

COMPREHENSIVE ANNUAL FINANCIAL REPORT

LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT LOUISVILLE, KENTUCKY



Fiscal Year Ended June 30, 2005

**JERRY E. ABRAMSON
Mayor**

Larry Hayes
Deputy Mayor, Cabinet for Finance and Administration

Prepared by:
Department of Finance

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005**

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
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**OFFICE OF THE MAYOR
LOUISVILLE, KENTUCKY**

**JERRY E. ABRAMSON
MAYOR**

December 21, 2005

To Fellow Citizens of Metro Louisville:

I am pleased to present the Comprehensive Annual Financial Report of the Louisville Metro Government for the fiscal year ended June 30, 2005. Louisville Metro Government has met the service needs of the citizens while simultaneously ensuring that a strong financial condition is maintained. We have made steady progress on the goals for Metro Government: to bring us together; keep us safe; promote educational attainment; retain, expand and attract better jobs; strengthen neighborhoods; and improve quality of life.

Metro Government continued its emphasis in capital investments in several significant downtown initiatives during the year. Construction continued on the new \$48 million Muhammad Ali Center and garage, which is scheduled to open in the fall of 2005. Construction projects are complete for Fourth Street Live, a downtown entertainment center, and the upscale Louisville Marriott Downtown Hotel.

This year also marked the start of construction on the first phase on the MetroSafe initiative. The network will combine Louisville's emergency-communications functions and allow emergency responders with various agencies to communicate with one another. The facility will be Louisville's primary emergency-communications center and is expected to be a \$71 million project with the first phase at Barret Avenue to be completed in 2007.

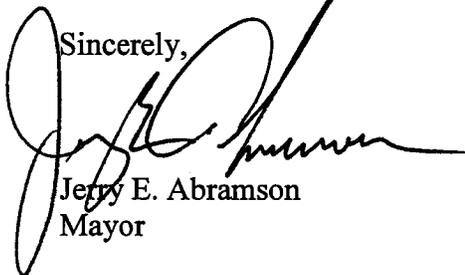
During the past year, Metro Government has delivered quality services, enhanced public amenities and made strides in economic development and job creation. As a result of prudent fiscal management, the undesignated fund balance at the close of fiscal year 2005 increased to \$64.5 million, or approximately 14 percent of total general fund expenditures.

This is the third annual report issued for the consolidated government, since the merger of the City of Louisville and Jefferson County governments on January 6, 2003. The first two years of Metro Government focused on building a strong foundation for our new merged government by consolidating city and county operations and putting in place systems to increase efficiency and

effectiveness within our government. To continue that commitment, this year Metro Government established a \$25 million Foundation for the Future bond issued to address long-deferred infrastructure problems in our hometown over the next three years.

The report reflects a government that is financially strong. In fact, Standard & Poor's recently joined Fitch in awarding Louisville the second highest credit rating available, putting the city among the top-rated local governments in America. This year's financial report demonstrates the continuing success of our efforts to better serve the citizens of Louisville Metro.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry E. Abramson", written over the word "Sincerely,".

Jerry E. Abramson
Mayor



LOUISVILLE, KENTUCKY

LOUISVILLE METRO FINANCE DEPARTMENT

JERRY E. ABRAMSON
MAYOR

JANE C. DRISKELL
CHIEF FINANCIAL OFFICER

December 21, 2005

To the Citizens of Metro Louisville:

As Chief Financial Officer for the Louisville Metro Government, I have the distinct pleasure of submitting the Comprehensive Annual Financial Report ("CAFR") for the year ended June 30, 2005. This is the third CAFR issued for Metro Government under the new merged government. On January 6, 2003 the Jefferson County Fiscal Court and the City of Louisville Governments merged and formed a new entity called the Louisville/Jefferson County Metropolitan Government.

As Chief Financial Officer for Metro Government I have overseen completion of this CAFR. Responsibility for the accuracy, completeness and fairness of the data, including all disclosures, rests with the management of Metro Government. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to report fairly the financial position and results of operations of Metro Government. All disclosures necessary to enable the reader to gain an understanding of Metro Governments' financial activities are included.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes a letter from the Mayor, this letter of transmittal, Metro Government's organization chart and a list of members of the Metro Council for the time period of the report. The financial section includes Management's Discussion and Analysis ("MD&A"), the financial statements, required supplementary information, as well as the auditor's report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Metro Government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is provided in a separate report.

The 2005 CAFR reflects a government that continues to be financially strong. This letter should be read in conjunction with the MD&A, beginning on page 5 of this report.

FINANCIAL INFORMATION

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of Metro Government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: a) the cost of a control should not exceed the benefits likely to be derived, and b) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state assistance, Metro Government is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of Metro Government's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that we have complied with applicable laws and regulations. We believe that the statements and schedules included in the financial section of this report for Metro Government continues to meet its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit. Kentucky law (KRS 64.810) allows the Auditor of Public Accounts to perform the annual audit of the funds of Louisville Metro. A copy of the Auditor of Public Accounts report is included in this report. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984, Single Audit Amendments of 1996, Government Auditing Standards and the Office of Management and Budget Circular A-133.

Awards. Metro Government submitted a report to the Government Finance Officers Association of the United States and Canada ("GFOA") with the June 30, 2004 CAFR. Metro was awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that Metro Government's current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

Acknowledgments. The preparation of the third CAFR for Metro Government was made possible by the dedicated service of the staff of the Department of Finance. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report for Metro Louisville.

Respectfully submitted,



Jane C. Driskell
Chief Financial Officer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Louisville-Jefferson County
Metro Government, Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



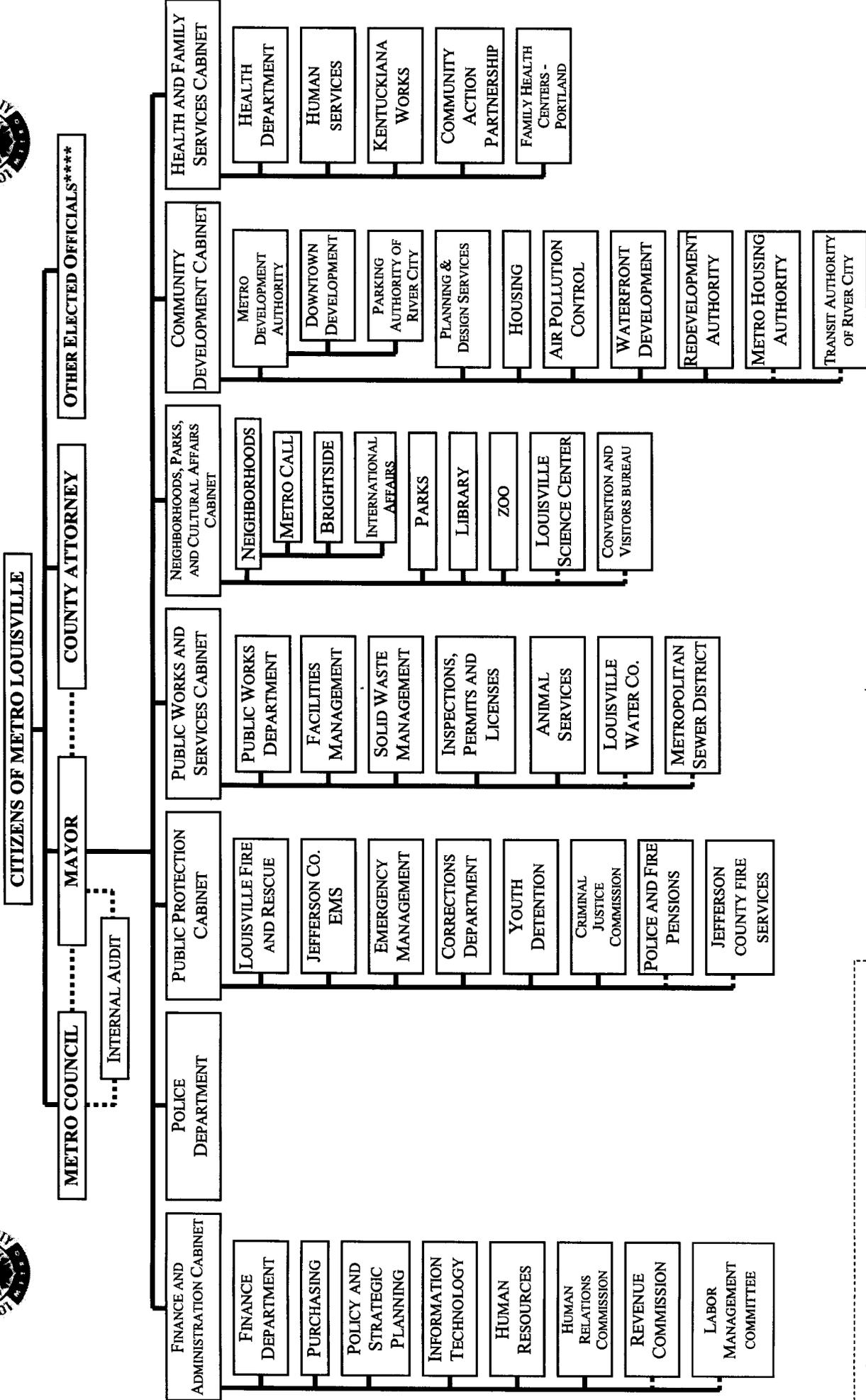
President

Executive Director

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LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT ORGANIZATIONAL CHART



****COUNTY CLERK,
 COUNTY CORONER,
 COMMONWEALTH'S ATTORNEY,
 COUNTY PROPERTY VALUATION ADMINISTRATOR,
 COUNTY CONSTABLES

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LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT



Fiscal Year Ended June 30, 2005

HONORABLE JERRY E. ABRAMSON..... MAYOR

METRO COUNCIL MEMBERS

LEONARD WATKINS	DISTRICT 1
BARBARA SHANKLIN	DISTRICT 2
MARY C. WOOLRIDGE	DISTRICT 3
DAVID TANDY	DISTRICT 4
CHERI BRYANT HAMILTON	DISTRICT 5
GEORGE UNSELD	DISTRICT 6
KENNETH C. FLEMING	DISTRICT 7
TOM OWEN	DISTRICT 8
TINA WARD-PUGH	DISTRICT 9
JIM KING	DISTRICT 10
KEVIN KRAMER	DISTRICT 11
RICK BLACKWELL	DISTRICT 12
RON WESTON	DISTRICT 13
ROBERT HENDERSON	DISTRICT 14
GEORGE MELTON	DISTRICT 15
KELLY DOWNARD	DISTRICT 16
GLEN STUCKEL	DISTRICT 17
JULIE RAQUE ADAMS	DISTRICT 18
HAL HEINER	DISTRICT 19
STUART BENSON	DISTRICT 20
DAN JOHNSON	DISTRICT 21
ROBIN ENGEL	DISTRICT 22
JAMES PEDEN	DISTRICT 23
MADONNA FLOOD	DISTRICT 24
DOUG HAWKINS	DISTRICT 25
ELLEN CALL	DISTRICT 26

DEPARTMENT OF FINANCE

JANE C. DRISKELL	CHIEF FINANCIAL OFFICER
KIMBALL LIVESAY STATTS	DIRECTOR OF ACCOUNTING
JOHN K. JOHNSON	ACCOUNTING MANAGER



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the Citizens of Louisville/Jefferson County Metro Government
Honorable Jerry Abramson, Mayor
The Louisville Metro Council

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Louisville/Jefferson County Metro Government (Metro), as of and for the year ended June 30, 2005, which collectively comprise the Metro's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Metro's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of some of the entities that comprise the Metro government. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of the other auditors. Those entities were:

Certain portions of the Governmental Funds:

- Within the Debt Service Funds:
- Capital Projects Corporation

Certain portions of the Internal Service Funds:

- Louisville/Jefferson County Revenue Commission

Certain Fiduciary Funds including:

- Louisville/Jefferson County Revenue Commission
- Mass Transit

Component Units:

- Louisville Water Company
- Parking Authority of River City, Inc.
- Transit Authority of River City, Inc.
- Louisville Science Center
- Metropolitan Sewer District
- Louisville and Jefferson County Riverport Authority



To the Citizens of Louisville/Jefferson County Metro Government
Honorable Jerry Abramson, Mayor
The Louisville Metro Council
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Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

Government-Wide Financial Statements:	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities		2.49%
Component Units	100%	100%
Fund Financial Statements:		
Governmental Funds - Non-Major Funds		.73%
Proprietary Funds - Governmental Activities -		
Internal Service Funds	70.79%	9.40%
Fiduciary Funds - Agency Funds	59.67%	93.27%
Component Units	100%	100%

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 of material misstatement. The financial statements of the Louisville Water Company were not audited in accordance with Government Auditing Standards. 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 audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metro, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and pension information relating to funding progress are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis and pension information relating to funding progress. However, we did not audit the information and express no opinion on it.

To the Citizens of Louisville/Jefferson County Metro Government
Honorable Jerry Abramson, Mayor
The Louisville Metro Council
Page 3

In addition, the budgetary comparison schedules are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro's basic financial statements. The combining and individual fund statements and schedules - non-major funds, presented in this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in the audits performed by other auditors and, in our opinion, based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections presented in this report are also presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the Metro Government'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 read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 21, 2005

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005**

Our discussion and analysis of Louisville/Jefferson County Metro Government's financial performance provides an overview of Metro Government's financial activities for the fiscal year ended June 30, 2005.

Please read it in conjunction with the Metro Government's financial statements, which begin on page 15.

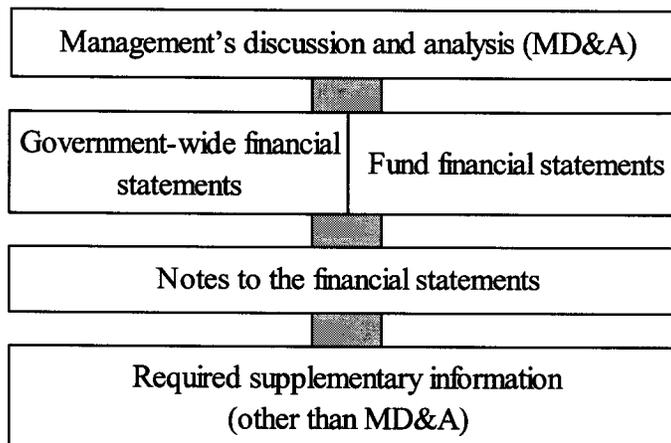
Financial Highlights

Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, instituted new reporting requirements for governmental entities. One requirement is to present comparative analyses of prior-year and current-year financial information for net assets and changes in net assets.

Despite a decrease in net assets, Metro Government is in a strong financial position with a healthy ending fund balance and tremendous potential for improved financial performance and greater efficiencies as the governments continue consolidation.

Net assets decreased by \$43.2 million (or 6.4%) excluding a \$583,046 prior-period adjustment restating beginning net assets in the government-wide statements.

Using This Annual Report



This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15-17) provide information about the activities of Metro Government as a whole and present a longer-term view of the Metro Government's finances. Fund financial statements begin on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Metro Government's operations in more detail than the government-wide statements by providing information about the Metro Government's most significant funds. The remaining statements provide financial information about activities for which the Metro Government acts solely as a trustee or agent for the benefit of those outside of the government.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Year Ended June 30, 2005**

Reporting the Metro Government as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Metro Government as a whole begins on page 15 with the Government-Wide Financial Statements. One of the most important questions raised about the Metro Government's finances is whether the Metro Government as a whole is better off or worse off as a result of the year's activities. The Statement of Net Assets and the Statement of Activities report information about the Metro Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Metro Government's net assets and changes in them. You can think of the Metro Government's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the Metro Government's financial health, or financial position. Over time, increases or decreases in the Metro Government's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Metro Government's property tax base and the condition of the Metro Government's capital assets (roads, buildings, etc.) to assess the overall health of the Metro Government.

The Government-Wide Financial Statements of the Metro Government are divided into three categories:

- **Governmental activities:** Most of the Metro Government's basic services are reported here, including the police, fire, general administration, streets, and parks. Occupational tax, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities:** If a fee is charged to customers to help the Metro Government cover all or most of the cost of certain services it provides, those activities are considered to be business-type activities in most cases. The primary government did not report any business-type activities in fiscal year 2005.
- **Discretely Presented Component units:** The Metro Government includes the Louisville Water Company, the Parking Authority of River City, Inc., the Transit Authority of River City, Inc., the Louisville and Jefferson County Riverport Authority, the Metropolitan Sewer District, and the Louisville Science Center in its report. These legally separate component units are important because the Metro Government is financially accountable for them, and in the case of the Louisville Water Company, 100% of its stock is owned by the Metro Government. All of the component units separately issue their own respective financial statements, including MD&A, which should be read in conjunction with these statements.

Reporting the Metro Government's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds – not the Metro Government as a whole. Some funds are required to be established by State law and by bond covenants. However, other funds are established, as needed, to help it control and manage money for particular purposes (such as the Special Purpose Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (for example, grants received from the U.S. Department of Housing and Urban Development). The Metro Government's two kinds of funds, governmental and proprietary, use

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Year Ended June 30, 2005**

different accounting approaches. The Metro Government also uses fiduciary funds, which are separate funds from the governmental and proprietary funds described above. These funds are not included in the Metro Government's government-wide financial statements.

