

Strothman & Company P S C

Certified Public Accountants & Advisors



Financial Statements

**Louisville/Jefferson County
Metro Revenue Commission**
A Component Unit of Louisville-Jefferson
County Metro Government

June 30, 2010 and 2009

Financial Statements

Louisville/Jefferson County Metro Revenue Commission
A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

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Independent Auditors' Report



Commissioners
Louisville/Jefferson County Metro Revenue Commission
Louisville, Kentucky

We have audited the accompanying financial statements of the proprietary fund and fiduciary funds of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the years ended June 30, 2010 and 2009, as indicated in the accompanying table of contents, which collectively comprise the Metro Revenue Commission's financial statements. These financial statements are the responsibility of the Metro Revenue Commission's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Metro Revenue Commission's proprietary fund and fiduciary funds as of June 30, 2010 and 2009, and the changes in its proprietary fund's net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the Metro Revenue Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Metro Revenue Commission's financial statements as a whole. 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. Such combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STROTHMAN & COMPANY PSC

Louisville, Kentucky
December 17, 2010

Management's Discussion and Analysis (Unaudited)

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

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 activities associated with the 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 funds associated with the Metro Revenue Commission for the fiscal year ended June 30, 2010. Please read it in conjunction with the Metro Revenue Commission's basic financial statements, which begin on page 6.

The Metro Revenue Commission is a 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 A to the notes to financial statements which begins on page 10.

Using this Annual Report

This annual report consists of a series of financial statements. The statements of net assets, statements of revenues, expenses and changes in net assets and the statements of cash flows for the proprietary/enterprise fund (on pages 6 - 8) 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/enterprise fund as this fund accounts for the Metro Revenue Commission's operations.

The combining and individual statements of fiduciary net assets 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 Assets

Assets of the Metro Revenue Commission decreased 9.14% (\$54,185,234 as of June 30, 2010 compared to \$59,634,889 at June 30, 2009) due to a decrease in cash received from taxpayers.

Total liabilities of the Metro Revenue Commission decreased 9.08% (\$59,569,179 as of June 30, 2009 to \$54,157,325 as of June 30, 2010). Deferred revenue and refunds payable decreased \$1,629,806 from June 30, 2009 to June 30, 2010. Due to other funds decreased 8.15% from \$44,079,224 as of June 30, 2009 to \$40,483,771 as of June 30, 2010 due to lower tax collections.

Total net assets of the Metro Revenue Commission decreased 57.53% from June 30, 2009 to June 30, 2010. See Statement of Revenues, Expenses and Changes in Net Assets on page 7.

Continued

Louisville/Jefferson County Metro Revenue Commission
A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Statements of Revenues, Expenses and Changes in Net Assets

Total operating revenues of the Metro Revenue Commission increased 5.79% from \$4,584,006 for fiscal year 2009 to \$4,849,360 for fiscal year 2010. Operating revenues are generated from collection fees charged to our fiduciaries. 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. Any surplus operating revenue is returned to the Louisville Metro Government's General Fund.

Total expenses increased 5.62%, from \$4,619,060 in fiscal year 2009 to \$4,878,716 in fiscal year 2010, mainly due to an increase in professional service charges.

The total change in net assets was a decrease of \$37,801 for fiscal year 2010 as compared to a decrease of \$35,054 for fiscal year 2009.

Total withholding taxes increased .28% to \$323,606,239 for fiscal year ended June 30, 2010.

Total net profit taxes decreased 13.29% from \$77,557,294 in fiscal year 2009 to \$67,249,484 for fiscal year 2010.

Insurance premium taxes experienced a decline of 5.23% from \$52,726,282 for fiscal year ended June 30, 2009 to \$ 49,970,392 for fiscal year ended June 30, 2010.

Transient room taxes decreased 6.45% from \$19,547,130 for fiscal year ended June 30, 2009 to \$18,286,081 for fiscal year ended June 30, 2010.

