$ (77,033)	$ -	$ 232,972

	Beginning Balance	Additions	Disposals	Ending Balance
The Greater Louisville Sports Commission:				
Cost				
Equipment	$ 17,505	$ -	$ -	$ 17,505
Intangible assets	20,000	-	-	20,000
Total cost	37,505	-	-	37,505
Less Accumulated Depreciation				
Equipment	10,205	2,575	-	12,780
Intangible assets	12,000	8,000	-	20,000
	22,205	10,575	-	32,780
Net Book Value	$ 15,300	$ (10,575)	$ -	$ 4,725

NOTE J - DEDICATED TAX REVENUE 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 Q 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.

The Series 2016 Bonds outstanding at June 30, 2018 consist of the following:

Description	Due to be Redeemed Or Repaid During Year Ending June 30	Interest Rate	Outstanding Balance
Serial and Term Bonds	2019 - 2046	2.75% - 4.00%	$143,180,000

Debt service for the next five years and to maturity on all outstanding bonds at June 30, 2018 is as follows:

Payable During Year Ending June 30	Principal	Interest	Total
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	3,475,000	4,514,263	7,989,263
2024-2028	19,575,000	20,371,313	39,946,313
2029-2033	23,510,000	16,429,588	39,939,588
2034-2038	28,225,000	11,716,694	39,941,694
2039-2043	33,240,000	6,702,188	39,942,188
2044-2046	22,540,000	1,423,125	23,963,125
	$ 143,180,000	$ 80,500,423	$ 223,680,423
Bond Issuance Premium, net	4,235,249	-	4,235,249
Total	$ 147,415,249	$ 80,500,423	$ 227,915,672

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 Q.

NOTE J - DEDICATED TAX REVENUE BONDS - CONTINUED

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.

Continuing Disclosure: The Commission has entered into an agreement 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 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 balance of the net bond issuance premium at June 30, 2018 was $4,235,249.

NOTE L - RETIREMENT PLAN

General Information

Plan description: Employees of the Commission are provided a defined benefit pension plan through the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined pension plan administered by the Kentucky Retirement Systems. All employees averaging 100 or more hours per month over a calendar or fiscal year participate in CERS. The Kentucky Retirement Systems was created by state statute under Kentucky Revised Statute (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) 564-4646 or from the Kentucky Retirement Systems website at https:/kyret.ky.gov.

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. There are currently three benefit tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013, and Tier 3 are those members that began participation on or after January 1, 2014.

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

The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

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. The Commission's contractually required contribution rate for the year ended June 30, 2018 was 14.48% of covered payroll. Contributions to the Pension Fund from the Commission were $711,693 for the year ended June 30, 2018. 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.

NOTE L - PENSION PLAN - CONTINUED

Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using standard roll-forward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

The mortality table used for active and healthy retired members, and beneficiaries is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years.)

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2008 through June 30, 2013. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. 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 (see chart below). 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.

NOTE L - RETIREMENT PLAN - CONTINUED

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.97%	17.50%
International Equity	7.85%	17.50%
Global Bonds	2.63%	4.00%
Global Credit	3.63%	2.00%
High Yield	5.75%	7.00%
Emerging Market Debt	5.50%	5.00%
Private Credit	8.50%	10.00%
Real Estate	7.62%	5.00%
Absolute Return	5.63%	10.00%
Real Return	6.13%	10.00%
Private Equity	8.25%	10.00%
Cash	1.88%	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 6.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the Kentucky Retirement Systems Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 6.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Bureau's net pension liability	$ 13,915,609	$ 11,033,485	$ 8,622,609

Pension expense. For the year ended June 30, 2018, the Commission recognized pension expense of $1,975,506.

NOTE L - RETIREMENT PLAN - CONTINUED

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, the Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 13,685
Difference between projected and actual investment earns on plan investments	873,839
Change of assumptions	2,035,977
Changes in proportion and difference between employer contributions and proportionate share of contributions	129,987
Contributions subsequent to the measurement date of June 30, 2017	711,693
Total	$ 3,765,181

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," 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	2022
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)	-
2018	1,058,889	-	-	-	(264,722)	(264,722)	(264,722)	(264,722)
	$1,318,968	$ (167,750)	$ (56,731)	$ (65,020)	$ (329,742)	$ (161,992)	$ (273,011)	$ (264,722)
Amortization - 2018								$ 289,501
Unamortized Amount 2018								$1,029,467

Deferred Outflows of Resources

Original Deferral Year	Original Deferral Amount	2017	2018	2019	2020	2021	2022
2015	$ 928,924	$ (232,231)	$ (232,231)	$ (232,231)	$ (232,231)	$ -	$ -
2016	774,652	-	(193,663)	(193,663)	(193,663)	(193,663)	-
2017	2,008,037	-	-	(502,009)	(502,009)	(502,009)	(502,009)
	$3,711,613	$ (232,231)	$ (425,894)	$ (927,903)	$ (927,903)	$ (695,672)	$ (502,009)
Amortization - 2018							$ 658,125
Unamortized Amount 2018							$ 3,053,488

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, 2018, the Commission reported a payable of $61,349 (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 to the pension plan required at June 30, 2018.