Governmental funds: Most of the Metro Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using accounting methods called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Metro Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Metro Government's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

Proprietary funds: Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. We use internal service funds, such as the Metro Government's Insurance and Risk Management Fund, to report activities that provide supplies and services to the Metro Government's other programs and activities.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Metro Government's own activities or programs. The basis of accounting for fiduciary funds is similar to that of proprietary funds.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Year Ended June 30, 2005**

The Metro Government As A Whole

This is a summary of the Metro Government's net assets:

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NET ASSETS
(amounts in thousands)**

	Governmental Activities		Total Percentage Change
	2004	2005	2004-2005
Current and other assets	\$ 312,040	\$ 331,559	6.3%
Capital assets	879,210	835,535	-5.0%
Total assets	1,191,250	1,167,094	-2.0%
Long-term liabilities	414,285	434,200	4.8%
Other liabilities	96,124	95,896	-0.2%
Total liabilities	510,409	530,096	3.9%
Net assets			
Invested in capital assets, net of related debt	572,035	401,335	-29.8%
Restricted	65,930	74,553	13.1%
Unrestricted	42,876	161,110	275.8%
Total net assets	\$ 680,841	\$ 636,998	-6.4%

This is a summary of the Metro Government's changes in net assets:

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CHANGES IN NET ASSETS
For the Year Ended June 30
(amounts in thousands)**

	Governmental Activities	
	2004	2005
Revenues		
Program revenues:		
Charges for services	\$ 48,187	\$ 72,184
Operating grants and contributions	63,482	75,099
Capital grants and contributions	33,251	29,168
General revenues:		
Property taxes	118,656	120,576
Other taxes	260,798	275,767
Other	22,117	36,491
Total revenues	546,491	609,285
Expenses		
General & Administrative	45,595	52,280
Public Safety	262,674	299,264
Public Works	94,372	109,058
Solid Waste Management	19,465	20,316
Inspections, Permits and Licenses	13,508	14,621
Economic Development activities	38,294	41,515
Culture & Recreation activities	87,985	98,413
Interest on long-term debt	16,072	17,078
Total expenses	577,965	652,545
Excess (deficiency) before transfers	(31,474)	(43,260)
Transfers and other	-	-
Increase (decrease) in net assets	(31,474)	(43,260)
Net assets--beginning	700,714	680,841
Prior period adjustment	11,601	(583)
Net assets--ending	\$ 680,841	636,998

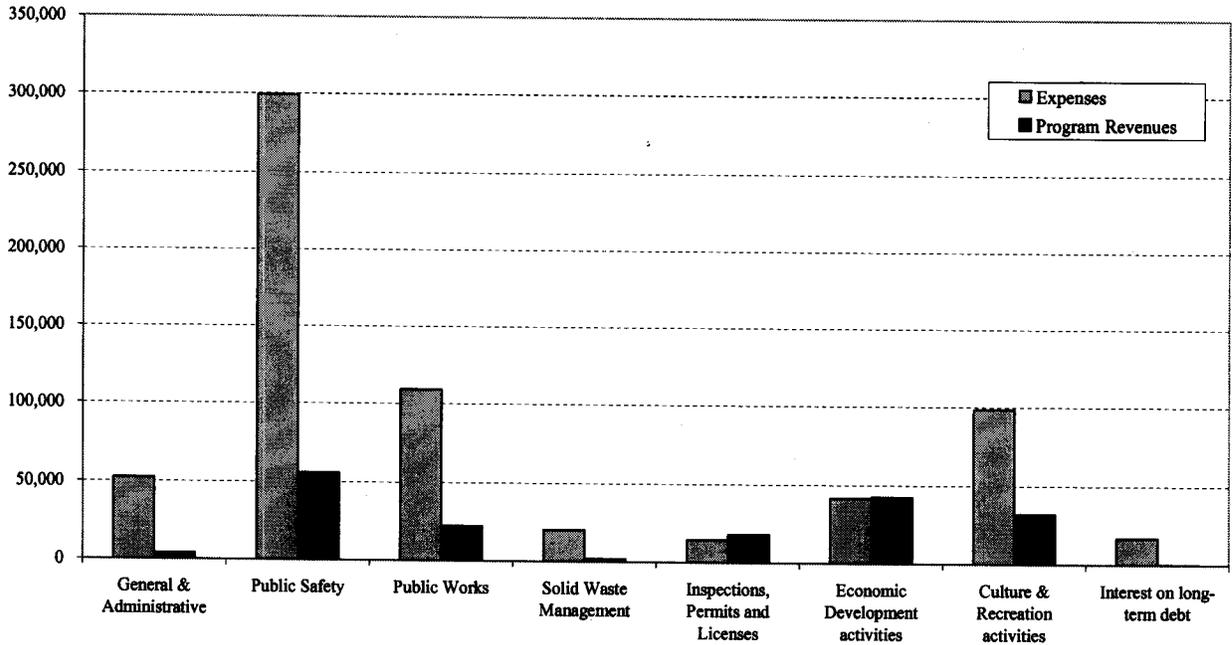
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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Year Ended June 30, 2005**

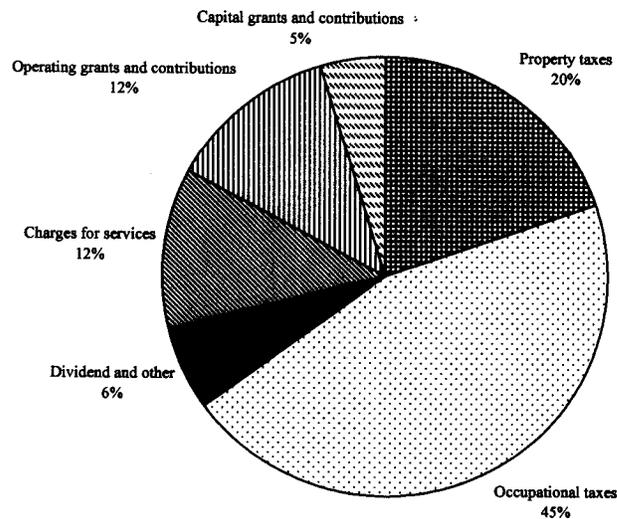
The Metro Government Funds

Governmental Activities

The cost of all governmental activities this year was \$653 million.



This chart shows revenues by source:



Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Year Ended June 30, 2005**

The total taxable property valuation and property tax collections for the Metro Government increased again last fiscal year, due to a partial countywide reassessment of real property as of January 1, 2003

Revenues in the General, Special Revenue and Debt Service funds increased by approximately \$32.4 million. Tax revenue continued its trend of a modest increase over the preceding year, with the increase split between property taxes and occupational taxes. These are the result, in turn, of higher property valuations and growth in insurance premium tax collection.

Expenditures in these same funds increased overall by about \$34.6 million. Increases in expenditures occurred in many departments primarily due to annual cost of living adjustments paid to most employees. The largest increase associated with the cost of living adjustments occurred in the Police and Fire Departments.

Component Unit Activities

The Louisville Water Company's operating income increased 16.5% from last year. The Parking Authority of River City, Inc. reported a 29.1% decrease in operating income from last year with an increase in operating expenses. The Transit Authority of River City, Inc.'s operating income increased 146% as a result of increased fare revenue and higher Mass Transit subsidies received in 2005. The Louisville and Jefferson County Riverport Authority reported a 140% increase in operating income due to the acquisition of two subsidiaries as discussed in Note 1. The Metropolitan Sewer District's operating income increased 20%. The Louisville Science Center reported an decrease of 80% in operating income as a result of decreased admission receipts.

General Fund Budgetary Highlights

Actual expenditures were \$72.2 million below the final budget amounts. The most significant variances resulted from unspent sick leave incentive and undistributed cost of living salary adjustments. These funds will be carried forward to the fiscal year 2006 to offset future related expenditures. On the other hand, resources available for appropriation were \$22.4 million below the final budget amounts. This was due to higher budgets for intergovernmental revenues, donations and charges for services than actually collected which resulted in reduced expenditures.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Year Ended June 30, 2005**

Capital Asset And Debt Administration

Capital Assets

At the end of June 30, 2005, the Metro Government and its component units have a broad range of capital assets, as shown in the following table:

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CAPITAL ASSETS
(net of depreciation)**

			Total Percentage Change
	2004	2005	2004-2005
Land	\$ 278,873,364	\$ 282,646,899	1.4%
Land improvements	54,609,787	51,366,914	-5.9%
Buildings	235,908,384	227,185,390	-3.7%
Machinery and equipment	17,363,529	15,824,889	-8.9%
Vehicles	27,405,589	21,692,612	-20.8%
Works of art	6,831,200	9,632,309	41.0%
Infrastructure	234,390,803	201,208,255	-14.2%
Construction in progress	23,827,141	25,978,184	9.0%
Total Metro	879,209,797	835,535,452	-5.0%
Component Units	2,413,208,253	2,522,695,708	4.5%
Grand Total	<u>\$ 3,292,418,050</u>	<u>\$ 3,358,231,160</u>	2.0%

Additional information on Metro Government's capital assets can be found in Note 6 of this report.

Debt Administration

At year-end, the Metro Government and its component units have outstanding debt as shown in the following table:

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
OUTSTANDING DEBT ADMINISTRATION
(amounts in thousands)**

			Total Percentage Change
	2004	2005	2004-2005
General obligation debt	\$ 245,589	\$ 256,773	4.6%
Revenue bonds	127,840	127,312	-0.4%
Note	808	568	-29.7%
Total Metro	374,237	384,653	2.8%
Component Units	1,452,451	1,429,979	-1.5%
Grand Total	<u>\$ 1,826,688</u>	<u>\$ 1,814,632</u>	-0.7%

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Year Ended June 30, 2005**

Metro Government assumed all long-term debt of the former City of Louisville and Jefferson County upon merger in January 2003. The strides made so far by Metro Government since merger have warranted Moody's to upgrade their rating from A1 (on bonds issued by the former City of Louisville) to Aa3 (re-affirmed rating on bonds issued by the former Jefferson County) in November 2004. Additionally, Standard & Poor's have upgraded their outlook to "positive" from "stable" on its AA rating. The upgrades are independent validation of merging governments.

During the year, total debt of the Metro Government and its component units decreased by \$12.1 million. In November 2004, Metro Government issued approximately \$29.5 million in General Obligation debt. See footnote 9 in this report for additional information. The Metropolitan Sewer District issued \$64.7 million in Sewer and Drainage System Revenue Bonds Series 2005A.

Additional information on the Metro Government's long-term debt activity can be found in Note 9 of this report.

Economic Factors

The Louisville economy has continued to recover since 2003, as evidenced by increased tax revenues. The unemployment rate for the Louisville Metro area is currently 6.1 percent, and the Metro area has experienced an average job growth during the year of 1 percent. Inflationary trends for the Louisville Metro area compare favorably to state and national trends.

The downtown area continues to experience growth and development with the completion of Fourth Street Live, which is the center of the downtown entertainment district. The Parking Authority of River City, Inc. has constructed a new garage and plaza at 7th Street and River Road to serve the new Muhammad Ali Museum, which is scheduled to open during fiscal year 2006.

Contacting Metro Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Metro Government's finances and to show Metro Government's accountability for the money it receives. If you have questions about this report or need additional information, contact Metro Government's Department of Finance, 611 West Jefferson Street, Louisville, Kentucky, 40202.

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BASIC FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government	Component
	Governmental Activities	Units
ASSETS		
Cash and cash equivalents	\$ 114,900,564	\$ 41,142,620
Investments	115,441,873	12,264,426
Receivables, net of allowance for uncollectible amounts	61,039,370	67,642,536
Deposits with paying agents	70,000	
Due from primary government		120,000
Inventories	476,785	17,434,325
Prepaid items and deferred charges	2,655,887	4,810,361
Assets restricted by bond indentures and other legal provisions	36,974,112	144,135,448
Non-utility property		106,576
Land and improvements	286,483,966	27,282,142
Construction in progress	25,978,184	364,830,317
Works of art	255,000	
Infrastructure	872,041,764	2,591,755,073
Other capital assets	599,137,822	374,806,726
Less accumulated depreciation	(948,361,284)	(835,978,550)
Capital assets, net	835,535,452	2,522,695,708
Total assets	1,167,094,043	2,810,352,000
LIABILITIES		
Accounts payable and accrued payroll	39,579,132	38,702,736
Due to component units	120,000	
Due to other government agencies	15,457,125	9,538,566
Unearned revenue	29,669,301	16,127,566
Other liabilities	11,070,065	10,969,600
Long-term liabilities:		
Due within one year	25,480,000	27,628,537
Due in more than one year	408,719,675	1,408,438,350
Total liabilities	530,095,298	1,511,405,355
NET ASSETS		
Invested in capital assets, net of related debt	401,335,777	1,140,769,460
Restricted for:		
Capital projects	74,553,001	30,988,336
Debt service		29,053,374
Unrestricted	161,109,967	98,135,475
Total net assets	\$ 636,998,745	\$ 1,298,946,645

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government:					
Metro Council	\$ 5,543,856	\$ 354			\$ (5,543,502)
Mayor's Office	2,930,052	20,664			(2,909,388)
County Attorney	7,827,940	361,796	\$ 996,536		(6,469,608)
Other Elected Officials	7,693,687	386,182	223,043		(7,084,462)
Internal Audit	610,967				(610,967)
Finance Department	8,822,348	371,008	155,826		(8,295,514)
External Agencies	5,033,634	4,571,204			(462,430)
Purchasing Department	615,312	221,073			(394,239)
Policy and Strategic Planning	576,145		6,885		(569,260)
Information Technology	9,205,957	512,193	200	\$ 616,100	(8,077,464)
Human Resources Department	4,299,291				(4,299,291)
Human Relations Commission	1,041,880	24,815	215,478		(801,587)
Police Department	138,751,554	1,056,986	7,597,600	2,039,877	(128,057,091)
Public Protection Cabinet	156,848				(156,848)
Fire Department	59,456,924	275,380	2,416,615	208,553	(56,556,376)
County Emergency Medical Services	9,413,153	8,831,242	13,808		(568,103)
Emergency Management	2,327,559	3,352,538	275,895	1,719,159	3,020,033
Corrections Department	44,559,653	2,652,180	5,051,005	28,887	(36,827,581)
Youth Detention Services	7,261,589	71,120	2,194,566		(4,995,903)
Metro Criminal Justice Commission	733,737		300,652	922,722	489,637
Office of Public Safety	195,507				(195,507)
Firefighters' Pension Fund	2,089,711				(2,089,711)
Policemen's Retirement Fund	2,065,100				(2,065,100)
Public Works Department	87,501,828	1,116,037	10,178,078	4,280,074	(71,927,639)
Facilities Management	21,555,819	3,352,671	1,787,754	1,613,125	(14,797,269)
Solid Waste Management Services	20,315,923	1,429,821	390,325		(18,495,777)
Inspections, Permits and Licenses	8,185,714	12,409,334	1,779,529	587,055	6,590,204
Animal Control Services	1,935,045	784,527		45,527	(1,104,991)
Department of Neighborhoods	6,628,578	8,126	431,441		(6,189,011)
Parks Department	24,943,797	-5,228,842	311,704	241,158	(19,162,093)
Louisville Free Public Library	20,227,180	245,583	780,031	425,015	(18,776,551)
Louisville Zoological Gardens	12,603,490	7,887,283	595,991	27,677	(4,092,539)
Metro Development Authority	13,944,093	8,219,029	351,255	2,543,764	(2,830,045)
Planning and Design Services	3,325,179	1,467,833	157,490	17,369	(1,682,487)
Housing Department	8,573,662	2,780,334	3,753,661	13,064,167	11,024,500
Community Development	3,676,576	1,245,025			(2,431,551)
Air Pollution Control	4,500,117	1,079,766	1,311,071		(2,109,280)
Waterfront Development Corp	4,666,756	212,810	523,866	752,607	(3,177,473)
Redevelopment Authority	639,608	583,893			(55,715)
Economic Development Corporation	921,412				(921,412)
Community Economic Development Corporation	1,444,923				(1,444,923)
Health Department	36,407,344	1,202,841	15,462,399	34,796	(19,707,308)
Human Services	17,488,340	12,911	4,343,637		(13,131,792)
Kentuckiana Works	8,989,864		8,220,552		(769,312)
Community Action Partnership	5,779,094	3,681	5,272,176		(503,237)
Interest expense	17,077,617	200,251			(16,877,366)
Total governmental activities	\$ 652,544,363	\$ 72,184,333	\$ 75,099,069	\$ 29,167,632	\$ (476,093,329)
Component units:					
Louisville Water Co.	\$ 89,345,679	\$ 102,338,162		\$ 16,430,901	\$ 29,423,384
Parking Authority of River City, Inc.	12,671,756	11,905,573			(766,183)
Transit Authority of River City, Inc.	62,207,047	8,183,438	\$ 56,987,456		2,963,847
Louisville and Jefferson County Riverport Authority	4,175,855	4,545,626			369,771
Metropolitan Sewer District	142,502,000	122,849,000		27,866,000	8,213,000
Louisville Science Center	5,906,819	5,993,089			86,270
Total component units	\$ 316,809,156	\$ 255,814,888	\$ 56,987,456	\$ 44,296,901	\$ 40,290,089

(The statement of activities continues on the following page.)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2005

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
Net (expense) revenue (from preceding page)	\$ (476,093,329)	\$ 40,290,089
General revenues:		
Taxes:		
Property taxes, levied for general purposes	120,575,832	
Occupational taxes	275,767,186	
Investment income	3,965,089	9,811,410
Dividends	13,935,078	
Other intergovernmental revenue	4,672,662	
Fees and fines	2,211,315	
Gain on sale of assets	650,000	
Other taxes	319,838	
Rental receipts	4,764,521	
Miscellaneous	5,972,358	2,145,558
Total general revenues	<u>432,833,879</u>	<u>11,956,968</u>
Change in net assets	(43,259,450)	52,247,057
Net assets--beginning, restated	<u>680,258,195</u>	<u>1,246,699,588</u>
Net assets--ending	<u>\$ 636,998,745</u>	<u>\$ 1,298,946,645</u>

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2005

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 31,033,458	\$ 7,482,692	\$ 9,693,007	\$ 10,096,235	\$ 58,305,392
Investments	54,539,737	13,048,249	17,036,184	17,722,472	102,346,642
Receivables:					
Taxes receivable, less allowance for uncollectible amounts	6,140,007				6,140,007
Accounts receivable and accrued interest	9,983,087	660,096	96,405	22,584	10,762,172
Loans receivable, less allowance for uncollectible amounts	2,711,064	7,650,327	2,107,673		12,469,064
Notes receivable	252,819		8,111,620		8,364,439
Due from federal government	613,584	16,320,198	6,404		16,940,186
Due from state government	2,673,675	1,881,445	1,500		4,556,620
Due from component units	400,000				400,000
Due from other funds	24,911,577			640,761	25,552,338
Inventories	476,785				476,785
Prepaid items	483,106				483,106
Restricted assets:					
Cash and cash equivalents			35,414,583	401,527	35,816,110
Investments				1,158,002	1,158,002
Total assets	\$ 134,218,899	\$ 47,043,007	\$ 72,467,376	\$ 30,041,581	\$ 283,770,863
LIABILITIES					
Accounts payable	\$ 13,002,294	\$ 5,601,469	\$ 2,131,764	\$ 2,221,922	\$ 22,957,449
Accrued payroll and withholdings	13,933,863	572,487			14,506,350
Due to component units	120,000				120,000
Matured bonds and interest payable				640,761	640,761
Unearned revenue	9,486,983	11,009,134	3,766,647	2,601,691	26,864,455
Other liabilities	850,772		10,219,293		11,070,065
Total liabilities	37,393,912	17,183,090	16,117,704	5,464,374	76,159,080
FUND BALANCES					
Reserved for:					
Noncurrent assets					
Encumbrances	768,971	11,617,865	5,465,580	599,649	18,452,065
Inventories	945,676				945,676
Prepaid items	107,700				107,700
Long term-loans receivable	2,333,239				2,333,239
Debt service				908,298	908,298
Unreserved, reported in:					
General fund	92,669,401				92,669,401
Special revenue funds		18,242,052			18,242,052
Capital projects funds			50,884,092	23,069,260	73,953,352
Total fund balances	96,824,987	29,859,917	56,349,672	24,577,207	207,611,783
Total liabilities and fund balances	\$ 134,218,899	\$ 47,043,007	\$ 72,467,376	\$ 30,041,581	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets of \$835,535,452 reported in the government wide financial statements less \$544,718 of capital assets held by the proprietary funds used in governmental activities are not financial resources and therefore are not reported in the funds	834,990,734
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds, including deferred charges, are included in governmental activities in the Statement of Net Assets.	1,930,507
Certain revenues are earned but not available and therefore are deferred in the funds	5,154,395
Long-term liabilities of \$434,199,675, including bonds payable, less \$19,338,220 reported in internal service funds, less deferred charges of \$2,172,781, are not due and payable in the current period and therefore are not reported in the funds.	(412,688,674)
Net assets of governmental activities	\$ 636,998,745

The accompanying notes are an integral part of the financial statements.

