

**LOUISVILLE/JEFFERSON COUNTY METRO
REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON
COUNTY METRO GOVERNMENT**
Louisville, Kentucky

FINANCIAL STATEMENTS
June 30, 2020 and 2019

LOUISVILLE/JEFFERSON COUNTY METRO
REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON
COUNTY METRO GOVERNMENT
Louisville, Kentucky

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Commissioners
Louisville/Jefferson County Metro Revenue Commission
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Louisville/Jefferson County Metro Revenue Commission ("Metro Revenue Commission"), a component unit of Louisville/Jefferson County Metro Government ("Metro Government"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Metro Revenue 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 audits. We conducted our audits 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the Metro Revenue Commission as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Metro Revenue Commission and do not purport to, and do not, present fairly the financial position of the Metro Government as of June 30, 2020 and 2019 and the changes in financial position or where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro Revenue Commission's basic financial statements. The combining and individual fund financial statements on pages 24 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of the Metro Revenue 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 effectiveness of the Metro Revenue Commission's 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 Metro Revenue Commission's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Louisville, Kentucky
December 8, 2020

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

Management's Discussion and Analysis ("MD&A") of the Louisville/Jefferson County Metro Revenue Commission's ("Metro Revenue Commission") financial performance provides an overview of the financial reporting of the internal service fund activities and agency fund activities associated with collection of license fees, certain taxes, and other charges, and the Louisville Water Company dividend for the Louisville/Jefferson County Metro Government ("Metro Government"). These financial statements include all of the fund activities associated with the Metro Revenue Commission for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the Metro Revenue Commission's basic financial statements, which begin on page 9.

The Metro Revenue Commission is a blended component unit of the Metro Government. The Metro Revenue Commission's MD&A should be read in conjunction with the MD&A of the Metro Government. For a description of the Metro Revenue Commission activities and different fund types, see Note 1 to the notes to financial statements which begins on page 13.

Using this Annual Report

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows for the proprietary/internal service fund (on pages 9 - 11) provide information about the operations of the Metro Revenue Commission. These statements include all assets, liabilities, revenues and expenses of the Metro Revenue Commission using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Metro Revenue Commission's MD&A only reports on the proprietary/internal service fund as this fund accounts for the Metro Revenue Commission's operations.

The Combining and Individual Statements of Fiduciary Net Position are presented because the Metro Revenue Commission is financially accountable for those resources although they belong to the fiduciaries of the Metro Revenue Commission.

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

Statements of Net Position

Figure 1 – Statements of Net Position

	June 30		
	2020	2019	2018
Assets			
Current Assets			
Cash and cash equivalents, restricted	\$ 69,370,245	\$ 92,888,474	\$ 71,225,848
Capital Assets , net of accumulated depreciation	<u>5,110,556</u>	<u>6,867,469</u>	<u>6,483,808</u>
Total Assets	<u>\$ 74,480,801</u>	<u>\$ 99,755,943</u>	<u>\$ 77,709,656</u>
Liabilities			
Current Liabilities			
Refunds payable	\$ 162,009	\$ 226,531	\$ 19,445
Accounts payable and accrued expenses	2,706,988	2,200,101	2,132,246
Due to other funds	<u>60,997,564</u>	<u>78,778,727</u>	<u>61,335,013</u>
Total Liabilities	<u>63,866,561</u>	<u>81,205,359</u>	<u>63,486,704</u>
Deferred Inflows of Resources			
Deferred tax credit receipts	<u>5,693,190</u>	<u>11,898,339</u>	<u>7,963,559</u>
Total Deferred Inflows of Resources	<u>5,693,190</u>	<u>11,898,339</u>	<u>7,963,559</u>
Net Position			
Net investment in capital assets	5,110,556	6,867,469	6,483,808
Unrestricted (deficit)	<u>(189,506)</u>	<u>(215,224)</u>	<u>(224,415)</u>
Total Net Position	<u>4,921,050</u>	<u>6,652,245</u>	<u>6,259,393</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 74,480,801</u>	<u>\$ 99,755,943</u>	<u>\$ 77,709,656</u>

2020 Compared to 2019

Total assets of the Metro Revenue Commission decreased 25.3%, from 99,755,943 at June 30, 2019 to \$74,480,801 at June 30, 2020. This decrease was mainly attributed to a decrease in cash collection for the 4th quarter of the fiscal year. The decrease in collection during the 4th quarter of fiscal year 2020 was largely attributable to the movement of the calendar year 2020 filing deadline for Net Profit tax returns from 4/15/2020 to 7/15/2020. This movement coincided with the federal filing deadline change. Transient Room Tax collections were notably affected by travel restrictions/reductions associated with the Coronavirus global pandemic. Total liabilities decreased 21.4%, from \$81,205,359 at June 30, 2019 to \$63,866,561 at June 30, 2020. A decrease of funds due to others associated with the decrease of collections for the 4th quarter of the fiscal year accounts for \$17,781,163 of this decrease. Deferred inflows of resources

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

decreased 52.2% from \$11,898,339 at June 30, 2019 to \$5,693,190 at June 30, 2020. This decrease was attributable to taxpayers requesting that deferred funds either be applied to current liabilities or refunded.

The net position of the Metro Revenue Commission decreased from \$6,652,245 at June 30, 2019 to \$4,921,050 at June 30, 2020. The decrease was associated with the annual depreciation of fixed assets held by the Metro Revenue Commission.

2019 Compared to 2018

Total assets of the Metro Revenue Commission increased 28.4%, from \$77,709,656 at June 30, 2018 to \$99,755,943 at June 30, 2019. This increase was mainly attributed to an increase in cash collection for the 12th period of the fiscal year, as well as recording additions to capital assets during the year, associated with the Metro Revenue Commission's new tax system, MINT\$. Total liabilities increased 27.9%, from \$63,486,704 at June 30, 2018 to \$81,205,359 at June 30, 2019. An increase of funds due to others associated with the increase of collections for the 12th period of the fiscal year accounts for \$17,443,714 of this increase. Deferred inflows of resources increased 49.4% from \$7,963,559 at June 30, 2018 to \$11,898,339 at June 30, 2019. This increase was attributable to increased efficiency in processing returns associated with the new tax system.