Capital Assets

The Metro Revenue Commission purchased an additional scanner during fiscal year 2010. The IT department purchased hardware for the ESX server. The cost of these assets were capitalized and included in Note D.

Economic Factors

There continue to be cutbacks by employers and decreases in local employment rates. These changes will continue to affect occupational tax collections in fiscal year 2011.

The tightening of budgets, the increase in costs and the tightening of credit by banks and lenders will continue to be a real detriment to business net profits in the next year.

Insurance premiums are expected to show little or no increase because of the overall economic conditions.

The occupancy rate of local hotels and motels will continue to suffer because of economic conditions. Little or no growth is seen in the collection of transient room taxes.

Continued

Management's Discussion and Analysis (Unaudited)--Continued

Louisville/Jefferson County Metro Revenue Commission
A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

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

ENTERPRISE FUND

Enterprise funds are a type of proprietary fund used to report activity for which a fee is charged to external users for goods or services.

The Enterprise Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission's operations.

Statements of Net Assets - Proprietary Fund / Enterprise Fund

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

	June 30	
	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 54,009,388	\$ 59,406,003
Capital Assets , net of accumulated depreciation	<u>175,846</u>	<u>228,886</u>
Total Assets	54,185,234	59,634,889
Liabilities		
Current Liabilities		
Deferred revenue and refunds payable	11,170,738	12,800,544
Accounts payable and accrued expenses	1,887,494	1,926,538
Accounts payable to related parties, Louisville Metro Government	615,322	762,873
Due to other funds	<u>40,483,771</u>	<u>44,079,224</u>
Total Current Liabilities	<u>54,157,325</u>	<u>59,569,179</u>
Net Assets		
Invested in capital assets	175,846	228,886
Unrestricted	<u>(147,937)</u>	<u>(163,176)</u>
Total Net Assets	<u>\$ 27,909</u>	<u>\$ 65,710</u>

See Notes to Financial Statements

Statements of Revenues, Expenses and Changes in Net Assets - Proprietary Fund /
Enterprise Fund

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

	Year Ended June 30	
	2010	2009
Operating Revenues		
Collection, investment and other fees	\$ 4,849,360	\$ 4,584,006
Operating Expenses		
Salaries	2,183,889	2,171,396
Employee benefits:		
Health and life insurance	330,593	322,327
Pension	337,186	268,754
Payroll taxes	151,214	152,858
Computer services	20,400	20,136
Building and office expense	122,694	138,665
Professional services	1,036,796	831,245
Postage	244,389	188,861
Forms and printing	67,862	121,303
Equipment maintenance and repair		4,326
Equipment purchases	17,597	76,672
Software licenses	138,965	98,220
Supplies	23,329	20,994
Telephone	54,347	40,383
Court fees and costs	33,893	48,980
Depreciation	93,030	86,829
Travel	6,164	4,394
Miscellaneous	16,368	22,717
Total Operating Expenses	4,878,716	4,619,060
Operating Loss	(29,356)	(35,054)
Nonoperating Expense		
Loss on disposal of fixed assets	(8,445)	
Change in Net Assets	(37,801)	(35,054)
Net Assets Beginning of Year, Restated	65,710	100,764
Net Assets End of Year	\$ 27,909	\$ 65,710

