

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

FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

FINANCIAL STATEMENTS
June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017 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 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 23 through 31 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 14, 2018, 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 LLP

Louisville, Kentucky
November 14, 2018

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

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, 2018 and 2017. 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.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

Statements of Net Position

Figure 1 – Statements of Net Position

	June 30, 2018		
	2018	2017	2016
Assets			
Current Assets			
Cash and cash equivalents, restricted	\$ 71,225,848	\$ 69,212,479	\$ 67,525,649
Capital Assets , net of accumulated depreciation	<u>6,483,808</u>	<u>628,386</u>	<u>157,332</u>
Total Assets	<u>\$ 77,709,656</u>	<u>\$ 69,840,865</u>	<u>\$ 67,682,981</u>
Liabilities			
Current Liabilities			
Refunds payable	\$ 19,445	\$ 2,834,701	\$ 3,579,566
Accounts payable and accrued expenses	2,132,246	2,279,091	1,816,424
Due to other funds	<u>61,335,013</u>	<u>57,626,465</u>	<u>58,273,341</u>
Total Current Liabilities	<u>63,486,704</u>	<u>62,740,257</u>	<u>63,669,331</u>
Deferred Inflows of Resources			
Deferred tax credit receipts	<u>7,963,559</u>	<u>6,632,116</u>	<u>3,995,093</u>
Total Deferred Inflows of Resources	<u>7,963,559</u>	<u>6,632,116</u>	<u>3,995,093</u>
Total Liabilities	71,450,263	69,372,373	67,664,424
Net Position			
Net investment in capital assets	6,483,808	628,386	157,332
Unrestricted (deficit)	<u>(224,415)</u>	<u>(159,894)</u>	<u>(138,775)</u>
Total Net Position	<u>6,259,393</u>	<u>468,492</u>	<u>18,557</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 77,709,656</u>	<u>\$ 69,840,865</u>	<u>\$ 67,682,981</u>

2018 Compared to 2017

Total assets of the Metro Revenue Commission increased 11.3%, from \$69,840,865 at June 30, 2017 to \$77,709,656 at June 30, 2018. This increase is mainly associated with capital asset additions related to the purchase of a new tax system. Total liabilities increased 1.2%, from \$62,740,257 at June 30, 2017 to \$63,486,704 at June 30, 2018. Deferred inflows of resources increased 20.1% from \$6,632,116 at June 30, 2017 to \$7,963,559 at June 30, 2018. This increase was due to the increase in claim for credit by taxpayers and increase in time spent in reviewing of issues related to taxpayers' returns during audit reviews.

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

The net position of the Metro Revenue Commission increased from \$468,492 at June 30, 2017 to \$6,259,393 at June 30, 2018. The increase was due mainly to \$6,036,311 fixed assets transferred from the Metro Government to the Metro Revenue Commission for the implementation of a new tax collection system.

2017 Compared to 2016

Total assets of the Metro Revenue Commission increased 3.2%, from \$67,682,981 at June 30, 2016 to \$69,840,865 at June 30, 2017. This increase is mainly comprised of an increase in the Metro Revenue Commissions cash balances due to payments received from taxpayers. Total liabilities decreased 1.5%, from \$63,669,331 at June 30, 2016 to \$62,740,257 at June 30, 2017. Deferred inflows of resources increased 66.0% from \$3,995,093 at June 30, 2016 to \$6,632,116 at June 30, 2017. This increase was due to the increase in claim for credit by taxpayers and increase in time spent in reviewing of issues related to taxpayers' returns during audit reviews.

The net position of the Metro Revenue Commission increased from \$18,557 at June 30, 2016 to \$468,492 at June 30, 2017. The increase is due mainly to \$523,706 fixed assets transferred from the Metro Government to the Metro Revenue Commission for the implementation of a new tax collection system.