The net position of the Metro Revenue Commission increased from \$6,259,393 at June 30, 2018 to \$6,652,245 at June 30, 2019. The increase was partially due to the purchase of the remaining portion of the new tax system transferred to the Louisville Metro Revenue Commission from Metro Government.

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2020 and 2019

Statements of Revenues, Expenses and Changes in Net Position

Figure 2 – Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30		
	2020	2019	2018
Operating Revenues			
Collection, investment and other fees	\$ 5,095,169	\$ 5,360,929	\$ 5,067,841
Operating Expenses			
Salaries and employee benefits	3,838,069	3,975,931	3,920,959
Building and office expense	109,604	112,037	120,555
Professional services	259,948	358,078	505,153
Bank Service Fees	306,811	395,061	-
Postage	168,007	149,677	230,897
Forms and printing	17,377	23,194	27,007
Equipment maintenance and repair	-	360	2,018
Equipment purchases	66,707	125,819	45,865
Software licenses	224,778	163,389	262,970
Supplies	13,190	2,753	6,342
Telephone	3,565	7,294	4,670
Court fees and costs	57,450	32,323	1,616
Depreciation	1,756,913	1,766,339	180,889
Travel	3,945	5,822	3,563
Miscellaneous	-	-	747
Total Operating Expenses	<u>6,826,364</u>	<u>7,118,077</u>	<u>5,313,251</u>
Operating loss	(1,731,195)	(1,757,148)	(245,410)
Operating Transfer In	-	2,150,000	6,036,311
Change in Net Position	(1,731,195)	392,852	5,790,901
Net Position, Beginning of Year	<u>6,652,245</u>	<u>6,259,393</u>	<u>468,492</u>
Net Position, End of Year	<u>\$ 4,921,050</u>	<u>\$ 6,652,245</u>	<u>\$ 6,259,393</u>

2020 Compared to 2019

Total operating revenues of the Metro Revenue Commission decreased 5.0% from \$5,360,929 for fiscal year 2019 to \$5,095,169 for fiscal year 2020. Operating revenues are generated from collection fees charged to our fiduciary agency funds. Collection fees are assessed at 1.35% of tax collections for all fiduciaries except Transient Room Tax Accounts, which are assessed at 1.25% collection fee and a 10% investment income fee. Over time, any surplus operating revenue is returned to the Metro Government's General Fund.

Total expenses decreased 41% from \$7,118,077 in fiscal year 2019 to \$6,826,364 in fiscal year 2020. This decrease was due mainly to decreases in salaries and employee benefits, \$137,862; professional services, \$98,130; and Bank Service Fees, \$88,250.

The total change in net position was a decrease of \$1,731,195 for fiscal year 2020 as compared to an increase of \$392,852 for fiscal year 2019.

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

2019 Compared to 2018

Total operating revenues of the Metro Revenue Commission increased 5.8% from \$5,067,841 for fiscal year 2018 to \$5,360,929 for fiscal year 2019. Operating revenues are generated from collection fees charged to our fiduciary agency funds. Collection fees are assessed at 1.35% of tax collections for all fiduciaries except Transient Room Tax Accounts, which are assessed at 1.25% collection fee and a 10% investment income fee. Over time, any surplus operating revenue is returned to the Metro Government's General Fund.

Total expenses increased from \$5,313,251 in fiscal year 2018 to \$7,118,077 in fiscal year 2019. This increase was due mainly to an increase in depreciation expense of \$1,766,339.

The total change in net position was a decrease of \$1,757,148 for fiscal year 2019 as compared to a decrease of \$245,410 for fiscal year 2018.

Agency Fund Activity Highlights Include (see page 28)

- (1) Total withholding taxes increased 2.17% from 468,181,506 in fiscal year 2019 to \$478,342,258 for fiscal year 2020.
- (2) Total net profit taxes decreased 34.18% from \$118,576,590 in fiscal year 2019 to \$78,044,479 for fiscal year 2020.
- (3) Insurance premium taxes experienced an increase of 2.38% from \$64,238,545 in fiscal year 2019 to \$65,767,095 for fiscal year 2020.
- (4) Transient room taxes decreased 18.57% from \$38,765,124 in fiscal year 2019 to \$31,565,842 for fiscal year 2020.
- (5) Interest and Penalties decreased 4.19% from \$6,708,844 in fiscal year 2019 to \$6,428,011 for fiscal year 2020.

Capital Assets and Debt Administration

The Metro Government did not transfer any capital fixed assets to the Metro Revenue Commission for fiscal year 2020. Metro Revenue Commission did not purchase any capital assets during fiscal year 2020. There were no assets disposed of during fiscal year 2020. See Note 3 for more information on capital assets.

The Metro Revenue Commission does not have any long-term debt.

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020 and 2019

Economic Factors

- (1) The Louisville economy experienced a marked decline in employment and wages during the Spring of 2020 at the onset of the pandemic. The decline in employment and wages steadied thereafter and is not anticipated to begin growing again until later in 2021 after the widespread distribution of effective therapeutics and vaccines.
- (2) Local economic development efforts continue to attract some new job growth and residential building has remained strong despite the onset of the pandemic.
- (3) Insurance premium tax collections are likely to remain flat in the short term.
- (4) Transient room tax collections experienced a dramatic decline with the onset of the pandemic and will likely remain depressed well into 2021 until after widespread successful distribution of effective vaccines for the virus.

