

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

**FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

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

FINANCIAL STATEMENTS  
June 30, 2014 and 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) .....	3
FINANCIAL STATEMENTS	
Statements of Net Position – Proprietary Fund/Enterprise Fund .....	8
Statements of Revenues, Expenses and Changes In Net Position – Proprietary Fund/Enterprise Fund.....	9
Statements of Cash Flows – Proprietary Fund/Enterprise Fund.....	10
Statements of Fiduciary Net Position – Agency Funds .....	11
Notes to Financial Statements.....	12
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS	
Combining Statement of Fiduciary Net Position – All Agency Funds.....	22
Combining Statement of Changes in Assets and Liabilities – All Agency Funds .....	23
Analysis of All Agency Funds Due From Enterprise Fund Accounts .....	26
Combining Statement of Fiduciary Net Position – Louisville Metro Agency Funds .....	27
Combining Statement of Changes In Assets and Liabilities – Louisville Metro Agency Funds .....	28
Analysis of Louisville Metro Agency Funds Due From Enterprise Fund Accounts .....	30
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	31

## 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 governmental activities, and each major fund 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, 2014 and 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 governmental activities, and each major fund of the Metro

Revenue Commission as of June 30, 2014 and 2013, 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.

***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, 2014 and 2013 and the changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro Revenue Commission's basic financial statements. The combining and individual fund financial statements on pages 22 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of the Metro Revenue Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metro Revenue Commission's internal control over financial reporting and compliance.

  
Crowe Horwath LLP

Louisville, Kentucky  
December 1, 2014

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2014 and 2013

---

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 years ended June 30, 2014 and 2013. Please read it in conjunction with the Metro Revenue Commission's basic financial statements, which begin on page 8.

The Metro Revenue Commission is a component unit of the Metro Government. The Metro Revenue Commission's MD&A should be read in conjunction with the MD&A of the Metro Government. For a description of the Metro Revenue Commission activities and different fund types, see Note 1 to the notes to financial statements which begins on page 12.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statements of net position, statements of revenues, expenses and changes in net position and the statements of cash flows for the proprietary/enterprise fund (on pages 8 - 10) provide information about the operations of the Metro Revenue Commission. These statements include all assets, liabilities, revenues and expenses of the Metro Revenue Commission using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Metro Revenue Commission's MD&A only reports on the proprietary/enterprise fund as this fund accounts for the Metro Revenue Commission's operations.

The combining and individual statements of fiduciary net position are presented because the Metro Revenue Commission is financially accountable for those resources although they belong to the fiduciaries of the Metro Revenue Commission.

**Statements of Net Position**

*2014 Compared to 2013*

Total assets of the Metro Revenue Commission increased 3.5%, from \$63,540,613 at June 30, 2013 to \$65,743,971 at June 30, 2014. This increase is mainly comprised of an increase in the Metro Revenue Commission's cash balances due to payments received from taxpayers. Total liabilities increased 0.1%, from \$60,761,243 at June 30, 2013 to \$60,836,740 at June 30, 2014. Deferred inflows of resources increased 71.5% from \$2,794,979 at June 30, 2013 to \$4,791,994 at June 30, 2014. This increase is due to the increase in collections from taxpayers' returns that will have audit review.

The net position of the Metro Revenue Commission increased from a net deficit of \$15,609 at June 30, 2013 to a net surplus of \$115,237 at June 30, 2014.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2014 and 2013

**Figure 1 – Statements of Net Position**

	June 30		
	2014	2013	2012
<b>Assets</b>			
<b>Current Assets</b>			
Restricted cash and cash equivalents	\$ 65,508,595	\$ 63,433,317	\$ 56,876,743
Due from other funds	-	-	201,885
<b>Capital Assets</b> , net of accumulated depreciation	235,376	107,296	69,715
<b>Total Assets</b>	<u>\$ 65,743,971</u>	<u>\$ 63,540,613</u>	<u>\$ 57,148,343</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Refunds payable	\$ 6,951,784	\$ 6,175,560	\$ 4,919,192
Accounts payable and accrued expenses	2,028,512	2,299,911	2,888,662
Due to other funds	51,856,444	52,285,772	45,963,365
<b>Total Liabilities</b>	<u>60,836,740</u>	<u>60,761,243</u>	<u>53,771,219</u>
<b>Deferred Inflows of Resources</b>			
Deferred tax credit receipts	4,791,994	2,794,979	3,426,390
<b>Total Deferred Inflows of Resources</b>	<u>4,791,994</u>	<u>2,794,979</u>	<u>3,426,390</u>
<b>Total Liabilities</b>	65,628,734	63,556,222	57,197,609
<b>Net Position</b>			
Net investment in capital assets	235,376	107,296	69,715
Unrestricted (deficit)	<u>(120,139)</u>	<u>(122,905)</u>	<u>(118,981)</u>
<b>Total Net Position</b>	<u>115,237</u>	<u>(15,609)</u>	<u>(49,266)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 65,743,971</u>	<u>\$ 63,540,613</u>	<u>\$ 57,148,343</u>