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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, 2018 and 2017

Statements of Revenues, Expenses and Changes in Net Position

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

	Year Ended June 30		
	2018	2017	2016
Operating Revenues			
Collection, investment and other fees	\$ 5,067,841	\$ 5,395,590	\$ 5,644,596
Operating Expenses			
Salaries and employee benefits	3,920,959	3,855,562	3,727,368
Building and office expense	120,555	118,363	120,843
Professional services	505,153	692,954	1,188,249
Postage	230,897	253,250	256,630
Forms and printing	27,007	20,160	20,103
Equipment maintenance and repair	2,018	6,562	2,443
Equipment purchases	45,865	61,215	57,072
Software licenses	262,970	223,065	201,367
Supplies	6,342	24,313	21,956
Telephone	4,670	54,813	21,774
Court fees and costs	1,616	(2,843)	6,621
Depreciation	180,889	96,927	44,085
Travel	3,563	11,091	3,525
Miscellaneous	747	53,929	25,961
Total Operating Expenses	<u>5,313,251</u>	<u>5,469,361</u>	<u>5,697,997</u>
Operating Loss	(245,410)	(73,771)	(53,401)
Operating Transfer In	<u>6,036,311</u>	<u>523,706</u>	<u>-</u>
Change in Net Position	5,790,901	449,935	(53,401)
Net Position, Beginning of Year	<u>468,492</u>	<u>18,557</u>	<u>71,958</u>
Net Position, End of Year	<u>\$ 6,259,393</u>	<u>\$ 468,492</u>	<u>\$ 18,557</u>

2018 Compared to 2017

Total operating revenues of the Metro Revenue Commission decreased 6.1% from \$5,395,590 for fiscal year 2017 to \$5,067,841 for fiscal year 2018. 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 from \$5,469,361 in fiscal year 2017 to \$5,313,251 in fiscal year 2018. This decrease is due mainly to a decrease in professional services of \$187,801.

The total change in net position was a decrease of \$245,410 for fiscal year 2018 as compared to a decrease of \$73,771 for fiscal year 2017.

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LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

2017 Compared to 2016

Total operating revenues of the Metro Revenue Commission decreased 4.4% from \$5,644,596 for fiscal year 2016 to \$5,395,590 for fiscal year 2017. 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 from \$5,697,997 in fiscal year 2016 to \$5,469,361 in fiscal year 2017. This decrease is due mainly to the decrease in professional services of \$495,295.

The total change in net position was a decrease of \$73,771 for fiscal year 2017 as compared to a decrease of \$53,401 for fiscal year 2016

Agency Fund Activity Highlights Include (see page 27)

- (1) Total withholding taxes increased 3.71% from \$433,613,391 for fiscal year 2017 to \$449,722,014 for fiscal year 2018.
- (2) Total net profit taxes increased 4.72% from \$114,833,114 in fiscal year 2017 to \$120,249,350 for fiscal year 2018.
- (3) Insurance premium taxes experienced an increase of 7.17% from \$58,163,377 in fiscal year 2017 to \$62,331,233 for fiscal year 2018.
- (4) Transient room taxes increased 11.05% from \$30,712,627 in fiscal year 2017 to \$34,105,066 for fiscal year 2018.
- (5) Interest and Penalties decreased 2.84% from \$6,354,738 in fiscal year 2017 to \$6,174,319 for fiscal year 2018.

Capital Assets and Debt Administration

The Metro Government transferred \$6,036,311 in capital fixed assets to the Metro Revenue Commission for assets purchased for the implementation of a new tax collection system. Metro Revenue Commission did not purchase any other capital assets during fiscal year 2018. Assets in the Equipment and Software category with a combined original cost of \$323,978 and combined Accumulated Depreciation of \$323,978 were disposed of during fiscal year 2018. 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, 2018 and 2017

Economic Factors

- (1) There will be a continuation of economic growth and employment. The Louisville economy has shown a steady increase in jobs and wages during the current economic expansion.
- (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) The Louisville Metro Revenue Commission experienced a rebound on Transient Room Tax collection for fiscal year 2018, with an increase of 11.05% over fiscal year 2017, which was down 9.06% from fiscal year 2016. The Kentucky International Convention Center was closed in August 2016 for major renovations and reopened in August 2018. Overall tax collection may be positively impacted by this reopening in the future.