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 $8,908 for the year ended June 30, 2018.

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information

Plan description. Employees of the Commission are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The Commission's contractually required contribution rate for the year ended June 30, 2018 was 4.70% of covered payroll. Contributions to the Insurance Fund from the Commission were $231,005 for the year ended June 30, 2018. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

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

At June 30, 2018, the Commission reported a liability of $3,789,495 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The Commission's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2017. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2017, the Commission's proportion was .188500%.

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED

For the year ended June 30, 2018, the Commission recognized OPEB expense of $431,827. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	$ -	$ 10,525
Investment experience	-	179,090
Change of assumptions	824,570	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	8,792
Contributions subsequent to the measurement date of June 30, 2017	231,005	-
Total	$ 1,055,575	$ 198,407

Of the total amount reported as deferred outflows of resources related to OPEB, $231,005 resulting from Commission contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Commission's OPEB expense as follows:

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30
2019	$ 107,738
2020	107,738
2021	107,738
2022	107,738
2023	152,510
Thereafter	42,701
	$ 626,163

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.30 percent
Salary increases	3.05%, average
Investment rate of return	6.25 percent, net of pension plan investment expense including inflation
Healthcare cost trend rates (Pre-65)	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set back 1 year for females).

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2008 through June 30, 2013.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. 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 (See chart below.). 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 assumptions are intended to be long-term assumptions and are 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.

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED

Asset Class	Long-term Expected Rate of Return	Target Allocation
U.S. equity	5.97%	17.50%
International equity	7.85%	17.50%
Global bonds	2.63%	4.00%
Global credit	3.63%	2.00%
High yield	5.75%	7.00%
Emerging market debt	5.50%	5.00%
Private credit	8.75%	10.00%
Real estate	7.63%	5.00%
Absolute return	5.63%	10.00%
Real return	6.13%	10.00%
Private equity	8.25%	10.00%
Cash	1.88%	2.00%
		100.00%

Discount rate. The discount rate used to measure the total OPEB liability was 5.84%. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017).

Sensitivity of the Commission's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the Commission's proportionate share of the collective net OPEB liability as well as what the Commission's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.84%) or 1 percentage point higher (6.84%) than the current discount rate:

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
Commission's Net OPEB Liability	$ 4,821,922	$ 3,789,495	$ 2,930,353

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

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Commission's Net OPEB Liability	$ 2,906,738	$ 3,789,495	$ 4,937,027

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED

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

Payables to the OPEB Plan. At June 30, 2018, the Commission reported a payable of $19,913 (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 to the OPEB plan required at the year ended June 30, 2018.

NOTE N – DUE TO OTHER GOVERNMENTAL UNITS

The amount due to other governmental units consists of incremental transient room taxes due to Louisville/Jefferson County Metro Government ("Metro Government") under the "Signature Project Program" as further described in Note Q.

NOTE O - 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 $416,226 for the year ended June 30, 2018.

At June 30, 2018, 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
2019	$ 427,722
2020	433,596
2021	433,596
2022	418,096
2023	422,746
2024-2027	443,199
Total	$ 2,578,955

Sublease income was $9,840 for the year ended June 30, 2018. The total amount of minimum rentals to be received in the future under non-cancellable subleases was $15,580 as of June 30, 2018.

The Commission is not obligated under any capital leases as of June 30, 2018.

NOTE P - 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 $56,241 at June 30, 2018. Accrued vacation is reported in the statement of net position under accrued expenses.

NOTE P – VACATION AND PTO (CONTINUED)

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 $157,725 at June 30, 2018. PTO is reported in the statement of net position under compensated absences.