Contacting the Metro Revenue Commission's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, creditors and elected public officials with a general overview of the Metro Revenue Commission's finances and to show the Metro Revenue Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Metro Revenue Commission at:

Louisville Metro Revenue Commission
617 West Jefferson Street
Louisville, Kentucky 40202

INTERNAL SERVICE FUND

Internal Service funds are a type of proprietary fund used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

The Internal Service Fund is used to account for the financial activities related to Metro Revenue Commission's administrative role of supporting Metro Government.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF NET POSITION – PROPRIETARY FUND/INTERNAL SERVICE FUND
June 30, 2020 and 2019

	June 30	
	2020	2019
Assets		
Current Assets		
Cash and cash equivalents, restricted	\$ 69,370,245	\$ 92,888,474
Capital Assets , net of accumulated depreciation	5,110,556	6,867,469
Total Assets	\$ 74,480,801	\$ 99,755,943
Liabilities		
Current Liabilities		
Refunds payable	\$ 162,009	\$ 226,531
Accounts payable and accrued expenses	2,704,633	2,199,859
Accounts payable to related parties, Louisville Metro Government	2,355	242
Due to other funds	60,997,564	78,778,727
Total Liabilities	63,866,561	81,205,359
Deferred Inflows of Resources		
Deferred tax credit receipts	5,693,190	11,898,339
Total Deferred Inflows of Resources	5,693,190	11,898,339
Net Position		
Net investment in capital assets	5,110,556	6,867,469
Unrestricted (deficit)	(189,506)	(215,224)
Total Net Position	4,921,050	6,652,245
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 74,480,801	\$ 99,755,943

See accompanying notes to financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION – PROPRIETARY FUND/INTERNAL SERVICE FUND
 Years ended June 30, 2020 and 2019

	Year Ended June 30	
	2020	2019
Operating Revenues		
Collection, investment and other fees	\$ 5,095,169	\$ 5,360,929
Operating Expenses		
Salaries	2,640,301	2,739,152
Employee benefits:		
Health and life insurance	384,555	433,576
Pension	597,964	574,509
Payroll taxes	215,249	228,694
Building and office expense	109,604	112,037
Professional services	259,948	358,078
Bank Service Fees	306,811	395,061
Postage	168,007	149,677
Forms and printing	17,377	23,194
Equipment maintenance and repair	-	360
Equipment purchases	66,707	125,819
Software licenses	224,778	163,389
Supplies	13,190	2,753
Telephone	3,565	7,294
Court fees and costs	57,450	32,323
Depreciation	1,756,913	1,766,339
Travel	3,945	5,822
Miscellaneous	-	-
Total Operating Expenses	6,826,364	7,118,077
Operating Loss	(1,731,195)	(1,757,148)
Operating Transfer In	-	<u>2,150,000</u>
Change in Net Position	(1,731,195)	392,852
Net Position, Beginning of Year	<u>6,652,245</u>	<u>6,259,393</u>
Net Position, End of Year	<u>\$ 4,921,050</u>	<u>\$ 6,652,245</u>

See accompanying notes to financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF CASH FLOWS – PROPRIETARY FUND/INTERNAL SERVICE FUND
Years ended June 30, 2020 and 2019

	Year Ended June 30	
	2020	2019
Cash Flows From Operating Activities		
Cash received from collection, investment, and other fees	\$ 5,095,169	\$ 5,360,929
Cash paid to employees	(3,838,069)	(3,975,931)
Cash paid to suppliers	(1,231,378)	(1,375,807)
Net (decrease) increase in cash collected for others	<u>(23,543,951)</u>	<u>21,653,435</u>
Net Cash Provided By Operating Activities	<u>(23,518,229)</u>	<u>21,662,626</u>
Net (decrease) increase in cash and cash equivalents	(23,518,229)	21,662,626
Cash and Cash Equivalents, Beginning of Year	<u>92,888,474</u>	<u>71,225,848</u>
Cash and Cash Equivalents, End of Year	<u>\$ 69,370,245</u>	<u>\$ 92,888,474</u>
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities		
Operating loss	\$ (1,731,195)	\$ (1,757,148)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	1,756,913	1,766,339
Increase/(decrease) in assets and liabilities		
Refunds payable	(64,522)	207,087
Deferred inflows of resources	(6,205,149)	3,934,780
Accounts payable and accrued expenses	505,328	70,396
Accounts payable to related parties	1,563	(2,542)
Due to/from other funds	<u>(17,781,167)</u>	<u>17,443,714</u>
Net Cash Provided By Operating Activities	<u>\$ (23,518,229)</u>	<u>\$ 21,662,626</u>
Non-Cash Capital Activity		
Transfer of capital assets from Metro Government	\$ -	\$ 2,150,000

See accompanying notes to financial statements.

AGENCY FUNDS

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Louisville Metro Agency Funds account for the various duties of the Metro Revenue Commission as set forth in Louisville Metro Government Code of Ordinances Section 32.110.

The School Boards Agency Fund and Mass Transit Trust Agency Fund are used to account for the collection and dispersal of occupational license fees for local government units.

The Transient Room Tax Agency Fund collects the transient room tax for the Greater Louisville Convention and Visitors Bureau and their related debt service, and the Kentucky Center for the Arts.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF FIDUCIARY NET POSITION – AGENCY FUNDS
June 30, 2020 and 2019

	June 30	
	2020	2019
Assets		
Due from Enterprise Fund	\$ 60,997,564	\$ 78,778,727
Total Assets	<u>\$ 60,997,564</u>	<u>\$ 78,778,727</u>
Liabilities		
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ -	\$ 140,760
Payable to Louisville/Jefferson County Metro Government:		
Louisville Metro Agency Fund	42,201,635	49,572,590
Mass Transit Trust Agency Fund	4,780,669	6,000,627
Transient Room Tax Agency Fund	459,686	4,300,129
Payable to School Boards Agency Fund	<u>13,555,574</u>	<u>18,764,621</u>
Total Liabilities	<u>\$ 60,997,564</u>	<u>\$ 78,778,727</u>

See accompanying notes to financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisville/Jefferson County Metro Revenue Commission (the “Metro Revenue Commission”) was established by an Act of the Legislature of the Commonwealth of Kentucky in 1851. It operates as a component unit of the Louisville/Jefferson County Metro Government (“Metro Government”).

Reporting Entity: The Metro Revenue Commission’s financial statements include all funds and accounts of its operations. The Metro Revenue Commission is financially dependent upon the Metro Government. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Metro Government’s General Fund. The Commissioners consist of the Mayor of the Metro Government, the Superintendent of the Jefferson County Public School System, the President of the Louisville Metro Council, and three citizen members appointed by the Mayor and approved by the Louisville Metro Council. The budget of the Metro Revenue Commission is formally approved by the Louisville Metro Council. The existence and operations of the Metro Revenue Commission are governed by the Metro Government Ordinances.