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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF NET POSITION – PROPRIETARY FUND/INTERNAL SERVICE FUND
June 30, 2018 and 2017

	June 30	
	2018	2017
Assets		
Current Assets		
Cash and cash equivalents, restricted	\$71,225,848	\$ 69,212,479
Capital Assets , net of accumulated depreciation	833,808	628,386
Construction in Process	5,650,000	-
Total Assets	\$77,709,656	\$ 69,840,865
Liabilities		
Current Liabilities		
Refunds payable	\$ 19,445	\$ 2,834,701
Accounts payable and accrued expenses	2,129,462	1,917,766
Accounts payable to related parties, Louisville Metro Government	2,784	361,325
Due to other funds	61,335,013	57,626,465
Total Liabilities	63,486,704	62,740,257
Deferred Inflows of Resources		
Deferred tax credit receipts	7,963,559	6,632,116
Total Deferred Inflows of Resources	7,963,559	6,632,116
Net Position		
Net investment in capital assets	6,483,808	628,386
Unrestricted (deficit)	(224,415)	(159,894)
Total Net Position	6,259,393	468,492
Total Liabilities, Deferred Inflows of Resources and Net Position	\$77,709,656	\$ 69,840,865

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
 Year ended June 30, 2018 and 2017

	Year Ended June 30	
	2018	2017
Operating Revenues		
Collection, investment and other fees	\$ 5,067,841	\$ 5,395,590
Operating Expenses		
Salaries	2,807,246	2,763,266
Employee benefits:		
Health and life insurance	387,639	416,911
Pension	504,141	468,164
Payroll taxes	221,933	207,221
Building and office expense	120,555	118,363
Professional services	505,153	692,954
Postage	230,897	253,250
Forms and printing	27,007	20,160
Equipment maintenance and repair	2,018	6,562
Equipment purchases	45,865	61,215
Software licenses	262,970	223,065
Supplies	6,342	24,313
Telephone	4,670	54,813
Court fees and costs	1,616	(2,843)
Depreciation	180,889	96,927
Travel	3,563	11,091
Miscellaneous	747	53,929
Total Operating Expenses	5,313,251	5,469,361
Operating Loss	(245,410)	(73,771)
Operating Transfer In	6,036,311	523,706
Change in Net Position	5,790,901	449,935
Net Position, Beginning of Year	468,492	18,557
Net Position, End of Year	\$ 6,259,393	\$ 468,492

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, 2018 and 2017

	Year Ended June 30	
	2018	2017
Cash Flows From Operating Activities		
Cash received from collection, investment, and other fees	\$ 5,067,841	\$ 5,395,590
Cash paid to employees	(3,920,959)	(3,855,562)
Cash paid to suppliers	(1,211,403)	(1,516,872)
Cash collected for others	2,077,890	1,707,949
Net Cash Provided By Operating Activities	<u>2,013,369</u>	<u>1,731,105</u>
Cash Flows From Capital Activities		
Purchase of capital assets	-	(44,275)
Net Increase In Cash and Cash Equivalents	2,013,369	1,686,830
Cash and Cash Equivalents Beginning of Year	<u>69,212,479</u>	<u>67,525,649</u>
Cash and Cash Equivalents End of Year	<u>\$ 71,225,848</u>	<u>\$ 69,212,479</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating loss	\$ (245,410)	\$ (73,771)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	180,889	96,927
Increase/(decrease) in assets and liabilities		
Refunds payable	(2,815,256)	(744,865)
Deferred inflows of resources	1,331,443	2,637,023
Accounts payable and accrued expenses	211,695	523,840
Accounts payable to related parties	(358,541)	(61,174)
Due to/from other funds	3,708,549	(646,875)
Net Cash Provided By Operating Activities	<u>\$ 2,013,369</u>	<u>\$ 1,731,105</u>
Non-Cash Capital Activities		
Transfer of capital assets from Metro Government	\$ 6,036,311	\$ 523,706

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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENTS OF FIDUCIARY NET POSITION – AGENCY FUNDS
June 30, 2018 and 2017