NOTE Q - 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, Metro Government 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 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, Metro Government 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 Q – TRANSIENT ROOM TAX (CONTINUED)

KRS 154.30-050 established a “Signature Project Program” to encourage private investment in the development of major economic development projects that will have a significant impact on the Commonwealth and are determined to be of such a magnitude as to warrant extraordinary public support. The statute authorizes Metro Government to “release” and dedicate, to the payment of debt service on financing incurred to pay the costs of public infrastructure improvements for an eligible project, in addition to other state and local tax revenues, up to eighty percent (80%) of the incremental taxes generated within the project development area from the transient room taxes levied under KRS 91A.390, for a period of not more than thirty years or, if earlier, the date when the cumulative sum of the released taxes equals the total cost of the public infrastructure improvements approved by Metro Government. Metro Government has agreed to such a release of incremental transient room taxes, in the amount of not more than $400,000 in the first year and increased by 4% in each subsequent year (the “Annual Maximum”), generated within the defined geographic area of an economic development project in the Louisville central business district known as the “Center City Project”, located one city block from the Convention Center and consisting of the development of a convention hotel opened in Spring 2018, rental apartment units, retail stores and restaurants, a public parking garage, and related public infrastructure improvements. The amount of incremental transient room taxes released to finance public infrastructure costs of the Center City Project, up to the Annual Maximum, will not be available to pay any obligations of the Commission, including the Series 2016 Bonds. The Center City Project is projected to generate annual incremental transient room taxes within the development area exceeding the Annual Maximum. The release of incremental transient room taxes for the benefit of the Center City Project was activated in December 2017 and is expected to continue for a maximum term of thirty years thereafter or, if earlier, until the date when the cumulative sum of the released taxes equals the total cost of the public infrastructure improvements approved by Metro Government.

NOTE R - 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 $570,410 for the year ended June 30, 2018.

NOTE S - 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, 2018 was as follows:

	Balance 6/30/2017 (As Restated)	Additions	Reductions	Balance 6/30/2018	Due within one year
Bonds payable	$ 146,035,000	$ -	$ (2,855,000)	$ 143,180,000	$ 2,970,000
Bond issuance premium	6,425,468	-	(962,855)	5,462,613	899,321
Bond issuance discount	(1,262,549)	-	35,185	(1,227,364)	(36,304)
Bonds payable, net	151,197,919	-	(3,782,670)	147,415,249	3,833,017
Interest payable	427,755	-	(9,517)	418,238	418,238
Compensated absences	186,098	-	(28,373)	157,725	-
Net pension liability	9,161,861	1,871,624	-	11,033,485	-
Net OPEB liability	2,972,367	817,128	-	3,789,495	-
Deferred inflow - pension	35,598	1,058,889	(65,020)	1,029,467	(329,742)
Deferred inflow - OPEB	-	198,407	-	198,407	(49,602)
	$ 163,981,598	$ 3,946,048	$ (3,885,580)	$ 164,042,066	$ 3,871,911

NOTE T - 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 $16,766,763 restricted for debt service and $2,004,253 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 $16,566,763 restricted for debt service, $2,004,253 restricted for capital improvements at KICC, and $200,000 restricted for future payments to other governmental units. Committed fund balance represents amounts that can be used only for assisting in the renovation, redevelopment, improvement, and operation of attractions and for the minimum revenue guarantee to secure non-stop air service. 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 $4,345 of donor restricted funds and $112,820 of time restricted funds.

NOTE U - 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 V - 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, 2018. The Foundation recognized no revenues or expenses during the year ended June 30, 2018. Additional information regarding this blended component unit may be obtained through the Commission. As previously noted, the Foundation was dissolved subsequent to June 30, 2018.

NOTE W - 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 X - 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.

NOTE Y - RESTATEMENT OF BEGINNING NET POSITION RELATED TO FISCAL YEAR 2017

Beginning net position for fiscal year 2018 was restated upon adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* to record the beginning net OPEB liability. The net position as of June 30, 2016 was not restated as information was not available to allow the restatement of the 2017 financial statements since the OPEB plan did not measure the OPEB liability as of June 30, 2016. As such, the net position has only been restated as of June 30, 2017.

Statement of Net Position

Deferred Outflows of Resources, June 30, 2017, prior to restatement	$ 2,163,501
OPEB Liability and Deferred Outflow of Resources as of June 30, 2017	240,862
Deferred Outflows of Resources, June 30, 2017 (Restated)	$ 2,404,363
Long-term Liabilities, June 30, 2017, prior to restatement	$ 156,763,208
OPEB Liability and Deferred Outflow of Resources as of June 30, 2017	2,972,367
Long-term Liabilities, June 30, 2017 (Restated)	$ 159,735,575
Net Position (Deficit) - Governmental Activites, June 30, 2017, prior to restatement	$ (130,023,047)
OPEB Liability and Deferred Outflow of Resources as of June 30, 2017	(2,731,505)
Net Position (Deficit) - Governmental Activities, June 30, 2017 (Restated)	$ (132,754,552)