The primary functions of the Metro Revenue Commission include: (1) the collection of license fees, certain taxes, and other charges, and the Louisville Water Company dividend for the Metro Government; (2) collection and remittance of monies to paying agents for payments of the debt service requirements of the general obligation bonds of the Metro Government; (3) payment of the Metro Revenue Commission’s administrative cost to carry out its duties; and (4) any excess monies of the Metro Revenue Commission is transferred to the Metro Government’s General Fund. In addition to these duties, the Metro Revenue Commission acts as a collecting agent of certain license fees and taxes for other local governmental units.

Basis of Presentation: The financial statements of the Metro Revenue Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounts of the Metro Revenue Commission are organized on the basis of funds, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows, net position, revenues, and expenses.

Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities. The Metro Revenue Commission uses the following generic fund types in its activities:

Proprietary Fund Type:

Internal Service Fund: The Internal Service Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission’s operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. The principal operating revenues of the Internal Service Fund are collection, investment, and other fees. Operating expenses include salaries and related taxes and benefits, postage, professional services, depreciation, and other costs of conducting collection activities. All revenues and expenses not meeting this definition are reported as non-operating items.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As noted above, the Metro Revenue Commission is a component unit of Metro Government. As such, its financial statements are included within the financial statements of Metro Government. Because Metro Government is the predominant participant in the activities of the Metro Revenue Commission, their financial statements reflect the Metro Revenue Commission as a blended component unit, governmental type activity and Internal Service Fund.

Fiduciary Fund Types: Agency Funds have been established to account for monies collected on behalf of other governmental entities.

Louisville Metro Agency Funds: The Louisville Metro Agency Funds account for the various duties of the Metro Revenue Commission. The following is a description of each of the Louisville Metro Agency Funds:

Tax Collections and Other Receipts Agency Fund: This Fund is used to account for collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, other special taxes, truck license fees interest and penalties, and interest earned on investments. These collections are then remitted monthly to the Metro Government, net of operating expenses paid by the Metro Revenue Commission and the current year debt service requirements on the Metro Government's general obligation bonds. Funds required to cover operating expenses are retained by the Internal Service Fund.

Louisville Water Company Agency Fund: The Metro Revenue Commission collects dividends on the stock of the Louisville Water Company. Dividends collected by the Metro Revenue Commission are then remitted to the Metro Government. The collection and subsequent remittance of these dividends are reflected in this Agency Fund.

Current Debt Requirement Agency Fund: The Current Debt Requirement Agency Fund is used to accumulate funds from the Metro Government's tax collections to pay the annual bond principal and interest requirements on the Metro Government's general obligation bonds. Bond principal and interest payments were \$45,623,055 and \$15,165,226, respectively, for the year ended June 30, 2020, and \$40,521,751 and \$14,722,378, respectively, for the year ended June 30, 2019. The total amount of general obligation bonds is reported by the Metro Government in its financial statements.

As previously noted, the financial statements of the Metro Revenue Commission are also included within the financial statements of Metro Government. For financial reporting purposes, Metro Government will reflect the Louisville Metro Agency Funds referred to above as amounts due to its General Fund.

School Boards Agency Fund: The Metro Revenue Commission collects the occupational license fees and net profit license fees for the Jefferson County Board of Education and the Anchorage Independent School District in the School Boards Agency Fund.

A collection fee of 1.35% of collections is charged by the Metro Revenue Commission. Remittances to the governmental units of the prior month's collections are made on the day following the Commissioners' regular monthly meeting.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mass Transit Trust Agency Fund: The Metro Revenue Commission collects the occupational license fees and net profit license fees for the Transit Authority of the River City in the Mass Transit Trust Agency Fund.

A collection fee of 1.35% of collections is charged by the Metro Revenue Commission. Remittances to the governmental unit of the prior month's collections are made on the day following the Commissioners' regular monthly meeting.

Transient Room Tax Agency Fund: The Metro Revenue Commission collects the transient room tax for the Greater Louisville Convention and Visitors Bureau and the Kentucky Center for the Arts, and accounts for proceeds in the Transient Room Tax Agency Fund.

A collection fee of 1.25% of collections and 10% of investment income fees are charged by the Metro Revenue Commission. On the day following the regular monthly Commissioners' meeting, remittance is made to the Metro Government, which then disburses the tax collected to the Greater Louisville Convention and Visitors Bureau and the Kentucky Center for the Arts.

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by the Proprietary Fund. With this measurement focus, all assets, all liabilities and deferred inflows and outflows associated with the operation of these funds are included on the statements of net position. The Proprietary Fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Collection fee revenue in the Internal Service Fund is recognized when the tax collection is earned for a governmental unit. Expenses in the Internal Service Fund are recognized when the liability is incurred.

The Metro Revenue Commission reports refunds payable and deferred tax credit receipts on its statement of net position. The Metro Revenue Commission collects taxes on certain types of income with which the taxpayers disagree and for which the taxpayers have filed claims for refunds. The Metro Revenue Commission records such amounts as refunds payable and deferred tax credit receipts to preclude charging the various agencies a collection fee and to preclude premature distribution of the tax receipts to the respective governmental units until the disputes are resolved.

Agency Funds are custodial in nature and do not involve measurement of the results of operations.

Implementation of Accounting Standards: The Metro Revenue Commission adopted the following accounting standards during the year:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, issued April 2018

Adoption of these statements did not have a significant impact on the Metro Revenue Commission's financial position or results of operations.

Budget and Budgetary Accounting: By ordinance, the Metro Revenue Commission's appropriations come from the Louisville Metro Government's tax collections in an amount sufficient to meet all of its administrative expenses. Appropriations lapse at the end of the year. The Metro Revenue Commission's budget is first approved by the Commissioners, and then submitted for approval by the Louisville Metro

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Council as part of the Metro Government's budget. The budget, which may be amended during the year, is adopted on a basis consistent with GAAP.