	June 30	
	2018	2017
Assets		
Due from Enterprise Fund	\$61,335,013	\$ 57,626,465
Total Assets	\$61,335,013	\$ 57,626,465
Liabilities		
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	38,759,071	35,896,921
Mass Transit Trust Agency Fund	4,589,785	4,436,970
Transient Room Tax Agency Fund	4,326,121	3,913,877
Payable to School Boards Agency Fund	13,519,276	13,237,937
Total Liabilities	\$61,335,013	\$ 57,626,465

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, 2018 and 2017

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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 \$36,555,745 and \$13,675,449, respectively, for the year ended June 30, 2018, and \$35,119,395 and \$11,276,691, respectively, for the year ended June 30, 2017. 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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 \$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 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, 2018 and 2017 was \$224,415 and \$159,894, 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, 2018 and 2017 was \$607,804 and \$415,261, 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, 2018 and 2017, including cash with paying agents, were \$71,670,849 and \$70,572,883, 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, 2018 and 2017. All bank balances were collateralized by the bank holding securities in the Metro Revenue Commission's name.

The investment balance at June 30, 2018 and 2017 was \$0 and \$5,046, respectively. During FY2018 the estimated and historical returns from the investing activities were deemed less valuable than the time and effort required to maintain the investments and to calculate the distribution of the income among the various agencies. The investments were included on the Statement of Net Position as cash and cash equivalents, due to their 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.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3 – CAPITAL ASSETS

An analysis of capital assets at June 30, 2018 follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Equipment and software	\$ 4,258,536	\$ 386,311	\$ (323,978)	\$ 4,320,869
Accumulated depreciation	(3,672,211)	(176,461)	323,978	(3,524,694)
Net equipment and software	<u>586,325</u>	<u>209,850</u>	<u>-</u>	<u>796,175</u>
Furniture and fixtures	129,554	-	-	129,554
Accumulated depreciation	(87,493)	(4,428)	-	(91,921)
Net furniture and fixtures	<u>42,061</u>	<u>(4,428)</u>	<u>-</u>	<u>37,633</u>
Construction in progress	<u>-</u>	<u>5,650,000</u>	<u>-</u>	<u>5,650,000</u>
Capital assets, net of accumulated depreciation	<u>\$ 628,386</u>	<u>\$ 5,855,422</u>	<u>\$ -</u>	<u>\$ 6,483,808</u>

The Metro Government transferred \$6,036,311 in capital fixed assets to the Metro Revenue Commission for assets purchased for the implementation of a new tax collection system. The new tax collection system was fully implemented in July 2018.

An analysis of capital assets at June 30, 2017 follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2017</u>
Equipment and software	\$ 3,734,830	\$ 523,706	\$ -	\$ 4,258,536
Accumulated depreciation	(3,577,606)	(94,605)	-	(3,672,211)
Net equipment and software	<u>157,224</u>	<u>429,101</u>	<u>-</u>	<u>586,325</u>
Furniture and fixtures	85,279	44,275	-	129,554
Accumulated depreciation	(85,171)	(2,322)	-	(87,493)
Net furniture and fixtures	<u>108</u>	<u>41,953</u>	<u>-</u>	<u>42,061</u>
Capital assets, net of accumulated depreciation	<u>\$ 157,332</u>	<u>\$ 471,054</u>	<u>\$ -</u>	<u>\$ 628,386</u>

The Metro Government transferred \$523,706 in capital fixed assets to the Metro Revenue Commission for assets purchased for the implementation of a new tax collection system.