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LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 120,912,806				\$ 120,912,806
Occupational taxes	275,767,186				275,767,186
Licenses and permits	11,480,682		\$ 40,500		11,521,182
Intergovernmental	25,836,321	\$ 82,164,480	40,966	\$ 5,461,773	113,503,540
Charges for services	53,562,920	4,261,586	1,782,660	419,470	60,026,636
Fees and fines	718,975		3,212		722,187
Investment income	2,591,295	311,119	929,415	133,260	3,965,089
Dividends	13,935,078				13,935,078
Donations	1,207,601	217,443	1,323,150		2,748,194
Miscellaneous	3,210,405	20,384	66,766		3,297,555
Total revenues	509,223,269	86,975,012	4,186,669	6,014,503	606,399,453
EXPENDITURES					
Current operating:					
General Government					
Metro Council	5,075,237				5,075,237
Mayor's Office	2,659,334				2,659,334
County Attorney	6,138,421	1,029,283			7,167,704
Other Elected Officials	6,835,898				6,835,898
Internal Audit	559,436				559,436
Finance Department	8,075,458				8,075,458
External Agencies	4,609,080				4,609,080
Purchasing Department	563,414				563,414
Policy and Strategic Planning	527,551				527,551
Information Technology	6,960,196				6,960,196
Human Resources Department	3,936,674				3,936,674
Human Relations Commission	899,741	54,263			954,004
Police Department	120,680,619	3,580,765		\$ 2,082,226	126,343,610
Public Protection Cabinet	143,619				143,619
Fire Department	53,457,572	2,965			53,460,537
County Emergency Medical Services	8,461,117	13,808			8,474,925
Emergency Management	1,719,202	175,518			1,894,720
Corrections Department	39,079,503	5,661			39,085,164
Youth Placement Services	6,395,480	32,894			6,428,374
Metro Criminal Justice Commission	372,738	299,113			671,851
Office of Public Safety	179,017				179,017
Firefighters' Pension Fund	1,961,998				1,961,998
Policemen's Retirement Fund	1,938,891				1,938,891
Public Works Department	27,091,256	4,896,294			31,987,550
Facilities Management	15,539,498	1,339,703			16,879,201
Solid Waste Management Services	18,152,953	437,299			18,590,252
Inspections, Permits and Licenses	6,129,540	1,361,536			7,491,076
Animal Control Services	1,771,235				1,771,235
Department of Neighborhoods	5,968,313	98,468			6,066,781
Parks Department	21,701,331	221,603			21,922,934
Louisville Free Public Library	15,315,698	905,850			16,221,548
Louisville Zoological Gardens	10,559,561	22,530			10,582,091
Metro Development Authority	9,229,459	1,577,192			10,806,651
Planning and Design Services	2,913,834	126,785			3,040,619
Housing Department	1,044,707	6,804,850			7,849,557
Community Development	3,366,481				3,366,481
Air Pollution Control	646,985	3,337,474			3,984,459
Waterfront Development Corporation	1,981,842				1,981,842
Redevelopment Authority	196,489	387,921			584,410

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (continued)
For the Year Ended June 30, 2005

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Economic Development Corporation				843,697	843,697
Community Economic Development Corporation				1,323,053	1,323,053
Health Department	\$ 24,270,288	\$ 8,761,343			33,031,631
Human Services	11,848,042	4,165,270			16,013,312
Kentuckiana Works		8,219,516			8,219,516
Community Action Partnership		5,291,665			5,291,665
Debt service principal				22,613,352	22,613,352
Debt service interest and other charges	419,539		\$ 153,008	15,461,371	16,033,918
Capital outlay		33,780,656	18,437,090	10,435,704	62,653,450
Total expenditures	<u>459,377,247</u>	<u>86,930,225</u>	<u>18,590,098</u>	<u>52,759,403</u>	<u>617,656,973</u>
Excess (deficiency) of revenues over expenditures	49,846,022	44,787	(14,403,429)	(46,744,900)	(11,257,520)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets				650,000	650,000
Insurance recovery				63,938	63,938
Proceeds of bonds			30,762,582		30,762,582
Transfers in	3,398,990		2,144,200	40,727,554	46,270,744
Transfers out	(43,467,423)	(1,091,594)	(1,000,227)	(1,711,500)	(47,270,744)
Total other financing sources (uses)	<u>(40,068,433)</u>	<u>(1,091,594)</u>	<u>31,906,555</u>	<u>39,729,992</u>	<u>30,476,520</u>
Net change in fund balances	<u>9,777,589</u>	<u>(1,046,807)</u>	<u>17,503,126</u>	<u>(7,014,908)</u>	<u>19,219,000</u>
Fund balances--beginning	87,047,398	30,906,724	38,846,546	31,592,115	188,392,783
Fund balances--ending	<u>\$ 96,824,987</u>	<u>\$ 29,859,917</u>	<u>\$ 56,349,672</u>	<u>\$ 24,577,207</u>	<u>\$ 207,611,783</u>

The accompanying notes are an integral part of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005**

Net change in fund balances--total governmental funds	\$ 19,219,000
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which the increase in capital assets of \$27,998,459 exceeded depreciation of \$69,880,248 in the governmental funds and \$633,600 in the proprietary funds in the current period.	(41,248,189)
In the Statement of Activities, only the loss on the disposal of assets is reported, while in the governmental funds, the proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the basis of the assets disposed.	(1,881,470)
Deferred revenues added to net assets in the prior year are deducted in the current year.	(5,491,369)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	5,154,395
Bond proceeds of \$22,613,352 provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of \$30,762,582 of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.	(8,149,230)
Some expenses, such as changes in compensated absences of \$1,876,000 and changes in claims and judgements of \$6,000,000, are reported in the Statement of Activities and do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(7,876,000)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The change in net assets of the internal service funds is reported with governmental activities.	(486,615)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Amortization of these costs was \$137,177. Accreted interest of \$4,871,290 and other charges of \$2,508,495 are shown as differences for the year.	(2,499,972)
Change in net assets of governmental activities	<u>\$ (43,259,450)</u>

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 56,595,172
Investments	13,095,231
Receivables, net	480,254
Due from component unit	926,628
Deposits with paying agents	70,000
Total current assets	71,167,285
Capital assets:	
Buildings and equipment, net	544,718
Total assets	71,712,003
LIABILITIES	
Current liabilities:	
Accounts payable	1,474,572
Due to other funds	41,009,463
Unearned revenue	7,959,241
Total current liabilities	50,443,276
Noncurrent liabilities:	
Claims and judgments	19,338,220
Total noncurrent liabilities	19,338,220
Total liabilities	69,781,496
NET ASSETS	
Invested in capital assets, net of related debt	343,621
Restricted	1,586,886
Total net assets	\$ 1,930,507

**The accompanying notes are an
integral part of the financial statements.**

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES:	
Collection, investment and other fees	\$ 4,871,460
Insurance income	11,537,083
Insurance premiums	35,388,590
Total operating revenues	51,797,133
OPERATING EXPENSES:	
Personal services	3,384,810
Contractual services	683,838
Repairs and maintenance	21,549
Other supplies and expenses	956,560
Insurance claims, settlements and losses	44,507,940
Insurance premiums	3,377,464
Depreciation	633,600
Total operating expenses	53,565,761
Operating income (loss)	(1,768,628)
NONOPERATING REVENUES (EXPENSES):	
Investment income	282,013
Total nonoperating revenue (expenses)	282,013
Net loss before transfers	(1,486,615)
Transfers in	1,000,000
Change in net assets	(486,615)
Total net assets--beginning	2,417,122
Total net assets--ending	\$ 1,930,507

**The accompanying notes are an
integral part of the financial statements.**

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fee income and subsidy	\$ 14,448,846
Insurance income	47,006,106
Payments to employees	(3,182,983)
Payments to suppliers	(1,649,959)
Contractual services	(135,193)
Claims paid	(42,804,832)
Insurance premiums paid	(3,464,673)
Other receipts (payments)	(15,600)
	<u>10,201,712</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers from other funds	1,000,000
	<u>1,000,000</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:	
Acquisition and construction of capital assets	(88,913)
	<u>(88,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	817,201
Change in investment pool participation	3,012,661
Sale of investments	14,499,754
Investment income	282,013
	<u>18,611,629</u>
Net increase in cash and cash equivalents	29,724,428
Balances--beginning of the year	26,870,744
	<u>56,595,172</u>
Balances--end of the year	<u>\$ 56,595,172</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (1,768,628)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	633,600
Increase (decrease) in cash due to changes in assets and liabilities:	
Accounts receivable	(4,254)
Due from other funds	(926,628)
Deposits with paying agents	(25,000)
Accounts and other payables	131,653
Liability for incurred claims	1,682,675
Due to other funds and governmental agencies	8,103,773
Deferred revenue	2,374,521
	<u>10,201,712</u>

During fiscal year 2005, there was no non-cash change to the fair value of investments.

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	Pension & Benefit Trust	Private- purpose Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,071,079	\$ 210,874	\$ 6,986,592
Equity securities	17,571,144		
Corporate bonds	1,282,741		
US Government obligations	1,770,720		
US Agency obligations	2,240,772		
Other investments	290,205	370,160	17,114,748
Accounts receivable and accrued interest	377,671		1,246,031
Due from other funds			14,531,654
Total assets	\$ 24,604,332	\$ 581,034	\$ 39,879,025
LIABILITIES			
Accounts payable	\$ 371,713		
Health insurance reimbursement	52		
Due to other governmental agencies			\$ 33,154,224
Refundable deposits			6,724,801
Total liabilities	371,765	-	39,879,025
NET ASSETS			
Held in trust for pension benefits	24,232,567		
Held in trust for private purpose		\$ 581,034	
Total net assets	\$ 24,232,567	\$ 581,034	

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2005

	Pension & Benefit Trust	Private- purpose Trust
ADDITIONS		
Contributions:		
Employer	\$ 2,339,799	
Member	3,600	
Total contributions	2,343,399	
Investment earnings:		
Decrease in fair value	302,186	
Interest and dividends	691,096	
Total investment earnings	993,282	-
Investment expense	(261,490)	
Net investment earnings	731,792	-
Other income	1,681,577	
Total additions	4,756,768	-
DEDUCTIONS		
Benefit payments	6,417,291	
Administration expense	391,397	
Health insurance reimbursement	989,952	
Total deductions	7,798,640	-
Net increase (decrease)	(3,041,872)	-
Net assets--beginning of the year	27,274,439	\$ 581,034
Net assets--end of the year	\$ 24,232,567	\$ 581,034

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2005

	Louisville Water Company*	Parking Authority of River City, Inc.	Transit Authority of River City, Inc.	Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Louisville Science Center	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 6,255,596	\$ 500	\$ 2,146,962	\$ 2,202,252	\$ 28,732,000	\$ 1,805,310	\$ 41,142,620
Investments				5,101,426	7,163,000		12,264,426
Accounts receivable and accrued interest	14,530,699	235,425	3,813,076	75,601	13,716,000	1,205,861	33,576,662
Due from primary government				120,000			120,000
Inventories	5,802,051		1,228,280	7,275,243	3,090,000	38,751	17,434,325
Prepaid expenses	633,547	15,395	149,521	5,900	803,000	232,870	1,840,233
Total current assets	<u>27,221,893</u>	<u>251,320</u>	<u>7,337,839</u>	<u>14,780,422</u>	<u>53,504,000</u>	<u>3,282,792</u>	<u>106,378,266</u>
Noncurrent assets:							
Restricted cash and cash equivalents		272,874			65,423,000	180,530	65,876,404
Investments		16,797,016	1,315,308		33,934,000	40,471	52,086,795
Revenue bond covenant accounts	20,777,437						20,777,437
Water system extension funds	5,394,812						5,394,812
Note receivable		1,236,818					1,236,818
Contract and assessments receivable	3,117,056				29,712,000		32,829,056
Deferred charges	2,574,551	395,577					2,970,128
Non-utility property	106,576						106,576
Capital assets:							
Land	6,122,892	9,304,855	3,177,782	8,676,613			27,282,142
Buildings and Improvements	71,909,507	76,942,080	23,504,635	28,680,907		7,094,905	208,132,034
Machinery and equipment	36,793,808	3,474,783	110,797,862	183,885		1,581,574	152,831,912
Museum exhibits						13,842,780	13,842,780
Infrastructure	716,880,073				1,874,875,000		2,591,755,073
Construction in progress	63,769,042	3,356,275			297,705,000		364,830,317
Less accumulated depreciation	<u>(231,524,674)</u>	<u>(31,163,478)</u>	<u>(70,798,439)</u>	<u>(13,305,173)</u>	<u>(477,624,000)</u>	<u>(11,562,786)</u>	<u>(835,978,550)</u>
Capital assets, net of accumulated depreciation	<u>663,950,648</u>	<u>61,914,515</u>	<u>66,681,840</u>	<u>24,236,232</u>	<u>1,694,956,000</u>	<u>10,956,473</u>	<u>2,522,695,708</u>
Total noncurrent assets	<u>695,921,080</u>	<u>80,616,800</u>	<u>67,997,148</u>	<u>24,236,232</u>	<u>1,824,025,000</u>	<u>11,177,474</u>	<u>2,703,973,734</u>
Total assets	<u>\$ 723,142,973</u>	<u>\$ 80,868,120</u>	<u>\$ 75,334,987</u>	<u>\$ 39,016,654</u>	<u>\$ 1,877,529,000</u>	<u>\$ 14,460,266</u>	<u>\$ 2,810,352,000</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 2,546,895		\$ 3,076,562	\$ 256,431	\$ 17,781,000	\$ 507,578	\$ 24,168,466
Accrued payroll and withholdings	501,523						501,523
Due to other governmental agencies	9,041,539					97,027	9,138,566
Due to primary government				400,000			400,000
Customer advances and deposits payable					5,863,000		5,863,000
Bonds payable, current portion	6,453,388	\$ 2,510,000		29,887	15,685,000		24,678,275
Interest payable	906,598	241,149			9,768,000		10,915,747
Other liabilities from restricted assets	2,192,784	1,060,559					3,253,343
Deferred revenue	4,316,018	718		53,753		175,067	4,545,556
Dividend payable	1,853,257						1,853,257
Compensated absences payable			2,950,262				2,950,262
Total current liabilities	<u>27,812,002</u>	<u>3,812,426</u>	<u>6,026,824</u>	<u>740,071</u>	<u>49,097,000</u>	<u>779,672</u>	<u>88,267,995</u>
Noncurrent liabilities:							
Accounts payable					3,117,000		3,117,000
Unearned revenue	4,477,436		1,030,574		6,074,000		11,582,010
Revenue bonds payable (net of unamortized discounts)	117,760,000	46,542,968		31,532	1,240,966,000		1,405,300,500
Compensated absences payable	1,894,438						1,894,438
Claims and judgements payable			1,243,412				1,243,412
Total noncurrent liabilities	<u>124,131,874</u>	<u>46,542,968</u>	<u>2,273,986</u>	<u>31,532</u>	<u>1,250,157,000</u>	<u>-</u>	<u>1,423,137,360</u>
Total liabilities	<u>151,943,876</u>	<u>50,355,394</u>	<u>8,300,810</u>	<u>771,603</u>	<u>1,299,254,000</u>	<u>779,672</u>	<u>1,511,405,355</u>
NET ASSETS							
Invested in capital assets, net of related debt	539,737,260	12,861,547	66,681,840	24,174,813	497,314,000		1,140,769,460
Restricted for capital projects	26,172,249					4,816,087	30,988,336
Restricted for debt service		14,920,374			14,133,000		29,053,374
Unrestricted	5,289,588	2,730,805	352,337	14,070,238	66,828,000	8,864,507	98,135,475
Total net assets	<u>\$ 571,199,097</u>	<u>\$ 30,512,726</u>	<u>\$ 67,034,177</u>	<u>\$ 38,245,051</u>	<u>\$ 578,275,000</u>	<u>\$ 13,680,594</u>	<u>\$ 1,298,946,645</u>

*Amounts for the Louisville Water Company are for December 31, 2004.
The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
COMPONENT UNITS
For the Year Ended June 30, 2005

	<u>Louisville Water Company*</u>	<u>Parking Authority of River City, Inc.</u>	<u>Transit Authority of River City, Inc.</u>
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	\$ 103,462,053		
Parking		\$ 11,905,573	
Transit fares and advertising			\$ 8,183,438
Mass Transit subsidies			56,987,456
Port fees and rents			
Sewer charges			
Admissions and museum support			
Total operating revenues	<u>103,462,053</u>	<u>11,905,573</u>	<u>65,170,894</u>
OPERATING EXPENSES:			
Cost of operations	27,152,342	2,687,152	40,351,970
General and administrative	16,476,641	3,506,707	
Depreciation	17,926,735	3,857,674	21,855,077
Amortization	(3,500)		
Water and fire services in lieu of taxes	8,471,902		
Total operating expenses	<u>70,024,120</u>	<u>10,051,533</u>	<u>62,207,047</u>
Operating income (loss)	<u>33,437,933</u>	<u>1,854,040</u>	<u>2,963,847</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	1,024,396	352,953	60,571
Interest expense	(4,769,422)	(2,588,157)	
Contributed in aid of construction	16,430,901		
Dividends paid and payable	(14,552,137)		
Miscellaneous	(1,123,891)	(32,066)	
Total nonoperating revenues (expenses)	<u>(2,990,153)</u>	<u>(2,267,270)</u>	<u>60,571</u>
Net income (loss) before distributions	30,447,780	(413,230)	3,024,418
Transfer from primary government			
Distributed property			
Net income	30,447,780	(413,230)	3,024,418
Net assets, beginning of year	<u>540,751,317</u>	<u>30,925,956</u>	<u>64,009,759</u>
Net assets, end of year	<u>\$ 571,199,097</u>	<u>\$ 30,512,726</u>	<u>\$ 67,034,177</u>

*Amounts for the Louisville Water Company are for the year ended December 31, 2004.
The accompanying notes are an integral part of the financial statements.

Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Louisville Science Center	Total
			\$ 103,462,053
		\$ 220,441	12,126,014
			8,183,438
			56,987,456
\$ 4,545,626			4,545,626
	\$ 122,849,000		122,849,000
		5,772,648	5,772,648
<u>4,545,626</u>	<u>122,849,000</u>	<u>5,993,089</u>	<u>313,926,235</u>
2,571,428		2,522,436	75,285,328
492,519	53,549,000	2,016,595	76,041,462
915,973	43,161,000	1,367,788	89,084,247
			(3,500)
			8,471,902
<u>3,979,920</u>	<u>96,710,000</u>	<u>5,906,819</u>	<u>248,879,439</u>
565,706	26,139,000	86,270	65,046,796
96,206	8,259,000	18,284	9,811,410
(4,547)	(45,792,000)		(53,154,126)
	27,866,000		44,296,901
			(14,552,137)
208,612			(947,345)
<u>300,271</u>	<u>(9,667,000)</u>	<u>18,284</u>	<u>(14,545,297)</u>
865,977	16,472,000	104,554	50,501,499
2,145,558			2,145,558
(400,000)			(400,000)
<u>2,611,535</u>	<u>16,472,000</u>	<u>104,554</u>	<u>52,247,057</u>
<u>35,633,516</u>	<u>561,803,000</u>	<u>13,576,040</u>	<u>1,246,699,588</u>
<u>\$ 38,245,051</u>	<u>\$ 578,275,000</u>	<u>\$ 13,680,594</u>	<u>\$ 1,298,946,645</u>

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NOTES TO THE FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

1. Summary of Significant Accounting Policies

Louisville/Jefferson County Metro Government (“Metro Government”) began operations January 6, 2003, and was formed from the merger of the former City of Louisville (founded in 1778 and incorporated in 1828) and Jefferson County, Kentucky (created in 1780). Metro Government operates under a Mayor-Council form of government and provides the following services: public health and safety, streets and roads, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The following is a summary of the significant accounting policies:

A. Basis of Presentation

The financial statements of Metro Government have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units by the Governmental Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants (“AICPA”).

B. Reporting Entity

In accordance with GASB Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units*, Metro Government as included in its financial statements the departments, agencies, boards, commissions, authorities, and corporations that comprise the primary government along with its discretely presented Component Units.

i. Blended Component Units

The following Component Units have been presented as blended Component Units because the boards of the Component Units are substantively the same as the primary government, or the Component Units provide services exclusively or almost exclusively to the primary government.

- The Louisville/Jefferson County Revenue Commission (“Revenue Commission”)
- The Commissioners of the Revenue Commission are appointed by Metro Government. The Revenue Commission is reported as part of the primary government because its primary purpose is to collect certain taxes and fees on behalf of Metro Government, and to collect and remit debt service requirements on Metro Government’s general obligation bonds. To a lesser extent, the Revenue Commission is the collection agent of certain fees and taxes for other local governmental entities.

The Revenue Commission is treated as an internal service fund of the primary government since Metro Government is the primary participant of the Revenue Commission. Amounts held on behalf of other local governmental entities are reflected within a fiduciary fund.

- The Public Properties Corporation (“PPC”) - The PPC is a non-profit municipal corporation which is used to account for certain property acquisitions and improvements financed by proceeds from the sale of various First Mortgage Revenue Bonds. It is reported as part of the primary government because its purpose is to issue bonds solely on behalf of Metro Government.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

- The Revenue Finance Corporation - The Revenue Finance Corporation is a non-profit municipal corporation which is used for the acquisition and implementation of public projects financed by increments in tax revenues. It exists solely for the benefit of Metro Government, and is accordingly reported as part of the primary government.
- Capital Projects Corporation (“CPC”) - The Mayor, with the approval of the Metro Council, appoints the CPC’s governing board. The CPC was incorporated by Jefferson County Fiscal Court, succeeded by Metro Government, as its agency and instrumentality in the financing of public improvements and projects of a capital nature. The CPC undertakes projects and issues bonds at the direction of and pursuant to ordinances adopted by the Metro Council. All debt obligations of the CPC are serviced with rental payments made by Metro Government as consideration from annually renewable leases of the financed properties by Metro Government.

Effective July 26, 2004, the Community Economic Development Corporation (“CEDC”) merged with the Metro Louisville Properties I (“MLPI”) and the Economic Development Corporation (“EDC”) merged with the Metro Louisville Properties II (“MLPII”). Both CEDC and EDC were considered blended component units of the Metro Government in previous years. Both of these new entities, MLPI and MLPII, are subsidiaries of the Louisville Riverport Authority (a discretely presented component unit of Metro Government). MLPI and MLPII assumed all assets and liabilities of CEDC and EDC, respectively, and CEDC and EDC were dissolved.

Complete financial statements for each of the individual component units may be obtained at Metro Government’s Department of Finance, 611 West Jefferson Street, Louisville, Kentucky, 40202.

ii. Discretely Presented Component Units

The Component Units column in the government-wide financial statements includes the financial data of Metro Government’s discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from Metro Government. The following six Component Units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organizations.

- Louisville Water Company (“LWC”) – The LWC is a legally separate entity that provides water utility services to the residents of the metropolitan area and charges fees for those services. It is shown as a discretely presented component unit because the Metro Government is the sole shareholder, receives a quarterly dividend, and the Mayor appoints a voting majority of the LWC’s Board of Directors. Water and fire services valued at \$8,498,316 were provided to Metro Government in lieu of taxes during the year ended December 31, 2004. Complete financial statements of the LWC can be requested from the Louisville Water Company, 550 South Third Street, Louisville, KY 40202.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

- Parking Authority of River City, Inc. ("PARC") - PARC is a non-profit corporation, which was established by the former City of Louisville to serve Metro Government's existing parking facility needs and to develop strategies for future needs. PARC also operates several parking garages in the downtown area. PARC is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to approve or overrule decisions of PARC in financing of new facilities and equipment. Complete financial statements of PARC can be requested from the Parking Authority of River City, 517 South Fourth Street, Louisville, KY 40202.
- Transit Authority of River City ("TARC") - TARC is a legally separate entity that operates the mass transit system in the metropolitan area. TARC is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to approve, disapprove, revise, amend, or otherwise alter the annual budget. Metro Government does not provide any funding to TARC, but it does administer the Mass Transit Trust Fund, which receives occupational tax revenues and remits those amounts to TARC. Payments to TARC from the Mass Transit Trust Fund for the fiscal year totaled \$33,154,583. Complete financial statements of TARC can be requested from the Transit Authority of River City, 1000 West Broadway, Louisville, KY 40203.
- Louisville and Jefferson County Riverport Authority ("Riverport") - Riverport is a legally separate entity that acquires, develops, and markets land for operation of a river port industrial complex. Riverport is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to impose its will on Riverport's decisions. Complete financial statements of Riverport can be requested from the Riverport Authority, 6900 Riverport Drive, Louisville, KY 40258.
- Metropolitan Sewer District ("MSD") - The MSD is a legally separate entity that operates to provide sewer services to the residents of the metropolitan area. The operations are supported by user fees. MSD is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to veto, overrule, or modify decisions of MSD regarding expansion of infrastructure and sewage facilities. Metro Government does not provide any funding to MSD. Complete financial statements of MSD can be requested from MSD, 700 West Liberty Street, Louisville, KY 40202.
- Louisville Science Center, Inc. ("LSC") - The LSC provides museum exhibits and scientific programs to the public. Financial support is received from admissions, merchandise sales, memberships, parking fees, donations, and an appropriation from Metro Government. It is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors; and during the year ended June 30, 2005, Metro Government paid \$839,700 as an

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

appropriation to the LSC. Complete financial statements of LSC can be requested from Louisville Science Center, 727 West Main Street, Louisville, KY 40202.

iii. Related Organizations

- Louisville Metro Housing Authority (“Housing Authority”) - The Housing Authority is a legally separate entity that plans for the construction, operation and management of low cost housing projects within the metropolitan area. The Board consists of the Mayor and eight other members appointed by the Mayor and approved by the Metro Council. Financial support is received from the federal government and from fees. The Housing Authority serves as its own fiscal agent, and Metro Government is not financially accountable for the activities of the entity. Metro Government did not provide any funding to the Housing Authority for the year ended June 30, 2005.
- Regional Airport Authority of Louisville and Jefferson County (“RAA”) - The RAA was created by state statute and is responsible for the operation of Louisville International Airport and Bowman Field, both located in Louisville. The Board consists of eleven members including the Mayor and the Kentucky Secretary of Commerce. Six of the members are appointed by Metro Government, and three by the Commonwealth of Kentucky. Metro Government does not provide any funding to the RAA.
- The Louisville and Jefferson County Convention and Visitors Bureau (the “Convention Bureau”) - The Convention Bureau is a legally separate entity created by state statute and operates to promote convention and tourism activity in Louisville and Jefferson County. The Board consists of nine members, six of whom are appointed by Metro Government and three by the Commonwealth of Kentucky. Metro Government does not provide any funding to the Convention Bureau, but the Convention Bureau received \$8,681,694 in transient room taxes collected by the Revenue Commission.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources, such as taxes and other items not properly included among program revenues, are reported instead as general revenues. Metro Government allocates certain indirect costs

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

to be included in the program expense reported for individual functions and activities in the government-wide statement of activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds that have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is a separate accounting entity with a self-balancing set of accounts. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Metro Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, licenses, interest revenue and charges for services. Occupational taxes, fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Metro Government reports unearned revenue on its government-wide statement of net assets and fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when Metro Government receives resources before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when Metro Government has a legal claim to the resources, the liability for unearned revenue is removed from the government-wide statement of net assets and fund financial statements, and revenue is recognized.

Funds are classified into three categories: governmental, proprietary and fiduciary.

Metro Government reports the following major governmental funds:

- The General Fund, Metro Government's primary operating fund, which accounts for all of the activities of the general government not required to be accounted for in another fund.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

- The Special Revenue Fund, which accounts for the collection and disbursement of earmarked money.
- The Capital Projects Fund, which accounts for the acquisition or construction of general fixed assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All of Metro Government's proprietary activities, except for the internal service fund, qualify and are reported as discretely presented component units; therefore, the primary government does not include a business-type activities column in the government-wide financial statements.

Internal service funds account for the cost of purchased insurance, the operation and administration of the Metro Government's self-insurance programs, and the cost of administering and collecting the Metro Government's occupational tax.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. Metro Government reports the following fiduciary funds:

- The Private Purpose Trust Fund is used to account for a discount loan program.
- The Pension Benefit and Trust Funds are used to account for the Firefighters' Pension Fund and the Policemen's Retirement Fund.
- Agency funds are used to account for assets that Metro Government holds on behalf of others as their agent, including TARC, the Police Property Room, and the Revenue Commission.

E. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund and special revenue fund. Budgeted amounts are as originally adopted by the Metro Council, adjusted for budget amendments approved by the Metro Council. Management may amend the budget only to the extent of moving budgeted amounts within departments, not to exceed original budgeted amounts, as amended. Formal budgetary integration is not employed for the debt service fund because effective budgetary control is alternatively achieved through bond indenture provisions. All annual appropriations lapse at fiscal year-end, unless specifically identified in the budget ordinance. The special revenue fund includes some multi-year activities wherein unexpended budget amounts are automatically carried forward into the succeeding year. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities and are reappropriated in the following year.

F. Cash Deposits and Investments

Cash and cash equivalents include amounts in demand deposits as well as various short-term investments, which consist of highly liquid investments with maturity of three months or less when purchased. State statutes authorize Metro Government to invest in instruments guaranteed by the U.S. Government or its agencies and in repurchase agreements with banks that conduct business in the state. The Firefighters' Pension Fund and the Policemen's Retirement Fund have no restrictions on the type of investments that they enter into as long as due diligence is exercised. See footnote 4 for additional information.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market values.

Certain cash and investment amounts are classified on the statement of net assets as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purposes.

G. Taxes Receivable

Net taxes receivable not expected to be collected within sixty days after the close of the fiscal year, thus not available to pay current liabilities at June 30, 2005, have been recorded in the balance sheet of the general fund as deferred revenue.

This is Metro Government's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 31, following year	5% penalty added
April 7, following year	10% interest plus 10% penalty added
May 1, following year	Delinquent date, \$16 penalty added to above

The Jefferson County Clerk collects personal property tax on vehicles when registered. The Jefferson County Sheriff bills and collects all property taxes on real estate and personal property excluding vehicles. Delinquent property bills are turned over to the County Clerk on May 1. Property tax revenues are recognized when levied to the extent that they result in current receivables.

Allowance for uncollectibles is composed of tax receivables which have been deemed uncollectible based on a trend analysis of collections over the past five fiscal years, and for loans receivable, based on an analysis which mainly considers payments past due.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

H. Interfund Receivables/Payables

During the course of operations, certain transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet. These accounts exist solely to balance transactions between funds, and are eliminated on the government-wide statement of net assets.

I. Land Held for Development

Land held for development is stated at cost. Land and related costs are capitalized as incurred and charged to operations as related parcels are sold or otherwise transferred.

J. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of certain inventories are recorded as expenditures when purchased.

In the fund financial statements, reported inventories in the general fund are equally offset by a reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of total assets.

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2005 are recorded in assets as prepaid items.

K. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Metro Government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist, including infrastructure acquired prior to fiscal years ended after June 30, 1980. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

<u>Assets</u>	<u>Useful life</u>
Land improvements	20
Buildings & Improvements	25-40
Machinery & Equipment	5-12
Vehicles	4-20
Treasures	25
Infrastructure	10-40

L. Compensated Absences

Vested and accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported in the funds financial statements as an expenditure and a fund liability of the governmental fund that will pay it only when the liability has matured. In prior years the general fund typically has been used to liquidate these liabilities. In the government-wide statement of net assets, the total amount of vested or accumulated vacation leave is reported within the liabilities. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds 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.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for sick pay benefits. Sick leave, which has no maximum accumulation, is charged to expense when paid.

Qualified participants in the County Employee's Retirement System ("CERS"), under certain circumstances, are eligible to convert accrued sick pay benefits into additional credit for years of service.

M. Long-term Debt and Obligations

In the government-wide financial statements, proprietary fund types in the fund financial statements and component units, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources or other financing uses, respectively, and issuance costs are reported as debt service expenditures.

N. Claims and Judgments Payable

Claims and judgments payable represents estimates for medical, automobile liability, workers' compensation, and other claims incurred as of June 30, 2005. This liability includes both reported and unreported events. This amount was determined by Metro

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

1. Summary of Significant Accounting Policies, summary

Government's management and also includes actuarially determined amounts by Metro Government's independent insurance administrators.

O. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

Q. Reserved Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. Louisville Water Company Dividends

The LWC has a quarterly dividend policy. Because the reporting period of the LWC covers the year ended December 31, 2004, a timing difference arises and causes a difference in the dividends paid and received as illustrated by the following schedule:

<u>Date paid</u>	<u>LWC Dividends Paid</u>	<u>Revenue Commission Dividends Received</u>
March 31, 2004	\$ 3,174,720	
June 30, 2004	3,174,720	
September 30, 2004	3,174,720	\$ 3,174,720
December 31, 2004	5,027,977	3,174,720
March 31, 2005		3,792,819
June 30, 2005		3,792,819
	<u>\$ 14,552,137</u>	<u>\$13,935,078</u>

2. Changes in Accounting Principles, Reporting Practices, and Prior Period Adjustments

The beginning balance of net assets for the Primary Government Governmental Activities in the Government-Wide Statement of Activities has been restated by \$583,046 from the prior year to reflect a correction from fiscal year 2004. Some activity reported in the prior year

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, *continued*
June 30, 2005

2. Changes in Accounting Principles, Reporting Practices, and Prior Period Adjustments, continued

governmental fund financial statements was not reflected in Government-Wide financial statements. Beginning balances of net assets in the Government-Wide statements have been restated to properly reflect those amounts.

Beginning balance of the Revenue Commission agency fund have been adjusted by \$24,302,502 to reflect only amounts held on behalf of other local governmental entities.

3. Legal Compliance - Budgets

In early March of each year, Metro Government departments are required to submit operating and capital funding requests to the Mayor. The Budget Office, acting as staff for the Mayor, reviews the requested expenditures with each department in the context of available funds, Metro Government priorities, and related project revenues. By June 1, the Mayor presents his recommended operating and capital budgets to the Metro Council.

During the month of June, the Metro Council conducts public budget hearings. The Metro Council may increase or decrease the recommended budget so long as legal compliance is maintained. The Metro Council is required to enact the budget by July 1.

Revenue estimates are reviewed monthly or quarterly and adjusted as needed. Various supplemental appropriations (or appropriation reductions) are made throughout the year, subject to maintenance of legal compliance. During the year, supplemental appropriations were necessary. The effect of supplemental appropriations, as viewed from an overall budget perspective, is that a balanced budget (as required by state constitution) is always maintained because either additional estimated revenues are available or appropriation reductions are implemented.

Operating budget appropriations are made and controlled at the department level. Capital budgets are appropriated and monitored by department and project.

4. Cash Deposits and Investments

In March 2003 the GASB issued Statement No. 40 *Deposits and Investment Risk Disclosures*, which is effective for periods beginning after June 15, 2004. Risk disclosures in previous financial statements (under the provisions of GASB Statement No. 3) focused only on custodial credit risk. GASB Statement No. 40 not only addresses custodial credit risk, but other common areas of investment risk as well, including interest rate risk, credit risk, and concentration of credit risk.

A. Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, Metro Government may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. Metro Government's investment policy dictates that all cash maintained in any financial institution named as a depository be collateralized, the collateral held in the name of the Metro Government, and that investments be registered in the name of the Metro Government. Collateral must be held by an independent third-party custodian. Metro Government is fully collateralized and all investments were held in the Metro Government's name or by a counterparty as of June 30, 2005.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

4. Cash Deposits and Investments, continued

B. Pooled Portfolio Investments

The following schedule presents the investments in Metro Government's pooled portfolio as of June 30, 2005 at fair value, with maturities (using the weighted average method), and credit risk ratings (from Moody's Investors Service):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>Credit Rating</u>
Money Market Funds	\$ 292,593	0.08	Aaa
U.S. Agency Discount Notes	64,712,000	0.14	Aaa
U.S. Agency Obligations	79,700,709	1.70	Aaa
Commercial Paper	35,129,483	0.09	P1
	<u>\$ 179,834,785</u>		
Portfolio weighted average maturity		0.82	

C. Non-Pooled Portfolio Investments

Non-pooled portfolio investments of the primary government include all restricted assets of the capital projects funds and debt service funds. These investments are subject to the same Metro Government investment policies as the pooled portfolio investments. Non-pooled portfolio investments as of June 30, 2005 are summarized below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>Credit Rating</u>
U.S. Government Money Market Funds	\$ 23,343,679	0.10	Aaa
U.S. Government Agency Discount Notes	14,134,781	0.33	Aaa
	<u>\$ 37,478,460</u>		
Portfolio weighted average maturity		0.19	

D. 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 Government's formal investment policy does limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments are made based upon prevailing market conditions at the time of the transaction. According to the Metro Government investment policy, maintenance of adequate liquidity to meet the cash flow needs of Metro is essential. Assets categorized as short-term operating funds will be invested in permitted investments maturing in 12 months or less, with an average weighted maturity not to exceed six months. The core

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

4. Cash Deposits and Investments, continued

portfolio may be invested in permitted investments with a stated maturity of up to five years, with an average weighted maturity not to exceed two years.