Interfund Transactions: All collections are received in the Internal Service Fund and recorded as a liability to the appropriate agency funds. All disbursements of collections to the various governmental units are made from the Internal Service Fund and recorded in the various agency funds through the interfund accounts.

Capital Assets: Capital assets are recorded at cost. Purchases of furniture, fixtures, equipment and software are capitalized if the value is \$5,000 or greater. Repairs and maintenance are recorded as expenses. Depreciation has been calculated on each class of depreciable property using the straight-line method, with depreciation beginning in the month the asset is acquired/placed in service in the year of acquisition. The estimated useful lives are five years for equipment and software, and ten years for furniture and fixtures.

Compensated Absences: Vested and accumulated vacation leave for employees of the Internal Service Fund is recorded as an expense and a liability as the benefits accrue to employees. Vacation pay may be accumulated up to 60 days.

Earned vacation pay, up to a maximum of 40 days, is payable upon termination of employment. Unpaid vacation earned at June 30, 2020 and 2019 was \$189,502 and \$215,225, respectively, including applicable FICA and Medicare taxes.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Sick leave, which has no maximum accumulation, is charged to expense when paid. Unpaid sick leave earned at June 30, 2020 and 2019 was \$467,960 and \$579,278, respectively, including applicable FICA and Medicare taxes.

Statement of Cash Flows: For purposes of the statement of cash flows, cash and cash equivalents include amounts in demand deposits as well as various short-term investments. The Metro Revenue Commission considers all highly liquid instruments purchased with maturity of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, net position, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Events: In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. Coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In response, governments and businesses worldwide have restricted access to public facing institutions, those deemed non-essential. These closures have led to significant, adverse changes in macroeconomic conditions – constraints on supply chain, sourcing of inputs and workforce availability. The extent to which the coronavirus impacts results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact; among others.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – DEPOSITS AND INVESTMENTS

The bank balances at June 30, 2020 and 2019, including cash with paying agents, were \$72,370,600 and \$94,241,120, respectively. The difference between the bank balances and the cash balances as reported on the Statements of Net Position is due to deposits in transit and outstanding checks. Of this amount, \$250,000 was covered by federal depository insurance at June 30, 2020 and 2019. All bank balances were collateralized by the bank holding securities in the Metro Revenue Commission's name.

All cash and cash equivalents are classified as restricted on the Statement of Net Position as they are reserved for the distribution of taxes collected on behalf of other agencies, bond debt service, and payment of operating expenses.

Interest income is remitted to the Metro Government and to the various governmental units in accordance with an agreed-upon allocation formula. An investment fee of 10% of investment income is charged to the Transient Room Tax Agency Fund.

Custodial Credit Risk: Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Metro Revenue Commission may not be able to recover the value of its assets held by such financial institution. The Metro Revenue Commission's investment policy states that all cash maintained in any financial institution be collateralized by certain types of investments. With the express approval of the Commissioners, the Metro Revenue Commission may invest up to 10% of its investment portfolio in uninsured certificates of deposit at authorized financial institutions.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. Metro Revenue Commission's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the "prudent person rule" outlined in the Metro Revenue Commission's investment policy. The policy states that "investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived." The investment policy does not address diversification of the investment portfolio but does provide the following guidelines on the types of investments that can be made.

In accordance with its investment policy, the Metro Revenue Commission is permitted to invest in the following:

- (1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- (2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States government.
- (3) Obligations of any corporation of the United States government.
- (4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured.
- (5) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

- (6) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
- (7) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 – CAPITAL ASSETS

An analysis of capital assets at June 30, 2020 follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2020</u>
Equipment and software	\$ 12,120,869	\$ -	\$ -	\$ 12,120,869
Accumulated depreciation	<u>(5,286,606)</u>	<u>(1,752,486)</u>	<u>-</u>	<u>(7,039,092)</u>
Net equipment and software	6,834,263	(1,752,486)	-	5,081,777
Furniture and fixtures	129,554	-	-	129,554
Accumulated depreciation	<u>(96,348)</u>	<u>(4,427)</u>	<u>-</u>	<u>(100,775)</u>
Net furniture and fixtures	<u>33,206</u>	<u>(4,427)</u>	<u>-</u>	<u>28,779</u>
Capital assets, net of accumulated depreciation	<u>\$ 6,867,469</u>	<u>\$(1,756,913)</u>	<u>\$ -</u>	<u>\$ 5,110,556</u>

An analysis of capital assets at June 30, 2019 follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2019</u>
Equipment and software	\$ 9,970,869	\$ 2,150,000	\$ -	\$ 12,120,869
Accumulated depreciation	<u>(3,524,694)</u>	<u>(1,761,912)</u>	<u>-</u>	<u>(5,286,606)</u>
Net equipment and software	6,446,175	388,088	-	6,834,263
Furniture and fixtures	129,554	-	-	129,554
Accumulated depreciation	<u>(91,921)</u>	<u>(4,427)</u>	<u>-</u>	<u>(96,348)</u>
Net furniture and fixtures	<u>37,633</u>	<u>(4,427)</u>	<u>-</u>	<u>33,206</u>
Capital assets, net of accumulated depreciation	<u>\$ 6,483,808</u>	<u>\$ 383,660</u>	<u>\$ -</u>	<u>\$ 6,867,469</u>

The Metro Government transferred \$2,150,000 in capital fixed assets to the Metro Revenue Commission in fiscal year 2019, for assets purchased for the implementation of a new tax collection system. The new tax collection system was implemented in July 2018.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4 – RISK MANAGEMENT

The Metro Revenue Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Insurance and Risk Management Fund (“Risk Fund”), a Metro Government internal service fund, was established in 1976 to consolidate all of the Metro Government’s insurance or self-insurance under a comprehensive risk management program. This program currently includes all Metro Government agencies. There were no settlements related to Metro Revenue Commission that exceeded insurance coverage limits in the last three years. The Risk Fund for fiscal year 2020 and 2019 consists of a comprehensive self-insurance program relating to the following:

