

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

**FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

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

FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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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 (the "Metro Revenue Commission"), a component unit of Louisville/Jefferson County Metro Government ("Metro Government"), as of and for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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.

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### ***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, 2016 and 2015 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 the Management's Discussion and Analysis on page 3 through 7 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 22 through 30 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 November 17, 2016 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 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 Horwath LLP

Louisville, Kentucky  
November 17, 2016

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2016 and 2015

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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, 2016 and 2015. Please read it in conjunction with the Metro Revenue Commission's basic financial statements, which begin on page 8.

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 12.

**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 8 - 10) 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.

**Statements of Net Position**

*2016 Compared to 2015*

Total assets of the Metro Revenue Commission decreased 3.5%, from \$70,173,541 at June 30, 2015 to \$67,282,981 at June 30, 2016. This decrease is mainly comprised of cash returned to taxpayers in the form of refunds during the year for overpayment of taxes. Total liabilities decreased 4.3%, from \$66,551,866 at June 30, 2015 to \$63,669,331 at June 30, 2016. Deferred inflows of resources increased 12.5% from \$3,549,717 at June 30, 2015 to \$3,995,093 at June 30, 2016. This increase was due to the increase in time in reviewing of issues related to taxpayers' returns during audit reviews.

The net position of the Metro Revenue Commission decreased from \$71,958 at June 30, 2015 to \$18,557 at June 30, 2016.

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**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2016 and 2015

**Figure 1 – Statements of Net Position**

	<b>June 30</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents, restricted	\$ 67,525,649	\$ 69,972,124	\$ 65,508,595
<b>Capital Assets</b> , net of accumulated depreciation	157,332	201,417	235,376
<b>Total Assets</b>	<u>\$ 67,682,981</u>	<u>\$ 70,173,541</u>	<u>\$ 65,743,971</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Refunds payable	\$ 3,579,566	\$ 4,114,821	\$ 6,951,784
Accounts payable and accrued expenses	1,816,424	2,073,777	2,028,512
Due to other funds	58,273,341	60,363,268	51,856,444
<b>Total Liabilities</b>	<u>63,669,331</u>	<u>66,551,866</u>	<u>60,836,740</u>
<b>Deferred Inflows of Resources</b>			
Deferred tax credit receipts	3,995,093	3,549,717	4,791,994
<b>Total Deferred Inflows of Resources</b>	<u>3,995,093</u>	<u>3,549,717</u>	<u>4,791,994</u>
<b>Total Liabilities</b>	67,664,424	70,101,583	65,628,734
<b>Net Position</b>			
Net investment in capital assets	157,332	201,417	235,376
Unrestricted (deficit)	<u>(138,775)</u>	<u>(129,459)</u>	<u>(120,139)</u>
<b>Total Net Position</b>	<u>18,557</u>	<u>71,958</u>	<u>\$ 115,237</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 67,682,981</u>	<u>\$ 70,173,541</u>	<u>\$ 65,743,971</u>

*2015 Compared to 2014*

Total assets of the Metro Revenue Commission increased 6.7%, from \$65,743,971 at June 30, 2014 to \$70,173,541 at June 30, 2015. This increase is mainly comprised of an increase in the Metro Revenue Commissions cash balances due to payments received from taxpayers. Total liabilities increased 9.4%, from \$60,836,740 at June 30, 2014 to \$66,551,866 at June 30, 2015. Deferred inflows of resources decreased 25.9% from \$4,791,994 at June 30, 2014 to \$3,549,717 at June 30, 2015. This decrease was due to the resolving of issues related to taxpayers' returns during audit reviews.

The net position of the Metro Revenue Commission decreased \$115,237 at June 30, 2014 to \$71,958 at June 30, 2015.

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**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2016 and 2015

**Statements of Revenues, Expenses and Changes in Net Position**

*2016 Compared to 2015*

Total operating revenues of the Metro Revenue Commission increased 0.1% from \$5,639,766 for fiscal year 2015 to \$5,644,596 for fiscal year 2016. 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 \$5,683,045 in fiscal year 2015 to \$5,697,997 in fiscal year 2016. This increase is due mainly to an increase in salaries and employee benefits of \$149,960.

The total change in net position was a decrease of \$53,401 for fiscal year 2016 as compared to a decrease of \$43,279 for fiscal year 2015.