See Notes to Financial Statements

Statements of Cash Flows - Proprietary Fund / Enterprise Fund

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

	Year Ended June 30	
	2010	2009
Cash Flows From Operating Activities		
Cash received from collection, investment, and other fees	\$ 4,849,360	\$ 4,584,006
Cash paid to employees	(3,002,882)	(2,915,335)
Cash paid to suppliers	(1,969,400)	(710,893)
Decrease in cash collected for others	<u>(5,225,258)</u>	<u>(793,001)</u>
Net Cash Provided By (Used In) Operating Activities	(5,348,180)	164,777
Cash Flows From Capital Activities		
Purchase of capital assets	<u>(48,435)</u>	<u>(69,990)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,396,615)	94,787
Cash and Cash Equivalents Beginning of Year	<u>59,406,003</u>	<u>59,311,216</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 54,009,388</u></u>	<u><u>\$ 59,406,003</u></u>
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities		
Operating loss	\$ (29,356)	\$ (35,054)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation expense	93,030	86,829
Changes in assets and liabilities		
(Decrease) increase in deferred revenue and refunds payable	(1,629,806)	1,745,096
(Decrease) increase in accounts payable and accrued expenses	(39,045)	578,243
(Decrease) increase in accounts payable to related parties	(147,550)	327,760
Decrease in due to other funds	<u>(3,595,453)</u>	<u>(2,538,097)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (5,348,180)</u></u>	<u><u>\$ 164,777</u></u>

See 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 the Kentucky Center and also for the debt service.

Statements of Fiduciary Net Assets - Agency Funds

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

	June 30	
	2010	2009
Assets		
Due from Enterprise Fund	\$ 40,483,771	\$ 44,079,224
Total Assets	\$ 40,483,771	\$ 44,079,224
Liabilities		
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ 140,761	\$ 640,761
Payable to Louisville/Jefferson County Metro Government:		
Louisville Metro Agency Fund	25,337,418	27,608,432
Mass Transit Trust Agency Fund	3,381,231	3,566,090
Transient Room Tax Agency Fund	2,100,961	1,871,365
Payable to School Boards Agency Fund	9,523,400	10,392,576
Total Liabilities	\$ 40,483,771	\$ 44,079,224

See Notes to Financial Statements

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note A--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 ("Louisville Metro Government").

The financial statements of the Metro Revenue Commission have been prepared in conformity with generally accepted accounting principles ("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. With respect to proprietary activities, Metro Revenue Commission has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Metro Revenue Commission has elected to apply all applicable Financial Accounting Standards Board Statements and Accounting Principles Board opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The more significant of the Metro Revenue Commission's accounting policies are described below:

1. 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 Louisville Metro Government. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Louisville Metro Government's General Fund. The Commissioners consist of the Mayor of the Louisville 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 Louisville 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 Louisville 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 Louisville 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 Louisville Metro Government's General Fund. In addition to these duties, the Metro Revenue Commission acts as a collection agent of certain license fees and taxes for other local governmental units.

2. Basis of Presentation

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, net assets, revenues and expenses.

Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note A--Description of Organization and Summary of Significant Accounting Policies--
Continued

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

Enterprise Fund - The Enterprise 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 Enterprise 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.

As noted above, the Metro Revenue Commission is a component unit of Louisville Metro Government. As such, its financial statements are included within the financial statements of Louisville Metro Government. Because Louisville Metro Government is the predominant participant in the activities of the Metro Revenue Commission, and the Commission is financially dependent on Louisville Metro Government, their financial statements will reflect the Metro Revenue Commission as an internal service fund as a blended component unit.

Fiduciary Fund Types

Fiduciary Fund Types 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:

Continued

Notes to Financial Statements--Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note A--Description of Organization and Summary of Significant Accounting Policies--
Continued

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 Louisville Metro Government, net of operating expenses paid by the Metro Revenue Commission and the current year debt service requirements on the Louisville Metro Government's general obligation bonds. Funds required to cover operating expenses are retained by the Enterprise 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 Louisville 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 Louisville Metro Government's tax collections to pay the annual bond principal and interest requirements on the Louisville Metro Government's general obligation bonds. Bond principal and interest payments were \$8,890,000 and \$7,677,922, respectively, for the year ended June 30, 2010, and \$5,545,000 and \$6,020,605 respectively, for the year ended June 30, 2009. The total amount of general obligation bonds is reported by the Louisville 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 Louisville Metro Government. For financial reporting purposes, Louisville 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

June 30, 2010 and 2009

Note A--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 is charged by the Metro Revenue Commission. On the day following the regular monthly Commissioners' meeting, remittance is made to the Louisville Metro Government, which then disburses the tax collected to the Greater Louisville Convention and Visitors Bureau and the Kentucky Center for the Arts.