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 2018 and 2017 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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5 – INTERFUND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable
Internal Service Fund	\$ -	\$ 61,335,013
Total	\$ -	\$ 61,335,013
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 140,760	\$ -
Tax Collections and Other Receipts Agency Fund	38,759,071	-
Mass Transit Trust Agency Fund	4,589,785	-
Transient Room Tax Agency Fund	4,326,121	-
School Boards Agency Fund	13,519,276	-
Total	\$ 61,335,013	\$ 61,335,013

Interfund receivable and payable balances at June 30, 2017 are as follows:

	Interfund Receivable	Interfund Payable
Internal Service Fund	\$ -	\$ 57,626,465
Total	\$ -	\$ 57,626,465
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 140,760	\$ -
Tax Collections and Other Receipts Agency Fund	35,896,921	-
Mass Transit Trust Agency Fund	4,436,970	-
Transient Room Tax Agency Fund	3,913,877	-
School Boards Agency Fund	13,237,937	-
Total	\$ 57,626,465	\$ 57,626,465

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION
A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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, 2018 and 2017, participating employers contributed 31.55% and 31.06%, respectively, of each Hazardous employee's creditable compensation for pension and 19.18% and 18.68%, 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, 2018 were \$654,167, comprised of \$521,995 from employer contributions and \$132,172 from employees. Amounts for the year ended June 30, 2017 were \$512,004, comprised of \$398,787 from employer contributions and \$113,217 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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

Metro Government also provides professional services to the Metro Revenue Commission. During the years ended June 30, 2018 and 2017, these professional services expenses totaled \$153,053 and \$1,131,085, respectively. The Statement of Net Position - Proprietary Fund/Internal Service Fund reflects a \$2,784 and \$361,325 payable at June 30, 2018 and 2017, 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, 2018

	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	\$ 38,899,831	\$ 13,519,276	\$ 4,589,785	\$ 4,326,121	\$ 61,335,013
Total Assets	\$ 38,899,831	\$ 13,519,276	\$ 4,589,785	\$ 4,326,121	\$ 61,335,013
Liabilities					
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	38,759,071	-	-	-	38,759,071
Mass Transit Trust Agency Fund	-	-	4,589,785	-	4,589,785
Transient Room Tax Agency Fund	-	-	-	4,326,121	4,326,121
Payable to School Boards Agency Fund	-	\$ 13,519,276	-	-	13,519,276
Total Liabilities	\$ 38,899,831	\$ 13,519,276	\$ 4,589,785	\$ 4,326,121	\$ 61,335,013

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
Year ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<u>Louisville Metro Agency Funds</u>				
Assets				
Cash with paying agent	\$ -	\$ 50,231,194	\$ 50,231,194	\$ -
Due from Enterprise Fund	36,037,681	438,953,238	436,091,088	38,899,831
Total Assets	<u>\$ 36,037,681</u>	<u>\$ 489,184,432</u>	<u>\$ 486,322,282</u>	<u>\$ 38,899,831</u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 50,231,194	\$ 50,231,194	\$ 140,760
License fee collections payable: Louisville Metro Agency Funds	35,896,921	438,953,238	436,091,088	38,759,071
Total Liabilities	<u>\$ 36,037,681</u>	<u>\$ 489,184,432</u>	<u>\$ 486,322,282</u>	<u>\$ 38,899,831</u>
<u>School Boards Agency Fund</u>				
Assets				
Due from Enterprise Fund	\$ 13,237,937	\$ 165,309,585	\$ 165,028,246	\$ 13,519,276
Liabilities				
License fee collections payable to School Boards Agency Fund	\$ 13,237,937	\$ 165,309,585	\$ 165,028,246	\$ 13,519,276

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 – ALL AGENCY FUNDS
Year ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Mass Transit Trust</u>				
<u>Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 4,436,970</u>	<u>\$ 57,799,981</u>	<u>\$ 57,647,166</u>	<u>\$ 4,589,785</u>
Liabilities				
License fee collections payable to Mass Transit Trust Agency Fund	<u>\$ 4,436,970</u>	<u>\$ 57,799,981</u>	<u>\$ 57,647,166</u>	<u>\$ 4,589,785</u>
<u>Transient Room Tax</u>				
<u>Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 3,913,877</u>	<u>\$ 34,159,355</u>	<u>\$ 33,747,111</u>	<u>\$ 4,326,121</u>
Liabilities				
Tax collections payable Transient Room Tax Agency Fund	<u>\$ 3,913,877</u>	<u>\$ 34,159,355</u>	<u>\$ 33,747,111</u>	<u>\$ 4,326,121</u>