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

	<b>Year Ended June 30</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>			
Collection, investment and other fees	\$ 5,644,596	\$ 5,639,766	\$ 5,223,959
<b>Operating Expenses</b>			
Salaries and employee benefits	3,727,368	3,577,408	3,288,705
Building and office expense	120,843	118,428	116,609
Professional services	1,188,249	1,261,863	1,150,563
Postage	256,630	264,521	224,985
Forms and printing	20,103	17,361	20,813
Equipment maintenance and repair	2,443	42,788	8,861
Equipment purchases	57,072	79,380	21,085
Software licenses	201,367	199,883	126,992
Supplies	21,956	19,348	15,304
Telephone	21,774	15,669	17,239
Court fees and costs	6,621	23,206	14,040
Depreciation	44,085	45,120	54,213
Travel	3,525	7,162	5,183
Miscellaneous	25,961	10,908	28,521
<b>Total Operating Expenses</b>	<u>5,697,997</u>	<u>5,683,045</u>	<u>5,093,113</u>
<b>Change in Net Position</b>	(53,401)	(43,279)	130,846
<b>Net Position, Beginning of Year</b>	<u>71,958</u>	<u>115,237</u>	<u>(15,609)</u>
<b>Net Position, End of Year</b>	<u>\$ 18,557</u>	<u>\$ 71,958</u>	<u>\$ 115,237</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2016 and 2015

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*2015 Compared to 2014*

Total operating revenues of the Metro Revenue Commission increased 8.0% from \$5,223,959 for fiscal year 2014 to \$5,639,766 for fiscal year 2015. 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 \$5,093,113 in fiscal year 2014 to \$5,683,045 in fiscal year 2015. This increase is due mainly to an increase in salaries and employee benefits of \$288,703, professional services of \$111,300 and \$165,113 in expenditures allocated to maintain our current operating systems.

The total change in net position was a decrease of \$43,279 for fiscal year 2015 as compared to an increase of \$130,846 for fiscal year 2014.

**Agency Fund Activity Highlights Include (see page 26)**

- (1) Total withholding taxes increased 4.3% from \$397,128,540 for fiscal year 2015 to \$414,127,310 for fiscal year 2016.
- (2) Total net profit taxes increased 15.3% from \$99,367,261 in fiscal year 2015 to \$114,577,400 for fiscal year 2016.
- (3) Insurance premium taxes experienced an increase of 5.5% from \$54,039,358 in fiscal year 2015 to \$57,012,545 for fiscal year 2016.
- (4) Transient room taxes increased 20.1% from \$28,128,162 in fiscal year 2015 to \$33,772,418 for fiscal year 2016.
- (5) Interest and Penalties increased 9.4% from \$4,594,776 in fiscal year 2015 to \$5,027,083 for fiscal year 2016.

**Capital Assets and Debt Administration**

The Metro Revenue Commission did not purchase or dispose of any capital assets during fiscal year 2016. 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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2016 and 2015

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**Economic Factors**

- (1) There will be a continuation of economic growth and employment. Louisville economy has shown a steady increase in jobs and wages during the current economic expansion. Louisville is becoming better known as a place for entrepreneurs and early-state companies.
- (2) Louisville is undergoing a new era of economic development, with the public and private sectors working together to attract new industries while retaining existing businesses.
- (3) Insurance premium tax collections should continue to reflect the overall increasing price environment in the insurance markets.
- (4) An increase in the supply of hotel/motel rooms in 2017 by nearly 13% is anticipated for Transient room taxes. However, the Kentucky International Convention Center will be closed for a major makeover beginning in August 2016 and lasting nearly two years. Overall tax collections may be negatively impacted by this closure.

**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**

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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 Louisville Metro Government.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENTS OF NET POSITION – PROPRIETARY FUND/INTERNAL SERVICE FUND**  
June 30, 2016 and 2015

	June 30	
	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents, restricted	\$67,525,649	\$ 69,972,124
<b>Capital Assets</b> , net of accumulated depreciation	157,332	201,417
<b>Total Assets</b>	<u>\$67,682,981</u>	<u>\$ 70,173,541</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Refunds payable	\$ 3,579,566	\$ 4,114,821
Accounts payable and accrued expenses	1,393,926	1,607,648
Accounts payable to related parties, Louisville Metro Government	422,498	466,129
Due to other funds	58,273,341	60,363,268
<b>Total Liabilities</b>	<u>63,669,331</u>	<u>66,551,866</u>
<b>Deferred Inflows of Resources</b>		
Deferred tax credit receipts	3,995,093	3,549,717
<b>Total Deferred Inflows of Resources</b>	<u>3,995,093</u>	<u>3,549,717</u>
<b>Net Position</b>		
Net investment in capital assets	157,332	201,417
Unrestricted (deficit)	(138,775)	(129,459)
<b>Total Net Position</b>	<u>18,557</u>	<u>71,958</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$67,682,981</u>	<u>\$ 70,173,541</u>