3. 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The proprietary fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Collection fee revenue in the Enterprise Fund is recognized when the tax collection is earned for a governmental unit. Expenses in the Enterprise Fund are recognized when the liability is incurred.

The Metro Revenue Commission reports deferred revenue on its statement of net assets. 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 deferred revenue 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.

All Agency Funds are accounted for on the accrual basis of accounting. Agency Funds are custodial in nature and do not involve measurement of the results of operations.

Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

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Note A--Description of Organization and Summary of Significant Accounting Policies--
Continued

4. 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 Louisville Metro Government's budget. The budget, which may be amended during the year, is adopted on a basis consistent with GAAP.

5. Interfund Transactions

All collections are received in the Enterprise Fund and recorded as a liability to the appropriate agency funds. All disbursements of collections to the various governmental units are made from the Enterprise Fund and recorded in the various Agency Funds through the interfund accounts. The Agency Funds use the accrual basis of accounting to recognize receivables and payables.

6. 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.

7. Compensated Absences

Vested and accumulated vacation leave for employees of the Enterprise 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, 2010 and 2009 was approximately \$147,950 and \$163,200, 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, 2010 and 2009 was approximately \$483,225 and \$506,000 respectively, including applicable FICA and Medicare taxes.

Continued

Notes to Financial Statements--Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

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Note A--Description of Organization and Summary of Significant Accounting Policies--Continued

8. 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.

9. 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 assets, 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.

10. Reclassifications

Certain reclassifications have been made to the fiscal year 2009 financial statements to conform to the fiscal year 2010 presentation.

Note B--Prior Period Adjustment

During the preparation of the fiscal year 2010 financial statements, an error was discovered in the calculation of depreciation in prior fiscal years. Depreciation was not accurately calculated and recorded for assets placed in service in prior fiscal years. This error has resulted in a restatement of the fiscal year 2009 beginning net assets of \$16,287. The amounts reported for depreciation expense and accumulated depreciation for fiscal year 2009 have also been restated by \$62,793. The total impact of this restatement on the beginning net assets for fiscal year 2010 is \$79,080.

Notes to Financial Statements--Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

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Note C--Deposits and Investments

The bank balances at June 30, 2010 and 2009, including cash with paying agents, were \$40,866,440 and \$12,534,471 respectively. Of this amount, \$350,000 was covered by federal depository insurance at June 30, 2010 and at June 30, 2009. The remainder was collateralized by the bank holding securities in the Metro Revenue Commission's name.

The investment balances at June 30, 2010 and 2009 of \$13,784,703 and \$47,394,672 respectively, consists of money market mutual funds (investing in U. S. Government securities) 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 are included on the statement of net assets as cash and cash equivalents.

Interest income is remitted to the Louisville 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."

Continued

Notes to Financial Statements--Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note C--Deposits and Investments--Continued

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.

Note D--Capital Assets

An analysis of capital assets at June 30, 2010 follows:

	<u>July 1 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30 2010</u>
Equipment and software	\$ 4,050,080	\$ 48,435	\$ (369,744)	\$ 3,728,771
Accumulated depreciation	<u>(3,837,129)</u>	<u>(89,359)</u>	<u>361,299</u>	<u>(3,565,189)</u>
Net equipment and software	212,951	(40,924)	(8,445)	163,582
Furniture and fixtures	85,279			85,279
Accumulated depreciation	<u>(69,344)</u>	<u>(3,671)</u>		<u>(73,015)</u>
Net furniture and fixtures	<u>15,935</u>	<u>(3,671)</u>		<u>12,264</u>
Capital Assets, net of accumulated depreciation	<u>\$ 228,886</u>	<u>\$ (44,595)</u>	<u>\$ (8,445)</u>	<u>\$ 175,846</u>

Continued

Notes to Financial Statements--Continued

Louisville/Jefferson County Metro Revenue Commission
A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note D--Capital Assets-Continued