E. 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 investor' standard outlined in Metro Government's investment policy to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely and (c) reasonable action is taken to control any adverse developments. Metro Government's investment policy dictates that investments in commercial paper have a credit rating of no less than 'A1' (or its equivalent) at the time of purchase.

F. Concentration of Credit Risk

Metro Government's investment policy requires diversification of the overall portfolio to eliminate the risk of loss from an over-concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Treasury Obligations	100%
Federal Agency Obligations	100%
Federal Agency Obligations (Callable)	50%
Repurchase Agreements	100%
Commercial Paper	*20%
Bankers' Acceptances	*20%
Collateralized/Insured Certificates of Deposit	50%
Uncollateralized Certificates of Deposit	*20%
Municipal Obligations	10%
Money Market Mutual Funds	100%

* The combined amount of these investments shall not exceed twenty percent of the total book value of the portfolio at the date of acquisition.

The investment policy dictates that the Metro Government portfolio will be further diversified to limit the exposure to any one issuer. No more than 5% of the Metro portfolio will be invested in the securities of any single issuer with the following exceptions:

	<u>Maximum</u>
U.S. Treasury	100%
Each Federal Agency	35%
Each Repurchase Agreement Counterparty	25%
Money Market Mutual Funds	50%

G. Revenue Commission

The bank balances at June 30, 2005, including cash with paying agents, were \$49,429,196. Of this amount, \$100,000 was covered by federal depository insurance. The remainder was collateralized by the bank holding deposits in the Metro Revenue Commission's name.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

4. Cash Deposits and Investments, continued

The investment balance at June 30, 2005 of \$100,399 consists of a certificate of deposit with a local bank.

State statutes authorize the Metro Revenue Commission to invest in: (1) obligations of the United States and of its agencies and instrumentalities including such obligations subject to repurchase agreements from sources including, but not limited to, national or state banks chartered in Kentucky; (2) obligations backed by the full faith and credit of the United States or a U. S. government agency; (3) obligations of any corporation of the U. S. government; (4) highly rated collateralized or uncollateralized certificates of deposit, banker's acceptances and commercial paper; (5) bonds or certificates of indebtedness of Kentucky and of its agencies and instrumentalities; (6) highly rated securities issued by a state or local government in the U. S.; and (7) shares of approved mutual funds, not to exceed 10% of the total funds available for investment.

H. Fiduciary Funds

The Mass Transit Trust Fund is required to follow investment policies in accordance with KRS 66.480 (see Mass Transit audit report for additional discussion of allowed investments). The Escrow and Deposit Fund is governed by the Metro investment policy described within this note.

The Firefighters' Pension Fund had deposits of \$194,925 at June 30, 2005. Of this amount, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC). The remaining \$94,925 was not insured or collateralized by securities held by a pledging financial institution. The Policemen's Retirement Fund had deposits of \$87,715 at June 30, 2005, which were insured by the FDIC.

The Firefighters' Pension Fund and Policemen's Retirement Fund are each governed by a Board of Trustees, which is ultimately responsible for the appropriateness of its investment policies and the execution of those policies to meet the funds' investment objectives. The Board's work in conjunction with investment managers and financial advisors to determine the appropriate asset mix within each investment type pursuant to asset allocation parameters set by the Boards. Investments are to be made with "care, skill and prudence" under the market circumstances prevailing at the time with the primary objectives of (a) preserving principal, (b) producing a combination of income and liquidity sufficient to meet monthly pension payment requirements and (c) on a long-term basis, producing real total returns sufficient to meet the lifetime pension requirements.

Both the Firefighters' Pension Fund and Policemen's Retirement Fund trustees desire a balanced portfolio diversified appropriately among the three primary asset classes of marketable securities: (1) liquid reserves, (2) fixed income securities, and (3) common stock. Allowable investments include domestic and international common stocks, government and corporate bonds, and short-term fixed income securities maturing in one year or less. All fixed income investments in the Firefighters' Pension Fund and Policemen's Retirement Fund must be rated Baa or greater at the time of purchase.

Metro fiduciary fund investments are summarized in the table below as of June 30, 2005:

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

4. Cash Deposits and Investments, continued

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>Credit Rating</u>
Mass Transit Trust Fund			
Money Market Mutual Funds	<u>\$ 8,132,002</u>	0.08	Aaa
Escrow and Deposit Funds			
U.S. Treasury Obligations	<u>\$ 8,982,746</u>	10.78	Aaa
Firefighters' Pension Fund			
U.S. Government Obligations	\$ 1,619,817	7.65	Aaa
U.S. Agency Obligations	1,048,655	7.07	Aaa
Corporate Bonds	686,633	7.63	Aaa-Baa
Equity Securities	8,588,537		
Corporate Asset-Backed	112,815	17.36	Aaa
U.S. Government Money Market Funds	235,530	0.09	Aaa
Other Investments	99,102		
	<u>\$ 12,391,089</u>		
Policemen's Retirement Fund			
U.S. Government Obligations	\$ 150,903	8.63	Aaa
U.S. Agency Obligations	1,192,117	6.82	Aaa
Corporate Bonds	483,293	8.83	Aaa-Baa
Equity Securities	8,982,607		
Money Market Funds	608,899	0.12	A1
Other Investments	191,103		
	<u>\$ 11,608,922</u>		

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

4. Cash Deposits and Investments, continued

I. Component Units

For complete information on custodial credit risk, interest rate risk, credit risk, and concentration of credit risk, refer to the individual reports of each component unit. Summarized investment information for the component units is included in the table below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>Credit Rating</u>
LWC			
U.S. Treasury Obligations	\$ 4,700,001	8.88	Aaa
U.S. Agency Obligations	6,279,949	0.41	Aaa
Money Market Funds	1,796,999		
Repurchase Agreement	13,295,300		
Certificate of Deposit	100,000		
	<u>\$ 26,172,249</u>		
Portfolio weighted average maturity		3.63	
PARC			
U.S. Treasury Money Market Funds	<u>\$ 16,762,430</u>	0.03	Aaa
TARC			
U.S. Treasury Bills	\$ 1,315,308	0.17	Aaa
U.S. Government Money Market Funds	217,317	0.08	Aaa
	<u>\$ 1,532,625</u>		
Portfolio weighted average maturity		0.16	
Riverport			
U.S. Agency Discount Notes	\$ 1,979,860	0.19	Aaa
U.S. Agency Obligations	3,121,566	2.43	Aaa
	<u>\$ 5,101,426</u>		
Portfolio weighted average maturity		1.27	
MSD			
U.S. Treasury Obligations	\$ 532,000	0.36	Aaa
U.S. Agency Obligations	5,032,000	0.20	Aaa
U.S. Agency Discount Notes	27,528,000	0.36	Aaa
Tax Exempt State & Municipal bonds	1,826,000	0.09	Aa
Commercial Paper	5,185,000	0.46	P1
Money Market Funds	60,080,000		
Repurchase Agreement	17,864,000		
Certificate of Deposit	101,000		
	<u>\$ 118,148,000</u>		
Portfolio weighted average maturity		0.21	
LSC			
Corporate Bonds	\$ 310,000	0.02	NR
Money Market Funds	125,204	0.08	Aaa
Other Investments	40,471		
	<u>\$ 475,675</u>		
Portfolio weighted average maturity		0.04	

As of June 30, 2005, TARC has \$3,116,126 and LSC has \$1,432,443 in deposits which were not covered by FDIC insurance and were not collateralized with securities held by a pledging financial institution.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

5. Disaggregation of Accounts Receivable and Accounts Payable

Accounts receivable are amounts owed to Metro Government as of June 30, 2005. Those amounts to be received within one year are considered current. All others are considered non-current.

Receivables at June 30, 2005 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, including allowance for uncollectibles, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Receivables:								
Taxes	\$ 9,262,583						\$ 9,262,583	
Accounts	9,983,087	\$ 660,096	\$ 96,405	\$ 22,584	\$ 480,254	\$ 377,671	11,620,097	\$ 33,576,662
Loans	2,711,064	14,269,437	2,107,673				19,088,174	
Notes	252,819		8,111,620				8,364,439	
Gross receivables	22,209,553	14,929,533	10,315,698	22,584	480,254	377,671	48,335,293	33,576,662
Less allowance for uncollectibles	3,122,576	6,619,110					9,741,686	
Net total receivables	<u>\$ 19,086,977</u>	<u>\$ 8,310,423</u>	<u>\$ 10,315,698</u>	<u>\$ 22,584</u>	<u>\$ 480,254</u>	<u>\$ 377,671</u>	<u>\$ 38,593,607</u>	<u>\$ 33,576,662</u>

Accounts payable are amounts owed by Metro Government as of June 30, 2005. Those liabilities to be paid within one year are considered current. All others are considered non-current.

Payables at June 30, 2005 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Payables:								
Vendors	\$ 10,583,015	\$ 5,601,469	\$ 2,131,764	\$ 2,221,922	\$ 1,474,572	\$ 371,713	\$ 22,384,455	\$ 24,168,466
Other	2,419,279						2,419,279	
	<u>\$ 13,002,294</u>	<u>\$ 5,601,469</u>	<u>\$ 2,131,764</u>	<u>\$ 2,221,922</u>	<u>\$ 1,474,572</u>	<u>\$ 371,713</u>	<u>\$ 24,803,734</u>	<u>\$ 24,168,466</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

6. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 278,873,364	\$ 4,215,635	\$ (442,100)	\$ 282,646,899
Land improvements	3,870,955		(33,888)	3,837,067
Construction in progress	23,827,141	2,151,043		25,978,184
Works of art	255,000			255,000
Total capital assets not being depreciated	306,826,460	6,366,678	(475,988)	312,717,150
Other capital assets:				
Land improvements	76,820,560	15,930	(600,531)	76,235,959
Buildings	339,471,455	4,506,616	(1,064,936)	342,913,135
Machinery and equipment	56,310,319	3,787,733	(641,968)	59,456,084
Vehicles	88,105,985	1,419,655	(2,049,702)	87,475,938
Collections & Works of art	31,135,299	5,129,020	(3,207,613)	33,056,706
Infrastructure	865,209,666	6,861,741	(29,643)	872,041,764
Total other capital assets at historical cost	1,457,053,284	21,720,695	(7,594,393)	1,471,179,586
Less accumulated depreciation for:				
Land improvements	(26,081,728)	(3,224,917)	600,533	(28,706,112)
Buildings	(103,563,071)	(12,691,118)	526,444	(115,727,745)
Machinery and equipment	(38,946,790)	(5,172,099)	487,694	(43,631,195)
Vehicles	(60,700,396)	(6,446,099)	1,363,169	(65,783,326)
Collections & Works of art	(24,559,099)	(2,327,911)	3,207,613	(23,679,397)
Infrastructure	(630,818,863)	(40,018,104)	3,458	(670,833,509)
Total accumulated depreciation	(884,669,947)	(69,880,248)	6,188,911	(948,361,284)
Other capital assets, net	572,383,337	(48,159,553)	(1,405,482)	522,818,302
Governmental activities capital assets, net	\$ 879,209,797	\$ (41,792,875)	\$ (1,881,470)	\$ 835,535,452

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

6. Capital Assets, continued

Depreciation expense was charged to governmental activities as follows:

General Government	
Metro Council	\$ 1,098
Mayor's Office	25,123
Board of Elections	214,525
County Clerk	7,627
Coroner	321
Finance Department	2,963
Information Technology	1,564,940
Police Department	751,053
Fire Department	1,045,476
County Emergency Medical Services	153,682
Emergency Management	251,921
Corrections Department	1,827,883
Youth Detention Services	235,116
Public Works Department	51,267,269
Facilities Management	3,044,595
Solid Waste Management Services	12,946
Inspections, Permits and Licenses	4,501
Animal Control Services	641
Department of Neighborhoods	2,897
Parks Department	976,707
Louisville Free Public Library	2,449,289
Louisville Zoological Gardens	1,020,760
Metro Development Authority	2,089,019
Planning and Development Services	4,370
Housing Department	1,036
Air Pollution Control	144,962
Waterfront Development Corporation	2,440,452
Redevelopment Authority	1,333
Health Department	324,843
Kentuckiana Works	12,900
Total depreciation expense	<u><u>\$ 69,880,248</u></u>

In addition, depreciation on capital assets held by the government's internal service funds is allocated to the various functions based on the percentage of function expenditures to total expenditures.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

6. Capital Assets, continued

Capital asset activity for the LWC for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,808,420	\$ 314,472		\$ 6,122,892
Construction in progress	63,854,050	61,574,140	\$ (61,659,148)	63,769,042
Total capital assets not being depreciated	<u>69,662,470</u>	<u>61,888,612</u>	<u>(61,659,148)</u>	<u>69,891,934</u>
Other capital assets:				
Buildings	69,546,266	2,450,641	(87,400)	71,909,507
Machinery and equipment	32,262,790	5,651,940	(1,120,922)	36,793,808
Infrastructure	674,493,889	45,859,897	(3,473,713)	716,880,073
Total other capital assets at historical cost	<u>776,302,945</u>	<u>53,962,478</u>	<u>(4,682,035)</u>	<u>825,583,388</u>
Less accumulated depreciation for:				
Buildings	(26,557,268)	(1,463,738)	21,378	(27,999,628)
Machinery and equipment	(20,491,307)	(3,356,181)	987,278	(22,860,210)
Infrastructure	(168,236,156)	(13,252,417)	823,737	(180,664,836)
Total accumulated depreciation	<u>(215,284,731)</u>	<u>(18,072,336)</u>	<u>1,832,393</u>	<u>(231,524,674)</u>
Other capital assets, net	561,018,214	35,890,142	(2,849,642)	594,058,714
Capital assets, net	<u>\$ 630,680,684</u>	<u>\$ 97,778,754</u>	<u>\$ (64,508,790)</u>	<u>\$ 663,950,648</u>

Capital asset activity for PARC for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,304,855			\$ 9,304,855
Construction in progress	1,625,901	\$ 3,855,575	\$ (2,125,201)	3,356,275
Total capital assets not being depreciated	<u>10,930,756</u>	<u>3,855,575</u>	<u>(2,125,201)</u>	<u>12,661,130</u>
Other capital assets:				
Buildings and Improvements	78,340,407	1,609,529	(3,007,856)	76,942,080
Machinery and equipment	3,653,274	707,196	(885,687)	3,474,783
Total other capital assets at historical cost	<u>81,993,681</u>	<u>2,316,725</u>	<u>(3,893,543)</u>	<u>80,416,863</u>
Total accumulated depreciation	<u>(29,059,957)</u>	<u>(3,544,992)</u>	<u>1,441,471</u>	<u>(31,163,478)</u>
Other capital assets, net	52,933,724	(1,228,267)	(2,452,072)	49,253,385
Capital assets, net	<u>\$ 63,864,480</u>	<u>\$ 2,627,308</u>	<u>\$ (4,577,273)</u>	<u>\$ 61,914,515</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

6. Capital Assets, continued

Capital asset activity for TARC for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,774,190	\$ 403,592		\$ 3,177,782
Other capital assets:				
Buildings	23,401,807	102,828		23,504,635
Machinery and equipment	37,866,970	17,019,382	\$ (14,464,617)	40,421,735
Vehicles	74,605,832	7,353,692	(11,583,397)	70,376,127
Total other capital assets at historical cost	135,874,609	24,475,902	(26,048,014)	134,302,497
Less accumulated depreciation	(74,991,377)		4,192,938	(70,798,439)
Other capital assets, net	60,883,232	24,475,902	(21,855,076)	63,504,058
Capital assets, net	<u>\$ 63,657,422</u>	<u>\$ 24,879,494</u>	<u>\$ (21,855,076)</u>	<u>\$ 66,681,840</u>

Capital asset activity for Riverport for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and improvements	\$ 8,268,539	\$ 408,074		\$ 8,676,613
Other capital assets:				
Buildings	28,873,361		\$ (192,454)	28,680,907
Other	183,885			183,885
Total other capital assets at historical cost	29,057,246	-	(192,454)	28,864,792
Less accumulated depreciation for:				
Buildings	(12,454,165)	(825,382)	115,356	(13,164,191)
Other	(127,485)	(13,497)		(140,982)
Total accumulated depreciation	(12,581,650)	(838,879)	115,356	(13,305,173)
Other capital assets, net	16,475,596	(838,879)	(77,098)	15,559,619
Capital assets, net	<u>\$ 24,744,135</u>	<u>\$ (430,805)</u>	<u>\$ (77,098)</u>	<u>\$ 24,236,232</u>

Capital asset activity for MSD for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 423,823,000	\$ 88,436,000	\$ (214,554,000)	\$ 297,705,000
Other capital assets:				
Infrastructure	1,632,338,000	245,758,000	(3,221,000)	1,874,875,000
Less accumulated depreciation	(436,162,000)	(43,161,000)	1,699,000	(477,624,000)
Other capital assets, net	1,196,176,000	202,597,000	(1,522,000)	1,397,251,000
Capital assets, net	<u>\$ 1,619,999,000</u>	<u>\$ 291,033,000</u>	<u>\$ (216,076,000)</u>	<u>\$ 1,694,956,000</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

6. Capital Assets, continued

Capital asset activity for the LSC for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Exhibits in progress	\$ 739,201	\$ 2,137,414		\$ 2,876,615
Other capital assets:				
Leasehold improvements	4,187,203	31,087		4,218,290
Machinery and equipment	1,705,452		\$ (123,878)	1,581,574
Museum exhibits	13,842,780			13,842,780
Total other capital assets at historical cost	19,735,435	31,087	(123,878)	19,642,644
Less accumulated depreciation	(10,316,685)	(1,246,101)		(11,562,786)
Other capital assets, net	9,418,750	(1,215,014)	(123,878)	8,079,858
Capital assets, net	<u>\$ 10,157,951</u>	<u>\$ 922,400</u>	<u>\$ (123,878)</u>	<u>\$ 10,956,473</u>

7. Land Held for Development

Land held for development at June 30, 2005, is summarized as follows:

	<u>Riverport Authority</u>
Land held for development	<u>\$ 7,275,243</u>

8. Risk Management

Metro Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability exposures; injuries to employees; and natural disasters. The Insurance and Risk Management Fund ("Fund"), an internal service fund, was established in 1976 to consolidate all of the former City's insurance or self-insurance under a comprehensive risk management program. Under merger, this program now includes all Metro Government departments including PARC and the former Jefferson County Fiscal Court Risk Management Fund established in 1974. The Fund consists of a comprehensive self-insurance program relating to the following:

- A. Automobile Liability: Self-insured up to \$500,000 per occurrence. Excess coverage is purchased through the Louisville Area Governmental Self-Insurance Trust ("LAGIT").
- B. Worker's Compensation (covering all employees): Self-insured up to \$1,000,000 per occurrence. Excess coverage is purchased above this retained level.
- C. Unemployment Compensation: Completely self-insured.
- D. Group Health Coverage: Various programs including HMO and PPO are available as options to all eligible Metro Government employees. Beginning in January 2004, Metro Government Employees could participate in the newly formed health self-insurance fund, which is administered by Anthem and Humana. Effective January 1, 2005, the pharmaceutical benefit is administered by Walgreens Health Initiative.
- E. General Liability: Various general liability exposures (including public official liability, law enforcement liability, medical professional liability, employers liability, and

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

8. Risk Management, continued

employment practices liability), self-insured up to a \$500,000 deductible 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 on an underlying commercial excess insurance policy). Excess coverage is purchased through LAGIT.