*2013 Compared to 2012*

Total assets of the Metro Revenue Commission increased 11.2%, from \$57,148,343 at June 30, 2012 to \$63,540,613 at June 30, 2013. This increase is mainly comprised of an increase in the Metro Revenue Commissions cash balances due to payments received from taxpayers. Total liabilities increased 13.0%, from \$53,771,219 at June 30, 2012 to \$60,761,243 at June 30, 2013. This increase is mainly due to the increase in amounts due to other funds which is a result of increased collections from taxpayers. Deferred inflows of resources decreased 18.4% from \$3,426,390 at June 30, 2012 to \$2,794,979 at June 30, 2013. Deferred tax credit receipts were reclassified from liabilities to deferred inflows as discussed in Note 1 to the financial statements.

The net position of the Metro Revenue Commission increased from a net deficit of \$49,266 at June 30, 2012 to a net deficit of \$15,609 at June 30, 2013.

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2014 and 2013

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

*2014 Compared to 2013*

Total operating revenues of the Metro Revenue Commission increased 1.9% from \$5,125,991 for fiscal year 2013 to \$5,223,959 for fiscal year 2014. 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 Metro Government's General Fund.

Total expenses were relatively flat, from \$5,092,334 in fiscal year 2013 to \$5,093,113 in fiscal year 2014. This increase is due mainly to an increase in software licenses expense of \$37,795 and salaries and employee benefits of \$42,548. These increases were offset by decrease in of equipment purchases of \$46,441 and decrease in professional services expense of \$42,659.

The total change in net position was an increase of \$130,846 for fiscal year 2014 as compared to an increase of \$33,657 for fiscal year 2013.

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

	<b>Year Ended June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Operating Revenues</b>			
Collection, investment and other fees	\$ 5,223,959	\$ 5,125,991	\$ 5,142,526
<b>Operating Expenses</b>			
Salaries and employee benefits	3,288,705	3,246,157	3,196,041
Building and office expense	116,609	120,719	112,636
Professional services	1,150,563	1,193,222	1,115,189
Postage	224,985	233,360	236,338
Forms and printing	20,813	16,451	45,987
Equipment maintenance and repair	8,861	2,254	404
Equipment purchases	21,085	67,526	46,692
Software licenses	126,992	89,197	239,911
Supplies	15,304	16,293	17,013
Telephone	17,239	25,635	41,971
Court fees and costs	14,040	21,115	33,895
Depreciation	54,213	37,523	47,865
Travel	5,183	1,749	1,983
Miscellaneous	28,521	21,133	17,003
<b>Total Operating Expenses</b>	<b>5,093,113</b>	<b>5,092,334</b>	<b>5,152,928</b>
<b>Change in Net Position</b>	<b>130,846</b>	<b>33,657</b>	<b>(10,402)</b>
<b>Net Position, Beginning of Year</b>	<b>(15,609)</b>	<b>(49,266)</b>	<b>(38,864)</b>
<b>Net Position, End of Year</b>	<b>\$ 115,237</b>	<b>\$ (15,609)</b>	<b>\$ (49,266)</b>

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2014 and 2013

---

*2013 Compared to 2012*

Total operating revenues of the Metro Revenue Commission decreased 0.3% from \$5,142,526 for fiscal year 2012 to \$5,125,991 for fiscal year 2013. 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 Metro Government's General Fund.