- (1) Automobile Liability: Self-insured up to \$500,000 per occurrence. Excess coverage is purchased through the Louisville Area Governmental Self-Insurance Trust (“LAGIT”).
- (2) Worker’s Compensation (covering all employees): Self-insured up to \$1,000,000 per occurrence in addition to a \$1,000,000 deductible. Excess coverage is purchased above these retained levels.
- (3) Unemployment Compensation: Completely self-insured.
- (4) Group Health Coverage: Various programs are available as an option to all full-time employees.
- (5) General Liability: Various general liability exposures self-insured up to \$500,000 per occurrence. Employer’s liability has a \$1,500,000 per occurrence deductible (\$1,000,000 limit of liability above a \$500,000 self-insured retention is provided by an underlying commercial excess insurance policy). Excess coverage is purchased through LAGIT.
- (6) Automobile Physical Damage: Self-insured up to \$100,000 per occurrence. Excess coverage is purchased for catastrophic losses.
- (7) Real and Business Personal Property: Self-insured up to \$250,000 per occurrence, except for Flood Zone A which shall have a deductible of \$250,000 in addition to the amount of coverage available under the National Flood Insurance Program, whether purchased or not. Excess coverage is purchased on a blanket limit basis for all Metro properties through Louisville Area Governmental General Insurance Trust (“LAGGIT”), a property insurance trust.
- (8) Cyber Property and Liability Coverage: Self-insured up to \$500,000 per occurrence for Third Party Liability Coverages and Data Breach Crisis Management. Liability Coverages for establishing and operating a Call-In Center and/or to voluntarily notify affected individuals and \$250,000 per occurrence for First Party Network Business Interruption and Extra Expenses property coverages and First Party Data Breach Crisis Management property coverages to replace, recreate, restore or repair damaged programs, software or electronic data. Excess coverage is purchased through LAGIT.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – INTERFUND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2020 are as follows:

	Interfund Receivable	Interfund Payable
Internal Service Fund	\$ -	\$ 60,997,564
Total	\$ -	\$ 60,997,564
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ -	\$ -
Tax Collections and Other Receipts Agency Fund	42,201,635	-
Mass Transit Trust Agency Fund	4,780,669	-
Transient Room Tax Agency Fund	459,686	-
School Boards Agency Fund	13,555,574	-
Total	\$ 60,997,564	\$ 60,997,564

Interfund receivable and payable balances at June 30, 2019 were as follows:

	Interfund Receivable	Interfund Payable
Internal Service Fund	\$ -	\$ 78,778,727
Total	\$ -	\$ 78,778,727
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 140,760	\$ -
Tax Collections and Other Receipts Agency Fund	49,572,590	-
Mass Transit Trust Agency Fund	6,000,627	-
Transient Room Tax Agency Fund	4,300,129	-
School Boards Agency Fund	18,764,621	-
Total	\$ 78,778,727	\$ 78,778,727

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – RELATED PARTY TRANSACTIONS

Although the Metro Revenue Commission operates as an independent agency and provides services to several affiliated governmental units including the Metro Government, the Jefferson County School Board, and others, it draws its authority to operate from the Metro Government Code of Ordinances. Over time, any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Metro Government General Fund.

Metro Government is the employer of people performing Metro Revenue Commission activities. In addition to employee salary compensation, Metro Government also provides the following benefits to all employees, including those who perform activities for the Metro Revenue Commission.

Employee Retirement Systems: All eligible full-time employees, as Metro Government employees, participate in the County Employees' Retirement System ("CERS"), a cost-sharing, multi-employer state-wide defined benefit pension plan administered by the Kentucky Retirement System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members.

For the fiscal years ended June 30, 2020 and 2019, participating employers contributed 39.58% and 35.34%, respectively, of each Hazardous employee's creditable compensation for pension and 24.06% and 21.48%, respectively, of each Non-Hazardous employee's creditable compensation for insurance. Administrative costs of KRS are financed through employer contributions and investments earnings.

Metro Revenue Commission reimbursements to Metro Government for the year ended June 30, 2020 were \$716,224, comprised of \$597,964 from employer contributions and \$118,260 from employees. Amounts for the year ended June 30, 2019 were \$704,156, comprised of \$574,509 from employer contributions and \$129,647 from employees. The above contributions were equal to the annual required contributions for each year and remitted by Metro Government.

Post-Employment Health Care Benefits: Retired employees may receive some health care benefits from CERS at no additional cost. CERS provides group rates on medical insurance and health maintenance organization ("HMO") coverage for Metro Revenue Commission retirees. In addition, a retiree may pay the cost to obtain coverage for a spouse and dependent children at the same group rates. Participation in the medical insurance/HMO program is optional. Depending on years of service, the amount paid for a retiree by the System is based on the amount of a single coverage premium in the state contract, with the retiree paying any additional cost of coverage.

Deferred Compensation: Employees are offered the opportunity to participate in the Metro Government deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Because Metro Revenue Commission performs an internal service fund and agency fund function for the primary government utilizing Metro government employees, all pension and other post-employment benefits activity is accounted for and recorded at the primary government level.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

Metro Government also provides professional services to the Metro Revenue Commission. During the years ended June 30, 2020 and 2019, these professional services expenses totaled \$33,500 and \$23,300, respectively. The Statement of Net Position - Proprietary Fund/Internal Service Fund reflects a \$2,355 and \$242 payable at June 30, 2020 and 2019, respectively, for professional services incurred by the Metro Revenue Commission for services received from Metro Government.