An analysis of capital assets at June 30, 2009 follows:

	<u>July 1 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30 2009</u>
Equipment and software	\$ 3,980,090	\$ 69,990		\$ 4,050,080
Accumulated depreciation	<u>(3,753,766)</u>	<u>(83,363)</u>		<u>(3,837,129)</u>
Net equipment and software	226,324	(13,373)		212,951
Furniture and fixtures	85,279			85,279
Accumulated depreciation	<u>(65,878)</u>	<u>(3,466)</u>		<u>(69,344)</u>
Net furniture and fixtures	<u>19,401</u>	<u>(3,466)</u>		<u>15,935</u>
Capital Assets , net of accumulated depreciation	<u>\$ 245,725</u>	<u>\$ (16,839)</u>	<u>\$</u>	<u>\$ 228,886</u>

Note E--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 Louisville Metro Government internal service fund, was established in 1976 to consolidate all of the Louisville Metro Government's insurance or self-insurance under a comprehensive risk management program. This program currently includes all Metro agencies. The Risk Fund 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.

Continued

Notes to Financial Statements--Continued

Louisville/Jefferson County Metro Revenue Commission
A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note E--Risk Management--Continued

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 Louisville Metro Government properties through Louisville Area Governmental General Insurance Trust ("LAGGIT"), a property insurance trust.

Note F--Interfund Transfers

Interfund receivable and payable balances at June 30, 2010 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Enterprise Fund		\$ 40,483,771
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts Held for Restricted Debt Service	\$ 140,761	
Tax Collections and Other Receipts Agency Fund	25,337,418	
Mass Transit Trust Agency Fund	3,381,231	
Transient Room Tax Agency Fund	2,100,961	
School Boards Agency Fund	9,523,400	
	<u>\$ 40,483,771</u>	<u>\$ 40,483,771</u>

Continued

Notes to Financial Statements--Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note F--Interfund Transfers--Continued

Interfund receivable and payable balances at June 30, 2009 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Enterprise Fund		\$ 44,079,224
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts Held for Restricted Debt Service	\$ 640,761	
Tax Collections and Other Receipts Agency Fund	27,608,432	
Mass Transit Trust Agency Fund	3,566,090	
Transient Room Tax Agency Fund	1,871,365	
School Boards Agency Fund	10,392,576	
	<u>\$ 44,079,224</u>	<u>\$ 44,079,224</u>

Note G--Related Party Transactions

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

Louisville Metro Government provides professional services to the Metro Revenue Commission. During the years ended June 30, 2010 and 2009, respectively, these expenses totaled \$1,338,850 and \$1,380,075, respectively. The Statement of Net Asset-Proprietary Fund/Enterprise Fund reflects a \$615,322 and \$762,873 payable for June 30, 2010 and 2009, respectively, for professional services incurred by the Metro Revenue Commission for services received from Louisville Metro Government.

Note H--Post-Employment Health Care Benefits

Retired Metro Revenue Commission employees may receive some health care benefits from the County Employees' Retirement System (the "System") at no cost to the Metro Revenue Commission. The System 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.

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of Louisville/Jefferson County Metro Government

June 30, 2010 and 2009

Note I--Employee Retirement Systems

All Metro Revenue Commission full-time employees, as Louisville Metro Government employees, participate in the County Employees' Retirement System, 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. Cost-of-living adjustments are provided at the discretion of the State legislature.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the County Employees' Retirement System. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

The Metro Revenue Commission was required by statute to contribute at an actuarially determined rate of 16.16% and 13.50% during the years ended June 30, 2010 and 2009, respectively. Contributions for the year ended June 30, 2010 were approximately \$447,300 of which \$337,186 was from the Metro Revenue Commission and \$110,114 was from employees. Contributions for the year ended June 30, 2009 were approximately \$367,200, of which \$268,754 was from the Metro Revenue Commission and \$98,446 was from employees. Contributions for the year ended June 30, 2008 was approximately \$423,600, of which \$324,873 was the Metro Revenue Commission and \$98,727 was from employees. The above contributions were equal to the required contributions for each year.