See accompanying notes to financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN  
 NET POSITION – PROPRIETARY FUND/INTERNAL SERVICE FUND  
 Years ended June 30, 2016 and 2015

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>		
Collection, investment and other fees	\$ 5,644,596	\$ 5,639,766
<b>Operating Expenses</b>		
Salaries	2,680,445	2,598,622
Employee benefits:		
Health and life insurance	418,592	370,964
Pension	429,608	421,742
Payroll taxes	198,723	186,080
Building and office expense	120,843	118,428
Professional services	1,188,249	1,261,863
Postage	256,630	264,521
Forms and printing	20,103	17,361
Equipment maintenance and repair	2,443	42,788
Equipment purchases	57,072	79,380
Software licenses	201,367	199,883
Supplies	21,956	19,348
Telephone	21,774	15,669
Court fees and costs	6,621	23,206
Depreciation	44,085	45,120
Travel	3,525	7,162
Miscellaneous	25,961	10,908
<b>Total Operating Expenses</b>	<u>5,697,997</u>	<u>5,683,045</u>
<b>Change in Net Position</b>	(53,401)	(43,279)
<b>Net Position, Beginning of Year</b>	<u>71,958</u>	<u>115,237</u>
<b>Net Position, End of Year</b>	<u><u>\$ 18,557</u></u>	<u><u>\$ 71,958</u></u>

See accompanying notes to financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENTS OF CASH FLOWS – PROPRIETARY FUND/INTERNAL SERVICE FUND**  
Years ended June 30, 2016 and 2015

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from collection, investment, and other fees	\$ 5,644,596	\$ 5,639,766
Cash paid to employees	(3,727,368)	(3,552,121)
Cash paid to suppliers	(1,926,544)	(2,060,517)
Increase/(decrease) in cash collected for others	(2,437,159)	4,447,562
<b>Net Cash Provided By Operating Activities</b>	<b>(2,446,475)</b>	<b>4,474,690</b>
 <b>Cash Flows From Capital Activities</b>		
Purchase of capital assets	-	(11,161)
 <b>Net Increase In Cash and Cash Equivalents</b>	<b>(2,446,475)</b>	<b>4,463,529</b>
 <b>Cash and Cash Equivalents Beginning of Year</b>	<b>69,972,124</b>	<b>65,508,595</b>
 <b>Cash and Cash Equivalents End of Year</b>	<b>\$ 67,525,649</b>	<b>\$ 69,972,124</b>
 <b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating income	\$ (53,401)	\$ (43,279)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation expense	44,085	45,120
Increase/(decrease) in assets and liabilities		
Refunds payable	(535,255)	(2,836,963)
Deferred inflows of resources	445,376	(1,242,277)
Accounts payable and accrued expenses	(213,722)	(71,316)
Accounts payable to related parties	(43,631)	116,581
Due to/from other funds	(2,089,927)	8,506,824
<b>Net Cash Provided By Operating Activities</b>	<b>\$ (2,446,475)</b>	<b>\$ 4,474,690</b>

See accompanying notes to financial statements.

## **AGENCY FUNDS**

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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.

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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 the Kentucky Center and also for the debt service.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENTS OF FIDUCIARY NET POSITION – AGENCY FUNDS**  
June 30, 2016 and 2015

	<b>June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Due from Enterprise Fund	\$ 58,273,341	\$ 60,363,268
<b>Total Assets</b>	<u>\$ 58,273,341</u>	<u>\$ 60,363,268</u>
<b>Liabilities</b>		
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 140,760
Payable to Louisville/Jefferson County Metro Government:		
Louisville Metro Agency Fund	35,738,846	37,496,493
Mass Transit Trust Agency Fund	4,409,758	4,934,973
Transient Room Tax Agency Fund	4,961,487	3,269,472
Payable to School Boards Agency Fund	13,022,490	14,521,570
<b>Total Liabilities</b>	<u>\$ 58,273,341</u>	<u>\$ 60,363,268</u>

See accompanying notes to financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**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.