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS**

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET POSITION – ALL AGENCY FUNDS
 June 30, 2020

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
Assets					
Due from Internal Service Fund	\$ 42,201,635	\$ 13,555,574	\$ 4,780,669	\$ 459,686	\$ 60,997,564
Total Assets	<u>\$ 42,201,635</u>	<u>\$ 13,555,574</u>	<u>\$ 4,780,669</u>	<u>\$ 459,686</u>	<u>\$ 60,997,564</u>
Liabilities					
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Payable to Louisville/Jefferson County Metro Government:					
Louisville Metro Agency Funds	42,201,635	-	-	-	42,201,635
Mass Transit Trust Agency Fund	-	-	4,780,669	-	4,780,669
Transient Room Tax Agency Fund	-	-	-	459,686	459,686
Payable to School Boards Agency Fund	-	13,555,574	-	-	13,555,574
Total Liabilities	<u>\$ 42,201,635</u>	<u>\$ 13,555,574</u>	<u>\$ 4,780,669</u>	<u>\$ 459,686</u>	<u>\$ 60,997,564</u>

See Independent Auditor's Report.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<u>Louisville Metro Agency Funds</u>				
Assets				
Cash with paying agent	\$ -	\$ 61,290,024	\$ 61,290,024	\$ -
Due from Enterprise Fund	<u>49,713,350</u>	<u>380,026,983</u>	<u>387,538,698</u>	<u>42,201,635</u>
Total Assets	<u>\$ 49,713,350</u>	<u>\$ 441,317,007</u>	<u>\$ 448,828,722</u>	<u>\$ 42,201,635</u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 61,290,024	\$ 61,430,784	\$ -
License fee collections payable: Louisville Metro Agency Funds	<u>49,572,590</u>	<u>380,026,983</u>	<u>387,397,938</u>	<u>42,201,635</u>
Total Liabilities	<u>\$ 49,713,350</u>	<u>\$ 441,317,007</u>	<u>\$ 448,828,722</u>	<u>\$ 42,201,635</u>
<u>School Boards Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 18,764,621</u>	<u>\$ 154,246,940</u>	<u>\$ 159,455,987</u>	<u>\$ 13,555,574</u>
Liabilities				
License fee collections payable to School Boards Agency Fund	<u>\$ 18,764,621</u>	<u>\$ 154,246,940</u>	<u>\$ 159,455,987</u>	<u>\$ 13,555,574</u>

See Independent Auditor's Report.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
<u>Mass Transit Trust</u>				
<u>Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 6,000,627</u>	<u>\$ 57,116,063</u>	<u>\$ 58,336,021</u>	<u>\$ 4,780,669</u>
Liabilities				
License fee collections payable to Mass Transit Trust Agency Fund	<u>\$ 6,000,627</u>	<u>\$ 57,116,063</u>	<u>\$ 58,336,021</u>	<u>\$ 4,780,669</u>
<u>Transient Room Tax</u>				
<u>Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 4,300,129</u>	<u>\$ 31,614,751</u>	<u>\$ 35,455,194</u>	<u>\$ 459,686</u>
Liabilities				
Tax collections payable Transient Room Tax Agency Fund	<u>\$ 4,300,129</u>	<u>\$ 31,614,751</u>	<u>\$ 35,455,194</u>	<u>\$ 459,686</u>

See Independent Auditor's Report.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash with paying agent	\$ -	\$ 61,290,024	\$ 61,290,024	\$ -
Due from Enterprise Fund	<u>78,778,727</u>	<u>623,004,737</u>	<u>640,785,900</u>	<u>60,997,564</u>
Total Assets	<u>\$ 78,778,727</u>	<u>\$ 684,294,761</u>	<u>\$ 702,075,924</u>	<u>\$ 60,997,564</u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 61,290,024	\$ 61,430,784	\$ -
Payable to Louisville/ Jefferson County Metro Government:				
Louisville Metro Agency Funds	49,572,590	380,026,983	387,397,938	42,201,635
Mass Transit Trust Agency Fund	6,000,627	57,116,063	58,336,021	4,780,669
Transient Room Tax Agency Fund	4,300,129	31,614,751	35,455,194	459,686
Payable to School Boards Agency Fund	<u>18,764,621</u>	<u>154,246,940</u>	<u>159,455,987</u>	<u>13,555,574</u>
Total Liabilities	<u>\$ 78,778,727</u>	<u>\$ 684,294,761</u>	<u>\$ 702,075,924</u>	<u>\$ 60,997,564</u>

See Independent Auditor's Report.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ANALYSIS OF ALL AGENCY FUNDS DUE FROM INTERNAL SERVICE FUND ACCOUNTS
Year ended June 30, 2020

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Total
Receipts and Additions					
Occupational license fees and other special tax collections					
Employees' license fees	\$ 303,280,294	\$ 125,769,704	\$ 49,292,259	\$ -	\$ 478,342,257
License fees based on					
business net profits	44,630,759	26,267,282	7,146,439	-	78,044,480
Insurance premium license fees	65,767,094	-	-	-	65,767,094
Truck and trailer license fees	149,635	-	-	-	149,635
Transient room tax	-	-	-	31,506,059	31,506,059
Interest and penalties charged					
taxpayers	3,794,270	2,026,597	607,143	59,788	6,487,798
Interest earned on investments	1,121,166	183,357	70,222	48,904	1,423,649
Dividends - Louisville Water Company	18,709,913	-	-	-	18,709,913
Expenses paid by Louisville Metro					
Government	<u>3,863,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,863,876</u>
Total Receipts and Additions	<u>441,317,007</u>	<u>154,246,940</u>	<u>57,116,063</u>	<u>31,614,751</u>	<u>684,294,761</u>
Disbursements and Deductions					
Payments to governmental agencies	385,692,970	157,376,129	57,565,902	35,055,731	635,690,732
Collection fee paid to the Internal Service Fund	1,845,728	2,079,858	770,119	394,573	5,090,278
Investment fee paid to the Internal Service Fund	-	-	-	4,890	4,890
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve returned					
Principal	45,623,055	-	-	-	45,623,055
Interest	<u>15,666,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,666,969</u>
Total Disbursements and Deductions	<u>448,828,722</u>	<u>159,455,987</u>	<u>58,336,021</u>	<u>35,455,194</u>	<u>702,075,924</u>
Excess of Receipts and Additions over Disbursements and Deductions	(7,511,715)	(5,209,047)	(1,219,958)	(3,840,443)	(17,781,163)
Due From Internal Service Fund, Beginning of Year	<u>49,713,350</u>	<u>18,764,621</u>	<u>6,000,627</u>	<u>4,300,129</u>	<u>78,778,727</u>
Due from Internal Service Fund, End of Year	<u>\$ 42,201,635</u>	<u>\$ 13,555,574</u>	<u>\$ 4,780,669</u>	<u>\$ 459,686</u>	<u>\$ 60,997,564</u>

See Independent Auditor's Report.