Total expenses decreased 1.2%, from \$5,152,928 in fiscal year 2012 to \$5,092,334 in fiscal year 2013. This decrease is due mainly to a decrease in software license expense of \$150,714 and printing expense of \$29,536. These decreases were offset by increase in salaries and employee benefits of \$50,116 and an increase in professional services expense of \$78,033.

The total change in net position was an increase of \$33,657 for fiscal year 2013 as compared to a decrease of \$10,402 for fiscal year 2012.

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

- (1) Total withholding taxes increased 2.5% from \$366,788,126 for fiscal year 2013 to \$375,949,221 for fiscal year 2014.
- (2) Total net profit taxes increased 2.0% from \$89,505,845 in fiscal year 2013 to \$91,324,418 for fiscal year 2014.
- (3) Insurance premium taxes experienced an increase of 4.5% from \$49,501,217 in fiscal year 2013 to \$51,710,086 for fiscal year 2014.
- (4) Transient room taxes increased 9.0% from \$21,759,410 in fiscal year 2013 to \$23,721,959 for fiscal year 2014.
- (5) Interest & Penalties increased 50.6% from \$3,747,323 in fiscal year 2013 to \$5,644,717 for fiscal year 2014 due to increased efforts in collections and compliancy.

**Capital Assets and Debt Administration**

The Metro Revenue Commission purchased capital assets totaling \$182,294 and disposed of assets totaling \$97,244 during fiscal year 2014. The Metro Revenue Commission does not have any long-term debt.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2014 and 2013

---

**Economic Factors**

- (1) There will be a continuation of economic growth and employment. The unemployment rate will remain somewhat elevated but with a downward trend. These changes will continue to affect occupational tax collections in fiscal year 2015.
- (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 premiums are expected to show little or no increase because of the overall economic conditions.
- (4) Transient room taxes should show a slight increase for fiscal year 2015 due to a one cent increase in the tax rate.

**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.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENTS OF NET POSITION – PROPRIETARY FUND/ENTERPRISE FUND**  
June 30, 2014 and 2013

	<b>June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current Assets</b>		
Restricted cash and cash equivalents	\$ 65,508,595	\$ 63,433,317
<b>Capital Assets</b> , net of accumulated depreciation	235,376	107,296
<b>Total Assets</b>	<u>\$ 65,743,971</u>	<u>\$ 63,540,613</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Refunds payable	\$ 6,951,784	\$ 6,175,560
Accounts payable and accrued expenses	1,678,964	1,742,800
Accounts payable to related parties, Louisville Metro Government	349,548	557,111
Due to other funds	51,856,444	52,285,772
<b>Total Liabilities</b>	<u>60,836,740</u>	<u>60,761,243</u>
<b>Deferred Inflows of Resources</b>		
Deferred tax credit receipts	4,791,994	2,794,979
<b>Total Deferred Inflows of Resources</b>	<u>4,791,994</u>	<u>2,794,979</u>
<b>Net Position</b>		
Net investment in capital assets	235,376	107,296
Unrestricted (deficit)	(120,139)	(122,905)
<b>Total Net Position</b>	<u>115,237</u>	<u>(15,609)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 65,743,971</u>	<u>\$ 63,540,613</u>

See accompanying notes to financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN  
 NET POSITION – PROPRIETARY FUND/ENTERPRISE FUND  
 Years ended June 30, 2014 and 2013

	<b>Year Ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating Revenues</b>		
Collection, investment and other fees	\$ 5,223,959	\$ 5,125,991
<b>Operating Expenses</b>		
Salaries	2,357,110	2,347,351
Employee benefits:		
Health and life insurance	345,778	306,929
Pension	412,591	418,253
Payroll taxes	173,226	173,624
Building and office expense	116,609	120,719
Professional services	1,150,563	1,193,222
Postage	224,985	233,360
Forms and printing	20,813	16,451
Equipment maintenance and repair	8,861	2,254
Equipment purchases	21,085	67,526
Software licenses	126,992	89,197
Supplies	15,304	16,293
Telephone	17,239	25,635
Court fees and costs	14,040	21,115
Depreciation	54,214	37,523
Travel	5,183	1,749
Miscellaneous	28,520	21,133
<b>Total Operating Expenses</b>	<b>5,093,113</b>	<b>5,092,334</b>
<b>Change in Net Position</b>	130,846	33,657
<b>Net Position, Beginning of Year</b>	<b>(15,609)</b>	<b>(49,266)</b>
<b>Net Position, End of Year</b>	<b>\$ 115,237</b>	<b>\$ (15,609)</b>