See Independent Auditor's Report.
(Continued)

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, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Totals - All Agency Funds				
Assets				
Cash with paying agent	\$ -	\$ 50,231,194	\$ 50,231,194	\$ -
Due from Enterprise Fund	<u>57,626,465</u>	<u>696,222,159</u>	<u>692,513,611</u>	<u>61,335,013</u>
Total Assets	<u>\$ 57,626,465</u>	<u>\$ 746,453,353</u>	<u>\$ 742,744,805</u>	<u>\$ 61,335,013</u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 50,231,194	\$ 50,231,194	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government:				
Louisville Metro Agency Funds	35,896,921	438,953,238	436,091,088	38,759,071
Mass Transit Trust				
Agency Fund	4,436,970	57,799,981	57,647,166	4,589,785
Transient Room Tax				
Agency Fund	3,913,877	34,159,355	33,747,111	4,326,121
Payable to School Boards				
Agency Fund	<u>13,237,937</u>	<u>165,309,585</u>	<u>165,028,246</u>	<u>13,519,276</u>
Total Liabilities	<u>\$ 57,626,465</u>	<u>\$ 746,453,353</u>	<u>\$ 742,744,805</u>	<u>\$ 61,335,013</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, 2018

	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	\$ 280,253,334	\$ 123,249,029	\$ 46,219,651	\$ -	\$ 449,722,014
License fees based on business net profits	68,795,007	40,445,942	11,008,401	-	120,249,350
Insurance premium license fees	62,331,233	-	-	-	62,331,233
Truck and trailer license fees	172,948	-	-	-	172,948
Transient room tax	-	-	-	34,105,066	34,105,066
Interest and penalties charged taxpayers	3,996,571	1,573,266	557,427	47,055	6,174,319
Interest earned on investments	209,633	41,348	14,502	7,234	272,717
Dividends - Louisville Water Company	19,338,075	-	-	-	19,338,075
Expenses paid by Louisville Metro Government	3,856,437	-	-	-	3,856,437
Total Receipts and Additions	<u>438,953,238</u>	<u>165,309,585</u>	<u>57,799,981</u>	<u>34,159,355</u>	<u>696,222,159</u>
Disbursements and Deductions					
Payments to governmental agencies	384,230,903	162,797,125	56,867,062	33,319,486	637,214,576
Collection fee paid to the Enterprise Fund	1,628,991	2,231,121	780,104	426,902	5,067,118
Investment fee paid to the Enterprise Fund	-	-	-	723	723
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve returned					
Principal	36,555,745	-	-	-	36,555,745
Interest	13,675,449	-	-	-	13,675,449
Total Disbursements and Deductions	<u>436,091,088</u>	<u>165,028,246</u>	<u>57,647,166</u>	<u>33,747,111</u>	<u>692,513,611</u>
Excess of Disbursements and Deductions over Receipts and Additions	2,862,150	281,339	152,815	412,244	3,708,548
Due From Enterprise Fund, Beginning of Year	<u>36,037,681</u>	<u>13,237,937</u>	<u>4,436,970</u>	<u>3,913,877</u>	<u>57,626,465</u>
Due from Enterprise Fund, End of Year	<u>\$ 38,899,831</u>	<u>\$ 13,519,276</u>	<u>\$ 4,589,785</u>	<u>\$ 4,326,121</u>	<u>\$ 61,335,013</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 LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 LOUISVILLE METRO AGENCY FUNDS
 June 30, 2018