Note J--Deferred Compensation

The Metro Revenue Commission's employees are offered the opportunity to participate in the Louisville 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. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. Metro Revenue Commission therefore does not show these assets and liabilities on its financial statements.

**Combining and Individual
Fund Financial Statements**

Combining Statement of Fiduciary Net Assets - All Agency Funds

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2010

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
Assets					
Due from Enterprise Fund	\$ 25,478,179	\$ 9,523,400	\$ 3,381,231	\$ 2,100,961	\$ 40,483,771
Total Assets	\$ 25,478,179	\$ 9,523,400	\$ 3,381,231	\$ 2,100,961	\$ 40,483,771
Liabilities					
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,761				\$ 140,761
Payable to Louisville/Jefferson County Metro Government:					
Louisville Metro Agency Funds	25,337,418				25,337,418
Mass Transit Trust Agency Fund			\$ 3,381,231		3,381,231
Transient Room Tax Agency Fund				\$ 2,100,961	2,100,961
Payable to School Boards Agency Fund		\$ 9,523,400			9,523,400
Total Liabilities	\$ 25,478,179	\$ 9,523,400	\$ 3,381,231	\$ 2,100,961	\$ 40,483,771

See Independent Auditors' Report

Combining Statement of Changes in Assets and Liabilities - All Agency Funds

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Louisville Metro Agency Funds</u>				
Assets				
Cash with paying agent		\$ 17,667,922	\$ 17,667,922	
Due from Enterprise Fund	\$ 28,249,193	313,863,795	316,634,809	\$ 25,478,179
Total Assets	\$ 28,249,193	\$ 331,531,717	\$ 334,302,731	\$ 25,478,179
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761	\$ 17,667,922	\$ 18,167,922	\$ 140,761
License fee collections Payable: Louisville Metro Agency Funds	27,608,432	313,863,795	316,134,809	25,337,418
Total Liabilities	\$ 28,249,193	\$ 331,531,717	\$ 334,302,731	\$ 25,478,179
<u>School Boards Agency Fund</u>				
Assets				
Due from Enterprise Fund	\$ 10,392,576	\$ 112,704,038	\$ 113,573,214	\$ 9,523,400
Liabilities				
License fee collections payable to School Boards Agency Fund	\$ 10,392,576	\$ 112,704,038	\$ 113,573,214	\$ 9,523,400

Continued

Combining Statement of Changes in Assets and Liabilities - All Agency Funds--Continued

Louisville/Jefferson County Metro Revenue Commission
A Component Unit of the Louisville/Jefferson County Metro Government

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Mass Transit Trust Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 3,566,090</u>	<u>\$ 39,429,081</u>	<u>\$ 39,613,940</u>	<u>\$ 3,381,231</u>
Liabilities				
License fee collections Payable to Mass Transit Trust Agency Fund	<u>\$ 3,566,090</u>	<u>\$ 39,429,081</u>	<u>\$ 39,613,940</u>	<u>\$ 3,381,231</u>
<u>Transient Room Tax Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 1,871,365</u>	<u>\$ 18,342,371</u>	<u>\$ 18,112,775</u>	<u>\$ 2,100,961</u>
Liabilities				
Tax collections payable Transient Room Tax Agency Fund	<u>\$ 1,871,365</u>	<u>\$ 18,342,371</u>	<u>\$ 18,112,775</u>	<u>\$ 2,100,961</u>

Continued

Combining Statement of Changes in Assets and Liabilities - All Agency Funds--Continued

Louisville/Jefferson County Metro Revenue Commission
A Component Unit of the Louisville/Jefferson County Metro Government