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/ENTERPRISE FUND**  
Years ended June 30, 2014 and 2013

	<b>Year Ended June 30</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from collection, investment, and other fees	\$ 5,223,959	\$ 5,125,991
Cash paid to employees	(3,288,705)	(3,246,157)
Cash paid to suppliers	(1,750,195)	(1,808,655)
Increase in cash collected for others	2,072,512	6,560,499
<b>Net Cash Provided By Operating Activities</b>	<u>2,257,571</u>	<u>6,631,678</u>
<b>Cash Flows From Capital Activities</b>		
Purchase of capital assets	(182,293)	(75,104)
<b>Net Increase In Cash and Cash Equivalents</b>	2,075,278	6,556,574
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>63,433,317</u>	<u>56,876,743</u>
<b>Cash and Cash Equivalents End of Year</b>	<u>\$ 65,508,595</u>	<u>\$ 63,433,317</u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating income	\$ 130,846	\$ 33,657
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	54,213	37,523
Increase/(decrease) in assets and liabilities		
Refunds payable	776,224	1,256,368
Deferred inflows of resources	1,997,015	(631,411)
Accounts payable and accrued expenses	(63,836)	(15,428)
Accounts payable to related parties	(207,563)	(573,323)
Due to/from other funds	(429,328)	6,524,292
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 2,257,571</u>	<u>\$ 6,631,678</u>

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 the Kentucky Center and also for the debt service.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 STATEMENTS OF FIDUCIARY NET POSITION – AGENCY FUNDS  
 June 30, 2014 and 2013

	June 30	
	2014	2013
<b>Assets</b>		
Due from Enterprise Fund	\$ 51,856,444	\$ 52,285,772
<b>Total Assets</b>	<u>\$ 51,856,444</u>	<u>\$ 52,285,772</u>
<b>Liabilities</b>		
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 140,760
Payable to Louisville/Jefferson County Metro Government:		
Louisville Metro Agency Fund	31,092,346	32,145,426
Mass Transit Trust Agency Fund	4,437,419	4,294,218
Transient Room Tax Agency Fund	3,656,439	2,917,517
Payable to School Boards Agency Fund	<u>12,529,480</u>	<u>12,787,851</u>
<b>Total Liabilities</b>	<u>\$ 51,856,444</u>	<u>\$ 52,285,772</u>

See accompanying notes to financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

**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”).

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. Metro Revenue Commission follows pronouncements as codified under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was adopted in the fiscal year 2013.

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

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 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:

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

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

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

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 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 will reflect the Metro Revenue Commission as an internal service fund as a blended component unit.

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

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

Tax Collections and Other Receipts Agency Fund: This Fund is used to account for collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, other special taxes, delinquent property taxes, interest and penalties, and interest earned on investments. These collections are then remitted monthly to the Metro Government, net of operating expenses paid by the Metro Revenue Commission and the current year debt service requirements on the Metro Government's general obligation bonds. Funds required to cover operating expenses are retained by the 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 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 \$23,160,658 and \$8,755,388, respectively, for the year ended June 30, 2014, and \$17,788,230 and \$8,888,355, respectively, for the year ended June 30, 2013. 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.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

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

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.

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 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 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.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

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

The provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Management is evaluating the effect this statement will have on the Commission's financial statements.

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 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.

Capital Assets: Capital assets are recorded at cost. Purchases of furniture, fixtures, equipment and software are capitalized if the value is \$1,500 or greater. Repairs and maintenance are recorded as expenses. Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. The estimated useful lives are five years for equipment and software, and ten years for furniture and fixtures.

Compensated Absences: Vested and accumulated vacation leave for employees of the 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, 2014 and 2013 was \$120,139 and \$122,905, 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, 2014 and 2013 was \$366,650 and \$350,729, 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.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The bank balances at June 30, 2014 and 2013, including cash with paying agents, were \$66,533,474 and \$64,330,452, 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, 2014 and 2013. All bank balances were collateralized by the bank holding securities in the Metro Revenue Commission's name.