F. Automobile Physical Damage: Excess coverage is purchased for catastrophic losses through Louisville Area Governmental General Insurance Trust ("LAGGIT") above a \$100,000 self-insured retention per occurrence.

G. Real and Business Personal Property: Metro Government's property exposures are self-insured up to \$250,000 per occurrence, except for flood coverage which carries a deductible of \$250,000 in addition to the amount of insurance available under the National Flood Insurance Program, whether purchased or not. Excess coverage is purchased on a blanket limit basis under LAGGIT for up to \$500 million, subject to certain sub-limits for specific exposures.

Revenues come from either Metro Government's general fund or from interagency charges developed through an independent actuarial study each year. Revenues are forecasted to match expenses, which include estimated incurred losses for both known and incurred but not reported claims, premiums for excess insurance coverage to complement the self-insurance programs, various taxes and assessments, and administrative operating expenses.

It is Metro Government's policy to fund its reserves for all property and liability exposures by charging to expense the estimated reserve amounts anticipated for claims reported during the fiscal period in which the claim occurs. An additional expense is charged at the end of the fiscal period for claims which are anticipated to have occurred during the period, but have not yet been reported.

In addition to the comprehensive self-insurance programs mentioned above, Metro Government purchases various types of primary insurance coverage, including government crime coverage (employee dishonesty and faithful performance coverage), aircraft and watercraft liability and hull coverage, and long-term disability coverage for full-time employees.

The claims liability of \$19,338,220 reported in the Fund at June 30, 2005 is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus*. Claims liabilities are estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses; allocated loss adjustments; and are reduced for estimated recoveries on unsettled claims. Changes in the Fund's claims liability amount in fiscal years 2004 and 2005 were as follows:

Year ending June 30	Balance Beginning of year	Claims and Changes in Estimates	Claim Payments	Balance End of year
2004	\$ 16,097,478	\$ 8,447,327	\$ 6,889,260	\$ 17,655,545
2005	\$ 17,655,545	\$ 44,487,507	\$ 42,804,832	\$ 19,338,220

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

8. Risk Management, continued

The liability associated with the Health self-insurance fund as of June 30, 2005 is \$2,700,000.

Metro Government is also a member of LAGIT (for liability exposures) and a member of LAGGIT (for property exposures) which are separate risk-sharing mechanisms formed for public entities located in Jefferson County, Kentucky. The Metro Risk Management Division has the administrative responsibility for actual operations of LAGIT and LAGGIT. For this service, Metro Government receives an annual administrative fee of \$146,199 of which \$19,821 was transferred to the County Attorney's Office for legal services.

Metro Government has not had any settled claim that has exceeded the above coverage's in any of the past three fiscal years.

The LWC, Riverport, LSC, MSD and TARC have established and administer various insurance and self-insurance programs in the areas of Automobile Liability, General Liability, Employee Dishonesty, Workers' Compensation and Real and Personal property with various retentions and deductibles to protect their assets.

Automobile liability and general liability, as well as real and personal property excess insurance, are maintained through the LAGIT and LAGGIT programs for MSD and TARC.

Metro Government, by contract, is responsible for LSC's primary general liability exposures; therefore they are also members of the LAGIT Trust.

9. Long-Term Debt

A. Primary Government

Upon merger, Metro Government assumed all long-term debt of the former City of Louisville and Jefferson County. Prior to merger, the City and County each issued General Obligation Bonds and First Mortgage and Lease Revenue Bonds and notes to provide funds for the acquisition and construction of major capital facilities or to refund prior bond issues. The General Obligation bonds are direct obligations and pledge the full faith and credit of Metro Government.

There is \$256,773,000 of General Obligation Bonds outstanding at June 30, 2005. The primary collateral for the General Obligation Bonds is the occupational license tax and net profits license tax collected by the Louisville/Jefferson County Revenue Commission. The Revenue Commission is the fiscal agent for general obligation bonded debt issued by the City of Louisville before January 6, 2003, and by Metro Government thereafter. Metro Government is the fiscal agent for general obligation bonded debt issued before January 6, 2003 by Jefferson County Fiscal Court. Metro Government's general fund is contingently liable as guarantor of the general obligation bonded debt.

In November 2004, Metro Government issued \$29,495,000 of General Obligation Bonds, consisting of \$23,840,000 Series 2004A, and \$5,655,000 Series 2004B. The Series 2004A Bonds are payable in principal installments of \$795,000 to \$1,790,000, plus interest at 3.0% to 5.0% over 20 years. The Series 2004B Bonds are payable in principal installments of \$190,000 to \$420,000, plus interest at 3.0 % to 5.0% over 20 years.

Proceeds of the Series 2004A Bonds are being used for financing public projects and public-property maintenance as outlined in the Mayor's Foundation for the Future

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

9. Long Term Debt, continued

Program. Proceeds of the Series 2004B Bonds are being used for the purpose of financing improvements of designated public parking facilities for PARC.

General Obligation Bonds outstanding, including accreted interest, at June 30, 2005 are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2005
City of Louisville General Obligation				
Serial Bonds:				
Refunding Bonds, Series 1998A	\$ 25,650	3.90 to 5.125	2019	\$ 20,030
Series 2001A	13,490	3.50 to 5.00	2022	12,095
Series 2002A Exempt	38,900	3.00 to 5.00	2024	37,475
Series 2002B Taxable	8,550	3.00 to 6.05	2024	8,285
Jefferson Co. General Obligation				
Bonds:				
1998A Serial Bonds	28,650	4.00 to 4.90	2019	22,320
1999A Serial & Term Bonds	8,800	4.85 to 5.15	2009	1,430
1999B Serial & Term Bonds	6,790	4.85 to 5.15	2009	2,345
1999C Serial & Term Bonds	15,265	5.375 to 6.15	2016	11,455
2000A Term & Coupon Bonds	2,595	7.70	2016	1,985
2000B Capital Appreciation Bonds	50,096	5.25 to 6.00	2015	42,238
2001A Current Interest Bonds	36,900	5.00 to 5.50	2012	25,640
2001B Current Interest Bonds	2,885	5.00 to 5.50	2011	1,910
2002A Serial Coupon	32,995	3.00 to 4.75	2020	27,695
2002B Serial Coupon	16,450	2.75 to 3.00	2008	12,375
Louisville/Jefferson Co. Metro				
Government General Obligation				
Bonds:				
Series 2004A	23,840	3.00 to 5.00	2025	23,840
Series 2004B	5,655	3.00 to 5.00	2025	5,655
Total general obligation bonds				<u>\$ 256,773</u>

Debt service requirements to maturity, not including accreted interest, for General Obligation Bonds are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2006	\$ 20,796	\$ 10,902	\$ 31,698
2007	21,254	10,510	31,764
2008	19,962	10,093	30,055
2009	17,608	9,689	27,297
2010	18,089	9,164	27,253
2011-2015	77,737	38,895	116,632
2016-2020	45,020	11,686	56,706
2021-2025	25,415	2,758	28,173
Totals	<u>\$ 245,881</u>	<u>\$ 103,697</u>	<u>\$ 349,578</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

9. Long Term Debt, continued

There is \$127,312,000 of First Mortgage and Lease Revenue Bonds outstanding at June 30, 2005. They are collateralized by mortgages on improvements to facilities acquired or constructed with debt proceeds. Annual debt service requirements are provided from the general fund in amounts pursuant to contracts and lease arrangements.

First Mortgage and Lease Revenue Bonds outstanding, including accreted interest, at June 30, 2005 are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2005
City of Louisville Public Properties				
Corporation First Mortgage Bonds:				
Revenue Bonds, Series 1993 A	\$ 1,965	5.25 to 5.50	2012	\$ 790
Revenue Refunding Bonds, Series 1998	13,090	4.40 to 5.00	2023	10,580
Revenue Bonds, Second Series 1998	23,200	5.40 to 6.375	2019	18,730
Jefferson Co. Lease Revenue Bonds:				
1992A Municipal Multiplier				
Term Bonds	16,764	6.75 to 7.00	2018	39,007
1997 Current Interest Bonds	66,000	5.20 to 5.50	2028	58,205
Total First Mortgage and Lease Revenue Bonds				<u>\$ 127,312</u>

Debt service requirements to maturity, not including accreted interest, for First Mortgage and Lease Revenue Bonds are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2006	\$ 2,740	\$ 4,793	7,533
2007	2,885	4,649	7,534
2008	3,659	5,512	9,171
2009	4,797	7,247	12,044
2010	4,872	7,240	12,112
2011-2015	28,115	42,734	70,849
2016-2020	27,111	28,784	55,895
2021-2025	18,790	6,294	25,084
2026-2028	12,100	1,355	13,455
Totals	<u>\$ 105,069</u>	<u>\$ 108,608</u>	<u>\$ 213,677</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

9. Long Term Debt, continued

Notes payable outstanding at June 30, 2005 are as follows (in thousands):

Description of Issue	Interest Rate	Maturity	Debt Outstanding June 30, 2005
IBM Credit Corporation	5.05	2008	\$ 493
Union Trust Project	88% of prime	2007	75
Total notes payable			<u>\$ 568</u>

Debt service requirements to maturity for notes payable are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2006	\$ 250	\$ 25	\$ 275
2007	261	12	273
2008	57	1	58
Totals	<u>\$ 568</u>	<u>\$ 38</u>	<u>\$ 606</u>

B. Discretely Presented Component Units

i. Louisville Water Company

LWC had \$76,085,000 in Water System Revenue Bonds, Series 2000, \$47,575,000 in Water System Refunding Bonds, Series 2001, and \$553,388 in various Kentucky Infrastructure Authority loans and notes outstanding at December 31, 2004.

The Series 2000 bonds mature annually in amounts ranging from \$990,000 to \$5,870,000 from November 15, 2003 through 2025 and bear interest at rates ranging from 5.0% to 5.5%. The Series 2001 bonds mature annually in amounts ranging from \$3,495,000 to \$5,845,000 from November 15, 2001 through 2014 and bear interest at rates ranging from 4.0% to 4.7%.

Annual debt service requirements to maturity for Water System Revenue Bonds are as follows (in thousands):

Year ending December 31	Principal	Interest	Total
2005	\$ 6,453	\$ 6,062	\$ 12,515
2006	6,210	5,795	12,005
2007	6,495	5,515	12,010
2008	6,800	5,222	12,022
2009	7,130	4,903	12,033
2010-2014	41,285	19,175	60,460
2015-2019	19,010	11,264	30,274
2020-2024	24,960	5,689	30,649
2025-2029	5,870	323	6,193
Totals	<u>\$ 124,213</u>	<u>\$ 63,948</u>	<u>\$ 188,161</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

9. Long Term Debt, continued

ii. Parking Authority of River City, Inc.

PARC, an Enterprise Fund and a nonprofit corporation established by the City to assist in the development of the downtown riverfront area and other areas within the inner city, has \$22,685,000 of First Mortgage Revenue Refunding Bonds Series 1997, \$10,160,000 of First Mortgage Revenue Refunding Bonds Series 2001, and \$19,130,000 of First Mortgage Revenue Bonds Series 2002 outstanding at June 30, 2005, less \$2,927,032 of unamortized discount and loss on bond refunding, equaling \$49,052,968 of outstanding debt shown on the statement of net assets. The Series 2002 bonds were issued in December 2002, and the proceeds are being used for construction of a parking garage at the Muhammad Ali Center and completion of construction and improvements to other existing parking garages.

The Series 1997 bonds mature annually in amounts ranging from \$1,886,808 to \$876,375 from December 1, 2003 through December 1, 2020 and bear interest ranging from 4.0% to 5.0%. The Series 2001 bonds mature semi-annually in amounts ranging from \$611,799 to \$603,644 from December 31, 2003 through December 1, 2020 and bear interest ranging from 3.5% to 4.625%. The Series 2002 bonds mature semi-annually in amounts ranging from \$440,801 to \$1,363,250 from December 1, 2003 through June 1, 2032 and bear interest ranging from 2.5% to 5.0%.

Annual debt service requirements to maturity for PARC Revenue Bonds are as follows (in thousands):

Year ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	2,510	\$ 2,360	\$ 4,870
2007		2,610	2,248	4,858
2008		2,715	2,147	4,862
2009		2,835	2,030	4,865
2010		2,960	1,905	4,865
2011-2015		16,970	7,303	24,273
2016-2020		8,175	4,175	12,350
2021-2025		5,115	2,665	7,780
2026-2030		5,490	1,497	6,987
2031-2034		2,600	197	2,797
Totals	\$	<u>51,980</u>	<u>\$ 26,527</u>	<u>\$ 78,507</u>

iii. Louisville and Jefferson County Riverport Authority

Riverport has a loan payable to the Kentucky Economic Development Cabinet in connection with the construction of a bulk commodity terminal facility. The loan is payable annually through 2007 and bears interest at the rate of 5.5% per annum. Loan payments are waived if Riverport's gross proceeds are insufficient to cover port operator expenses and debt service in a given year. All loan payments were waived for the fiscal year ended June 30, 2005.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

9. Long Term Debt, continued

Annual debt service requirements for the loan payable are as follows (in thousands):

Year ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 30	\$ 3	\$ 33
2007	32	2	34
Totals	<u>\$ 62</u>	<u>\$ 5</u>	<u>\$ 67</u>

iv. Metropolitan Sewer District

MSD has \$1,279,350,000 of Revenue bonds outstanding as of June 30, 2005, less \$22,699,000 of an unamortized loss on refunding, equaling \$1,256,651,000 of outstanding debt shown on the statement of net assets. MSD's various bonds outstanding are listed in the following table (in thousands):

<u>Description of Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity During Year Ended June 30</u>	<u>Debt Outstanding June 30, 2005</u>
Sewer and Drainage System				
Revenue Bonds:				
Series 1997A	\$ 51,245	5.25 to 6.00	2027	\$ 26,585
Series 1997B	68,350	4.00 to 5.20	2025	68,155
Series 1998A	260,000	4.25 to 9.00	2030	247,770
Series 1999A	300,000	5.25 to 6.50	2033	295,210
Series 2001A	300,000	5.00 to 5.50	2036	298,555
Series 2003A and 2003B	191,000	variable	2023	178,335
Series 2004A	100,000	5.00 to 5.25	2038	100,000
Series 2005A	64,740	3.00 to 5.00	2026	64,740
Total Sewer and Drainage System Revenue Bonds				<u>\$ 1,279,350</u>

Annual debt service requirements to maturity for Sewer and Drainage System Revenue Bonds are as follows (in thousands):

Year ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 15,685	\$ 66,275	\$ 81,960
2007	18,380	65,247	83,627
2008	18,190	64,164	82,354
2009	19,210	63,131	82,341
2010	20,115	62,204	82,319
2011-2015	115,520	293,711	409,231
2016-2020	146,345	264,680	411,025
2021-2025	188,890	224,894	413,784
2026-2030	243,730	171,585	415,315
2031-2035	318,845	97,869	416,714
2036-2038	174,440	16,525	190,965
Totals	<u>\$ 1,279,350</u>	<u>\$ 1,390,285</u>	<u>\$ 2,669,635</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

9. Long Term Debt, continued

C. Summary of Debt Transactions:

Long-term liability activity for the year ended June 30, 2005 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions and Accreted Interest</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
Bonds and notes payable:					
General obligation debt	\$ 245,589	\$ 31,804	\$ (20,620)	\$ 256,773	\$ 20,796
Revenue bonds	127,840	2,562	(3,090)	127,312	2,740
Notes payable	808		(240)	568	250
Total bonds and notes payable	<u>374,237</u>	<u>34,366</u>	<u>(23,950)</u>	<u>384,653</u>	<u>23,786</u>
Other liabilities:					
Capital lease	624		(60)	564	64
Claims and judgments	23,655	50,488	(42,805)	31,338	
Compensated absences	15,769	14,815	(12,939)	17,645	1,630
Total other liabilities	<u>40,048</u>	<u>65,303</u>	<u>(55,804)</u>	<u>49,547</u>	<u>1,694</u>
Governmental activities long-term liabilities	<u>\$ 414,285</u>	<u>\$ 99,669</u>	<u>\$ (79,754)</u>	<u>\$ 434,200</u>	<u>\$ 25,480</u>
COMPONENT UNITS:					
Bonds payable:					
Louisville Water Co.	\$ 129,821		\$ (5,608)	\$ 124,213	\$ 6,453
Parking Authority of River City, Inc.	51,009		(1,956)	49,053	2,510
Riverport Authority	90		(28)	62	30
Metropolitan Sewer District	1,271,531	\$ 64,740	(79,620)	1,256,651	15,685
Total bonds payable	<u>1,452,451</u>	<u>64,740</u>	<u>(87,212)</u>	<u>1,429,979</u>	<u>24,678</u>
Other liabilities:					
Claims and judgments	1,313	929	(999)	1,243	
Compensated absences	5,345		(500)	4,845	2,950
	<u>6,658</u>	<u>929</u>	<u>(1,499)</u>	<u>6,088</u>	<u>2,950</u>
Component units long-term liabilities	<u>\$ 1,459,109</u>	<u>\$ 65,669</u>	<u>\$ (88,711)</u>	<u>\$ 1,436,067</u>	<u>\$ 27,628</u>

Balances for claims and judgments include \$19,338,220 reported in the Insurance and Risk Management Fund, an Internal Service Fund.

10. Capital Lease Obligations

Jefferson County Fiscal Court financed the purchase of radio equipment for its public works department through a capital lease obligation of \$944,652, which has been assumed by Metro Government. The obligation requires quarterly payments of principal and interest of \$24,297 through September 2012. The interest rate of the obligation is 6.20%.