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(Continued)



**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**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, delinquent property taxes, 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 \$30,463,440 and \$10,126,723, respectively, for the year ended June 30, 2016, and \$27,916,434 and \$8,891,088, respectively, for the year ended June 30, 2015. 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.

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(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**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 statement of net position. The Proprietary Fund operating statement presents 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.

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 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.

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(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

Capital Assets: Capital assets are recorded at cost. Purchases of furniture, fixtures, equipment and software are capitalized if the value is \$1,500 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 one-half year's depreciation 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, 2016 and 2015 was \$138,773 and \$129,459, 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, 2016 and 2015 was \$394,994 and \$387,028, 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.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The bank balances at June 30, 2016 and 2015, including cash with paying agents, were \$69,098,149 and \$71,475,831, respectively. The difference between the bank balances and the cash balances as reported on the Statements of Net Position are due to deposits in transit and outstanding checks. Of this amount, \$250,000 was covered by federal depository insurance at June 30, 2016 and 2015. All bank balances were collateralized by the bank holding securities in the Metro Revenue Commission's name.

The investment balance at June 30, 2016 and 2015 was \$5,022, which consisted of money market mutual funds with JP Morgan Securities. Investments at JP Morgan had an average weighted maturity of approximately two months and a credit rating of Aaa as supplied by Moody's. Such investments were included on the Statement of Net Position as cash and cash equivalents, due to their highly liquid nature.

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.

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(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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.
- (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.

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(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**NOTE 3 – CAPITAL ASSETS**

An analysis of capital assets at June 30, 2016 follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
Equipment and software	\$ 3,734,830	\$ -	\$ -	\$ 3,734,830
Accumulated depreciation	(3,533,737)	(43,869)	-	(3,577,606)
Net equipment and software	<u>201,093</u>	<u>(43,869)</u>	<u>-</u>	<u>157,224</u>
Furniture and fixtures	85,279	-	-	85,279
Accumulated depreciation	(84,955)	(216)	-	(85,171)
Net furniture and fixtures	<u>324</u>	<u>(216)</u>	<u>-</u>	<u>108</u>
Capital assets, net of accumulated depreciation	<u>\$ 201,417</u>	<u>\$ (44,085)</u>	<u>\$ -</u>	<u>\$ 157,332</u>

An analysis of capital assets at June 30, 2015 follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2015</u>
Equipment and software	\$ 3,779,524	\$ 11,161	\$ (55,855)	\$ 3,734,830
Accumulated depreciation	(3,545,019)	(44,573)	55,855	(3,533,737)
Net equipment and software	<u>234,505</u>	<u>(33,412)</u>	<u>-</u>	<u>201,093</u>
Furniture and fixtures	85,279	-	-	85,279
Accumulated depreciation	(84,408)	(547)	-	(84,955)
Net furniture and fixtures	<u>871</u>	<u>(547)</u>	<u>-</u>	<u>324</u>
Capital assets, net of accumulated depreciation	<u>\$ 235,376</u>	<u>\$ (33,959)</u>	<u>\$ -</u>	<u>\$ 201,417</u>

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(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**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 2016 and 2015 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.

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(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund receivable and payable balances at June 30, 2016 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Internal Service Fund	\$ -	\$ 58,273,341
Total	<u>\$ -</u>	<u>\$ 58,273,341</u>
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 140,760	\$ -
Tax Collections and Other Receipts Agency Fund	35,738,846	-
Mass Transit Trust Agency Fund	4,409,758	-
Transient Room Tax Agency Fund	4,961,487	-
School Boards Agency Fund	13,022,490	-
Total	<u>\$ 58,273,341</u>	<u>\$ 58,273,341</u>

Interfund receivable and payable balances at June 30, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Internal Service Fund	\$ -	\$ 60,363,268
Total	<u>\$ -</u>	<u>\$ 60,363,268</u>
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 140,760	\$ -
Tax Collections and Other Receipts Agency Fund	37,496,493	-
Mass Transit Trust Agency Fund	4,934,973	-
Transient Room Tax Agency Fund	3,269,472	-
School Boards Agency Fund	14,521,570	-
Total	<u>\$ 60,363,268</u>	<u>\$ 60,363,268</u>

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(Continued)



**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**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, 2016 and 2015, participating employers contributed 12.75% and 12.42%, respectively, of each Non-Hazardous employee's creditable compensation for pension and 4.92% and 4.64%, 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, 2016 were \$475,603, comprised of \$368,275 from employer contributions and \$107,328 from employees. Amounts for the year ended June 30, 2015 were \$468,844, comprised of \$367,110 from employer contributions and \$101,734 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.