The investment balance at June 30, 2014 and 2013 was \$5,016, which consisted of money market mutual funds with JP Morgan Securities. Investments at JP Morgan had an average weighted maturity of approximately two months and a credit rating of Aaa as supplied by Moody's. Such investments were included on the Statement of Net Position as cash and cash equivalents, due to their highly liquid nature.

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

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.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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

- (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 3 – CAPITAL ASSETS**

An analysis of capital assets at June 30, 2014 follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Equipment and software	\$ 3,694,474	\$ 182,294	\$ (97,244)	\$ 3,779,524
Accumulated depreciation	<u>(3,589,934)</u>	<u>(52,329)</u>	<u>97,244</u>	<u>(3,545,019)</u>
Net equipment and software	104,540	129,965	-	234,505
Furniture and fixtures	85,279	-	-	85,279
Accumulated depreciation	<u>(82,523)</u>	<u>(1,885)</u>	<u>-</u>	<u>(84,408)</u>
Net furniture and fixtures	<u>2,756</u>	<u>(1,885)</u>	<u>-</u>	<u>871</u>
Capital assets, net of accumulated depreciation	<u>\$ 107,296</u>	<u>\$ 128,080</u>	<u>\$ -</u>	<u>\$ 235,376</u>

An analysis of capital assets at June 30, 2013 follows:

Equipment and software	\$ 3,745,116	\$ 75,104	\$ (125,746)	\$ 3,694,474
Accumulated depreciation	<u>(3,681,215)</u>	<u>(34,465)</u>	<u>125,746</u>	<u>(3,589,934)</u>
Net equipment and software	63,901	40,639	-	104,540
Furniture and fixtures	85,279	-	-	85,279
Accumulated depreciation	<u>(79,465)</u>	<u>(3,058)</u>	<u>-</u>	<u>(82,523)</u>
Net furniture and fixtures	<u>5,814</u>	<u>(3,058)</u>	<u>-</u>	<u>2,756</u>
Capital assets, net of accumulated depreciation	<u>\$ 69,715</u>	<u>\$ 37,581</u>	<u>\$ -</u>	<u>\$ 107,296</u>

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

**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 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.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund receivable and payable balances at June 30, 2014 are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
Enterprise Fund	\$ -	\$ 51,856,444
Total	\$ -	\$ 51,856,444
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 140,760	\$ -
Tax Collections and Other Receipts Agency Fund	31,092,346	-
Mass Transit Trust Agency Fund	4,437,419	-
Transient Room Tax Agency Fund	3,656,439	-
School Boards Agency Fund	12,529,480	-
Total	\$ 51,856,444	\$ -

Interfund receivable and payable balances at June 30, 2013 are as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
Enterprise Fund	\$ -	\$ 52,285,772
Total	\$ -	\$ 52,285,772
Agency Funds:		
Louisville/Jefferson County Metro Government:		
Amounts held for restricted debt service	\$ 140,760	\$ -
Tax Collections and Other Receipts Agency Fund	32,145,426	-
Mass Transit Trust Agency Fund	4,294,218	-
Transient Room Tax Agency Fund	2,917,517	-
School Boards Agency Fund	12,787,851	-
Total	\$ 52,285,772	\$ -

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

**NOTE 6 – RELATED PARTY TRANSACTIONS**

Although the Metro Revenue Commission operates as an independent agency and provides services to several 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. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Metro Government General Fund.

Metro Government provides professional services to the Metro Revenue Commission. During the years ended June 30, 2014 and 2013, these expenses totaled \$1,599,567 and \$1,558,437, respectively. The Statement of Net Position - Proprietary Fund/Enterprise Fund reflects a \$349,548 and \$557,111 payable at June 30, 2014 and 2013, respectively, for professional services incurred by the Metro Revenue Commission for services received from Metro Government.

**NOTE 7 – 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.

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS**

All Metro Revenue Commission full-time employees, as 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 18.89% and 19.55% during the years ended June 30, 2014 and 2013, respectively. Contributions for the year ended June 30, 2014 were \$455,954 of which \$361,158 was from the Metro Revenue Commission and \$94,796 was from employees. Contributions for the year ended June 30, 2013 were \$458,141 of which \$364,924 was from the Metro Revenue Commission and \$93,217 was from employees. The above contributions were equal to the annual required contributions for each year.