Annual debt service requirements to maturity for capital leases are as follows:

Year ending	Principal	Interest	Total
<u>June 30</u>			
2006	\$ 63,677	\$ 33,512	\$ 97,189
2007	67,718	29,471	97,189
2008	72,015	25,174	97,189
2009	76,585	20,604	97,189
2010	81,445	15,744	97,189
2011-2013	202,649	16,027	218,676
Totals	<u>\$ 564,089</u>	<u>\$ 140,532</u>	<u>\$ 704,621</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

11. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Due From/To Other Funds</u>		<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Fund			
General		\$ 24,911,577	\$ 1,157
Other Governmental		640,761	
Agency:			
Revenue Commission		11,376,211	
Mass Transit		3,155,443	
Internal Service:			
Revenue Commission		926,628	41,009,463
Totals		<u>\$ 41,010,620</u>	<u>\$ 41,010,620</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers at June 30, 2005 are as follows:

<u>Transfers out:</u>	<u>Interfund Transfers</u>				<u>Total</u>
	<u>General fund</u>	<u>Capital Projects fund</u>	<u>Nonmajor Governmental funds</u>	<u>Internal Service Funds</u>	
General fund		\$ 2,144,200	\$ 40,323,223	\$ 1,000,000	\$ 43,467,423
Special Revenue fund	\$ 702,964		388,630		1,091,594
Capital Projects fund	984,526		15,701		1,000,227
Nonmajor Governmental funds	1,711,500				1,711,500
Total transfers out	<u>\$ 3,398,990</u>	<u>\$ 2,144,200</u>	<u>\$ 40,727,554</u>	<u>\$ 1,000,000</u>	<u>\$ 47,270,744</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

12. Customer Contributions for Water Pipeline Construction

The LWC requires consumers to make a deposit for the cost of construction of pipelines and special services. These advances are refundable, within certain time limits up to 20 years, under the terms of the various contracts.

The customer advances for construction account reflects the liability for probable refunds of construction advances at some future date. When the period during which the refund can be made has expired, any balance is transferred to contributions in aid of construction.

The cost of construction of pipelines and services paid for by the customers, which are not refundable, are reported on the statement of net assets as restricted for capital projects. The

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

12. Customer Contributions for Water Pipeline Construction, continued

net increase in this account during the year totaled \$16,430,901 and is shown on the statement of revenues, expenses and changes in net assets as non-operating revenue.

13. Contingent Liabilities

A. Litigation

The Metro Government has been named as a defendant in various legal actions, including litigation regarding the computation of overtime pay for firefighters in previous years. The ultimate outcome of these various legal actions cannot be determined with certainty. Management does not anticipate that such actions will have a material impact on the financial position of Metro.

B. Federal Grants

In the normal course of operations, the Metro Government receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise, as the result of audits of grant funds is not believed to materially affect the financial condition of Metro.

C. Lease and Sublease Agreement, University of Louisville Stadium Bonds

In 1997 Jefferson County issued \$18,500,000 in bonds, which was used to pay for a portion of the cost of constructing the University of Louisville Papa John's Cardinal Stadium. The University of Louisville Athletic Association (ULAA) has agreed to pay all principal, interest, and premiums on the bonds and to maintain and insure the project so long as any bonds remain outstanding. However, pursuant to the terms of a lease and sublease agreement, in the event that the ULAA does not make the debt service payments, Metro Government is to pay for all principal, interest, and premiums on the bonds, subject to a maximum financial obligation in any fiscal year of \$2 million.

14. Deferred Compensation

LWC and MSD offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. MSD also offers their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan, available to all employees, permits them to defer a portion of their salary until future years. 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*, released in 1997, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from the statement of net assets. Metro Government, the LWC and MSD therefore do not show these assets and liabilities on their respective statements of net assets.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

15. Post-Employment Health Care Benefits

Retired Metro Government employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the County Employees' Retirement System. As outlined in their respective union contracts, retired firefighters and policemen covered under the Pension Trust Funds may continue health care and life insurance through Metro Government, but they bear the full cost of premiums.

16. Landfill Closure and Post-closure Care Costs

Metro Government owns three landfill sites that were operated by the former City of Louisville, which are closed and not accepting waste. State and federal laws and regulations require certain maintenance and monitoring functions at the sites for 30 years after closure. If the landfills were still in operation, Metro Government would be required to report a portion of the closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year end.

Because all landfills were closed in prior years, 100% of landfill closure and postclosure care costs, estimated at \$1,747,462, were recorded as an expense and corresponding liability at June 30, 1995, in the Capital Cumulative Reserve Fund of the former City. Payments and changes in estimates have increased (decreased) this liability from prior years to \$92,730 at June 30, 2005. Future costs may vary from that amount because of inflation, changes in technology, or changes in regulations.

17. Pension Plans

A. County Employees' Retirement System

i. Plan Description

Metro Government and LWC contribute to the County Employees Retirement System ("CERS") which is a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for CERS. That report may be obtained by writing to the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

ii. Funding Policy

Plan members are required to contribute 5% (8% for participants in the Hazardous Duty Plan) of creditable compensation and Metro Government and the LWC are required to contribute at an actuarially determined rate. The rate as of June 30, 2005, is 8.48% (22.08% under the Hazardous Duty Plan) of participating employees' compensation. The contribution requirements of plan members and Metro Government are established and may be amended by the CERS board of Trustees. Metro Government's contribution to the CERS for the years ending June 30, 2005, 2004, and 2003 were \$37,470,844, \$30,888,750, and \$26,755,801, respectively. The LWC's contributions to the CERS for years ending December 31, 2004, 2003, and 2002 were \$2,354,391, \$2,092,949, and \$1,648,628, respectively, equal to required contributions for each year.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

17. Pension Plans, continued

B. Fire and Police Pension Trust Funds

i. Plan Descriptions

Most of the former City's firemen and policemen transferred to CERS in 1989 and 1986, respectively. For those who did not transfer, Metro Government contributes to the Firefighters' Pension Fund and the Policemen's Retirement Fund. Both of these are single employer defined benefit pension plans. These plans do not issue reports on a stand-alone basis.

The Funds provide retirement, death, and disability benefits. A member may retire under the provisions of the Firefighters' Pension Fund after reaching the age of 62 or having completed 20 years of service (25 years of service if hired after July 1, 1984). A member may retire under the provisions of the Policemen's Retirement Fund after reaching age 62 or having completed 20 years of service (25 years of service if hired on or after April 1, 1985). Employee accounts vest after 10 years of service under the Firefighters' Pension Fund and 5 years under the Policemen's Retirement Fund.

Employees who retire with 20 years of service are eligible to receive 50% of their three-year average salary (25 years of service are eligible to receive 56% of their three-year average salary, if hired after July 1, 1984) under the Firefighters' Pension Fund. The three-year average salary is the sum of the three highest fiscal years of annual base salary plus overtime and supplemental pay. Under the Policemen's Retirement Fund, employees who retire at or after age 62 with 5 or more years of service are entitled to receive payments for the remainder of their lives equal to 2% of their three-year average base salary times the number of years of service. Both Funds provide up to a maximum of 75% of the three-year average salary as the length of service increases. Upon termination, employees having completed 10 years of service but not considered eligible for normal retirement, shall receive a refund of contributions without interest under the Firefighters' Pension Fund. Under the Policemen's Retirement Fund, an employee who completes 5 years of service but is not yet eligible for normal retirement shall receive three-fourths of his contributions to the Fund without interest, upon termination.

Both Funds include death and disability benefits whereby the surviving spouse or disabled employee is entitled to receive certain benefits. Death benefits may reach 75% of base pay (at time of death) plus overtime and supplemental pay for firefighters and 75% of base pay for policemen. Disability payments may reach 75% of base pay (at time of disability) plus overtime and supplemental pay for firefighters and 75% of base pay for policemen. Under both Funds, the disabled employee is entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as the spouse does not remarry.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

17. Pension Plans, continued

Membership of each plan consisted of the following at June 30, 2005:

	Firefighters' Pension <u>Fund</u>	Policemen's Retirement <u>Fund</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	281	241
Vested active plan participants	0	1

ii. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The preparation of the financial statements of the Firefighters' Pension Fund and the Policemen's Retirement Fund generally conform to the provisions of the GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The financial statements of the Funds are prepared on the accrual basis. Plan member contributions are recognized in the period in which the contributions are due. Metro Government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The cost of administering the plans is financed by Metro Government and is based on budgets submitted by the administrators on an annual basis.

Investments - Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government and U.S. Government Agencies) in any one organization that represent 5% or more of net assets available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits for either Fund.

iii. Contributions

The contribution requirements and benefit provisions for the Funds are established by state statute and Metro Government ordinance. Employees covered under the Firefighters' Pension Fund were required to pay 7.0% of their gross earnings to the Fund. The employee contribution rate is 6.5% for the Policemen's Retirement Fund. Based on the actuarial valuations performed by consulting actuaries at January 1, 2005, Metro Government is required to make contributions to the Police Retirement Fund of \$1,056,715 and to the Firefighters' Pension Fund of \$1,181,407 for the fiscal year beginning July 1, 2005. Actuarial assumptions and other information used to determine the annual required contributions are located in the Required Supplemental Information – Pensions section of this report.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

17. Pension Plans, continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION & BENEFIT TRUST FUNDS
June 30, 2005

	<u>Firefighters'</u> <u>Pension Trust</u>	<u>Policemen's</u> <u>Retirement</u> <u>Fund</u>	<u>Total Pension</u> <u>& Benefit</u> <u>Trust</u>
ASSETS			
Cash and cash equivalents	\$ 375,142	\$ 695,937	\$ 1,071,079
Equity securities	8,588,537	8,982,607	17,571,144
Corporate bonds	799,448	483,293	1,282,741
US Government obligations	1,619,817	150,903	1,770,720
US Agency obligations	1,048,655	1,192,117	2,240,772
Other investments	99,102	191,103	290,205
Accounts receivable and accrued interest	220,665	157,006	377,671
Total assets	<u>\$ 12,751,366</u>	<u>\$ 11,852,966</u>	<u>\$ 24,604,332</u>
LIABILITIES			
Accounts payable	\$ 225,169	\$ 146,544	\$ 371,713
Health insurance reimbursement and accrued liabilities	52		52
Total liabilities	<u>225,221</u>	<u>146,544</u>	<u>371,765</u>
NET ASSETS			
Held in trust for pensions	<u>\$ 12,526,145</u>	<u>\$ 11,706,422</u>	<u>\$ 24,232,567</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2005

17. Pension Plans, continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION & BENEFIT TRUST FUNDS
For the Year Ended June 30, 2005

	<u>Firefighters' Pension Trust</u>	<u>Policemen's Retirement Fund</u>	<u>Total Pension & Benefit Trust</u>
ADDITIONS			
Contributions:			
Employer	\$ 1,057,280	\$ 1,282,519	\$ 2,339,799
Member		3,600	3,600
Total contributions	<u>1,057,280</u>	<u>1,286,119</u>	<u>2,343,399</u>
Investment earnings:			
Increase (decrease) in fair value	69,271	232,915	302,186
Interest and dividends	402,817	288,279	691,096
Total investment earnings	<u>472,088</u>	<u>521,194</u>	<u>993,282</u>
Investment expense	<u>(144,666)</u>	<u>(116,824)</u>	<u>(261,490)</u>
Net investment earnings	327,422	404,370	731,792
Other income	<u>900,755</u>	<u>780,822</u>	<u>1,681,577</u>
Total additions	<u>2,285,457</u>	<u>2,471,311</u>	<u>4,756,768</u>
DEDUCTIONS			
Benefit payments	3,567,547	2,849,744	6,417,291
Administration expense	163,764	227,633	391,397
Health insurance reimbursement	556,750	433,202	989,952
Total deductions	<u>4,288,061</u>	<u>3,510,579</u>	<u>7,798,640</u>
Net decrease	(2,002,604)	(1,039,268)	(3,041,872)
Net assets--beginning of the year	<u>14,528,749</u>	<u>12,745,690</u>	<u>27,274,439</u>
Net assets--end of the year	<u>\$ 12,526,145</u>	<u>\$ 11,706,422</u>	<u>\$ 24,232,567</u>

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REQUIRED SUPPLEMENTARY INFORMATION

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual Amounts - GAAP Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 117,926,100	\$ 117,874,478	\$ 120,912,806	\$ 3,038,328
Occupational taxes	259,000,000	265,092,500	275,767,186	10,674,686
Licenses and permits	9,859,000	11,169,063	11,480,682	311,619
Intergovernmental	54,380,600	26,270,523	25,836,321	(434,202)
Charges for services	76,167,900	79,458,844	53,562,920	(25,895,924)
Fees and fines	3,372,500	2,145,500	718,975	(1,426,525)
Investment income	950,000	1,170,000	2,591,295	1,421,295
Dividends	12,851,500	13,934,900	13,935,078	178
Donations	4,066,600	4,274,782	1,207,601	(3,067,181)
Miscellaneous	22,998,400	10,184,618	3,210,405	(6,974,213)
Total revenues	<u>561,572,600</u>	<u>531,575,208</u>	<u>509,223,269</u>	<u>(22,351,939)</u>
EXPENDITURES				
Current operating:				
General Government	22,327,500	22,789,420	20,708,890	2,080,530
Internal Audit	677,400	677,400	559,436	117,964
Finance	8,575,500	12,019,069	8,075,458	3,943,611
External Agencies	5,406,500	5,406,500	4,609,080	797,420
Purchasing Department	557,600	657,600	563,414	94,186
Policy and Strategic Planning	637,700	637,700	527,551	110,149
Information Technology	7,360,800	7,361,000	6,960,196	400,804
Human Resources Department	4,380,400	4,380,400	3,936,674	443,726
Human Relations Commission	1,040,500	1,040,500	899,741	140,759
Police Department	123,025,600	130,384,214	120,680,619	9,703,595
Public Protection Cabinet	146,300	146,300	143,619	2,681
Fire Department	54,190,300	54,298,847	53,457,572	841,275
County Emergency Medical Services	8,578,200	8,908,200	8,461,117	447,083
Emergency Management	1,260,800	2,972,300	1,719,202	1,253,098
Corrections Department	34,498,800	37,672,100	39,079,503	(1,407,403)
Youth Detention Services	6,277,500	6,481,000	6,395,480	85,520
Crime Commission	380,200	380,200	372,738	7,462
Office of Public Safety	189,900	189,900	179,017	10,883
Firefighters' Pension Fund	2,076,800	2,076,800	1,961,998	114,802
Policemen's Retirement Fund	2,140,600	2,140,600	1,938,891	201,709
Public Works Department	25,153,000	27,444,211	27,091,256	352,955
Facilities Management	15,505,600	15,652,600	15,539,498	113,102
Solid Waste Management and Services	22,546,200	22,796,200	18,152,953	4,643,247
Inspections, Permits and Licenses Department	6,854,300	6,854,300	6,129,540	724,760
Animal Control Services	1,977,600	1,977,600	1,771,235	206,365
Department of Neighborhoods	11,404,300	7,153,125	5,968,313	1,184,812
Parks Department	25,094,500	25,320,420	21,701,331	3,619,089
Louisville Free Public Library	16,976,500	16,977,600	15,315,698	1,661,902
Louisville Zoological Gardens	12,176,800	12,176,800	10,559,561	1,617,239
Metro Development Authority	15,106,000	15,719,512	9,229,459	6,490,053
Planning and Development Services	3,123,500	3,150,000	2,913,834	236,166
Housing Department	1,362,200	1,462,200	1,044,707	417,493
Community Development	51,474,100	3,759,300	3,366,481	392,819
Air Pollution Control	1,258,900	1,258,900	646,985	611,915
Waterfront Development Corporation	3,153,900	3,504,390	1,981,842	1,522,548
Louisville Redevelopment Authority	216,500	216,500	196,489	20,011
Health Department	25,452,400	25,971,200	24,270,288	1,700,912
Human Services	12,245,200	12,494,700	11,848,042	646,658
Debt service expenditures:	26,762,200	27,065,600	419,539	26,646,061
Total expenditures	<u>561,572,600</u>	<u>531,575,208</u>	<u>459,377,247</u>	<u>72,197,961</u>
Excess (deficiency) of revenues over expenditures	-	-	49,846,022	49,846,022
OTHER FINANCING SOURCES (USES)				
Transfers in			3,398,990	
Transfers out			(43,467,423)	
Total other financing sources and uses			<u>(40,068,433)</u>	
Net change in fund balances			9,777,589	
Fund balances--beginning			87,047,398	
Fund balances--ending			<u>\$ 96,824,987</u>	

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

	<u>Original Budget (1)</u>	<u>Final Budget (1)</u>	<u>Actual Amounts - GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 105,666,900	\$ 114,505,960	\$ 82,164,480	\$ (32,341,480)
Charges for services	8,660,700	8,567,200	4,261,586	(4,305,614)
Investment income	600	92,872	311,119	218,247
Donations	324,100	370,358	217,443	(152,915)
Miscellaneous	484,100	484,100	20,384	(463,716)
Total revenues	<u>115,136,400</u>	<u>124,020,490</u>	<u>86,975,012</u>	<u>(37,045,478)</u>
EXPENDITURES				
Current operating:				
General Government	1,842,500	1,550,000	1,029,283	520,717
Human Resources Department		500,000		500,000
Human Relations Commission	85,000	92,204	54,263	37,941
Police Department	3,817,900	3,842,970	3,580,765	262,205
Fire Department	15,000	465,044	2,965	462,079
County Emergency Medical Services		55,600	13,808	41,792
Emergency Management	233,500	551,333	175,518	375,815
Corrections Department		12,000	5,661	6,339
Youth Detention Services	60,000	56,708	32,894	23,814
Crime Commission	149,500	811,428	299,113	512,315
Public Works Department	5,571,400	5,610,000	4,896,294	713,706
Facilities Management	1,567,800	1,567,800	1,339,703	228,097
Solid Waste Management and Services	544,800	544,800	437,299	107,501
Inspections, Permits and Licenses Department	1,629,100	1,695,780	1,361,536	334,244
Department of Neighborhoods	137,500	162,500	98,468	64,032
Parks Department	230,000	280,000	221,603	58,397
Louisville Free Public Library	1,291,000	1,323,600	905,850	417,750
Louisville Zoological Gardens	21,000	21,000	22,530	(1,530)
Metro Development Authority	1,815,000	2,064,926	1,577,192	487,734
Planning and Development Services	161,600	395,789	126,785	269,004
Housing Department	7,782,800	9,047,501	6,804,850	2,242,651
Air Pollution Control	4,803,000	4,803,000	3,337,474	1,465,526
Louisville Redevelopment Authority	5,522,500	5,522,500	387,921	5,134,579
Community Action Partnership	5,452,500	6,069,562	5,291,665	777,897
Kentuckiana Works	11,765,600	12,519,600	8,219,516	4,300,084
Health Department	9,817,600	10,128,500	8,761,343	1,367,157
Human Services	4,092,200	4,421,900	4,165,270	256,630
Capital outlay	46,727,600	49,904,445	33,780,656	16,123,789
Total expenditures	<u>115,136,400</u>	<u>124,020,490</u>	<u>86,930,225</u>	<u>37,090,265</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>44,787</u>	<u>44,787</u>
OTHER FINANCING SOURCES (USES)				
Transfers out			(1,091,594)	
Total other financing sources and uses			<u>(1,091,594)</u>	
Net change in fund balances			(1,046,807)	
Fund balances--beginning			30,906,724	
Fund balances--ending			<u>\$ 29,859,917</u>	

(1) Budgetary amounts presented reflect life-to-date (multi-year) budgets.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
June 30, 2005**