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(Continued)



**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)**

Metro Government also provides professional services to the Metro Revenue Commission. During the years ended June 30, 2016 and 2015, these professional services expenses totaled \$1,162,771 and \$1,781,353, respectively. The Statement of Net Position - Proprietary Fund/Internal Service Fund reflects a \$422,498 and \$466,129 payable at June 30, 2016 and 2015, 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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION – ALL AGENCY FUNDS  
 June 30, 2016

	<u>Louisville Metro Agency Funds</u>	<u>School Boards Agency Fund</u>	<u>Mass Transit Trust Agency Fund</u>	<u>Transient Room Tax Agency Fund</u>	<u>Totals</u>
<b>Assets</b>					
Due from Internal Service Fund	\$ 35,879,606	\$ 13,022,490	\$ 4,409,758	\$ 4,961,487	\$ 58,273,341
<b>Total Assets</b>	<u>\$ 35,879,606</u>	<u>\$ 13,022,490</u>	<u>\$ 4,409,758</u>	<u>\$ 4,961,487</u>	<u>\$ 58,273,341</u>
<b>Liabilities</b>					
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ -	\$ -	\$ -	\$ 140,760
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds	35,738,846	-	-	-	35,738,846
Mass Transit Trust Agency Fund	-	-	4,409,758	-	4,409,758
Transient Room Tax Agency Fund	-	-	-	4,961,487	4,961,487
Payable to School Boards Agency Fund	-	13,022,490	-	-	13,022,490
<b>Total Liabilities</b>	<u>\$ 35,879,606</u>	<u>\$ 13,022,490</u>	<u>\$ 4,409,758</u>	<u>\$ 4,961,487</u>	<u>\$ 58,273,341</u>

See Independent Auditor's Report.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
 June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b><u>Louisville Metro Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agent	\$ -	\$ 40,503,841	\$ 40,503,841	\$ -
Due from Enterprise Fund	<u>37,637,253</u>	<u>406,841,163</u>	<u>408,598,810</u>	<u>35,879,606</u>
<b>Total Assets</b>	<u>\$ 37,637,253</u>	<u>\$ 447,345,004</u>	<u>\$ 449,102,651</u>	<u>\$ 35,879,606</u>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 40,503,841	\$ 40,503,841	\$ 140,760
License fee collections payable: Louisville Metro Agency Funds	<u>37,496,493</u>	<u>406,841,163</u>	<u>408,598,810</u>	<u>35,738,846</u>
<b>Total Liabilities</b>	<u>\$ 37,637,253</u>	<u>\$ 447,345,004</u>	<u>\$ 449,102,651</u>	<u>\$ 35,879,606</u>
<b><u>School Boards Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	<u>\$ 14,521,570</u>	<u>\$ 154,594,638</u>	<u>\$ 156,093,718</u>	<u>\$ 13,022,490</u>
<b>Liabilities</b>				
License fee collections payable to School Boards Agency Fund	<u>\$ 14,521,570</u>	<u>\$ 154,594,638</u>	<u>\$ 156,093,718</u>	<u>\$ 13,022,490</u>

See Independent Auditor's Report.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
 June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b><u>Mass Transit Trust</u></b>				
<b><u>Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	\$ 4,934,973	\$ 53,872,342	\$ 54,397,557	\$ 4,409,758
<b>Liabilities</b>				
License fee collections payable to Mass Transit Trust Agency Fund	\$ 4,934,973	\$ 53,872,342	\$ 54,397,557	\$ 4,409,758
 <b><u>Transient Room Tax</u></b>				
<b><u>Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	\$ 3,269,472	\$ 33,814,537	\$ 32,122,522	\$ 4,961,487
<b>Liabilities</b>				
Tax collections payable Transient Room Tax Agency Fund	\$ 3,269,472	\$ 33,814,537	\$ 32,122,522	\$ 4,961,487