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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Transient room tax	$ 27,928,817	$ 27,928,817	$ 29,619,999	$ 1,691,182
Partnership dues	288,000	288,000	331,633	43,633
Advertising	256,000	256,000	280,877	24,877
Merchandise, net	106,874	106,874	91,107	(15,767)
Services and fees	161,494	161,494	172,717	11,223
Matching funds	575,000	575,000	570,410	(4,590)
Investment income	184,400	184,400	340,204	155,804
Other income	40,605	40,605	61,603	20,998
Total Revenues	29,541,190	29,541,190	31,468,550	1,927,360
EXPENDITURES				
Rent	416,100	416,100	416,226	126
Parking	72,600	72,600	66,178	(6,422)
Maintenance	66,580	66,580	60,095	(6,485)
Utilities	4,800	4,800	4,827	27
Telephone	83,060	83,060	85,118	2,058
Supplies	98,635	98,635	103,429	4,794
Postage	128,598	128,598	120,971	(7,627)
Data processing	80,217	80,217	81,493	1,276
Payroll, full-time	4,343,994	4,343,994	4,280,958	(63,036)
Payroll, part-time	321,076	321,076	289,444	(31,632)
Payroll taxes	383,085	383,085	368,447	(14,638)
Commissions and incentive pay	745,844	745,844	743,800	(2,044)
Pension plan	958,126	958,126	942,698	(15,428)
Employee relations	135,643	167,643	148,078	(19,565)
Employee benefits	386,872	414,372	399,508	(14,864)
Professional fees	94,800	154,800	214,017	59,217
Insurance	52,490	52,490	53,956	1,466
Dues and subscriptions	107,164	107,164	88,692	(18,472)
Printing	609,000	609,000	443,711	(165,289)
Advertising	2,035,000	2,035,000	2,028,855	(6,145)
Promotional items	608,130	608,130	577,566	(30,564)
Photography and video	94,000	94,000	90,506	(3,494)
Website marketing	324,750	324,750	288,291	(36,459)
Mass marketing	493,465	508,465	462,867	(45,598)
Client events and site visits	330,030	330,030	270,543	(59,487)
Travel and trade shows	1,238,656	1,238,656	1,123,709	(114,947)
Entertainment	153,390	153,390	189,860	36,470
Sponsorships and events	3,088,433	3,463,433	3,080,802	(382,631)
Capital expenditures	18,300	18,300	17,708	(592)
Research	286,825	286,825	259,642	(27,183)
Bond principal	2,855,000	2,855,000	2,855,000	-
Interest expense	5,133,063	5,133,063	5,133,063	-
Other bond fees	15,000	15,000	11,192	(3,808)
Total Expenditures	25,762,726	26,272,226	25,301,250	(970,976)
Excess of Revenues Over Expenditures	3,778,464	3,268,964	6,167,300	2,898,336
OTHER FINANCING SOURCES (USES)				
Loan to related party	125,000	125,000	125,000	-
Fund Balance, Beginning of Year	27,461,769	27,461,769	27,461,769	-
Fund Balance, End of Year	$ 31,365,233	$ 30,855,733	$ 33,754,069	$ 2,898,336

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, 2018

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%
2017	0.18850%	$ 11,033,485	$ 4,915,007	224.49%	53.30%

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, 2017.

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%
2018	$ 711,693	$ 711,693	$ -	$ 4,915,007	14.48%

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 and notes related to the net pension liability

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017 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	28 years
Asset valuation	5-year smoothed market
Inflation	3.25 percent
Salary increases	4.00%
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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended June 30, 2018

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

Year Ended June 30,	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Actual Covered Member Payroll	Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	0.18850%	$ 3,789,495	$ 4,915,007	77.10%	52.40%

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, 2017.

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
2018	$ 231,005	$ 231,005	$ -	$ 4,915,007	4.70%

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

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017 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	28 years
Asset valuation	5-7 years smoothed market
Inflation	3.25 percent
Salary increases	4.00%
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
Healthcare cost trends (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Healthcare cost trends (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

SUPPLEMENTARY INFORMATION

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

Year ended June 30, 2018

Fiscal Year Ended June 30,	2% Dedicated Tax	1% Additional Dedicated Tax	3% Operations Tax*	% Change from Preceding Year
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%
2018	7,951,842	3,975,921	11,927,763	8.3%

* Only one-half of the 3% Operations Tax (the “1.5% Pledged Operations Tax”) is pledged to the payment of the Series 2016 Bonds.

See independent auditor's report

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

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 the *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, 2018 and the related notes to the financial statements which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 31, 2018.

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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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.

MCM CPAs & Advisors LLP

Louisville, Kentucky
October 31, 2018