---

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

---

**NOTE 9 – DEFERRED COMPENSATION**

The Metro Revenue Commission's 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. 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**

**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, 2014

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
<b>Assets</b>					
Due from Enterprise Fund	\$ 31,233,106	\$ 12,529,480	\$ 4,437,419	\$ 3,656,439	\$ 51,856,444
<b>Total Assets</b>	<b>\$ 31,233,106</b>	<b>\$ 12,529,480</b>	<b>\$ 4,437,419</b>	<b>\$ 3,656,439</b>	<b>\$ 51,856,444</b>
<b>Liabilities</b>					
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ -	\$ -	\$ -	\$ 140,760
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds	31,092,346	-	-	-	31,092,346
Mass Transit Trust Agency Fund	-	-	4,437,419	-	4,437,419
Transient Room Tax Agency Fund	-	-	-	3,656,439	3,656,439
Payable to School Boards Agency Fund	-	12,529,480	-	-	12,529,480
<b>Total Liabilities</b>	<b>\$ 31,233,106</b>	<b>\$ 12,529,480</b>	<b>\$ 4,437,419</b>	<b>\$ 3,656,439</b>	<b>\$ 51,856,444</b>

See Independent Auditor's Report.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
 June 30, 2014

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b><u>Louisville Metro Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agent	\$ -	\$ 31,915,417	\$ 31,915,417	\$ -
Due from Enterprise Fund	<u>32,286,186</u>	<u>365,693,976</u>	<u>366,747,056</u>	<u>31,233,106</u>
<b>Total Assets</b>	<b><u>\$ 32,286,186</u></b>	<b><u>\$ 397,609,393</u></b>	<b><u>\$ 398,662,473</u></b>	<b><u>\$ 31,233,106</u></b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ -	\$ -	\$ 140,760
License fee collections payable: Louisville Metro Agency Funds	<u>32,145,426</u>	<u>365,693,976</u>	<u>366,747,056</u>	<u>31,092,346</u>
<b>Total Liabilities</b>	<b><u>\$ 32,286,186</u></b>	<b><u>\$ 365,693,976</u></b>	<b><u>\$ 366,747,056</u></b>	<b><u>\$ 31,233,106</u></b>
<b><u>School Boards Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	<u>\$ 12,787,851</u>	<u>\$ 134,990,600</u>	<u>\$ 135,248,971</u>	<u>\$ 12,529,480</u>
<b>Liabilities</b>				
License fee collections payable to School Boards Agency Fund	<u>\$ 12,787,851</u>	<u>\$ 134,990,600</u>	<u>\$ 135,248,971</u>	<u>\$ 12,529,480</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 – ALL AGENCY FUNDS  
 June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<b><u>Mass Transit Trust Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	<u>\$ 4,294,218</u>	<u>\$ 47,476,794</u>	<u>\$ 47,333,593</u>	<u>\$ 4,437,419</u>
<b>Liabilities</b>				
License fee collections payable to Mass Transit Trust Agency Fund	<u>\$ 4,294,218</u>	<u>\$ 47,476,794</u>	<u>\$ 47,333,593</u>	<u>\$ 4,437,419</u>
 <b><u>Transient Room Tax Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	<u>\$ 2,917,517</u>	<u>\$ 23,821,449</u>	<u>\$ 23,082,527</u>	<u>\$ 3,656,439</u>
<b>Liabilities</b>				
Tax collections payable Transient Room Tax Agency Fund	<u>\$ 2,917,517</u>	<u>\$ 23,821,449</u>	<u>\$ 23,082,527</u>	<u>\$ 3,656,439</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 – ALL AGENCY FUNDS  
 June 30, 2014

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash with				
paying agents	\$ -	\$ 31,915,417	\$ 31,915,417	\$ -
Due from Enterprise Fund	<u>52,285,772</u>	<u>571,982,819</u>	<u>572,412,147</u>	<u>51,856,444</u>
<b>Total Assets</b>	<b><u>\$ 52,285,772</u></b>	<b><u>\$ 603,898,236</u></b>	<b><u>\$ 604,327,564</u></b>	<b><u>\$ 51,856,444</u></b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 31,915,417	\$ 31,915,417	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government:				
Louisville Metro Agency Funds	32,145,426	365,693,976	366,747,056	31,092,346
Mass Transit Trust Agency Fund	4,294,218	47,476,794	47,333,593	4,437,419
Transient Room Tax Agency Fund	2,917,517	23,821,449	23,082,527	3,656,439
Payable to School Boards Agency Fund	<u>12,787,851</u>	<u>134,990,600</u>	<u>135,248,971</u>	<u>12,529,480</u>
<b>Total Liabilities</b>	<b><u>\$ 52,285,772</u></b>	<b><u>\$ 603,898,236</u></b>	<b><u>\$ 604,327,564</u></b>	<b><u>\$ 51,856,444</u></b>

See Independent Auditor's Report.

**LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION**  
**A COMPONENT UNIT OF LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
ANALYSIS OF ALL AGENCY FUNDS DUE FROM ENTERPRISE FUND ACCOUNTS  
Year ended June 30, 2014

	Louisville Metro Agency Funds	School Boards Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Agency Fund	Totals
<b>Receipts and Additions</b>					
Occupational license fees and other special tax collections					
Employees' license fees	\$ 234,532,210	\$ 102,819,966	\$ 38,597,045	\$ -	\$ 375,949,221
License fees based on					
business net profits	52,266,173	30,697,763	8,360,482	-	91,324,418
Insurance premium license fees	51,710,086	-	-	-	51,710,086
Truck and trailer license fees	114,111	-	-	-	114,111
Transient room tax				23,721,959	23,721,959
Interest and penalties charged taxpayers	3,591,283	1,447,397	510,298	95,739	5,644,717
Interest earned on investments	133,511	25,474	8,969	3,751	171,705
Dividends - Louisville Water Company	20,055,060	-	-	-	20,055,060
Expenses paid by Louisville Metro Government	3,291,542	-	-	-	3,291,542
<b>Total Receipts and Additions</b>	<u>365,693,976</u>	<u>134,990,600</u>	<u>47,476,794</u>	<u>23,821,449</u>	<u>571,982,819</u>
<b>Disbursements and Deductions</b>					
Payments to governmental agencies	332,367,992	133,426,942	46,692,777	22,784,431	535,272,142
Collection fee paid to the Enterprise Fund	2,463,018	1,822,029	640,816	297,721	5,223,584
Investment fee paid to the Enterprise Fund	-	-	-	375	375
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve Returned					
Principal	23,160,658	-	-	-	23,160,658
Interest	8,755,388	-	-	-	8,755,388
<b>Total Disbursements and Deductions</b>	<u>366,747,056</u>	<u>135,248,971</u>	<u>47,333,593</u>	<u>23,082,527</u>	<u>572,412,147</u>
<b>Excess of Disbursements and Deductions over Receipts and Additions</b>	(1,053,080)	(258,371)	143,201	738,922	(429,328)
<b>Due From Enterprise Fund, Beginning of Year</b>	<u>32,286,186</u>	<u>12,787,851</u>	<u>4,294,218</u>	<u>2,917,517</u>	<u>52,285,772</u>
<b>Due from Enterprise Fund, End of Year</b>	<u>\$ 31,233,106</u>	<u>\$ 12,529,480</u>	<u>\$ 4,437,419</u>	<u>\$ 3,656,439</u>	<u>\$ 51,856,444</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 27 - 30.

---

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, 2014

---

	<b>Tax Collections and Other Receipts Agency Fund</b>	<b>Current Debt Requirement Agency Fund</b>	<b>Totals</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Due from Enterprise Fund	\$ 31,092,346	\$ 140,760	\$ 31,233,106
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u>\$ 31,092,346</u>	<u>\$ 140,760</u>	<u>\$ 31,233,106</u>
<b>Liabilities</b>			
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ -	\$ 140,760	\$ 140,760
Payable to Louisville/Jefferson County Metro Government: Louisville Metro Agency Funds-tax collections and other income	<u>31,092,346</u>	<u>-</u>	<u>31,092,346</u>
<b>Total Liabilities</b>	<u>\$ 31,092,346</u>	<u>\$ 140,760</u>	<u>\$ 31,233,106</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, 2014