See Independent Auditor's Report.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
 June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agent	\$ -	\$ 40,503,841	\$ 40,503,841	\$ -
Due from Enterprise Fund	60,363,268	649,122,680	651,212,607	58,273,341
<b>Total Assets</b>	<b><u>\$ 60,363,268</u></b>	<b><u>\$ 689,626,521</u></b>	<b><u>\$ 691,716,448</u></b>	<b><u>\$ 58,273,341</u></b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 40,503,841	\$ 40,503,841	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government:				
Louisville Metro Agency Funds	37,496,493	406,841,163	408,598,810	35,738,846
Mass Transit Trust Agency Fund	4,934,973	53,872,342	54,397,557	4,409,758
Transient Room Tax Agency Fund	3,269,472	33,814,537	32,122,522	4,961,487
Payable to School Boards Agency Fund	14,521,570	154,594,638	156,093,718	13,022,490
<b>Total Liabilities</b>	<b><u>\$ 60,363,268</u></b>	<b><u>\$ 689,626,521</u></b>	<b><u>\$ 691,716,448</u></b>	<b><u>\$ 58,273,341</u></b>

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, 2016

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
<b>Receipts and Additions</b>					
Occupational license fees and other special tax collections					
Employees' license fees	\$ 256,511,833	\$ 114,685,877	\$ 42,929,600		\$ 414,127,310
License fees based on					
business net profits	65,497,251	38,600,437	10,479,712		114,577,400
Insurance premium license fees	57,012,545	-	-		57,012,545
Truck and trailer license fees	189,339	-	-		189,339
Transient room tax				\$ 33,772,418	33,772,418
Interest and penalties charged taxpayers	3,248,785	1,285,772	455,193	37,333	5,027,083
Interest earned on investments	105,051	22,552	7,837	4,786	140,226
Dividends - Louisville Water Company	20,558,305	-	-	-	20,558,305
Expenses paid by Louisville Metro Government	3,718,054	-	-	-	3,718,054
<b>Total Receipts and Additions</b>	<b>406,841,163</b>	<b>154,594,638</b>	<b>53,872,342</b>	<b>33,814,537</b>	<b>649,122,680</b>
<b>Disbursements and Deductions</b>					
Payments to governmental agencies	365,601,045	154,006,995	53,670,386	31,699,421	604,977,847
Collection fee paid to the Enterprise Fund	2,407,602	2,086,723	727,171	422,622	5,644,118
Investment fee paid to the Enterprise Fund	-	-	-	479	479
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve returned					
Principal	30,463,440	-	-	-	30,463,440
Interest	10,126,723	-	-	-	10,126,723
<b>Total Disbursements and Deductions</b>	<b>408,598,810</b>	<b>156,093,718</b>	<b>54,397,557</b>	<b>32,122,522</b>	<b>651,212,607</b>
<b>Excess of Disbursements and Deductions over Receipts and Additions</b>	<b>(1,757,647)</b>	<b>(1,499,080)</b>	<b>(525,215)</b>	<b>1,692,015</b>	<b>(2,089,927)</b>
<b>Due From Enterprise Fund, Beginning of Year</b>	<b>37,637,253</b>	<b>14,521,570</b>	<b>4,934,973</b>	<b>3,269,472</b>	<b>60,363,268</b>
<b>Due from Enterprise Fund, End of Year</b>	<b>\$ 35,879,606</b>	<b>\$ 13,022,490</b>	<b>\$ 4,409,758</b>	<b>\$ 4,961,487</b>	<b>\$ 58,273,341</b>

See Independent Auditor's Report.

## **LOUISVILLE METRO AGENCY FUNDS**

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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 27 - 30.

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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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –  
 LOUISVILLE METRO AGENCY FUNDS  
 June 30, 2016

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	<b>Tax Collections and Other Receipts Agency Fund</b>	<b>Current Debt Requirement Agency Fund</b>	<b>Totals</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Due from Enterprise Fund	\$ 35,738,846	\$ 140,760	\$ 35,879,606
<b>Total Assets</b>	<u>\$ 35,738,846</u>	<u>\$ 140,760</u>	<u>\$ 35,879,606</u>
<b>Liabilities</b>			
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ -	\$ 140,760	\$ 140,760
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds-tax collections and other income	<u>35,738,846</u>	<u>-</u>	<u>35,738,846</u>
<b>Total Liabilities</b>	<u>\$ 35,738,846</u>	<u>\$ 140,760</u>	<u>\$ 35,879,606</u>