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Totals - All Agency Funds</u>				
Assets				
Cash with paying agents		\$ 17,667,922	\$ 17,667,922	
Due from Enterprise Fund	\$ 44,079,224	484,339,285	487,934,738	\$ 40,483,771
Total Assets	\$ 44,079,224	\$ 502,007,207	\$ 505,602,660	\$ 40,483,771
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761	\$ 17,667,922	\$ 18,167,922	\$ 140,761
Payable to Louisville/ Jefferson County Metro Government:				
Louisville Metro Agency Funds	27,608,432	313,863,795	316,134,809	25,337,418
Mass Transit Trust Agency Fund	3,566,090	39,429,081	39,613,940	3,381,231
Transient Room Tax Agency Fund	1,871,365	18,342,371	18,112,775	2,100,961
Payable to School Boards Agency Fund	10,392,576	112,704,038	113,573,214	9,523,400
Total Liabilities	\$ 44,079,224	\$ 502,007,207	\$ 505,602,660	\$ 40,483,771

See Independent Auditors' Report

Analysis of All Agency Funds Due From Enterprise Fund Accounts

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

Year Ended June 30, 2010

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
Receipts and Additions					
Occupational license fees and other special tax collections					
Employees' license fees	\$ 201,551,755	\$ 89,133,299	\$ 32,921,185		\$ 323,606,239
License fees based on business net profits	38,507,491	22,581,383	6,160,610		67,249,484
Insurance premium license fees	49,970,392				49,970,392
Truck and trailer license fees	71,631				71,631
Transient room tax				\$ 18,286,081	18,286,081
Interest and penalties charged taxpayers	2,504,368	970,706	340,736	53,566	3,869,376
Interest earned on investments	91,655	18,650	6,550	2,724	119,579
Dividends - Louisville Water Company	18,148,381				18,148,381
Expenses paid by Louisville Metro Government	3,018,122				3,018,122
Total Receipts and Additions	313,863,795	112,704,038	39,429,081	18,342,371	484,339,285
Disbursements and Deductions					
Payments to governmental agencies	297,500,499	112,051,961	39,081,734	17,883,257	466,517,451
Collection fee paid to the Enterprise Fund	2,566,388	1,521,253	532,206	229,246	4,849,093
Investment fee paid to the Enterprise Fund				272	272
Collections remitted to paying agents for Louisville Metro Government debt service:					
Principal	8,890,000				8,890,000
Interest	7,677,922				7,677,922
Total Disbursements and Deductions	316,634,809	113,573,214	39,613,940	18,112,775	487,934,738
Excess of Disbursements and Deductions over Receipts and Additions	(2,771,014)	(869,176)	(184,859)	229,596	(3,595,453)
Due From Enterprise Fund, Beginning of Year	28,249,193	10,392,576	3,566,090	1,871,365	44,079,224
Due from Enterprise Fund, End of Year	\$ 25,478,179	\$ 9,523,400	\$ 3,381,231	\$ 2,100,961	\$ 40,483,771

See Independent Auditors' 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 22 – 25.

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.

Combining Statement of Fiduciary Net Assets - Louisville Metro Agency Funds

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

June 30, 2010

	Tax Collections and Other Receipts Agency Fund	Current Debt Requirement Agency Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Due from Enterprise Fund	\$ 25,337,418	\$ 140,761	\$ 25,478,179
Total Assets	<u>\$ 25,337,418</u>	<u>\$ 140,761</u>	<u>\$ 25,478,179</u>
Liabilities			
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service		\$ 140,761	\$ 140,761
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds-tax collections and other income	<u>\$ 25,337,418</u>		<u>25,337,418</u>
Total Liabilities	<u>\$ 25,337,418</u>	<u>\$ 140,761</u>	<u>\$ 25,478,179</u>

See Independent Auditors' Report

Combining Statement of Changes in Assets and Liabilities - Louisville Metro Agency Funds