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b><u>Tax Collections and Other Receipts Agency Fund</u></b>				
<b>Assets</b>				
Due from Enterprise Fund	\$ 32,145,426	\$ 365,693,976	\$ 366,747,056	\$ 31,092,346
<b>Liabilities</b>				
Payable to Louisville/Jefferson County Metro Government:				
Louisville Metro Agency Funds- tax collections and other income	\$ 32,145,426	\$ 365,693,976	\$ 366,747,056	\$ 31,092,346
	<u>\$ 32,145,426</u>	<u>\$ 365,693,976</u>	<u>\$ 366,747,056</u>	<u>\$ 31,092,346</u>
 <b><u>Current Debt Requirement Agency Fund</u></b>				
<b>Assets</b>				
Cash with paying agents	\$ -	\$ 31,916,046	\$ 31,916,046	\$ -
Due from Enterprise Fund	140,760	-	-	140,760
	<u>\$ 140,760</u>	<u>\$ 31,916,046</u>	<u>\$ 31,916,046</u>	<u>\$ 140,760</u>
<b>Liabilities</b>				
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ 31,916,046	\$ 31,916,046	\$ 140,760
	<u>\$ 140,760</u>	<u>\$ 31,916,046</u>	<u>\$ 31,916,046</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, 2014

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b><u>Totals - Louisville Metro Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agents	\$ -	\$ 31,915,417	\$ 31,915,417	-
Due from Enterprise Fund	32,286,186	365,693,976	366,747,056	\$ 31,233,106
<b>Total Assets</b>	<b>\$ 32,286,186</b>	<b>\$ 397,609,393</b>	<b>\$ 398,662,473</b>	<b>\$ 31,233,106</b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 140,760	\$ -	\$ -	\$ 140,760
Payable to Louisville/ Jefferson County Metro Government: Louisville Metro Agency Funds	32,145,426	365,693,976	366,747,056	31,092,346
<b>Total Liabilities</b>	<b>\$ 32,286,186</b>	<b>\$ 365,693,976</b>	<b>\$ 366,747,056</b>	<b>\$ 31,233,106</b>

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 ENTERPRISE FUND ACCOUNTS  
June 30, 2014

	<b>Tax Collections and Other Receipts Agency Fund</b>	<b>Louisville Water Company Agency Fund</b>	<b>Current Debt Requirement Agency Fund</b>	<b>Totals</b>
<b>Receipts and Additions</b>				
Occupational license fees and other special tax collections				
Employees' license fees	\$ 234,532,210	\$ -	\$ -	\$ 234,532,210
License fees based on business net profits	52,266,173	-	-	52,266,173
Insurance premium license fees	51,710,086	-	-	51,710,086
Truck and trailer license fees	114,111	-	-	114,111
Interest and penalties charged taxpayers	3,591,283	-	-	3,591,283
Interest earned on investments	133,511	-	-	133,511
Dividends - Louisville Water Company	-	20,055,060	-	20,055,060
Expenses paid by Louisville Metro Government	3,291,542	-	-	3,291,542
<b>Total Receipts and Additions</b>	<u>345,638,916</u>	<u>20,055,060</u>	<u>-</u>	<u>365,693,976</u>
<b>Disbursements and Deductions</b>				
Payments to Louisville Metro Government	312,312,932	20,055,060	-	332,367,992
Collection fee paid to the Enterprise Fund	2,463,018	-	-	2,463,018
Collections remitted to paying agents for Louisville Metro Government debt service: Reserve Returned				
Principal	-	-	23,160,658	23,160,658
Interest	-	-	8,755,388	8,755,388
<b>Total Disbursements and Deductions</b>	<u>314,775,950</u>	<u>20,055,060</u>	<u>31,916,046</u>	<u>366,747,056</u>
<b>Excess of Receipts and Additions Over (Under) Disbursements and Deductions</b>	30,862,966	-	(31,916,046)	(1,053,080)
<b>Interfund Transfers</b>	(31,916,046)	-	31,916,046	-
<b>Due from Enterprise Fund, Beginning of Year</b>	<u>32,145,426</u>	<u>-</u>	<u>140,760</u>	<u>32,286,186</u>
<b>Due from Enterprise Fund, End of Year</b>	<u>\$ 31,092,346</u>	<u>\$ -</u>	<u>\$ 140,760</u>	<u>\$ 31,233,106</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 business-type activities and governmental activities, and each major fund of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Metro Revenue Commission's basic financial statements, and have issued our report thereon dated December 1, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Crowe Horwath LLP

Louisville, Kentucky  
December 1, 2014