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See Independent Auditor's Report.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
 LOUISVILLE METRO AGENCY FUNDS  
 June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b><u>Tax Collections and Other Receipts Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	\$ 37,496,493	\$ 406,841,163	\$ 408,598,810	\$ 35,738,846
<b>Liabilities</b>				
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds- tax collections and other income	\$ 37,496,493	\$ 406,841,163	\$ 408,598,810	\$ 35,738,846
	<u>\$ 37,496,493</u>	<u>\$ 406,841,163</u>	<u>\$ 408,598,810</u>	<u>\$ 35,738,846</u>
<b><u>Current Debt Requirement Agency Fund</u></b>				
<b>Assets</b>				
Cash with paying agents	\$ -	\$ 40,503,841	\$ 40,503,841	\$ -
Due from Enterprise Fund	140,760	-	-	140,760
	<u>\$ 140,760</u>	<u>\$ 40,503,841</u>	<u>\$ 40,503,841</u>	<u>\$ 140,760</u>
<b>Liabilities</b>				
Amounts held for Louisville/Jefferson Country Metro Government, restricted for debt service	\$ 140,760	\$ 40,503,841	\$ 40,503,841	\$ 140,760

See Independent Auditor's Report.  
(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
 LOUISVILLE METRO AGENCY FUNDS  
 June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b>Totals - Louisville Metro Agency Funds</b>				
<b>Assets</b>				
Cash with paying agents	\$ -	\$ 40,503,841	\$ 40,503,841	\$ -
Due from Enterprise Fund	37,637,253	406,841,163	408,598,810	35,879,606
<b>Total Assets</b>	<u>\$ 37,637,253</u>	<u>\$ 447,345,004</u>	<u>\$ 449,102,651</u>	<u>\$ 35,879,606</u>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 40,503,841	\$ 40,503,841	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government: Louisville Metro Agency Funds	37,496,493	406,841,163	408,598,810	35,738,846
<b>Total Liabilities</b>	<u>\$ 37,637,253</u>	<u>\$ 447,345,004</u>	<u>\$ 449,102,651</u>	<u>\$ 35,879,606</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, 2016

	<b>Tax Collections and Other Receipts Agency Fund</b>	<b>Louisville Water Company Agency Fund</b>	<b>Current Debt Requirement Agency Fund</b>	<b>Totals</b>
<b>Receipts and Additions</b>				
Occupational license fees and other special tax collections				
Employees' license fees	\$ 256,511,833	\$ -	\$ -	\$ 256,511,833
License fees based on business net profits	65,497,251	-	-	65,497,251
Insurance premium license fees	57,012,545	-	-	57,012,545
Truck and trailer license fees	189,339	-	-	189,339
Interest and penalties charged taxpayers	3,248,785	-	-	3,248,785
Interest earned on investments	105,051	-	-	105,051
Dividends - Louisville Water Company	-	20,558,305	-	20,558,305
Expenses paid by Louisville Metro Government	3,718,054	-	-	3,718,054
<b>Total Receipts and Additions</b>	<b>386,282,858</b>	<b>20,558,305</b>	<b>-</b>	<b>406,841,163</b>
<b>Disbursements and Deductions</b>				
Payments to Louisville Metro Government	345,042,740	20,558,305	-	365,601,045
Collection fee paid to the Enterprise Fund	2,407,602	-	-	2,407,602
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve Returned				
Principal	-	-	30,463,440	30,463,440
Interest	-	-	10,126,723	10,126,723
<b>Total Disbursements     and Deductions</b>	<b>347,450,342</b>	<b>20,558,305</b>	<b>40,590,163</b>	<b>408,598,810</b>
<b>Excess of Receipts and Additions Over (Under) Disbursements and Deductions</b>	<b>38,832,516</b>	<b>-</b>	<b>(40,590,163)</b>	<b>(1,757,647)</b>
<b>Interfund Transfers</b>	<b>(40,590,163)</b>	<b>-</b>	<b>40,590,163</b>	<b>-</b>
<b>Due from Enterprise Fund, Beginning of Year</b>	<b>37,496,493</b>	<b>-</b>	<b>140,760</b>	<b>37,637,253</b>
<b>Due from Enterprise Fund, End of Year</b>	<b>\$ 35,738,846</b>	<b>\$ -</b>	<b>\$ 140,760</b>	<b>\$ 35,879,606</b>

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, 2016, 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 November 17, 2016.

**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) to determine the 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.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Crowe Horwath LLP

Louisville, Kentucky  
November 17, 2016