	Tax Collections and Other Receipts Agency Fund	Current Debt Requirement Agency Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Due from Enterprise Fund	\$ 38,759,071	\$ 140,760	\$ 38,899,831
Total Assets	<u>\$ 38,759,071</u>	<u>\$ 140,760</u>	<u>\$ 38,899,831</u>
Liabilities			
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>\$ 38,759,071</u>	<u>-</u>	<u>38,759,071</u>
Total Liabilities	<u>\$ 38,759,071</u>	<u>\$ 140,760</u>	<u>\$ 38,899,831</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 –
 LOUISVILLE METRO AGENCY FUNDS
 June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Tax Collections and Other Receipts Agency Fund</u>				
Assets				
Due from Enterprise Fund	\$ 35,896,921	\$ 438,953,238	\$ 436,091,088	\$ 38,759,071
Liabilities				
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds- tax collections and other income	\$ 35,896,921	\$ 438,953,238	\$ 436,091,088	\$ 38,759,071
	<u>\$ 35,896,921</u>	<u>\$ 438,953,238</u>	<u>\$ 436,091,088</u>	<u>\$ 38,759,071</u>
<u>Current Debt Requirement Agency Fund</u>				
Assets				
Cash with paying agents	\$ -	\$ 50,231,194	\$ 50,231,194	\$ -
Due from Enterprise Fund	140,760	-	-	140,760
	<u>\$ 140,760</u>	<u>\$ 50,231,194</u>	<u>\$ 50,231,194</u>	<u>\$ 140,760</u>
Liabilities				
Amounts held for Louisville/Jefferson Country Metro Government, restricted for debt service	\$ 140,760	\$ 50,231,194	\$ 50,231,194	\$ 140,760
	<u>\$ 140,760</u>	<u>\$ 50,231,194</u>	<u>\$ 50,231,194</u>	<u>\$ 140,760</u>

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, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Totals - Louisville Metro Agency Funds				
Assets				
Cash with paying agents	\$ -	\$ 50,231,194	\$ 50,231,194	\$ -
Due from Enterprise Fund	<u>36,037,681</u>	<u>438,953,238</u>	<u>436,091,088</u>	<u>38,899,831</u>
Total Assets	<u>\$36,037,681</u>	<u>\$489,184,432</u>	<u>\$ 486,322,282</u>	<u>\$ 38,899,831</u>
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 50,231,194	\$ 50,231,194	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government: Louisville Metro Agency Funds	<u>35,896,921</u>	<u>438,953,238</u>	<u>436,091,088</u>	<u>38,759,071</u>
Total Liabilities	<u>\$36,037,681</u>	<u>\$ 489,184,432</u>	<u>\$ 486,322,282</u>	<u>\$ 38,899,831</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, 2018

	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	\$ 280,253,334	\$ -	\$ -	\$ 280,253,334
License fees based on business net profits	68,795,007	-	-	68,795,007
Insurance premium license fees	62,331,233	-	-	62,331,233
Truck and trailer license fees	172,948	-	-	172,948
Interest and penalties charged taxpayers	3,996,571	-	-	3,996,571
Interest earned on investments	209,633	-	-	209,633
Dividends - Louisville Water Company		19,338,075	-	19,338,075
Expenses paid by Louisville Metro Government	3,856,437	-	-	3,856,437
Total Receipts and Additions	<u>419,615,163</u>	<u>19,338,075</u>	<u>-</u>	<u>438,953,238</u>
Disbursements and Deductions				
Payments to Louisville Metro Government	364,892,828	19,338,075	-	384,230,903
Collection fee paid to the Enterprise Fund	1,628,991	-	-	1,628,991
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve Returned				
Principal	-	-	36,555,745	36,555,745
Interest	-	-	13,675,449	13,675,449
Total Disbursements and Deductions	<u>366,521,819</u>	<u>19,338,075</u>	<u>50,231,194</u>	<u>436,091,088</u>
Excess of Receipts and Additions Over (Under) Disbursements and Deductions	53,093,344	-	(50,231,194)	2,862,150
Interfund Transfers	(50,231,194)	-	50,231,194	-
Due from Enterprise Fund, Beginning of Year	<u>35,896,921</u>	<u>-</u>	<u>140,760</u>	<u>36,037,681</u>
Due from Enterprise Fund, End of Year	<u>\$ 38,759,071</u>	<u>\$ -</u>	<u>\$ 140,760</u>	<u>\$ 38,899,831</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, 2018, 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 14, 2018.

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 LLP

Louisville, Kentucky
November 14, 2018