LOUISVILLE METRO AGENCY FUNDS

The following section presents the combining statements of the Louisville Metro Agency Funds. The Louisville Metro Agency Funds are a component of the Revenue Commission Agency Funds. The combining statements for all Agency Funds are found on pages 28 - 31.

The Louisville Metro Agency Funds are custodial in nature and do not involve measurement of results of operations. The components of the Louisville Metro Agency Funds are:

The Tax Collections and Other Receipts Agency Fund is used to account for the collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, special taxes, interest and penalties, and interest earned on investments.

The Louisville Water Company Agency Fund collects any dividends paid on the stock of the Louisville Water Company.

The Bond Proceeds Agency Fund is used to account for the proceeds of various Louisville Metro Government general obligation bond issues.

The Current Debt Requirement Agency Fund is used to accumulate funds from Louisville Metro Government tax collections to pay the annual principal and interest requirements on Louisville Metro Government's general obligation bonded debt.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 LOUISVILLE METRO AGENCY FUNDS
 June 30, 2020

	Tax Collections and Other Receipts Agency Fund	Current Debt Requirement Agency Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Due from Enterprise Fund	\$ 42,201,635	\$ -	\$ 42,201,635
Total Assets	<u>\$ 42,201,635</u>	<u>\$ -</u>	<u>\$ 42,201,635</u>
Liabilities			
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ -	\$ -	\$ -
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds-tax collections and other income	<u>42,201,635</u>	<u>-</u>	<u>42,201,635</u>
Total Liabilities	<u>\$ 42,201,635</u>	<u>\$ -</u>	<u>\$ 42,201,635</u>

See Independent Auditor's Report.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
 LOUISVILLE METRO AGENCY FUNDS
 June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<u>Tax Collections and Other</u>				
<u>Receipts Agency Fund</u>				
Assets				
Due from Enterprise Fund	\$ 49,572,590	\$ 380,026,983	\$ 387,397,938	\$ 42,201,635
Liabilities				
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds- tax collections and other income	49,572,590	380,026,983	387,397,938	42,201,635
	\$ 49,572,590	\$ 380,026,983	\$ 387,397,938	\$ 42,201,635
 <u>Current Debt Requirement</u>				
<u>Agency Fund</u>				
Assets				
Cash with paying agents	\$ -	\$ 61,290,024	\$ 61,290,024	\$ -
Due from Enterprise Fund	140,760	-	140,760	-
	\$ 140,760	\$ 61,290,024	\$ 61,430,784	\$ -
Liabilities				
Amounts held for Louisville/Jefferson Country Metro Government, restricted for debt service	\$ 140,760	\$ 61,290,024	\$ 61,430,784	\$ -

Continued

See Independent Auditor's Report.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
 LOUISVILLE METRO AGENCY FUNDS
 June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<u>Totals - Louisville Metro Agency Funds</u>				
Assets				
Cash with paying agents	\$ -	\$ 61,290,024	\$ 61,290,024	\$ -
Due from Enterprise Fund	<u>49,713,350</u>	<u>380,026,983</u>	<u>387,538,698</u>	<u>42,201,635</u>
Total Assets	<u><u>\$49,713,350</u></u>	<u><u>\$441,317,007</u></u>	<u><u>\$448,828,722</u></u>	<u><u>\$ 42,201,635</u></u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 61,290,024	\$ 61,430,784	\$ -
Payable to Louisville/ Jefferson County Metro Government: Louisville Metro Agency Funds	<u>49,572,590</u>	<u>520,893,359</u>	<u>528,264,314</u>	<u>42,201,635</u>
Total Liabilities	<u><u>\$49,713,350</u></u>	<u><u>\$582,183,383</u></u>	<u><u>\$589,695,098</u></u>	<u><u>\$ 42,201,635</u></u>

See Independent Auditor's Report.

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ANALYSIS OF LOUISVILLE METRO AGENCY FUNDS
DUE FROM INTERNAL SERVICE FUND ACCOUNTS
June 30, 2020

	Tax Collections and Other Receipts Agency Fund	Louisville Water Company Agency Fund	Current Debt Requirement Agency Fund	Totals
Receipts and Additions				
Occupational license fees and other special tax collections				
Employees' license fees	\$ 303,280,294	\$ -	\$ -	\$ 303,280,294
License fees based on business net profits	44,630,759	-	-	44,630,759
Insurance premium license fees	65,767,094	-	-	65,767,094
Truck and trailer license fees	149,635	-	-	149,635
Interest and penalties charged taxpayers	3,794,270	-	-	3,794,270
Interest earned on investments	1,121,166	-	-	1,121,166
Dividends - Louisville Water Company	-	18,709,913	-	18,709,913
Expenses paid by Louisville Metro Government	3,863,876	-	-	3,863,876
Total Receipts and Additions	<u>422,607,094</u>	<u>18,709,913</u>	<u>-</u>	<u>441,317,007</u>
Disbursements and Deductions				
Payments to Louisville Metro Government	366,983,057	18,709,913	-	385,692,970
Collection fee paid to the Enterprise Fund	1,845,728	-	-	1,845,728
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve Returned				
Principal	-	-	45,623,055	45,623,055
Interest	-	-	15,666,969	15,666,969
Total Disbursements and Deductions	<u>368,828,785</u>	<u>18,709,913</u>	<u>61,290,024</u>	<u>448,828,722</u>
Excess of Receipts and Additions Over (Under) Disbursements and Deductions	53,778,309	-	(61,290,024)	(7,511,715)
Interfund Transfers	(61,290,024)	-	61,149,264	(140,760)
Due from Enterprise Fund, Beginning of Year	<u>49,713,350</u>	<u>-</u>	<u>140,760</u>	<u>49,854,110</u>
Due from Enterprise Fund, End of Year	<u>\$ 42,201,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,201,635</u>

See Independent Auditor's Report.

**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**

Commissioners
Louisville/Jefferson County Metro Revenue Commission
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Metro Revenue Commission's basic financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control Over Financial Reporting

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metro Revenue 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*.

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 Metro Revenue Commission'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.


Crowe LLP

Louisville, Kentucky
December 8, 2020