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Tax Collections and Other Receipts Agency Fund</u>				
Assets				
Due from Enterprise Fund	<u>\$ 27,608,432</u>	<u>\$ 313,863,795</u>	<u>\$ 316,134,809</u>	<u>\$ 25,337,418</u>
Liabilities				
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds- tax collections and other income	<u>\$ 27,608,432</u>	<u>\$ 313,863,795</u>	<u>\$ 316,134,809</u>	<u>\$ 25,337,418</u>
<u>Current Debt Requirement Agency Fund</u>				
Assets				
Cash with paying agents		\$ 17,667,922	\$ 17,667,922	
Due from Enterprise Fund	<u>\$ 640,761</u>		<u>500,000</u>	<u>\$ 140,761</u>
	<u>\$ 640,761</u>	<u>\$ 17,667,922</u>	<u>\$ 18,167,922</u>	<u>\$ 140,761</u>
Liabilities				
Amounts held for Louisville/Jefferson Country Metro Government, restricted for debt service	<u>\$ 640,761</u>	<u>\$ 17,667,922</u>	<u>\$ 18,167,922</u>	<u>\$ 140,761</u>

Continued

Combining Statement of Changes in Assets and Liabilities - Louisville Metro Agency Funds--Continued

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Totals - Louisville Metro Agency Funds</u>				
Assets				
Cash with paying agents		\$ 17,667,922	\$ 17,667,922	
Due from Enterprise Fund	\$ 28,249,193	313,863,795	316,634,809	\$ 25,478,179
Total Assets	\$ 28,249,193	\$ 331,531,717	\$ 334,302,731	\$ 25,478,179
Liabilities				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761	\$ 17,667,922	\$ 18,167,922	\$ 140,761
Payable to Louisville/ Jefferson County Metro Government: Louisville Metro Agency Funds	27,608,432	313,863,795	316,134,809	25,337,418
Total Liabilities	\$ 28,249,193	\$ 331,531,717	\$ 334,302,731	\$ 25,478,179

See Independent Auditors' Report

Analysis of Louisville Metro Accounts Agency Funds Due From Enterprise Fund Accounts

Louisville/Jefferson County Metro Revenue Commission

A Component Unit of the Louisville/Jefferson County Metro Government

Year Ended June 30, 2010

	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	\$ 201,551,755			\$ 201,551,755
License fees based on business net profits	38,507,491			38,507,491
Insurance premium license fees	49,970,392			49,970,392
Truck and trailer license fees	71,631			71,631
Interest and penalties charged taxpayers	2,504,368			2,504,368
Interest earned on investments	91,655			91,655
Dividends - Louisville Water Company		\$ 18,148,381		18,148,381
Expenses paid by Louisville Metro Government	3,018,122			3,018,122
Total Receipts and Additions	295,715,414	18,148,381		313,863,795
Disbursements and Deductions				
Payments to Louisville Metro Government	279,352,118	18,148,381		297,500,499
Collection fee paid to the Enterprise Fund	2,566,388			2,566,388
Collections remitted to paying agents for Louisville Metro Government debt service:				
Principal			\$ 8,890,000	8,890,000
Interest			7,677,922	7,677,922
Total Disbursements and Deductions	281,918,506	18,148,381	16,567,922	316,634,809
Excess of Receipts and Additions Over (Under) Disbursements and Deductions	13,796,908		(16,567,922)	(2,771,014)
Interfund Transfers	(16,567,922)		16,567,922	
Due from Enterprise Fund, Beginning of Year	28,249,193			28,249,193
Due from Enterprise Fund, End of Year	\$ 25,478,179	\$	\$	\$ 25,478,179

See Independent Auditors' Report

**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***

**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 the financial statements of the proprietary fund and fiduciary funds of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the year ended June 30, 2010, which collectively comprise the Metro Revenue Commission's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Metro Revenue Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency. See comment number one in the Management Letter. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain other matters that we reported to management of Metro Revenue Commission in a letter dated December 17, 2010.

This report is intended solely for the information and use of the Commissioners, management and others within the Metro Revenue Commission and is not intended to be and should not be used by anyone other than these specified parties.

STROTHMAN & COMPANY PSC

Louisville, Kentucky
December 17, 2010