Information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
Firefighters' Pension Fund:						
1/1/2000	\$ 36,542,884	\$ 29,188,920	\$ (7,353,964)	125.2%	-	-
1/1/2001	31,810,012	28,316,524	(3,493,488)	112.3%	-	-
1/1/2002	23,419,155	27,290,103	3,870,948	85.8%	-	-
1/1/2003	16,862,780	26,081,663	9,218,883	64.7%	-	-
1/1/2004	15,299,159	24,691,614	9,392,455	62.0%	-	-
1/1/2005	13,888,714	23,203,024	9,314,310	59.9%	-	-
Policemen's Retirement Fund:						
1/1/2000	\$ 27,932,639	\$ 23,956,519	\$ (3,976,120)	116.6%	\$ 30,867	(12881.5)%
1/1/2001	22,005,254	22,892,977	887,723	96.1%	32,094	2766.0%
1/1/2002	18,856,604	21,820,606	2,964,002	86.4%	32,094	9235.4%
1/1/2003	13,587,632	20,667,741	7,080,109	65.7%	46,883	15101.7%
1/1/2004	13,232,420	19,158,719	5,926,299	69.1%	41,643	14231.2%
1/1/2005	12,552,786	18,194,311	5,641,525	69.0%	42,210	13365.4%

SCHEDULES OF EMPLOYER CONTRIBUTIONS				
Year Ended June 30	Firefighters' Pension Fund		Policemen's Retirement Fund	
	Annual Contribution	Percentage Contributed	Annual Contribution	Percentage Contributed
2000	\$ 138,809	100.0%	\$ 205,615	100.0%
2001	154,300	100.0%	217,414	100.0%
2002	157,300	100.0%	248,362	100.0%
2003	152,300	100.0%	364,300	100.0%
2004	914,804	100.0%	972,500	100.0%
2005	1,057,280	100.0%	1,282,519	100.0%

Contributions have been made in accordance with Metro Government budget requirements even though there were no actuarially determined required contributions for either fund for fiscal year 2005. There were no net pension obligations for either fund.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**

June 30, 2005

Additional information as of the latest actuarial valuation is presented in the following table:

	<u>Firefighters' Pension Fund</u>	<u>Policemen's Retirement Fund</u>
Valuation date	January 1, 2005	January 1, 2005
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	15 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	N/A	7.5%
Projected inflation rate	N/A	N/A

**OTHER SUPPLEMENTARY INFORMATION -
COMBINING FINANCIAL STATEMENTS**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2005**

	Debt Service Funds		
	General Obligation	Public Properties Corporation	Capital Projects Corporation
ASSETS			
Cash and cash equivalents			
Investments			
Accounts receivable			
Due from other funds	\$ 640,761		
Restricted assets:			
Cash and cash equivalents	16,038	\$ 323,383	\$ 1,226
Investments		567,651	
Total assets	<u>\$ 656,799</u>	<u>\$ 891,034</u>	<u>\$ 1,226</u>
LIABILITIES			
Accounts payable			
Matured bonds payable	\$ 640,761		
Deferred revenue			
Total liabilities	<u>640,761</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Encumbrances			
Debt service	16,038	\$ 891,034	\$ 1,226
Unreserved			
Total fund balances	<u>16,038</u>	<u>891,034</u>	<u>1,226</u>
Total liabilities and fund balances	<u>\$ 656,799</u>	<u>\$ 891,034</u>	<u>\$ 1,226</u>

Capital Projects Funds

Special Purpose Fund	Bond Fund	Public Properties Corporation	Revenue Finance Corporation	Total Nonmajor Governmental Funds
\$ 8,692,998	\$ 22,778	\$ 1,319,262	\$ 61,197	\$ 10,096,235
15,259,295	39,984	2,315,772	107,421	17,722,472
	22,584			22,584
		60,880		640,761
		590,351		401,527
				1,158,002
\$ 23,952,293	\$ 85,346	\$ 4,286,265	\$ 168,618	\$ 30,041,581
\$ 1,816,559	\$ 4,404	\$ 400,959		\$ 2,221,922
2,601,691				640,761
				2,601,691
4,418,250	4,404	400,959	-	5,464,374
390,342		209,307		599,649
19,143,701	80,942	3,675,999	\$ 168,618	908,298
				23,069,260
19,534,043	80,942	3,885,306	168,618	24,577,207
\$ 23,952,293	\$ 85,346	\$ 4,286,265	\$ 168,618	\$ 30,041,581

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2005**

	<u>Debt Service Funds</u>				<u>Special Purpose Fund</u>
	<u>General Obligation</u>	<u>Public Properties Corporation</u>	<u>Community Economic Development Corporation</u>	<u>Capital Projects Corporation</u>	
REVENUES					
Intergovernmental				\$ 4,396,000	\$ 1,065,773
Charges for services	\$ 104,099				315,371
Investment income (loss)	1,177	\$ 23,957		5,441	83,033
Total revenues	<u>105,276</u>	<u>23,957</u>	<u>-</u>	<u>4,401,441</u>	<u>1,464,177</u>
EXPENDITURES					
Current:					
Miscellaneous					2,082,226
Debt service:					
Principal	19,485,852	1,800,000	\$ 37,500	1,290,000	
Interest and other charges	10,500,114	1,760,475	4,262	3,196,520	
Transfers to component units					
Capital outlay					5,498,325
Total expenditures	<u>29,985,966</u>	<u>3,560,475</u>	<u>41,762</u>	<u>4,486,520</u>	<u>7,580,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,880,690)</u>	<u>(3,536,518)</u>	<u>(41,762)</u>	<u>(85,079)</u>	<u>(6,116,374)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets					
Insurance recovery					63,938
Transfers in	29,894,364	3,539,124	41,762	86,153	7,166,151
Transfers out					
Total other financing sources and uses	<u>29,894,364</u>	<u>3,539,124</u>	<u>41,762</u>	<u>86,153</u>	<u>7,230,089</u>
Net change in fund balances	13,674	2,606	-	1,074	1,113,715
Fund balances—beginning	2,364	888,428		152	18,420,328
Fund balances—ending	<u>\$ 16,038</u>	<u>\$ 891,034</u>	<u>\$ -</u>	<u>\$ 1,226</u>	<u>\$ 19,534,043</u>

Capital Projects Funds

Bond Fund	Public Properties Corporation	Revenue Finance Corporation	Economic Development Corporation	Community Economic Development Corporation	Total Nonmajor Governmental Funds
					\$ 5,461,773
					419,470
	\$ 1,231		\$ 6,652	\$ 11,769	133,260
-	1,231	-	6,652	11,769	6,014,503
			19,836	1,356	2,103,418
					22,613,352
					15,461,371
			823,861	1,321,697	2,145,558
	4,937,379				10,435,704
-	4,937,379	-	843,697	1,323,053	52,759,403
-	(4,936,148)	-	(837,045)	(1,311,284)	(46,744,900)
	650,000				650,000
					63,938
					40,727,554
	(1,711,500)				(1,711,500)
-	(1,061,500)	-	-	-	39,729,992
-	(5,997,648)	-	(837,045)	(1,311,284)	(7,014,908)
\$ 80,942	9,882,954	\$ 168,618	837,045	1,311,284	31,592,115
\$ 80,942	\$ 3,885,306	\$ 168,618	\$ -	\$ -	\$ 24,577,207

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005**

	Insurance and Risk Management Fund	Louisville/Jefferson Co. Metro Revenue Commission	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,402,966	\$ 49,192,206	\$ 56,595,172
Investments	12,994,832	100,399	13,095,231
Receivables, net	480,254		480,254
Due from component units		926,628	926,628
Deposits with paying agents	70,000		70,000
Total current assets	<u>20,948,052</u>	<u>50,219,233</u>	<u>71,167,285</u>
Capital assets:			
Buildings and equipment, net		544,718	544,718
Total capital assets	-	544,718	544,718
Total assets	<u>20,948,052</u>	<u>50,763,951</u>	<u>71,712,003</u>
LIABILITIES			
Current liabilities:			
Accounts payable	38,259	1,436,313	1,474,572
Due to other funds		41,009,463	41,009,463
Deferred revenue	84,687	7,874,554	7,959,241
Total current liabilities	<u>122,946</u>	<u>50,320,330</u>	<u>50,443,276</u>
Noncurrent liabilities:			
Claims and judgments	19,338,220		19,338,220
Total noncurrent liabilities	<u>19,338,220</u>	-	<u>19,338,220</u>
Total liabilities	<u>19,461,166</u>	<u>50,320,330</u>	<u>69,781,496</u>
NET ASSETS			
Invested in capital assets, net of related debt		343,621	343,621
Restricted	1,486,886	100,000	1,586,886
Total net assets	<u>\$ 1,486,886</u>	<u>\$ 443,621</u>	<u>\$ 1,930,507</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

	<u>Insurance and Risk Management Fund</u>	<u>Louisville/Jefferson Co. Metro Revenue Commission</u>	<u>Total</u>
OPERATING REVENUES:			
Collection, investment and other fees		\$ 4,871,460	\$ 4,871,460
Insurance income	\$ 11,537,083		11,537,083
Insurance premiums	35,388,590		35,388,590
Total operating revenues	<u>46,925,673</u>	<u>4,871,460</u>	<u>51,797,133</u>
OPERATING EXPENSES:			
Professional services	242,256	3,142,554	3,384,810
Contractual services	16,821	667,017	683,838
Repairs and maintenance		21,549	21,549
Other supplies and expenses	15,600	940,960	956,560
Insurance claims settlements and losses	44,487,507	20,433	44,507,940
Insurance premiums	3,377,464		3,377,464
Depreciation		633,600	633,600
Total operating expenses	<u>48,139,648</u>	<u>5,426,113</u>	<u>53,565,761</u>
Operating income (loss)	<u>(1,213,975)</u>	<u>(554,653)</u>	<u>(1,768,628)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	282,013		282,013
Total nonoperating revenues (expenses)	<u>282,013</u>	<u>-</u>	<u>282,013</u>
Net loss before transfers	(931,962)	(554,653)	(1,486,615)
Transfers in	1,000,000	-	1,000,000
Change in net assets	68,038	(554,653)	(486,615)
Total net assets--beginning	<u>1,418,848</u>	<u>998,274</u>	<u>2,417,122</u>
Total net assets--ending	<u>\$ 1,486,886</u>	<u>\$ 443,621</u>	<u>\$ 1,930,507</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

	Insurance and Risk Management Fund	Louisville/Jefferson Co. Metro Revenue Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash received from taxpayers		\$ 14,448,846	\$ 14,448,846
Insurance income	\$ 47,006,106		47,006,106
Payments to employees	(242,256)	(2,940,727)	(3,182,983)
Payments to suppliers		(1,649,959)	(1,649,959)
Contractual services	(135,193)		(135,193)
Claims paid	(42,804,832)		(42,804,832)
Insurance premiums paid	(3,464,673)		(3,464,673)
Other receipts (payments)	(15,600)		(15,600)
Net cash provided by operating activities	<u>343,552</u>	<u>9,858,160</u>	<u>10,201,712</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers from other funds	<u>1,000,000</u>		<u>1,000,000</u>
Net cash provided by noncapital financing activities	<u>1,000,000</u>	-	<u>1,000,000</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:			
Acquisition and construction of capital assets		<u>(88,913)</u>	<u>(88,913)</u>
Net cash used in capital activities	-	<u>(88,913)</u>	<u>(88,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	817,201		817,201
Change in investment pool participation	3,012,661		3,012,661
Sale of investments		14,499,754	14,499,754
Investment income	282,013		282,013
Net cash provided by investing activities	<u>4,111,875</u>	<u>14,499,754</u>	<u>18,611,629</u>
Net increase in cash and cash equivalents	5,455,427	24,269,001	29,724,428
Balances--beginning of the year	1,947,539	24,923,205	26,870,744
Balances--end of the year	<u>\$ 7,402,966</u>	<u>\$ 49,192,206</u>	<u>\$ 56,595,172</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (1,213,975)	\$ (554,653)	\$ (1,768,628)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense		633,600	633,600
Increase (decrease) in cash due to changes in assets and liabilities:			
Accounts receivable	(4,254)		(4,254)
Due from component units		(926,628)	(926,628)
Deposits with paying agents	(25,000)		(25,000)
Accounts and other payables	(180,581)	312,234	131,653
Liability for incurred claims	1,682,675		1,682,675
Due to other funds and governmental agencies		8,103,773	8,103,773
Deferred revenue	84,687	2,289,834	2,374,521
Net cash provided by operating activities	<u>\$ 343,552</u>	<u>\$ 9,858,160</u>	<u>\$ 10,201,712</u>

During fiscal year 2005, there was no non-cash change to the fair value of investments.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

AGENCY FUNDS

June 30, 2005

	<u>Mass Transit</u>	<u>Escrow and Deposit</u>	<u>Revenue Commission</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 100,402	\$ 6,886,190		\$ 6,986,592
Investments	8,132,002	8,982,746		17,114,748
Accounts receivable and accrued interest	1,030,573	215,458		1,246,031
Due from other funds	3,155,443		\$ 11,376,211	14,531,654
Total assets	<u>\$ 12,418,420</u>	<u>\$ 16,084,394</u>	<u>\$ 11,376,211</u>	<u>\$ 39,879,025</u>
LIABILITIES				
Due to other governmental agencies	\$ 12,418,420	\$ 9,359,593	\$ 11,376,211	\$ 33,154,224
Refundable deposits		6,724,801		6,724,801
Total liabilities	<u>\$ 12,418,420</u>	<u>\$ 16,084,394</u>	<u>\$ 11,376,211</u>	<u>\$ 39,879,025</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005**

Mass Transit				
	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
ASSETS				
Cash and cash equivalents	\$ 100,181	\$ 402	\$ 181	\$ 100,402
Investments	6,671,128	33,829,909	32,369,035	8,132,002
Accounts receivable	1,030,570	3		1,030,573
Due from other funds	2,594,723	3,154,285	2,593,565	3,155,443
Total Assets	<u>\$ 10,396,602</u>	<u>\$ 36,984,599</u>	<u>\$ 34,962,781</u>	<u>\$ 12,418,420</u>
LIABILITIES				
Due to other governmental agencies	\$ 10,396,602	\$ 35,176,401	\$ 33,154,583	\$ 12,418,420
Total Liabilities	<u>\$ 10,396,602</u>	<u>\$ 35,176,401</u>	<u>\$ 33,154,583</u>	<u>\$ 12,418,420</u>
Escrow and Deposit				
	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
ASSETS				
Cash and cash equivalents	\$ 5,403,790	\$ 10,397,522	\$ 8,915,122	\$ 6,886,190
Investments	8,606,406	377,258	918	8,982,746
Accounts receivable	215,850	215,458	215,850	215,458
Total Assets	<u>\$ 14,226,046</u>	<u>\$ 10,990,238</u>	<u>\$ 9,131,890</u>	<u>\$ 16,084,394</u>
LIABILITIES				
Due to other governmental agencies	\$ 9,307,255	\$ 950,366	\$ 898,028	\$ 9,359,593
Refundable deposits	4,918,791	3,016,833	1,210,823	6,724,801
Total Liabilities	<u>\$ 14,226,046</u>	<u>\$ 3,967,199</u>	<u>\$ 2,108,851</u>	<u>\$ 16,084,394</u>
Revenue Commission				
	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
ASSETS				
Due from other funds	\$ 8,603,188	\$ 115,215,422	\$ 112,442,399	\$ 11,376,211
Total Assets	<u>\$ 8,603,188</u>	<u>\$ 115,215,422</u>	<u>\$ 112,442,399</u>	<u>\$ 11,376,211</u>
LIABILITIES				
Due to other governmental agencies	\$ 8,603,188	\$ 115,215,422	\$ 112,442,399	\$ 11,376,211
Total Liabilities	<u>\$ 8,603,188</u>	<u>\$ 115,215,422</u>	<u>\$ 112,442,399</u>	<u>\$ 11,376,211</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

Before Merzer, Fiscal Years 1996-2002

<u>CITY OF LOUISVILLE</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
General Government	\$ 3,006,490	\$ 3,269,395	\$ 3,601,257	\$ 3,809,351
Internal Audit	494,800	553,732	585,649	597,414
Law Department	2,524,637	2,522,296	2,644,626	2,704,178
Finance and Budget Department	5,470,255	9,822,289	5,818,477	7,257,930
Department of Technology (2)	3,517,117	3,593,414	3,830,337	3,732,742
Telecommunications Office (3)				94,691
Office of Strategic Planning (4)				
Department of Human Resources (5)	1,876,131	2,006,485	1,987,758	1,862,555
Office of Public Safety (6)	78,513,062	82,409,571	86,812,688	90,316,675
Public Works Department	21,067,794	28,755,818	27,517,179	26,006,247
Solid Waste Management and Services	15,390,231	15,462,143	14,718,651	15,666,199
Inspections, Permits and Licenses Department	3,851,178	4,148,164	4,165,840	4,090,276
Department of Neighborhoods (7)	6,322,206	4,091,639	4,783,929	5,214,500
External Agencies	3,631,438	3,215,628	3,396,071	5,326,020
Office of Youth Development (4)				
Office for International and Cultural Affairs (4)				
Housing Department	21,279,887	22,062,433	19,835,738	20,532,561
Louisville Development Authority	4,606,418	4,566,148	4,368,332	5,976,202
Louisville Free Public Library	11,147,995	11,987,601	12,369,255	12,671,838
Parks Department	14,953,059	18,750,983	19,697,487	20,623,009
Otter Creek Park (8)	1,185,445			
Louisville Zoological Gardens	5,281,644	6,245,757	6,796,667	7,157,545
Louisville Redevelopment Authority (9)	701,618	6,531,146	6,799,618	9,396,761
Office for Business Services (10)	4,682,116	5,084,431	5,902,565	7,134,819
Community Action Partnership	2,861,860	2,844,820	2,519,951	2,668,587
Firefighters' Pension Fund	104,120	113,950	134,340	172,650
Policemen's Retirement Fund	248,880	330,672	368,648	339,484
Kentuckiana Works (11)	5,440,717	5,776,172	5,788,766	8,502,195
Waterfront Development Corporation	430,456	1,027,801	2,944,846	1,495,211
Human Relations Commission	583,368	663,997	906,987	889,706
Debt service	6,930,799	6,771,464	19,863,059	64,842,837
Total	<u>\$ 226,103,721</u>	<u>\$ 252,607,949</u>	<u>\$ 268,158,721</u>	<u>\$ 329,082,183</u>
 <u>JEFFERSON COUNTY FISCAL COURT</u>				
General Government	\$ 17,021,954	\$ 18,201,446	\$ 14,981,909	\$ 15,744,594
Public Safety	59,007,906	69,809,462	76,815,680	80,884,330
Health	26,502,000	28,937,917	30,656,242	33,636,012
Public Works	23,729,547	24,088,314	25,319,433	27,018,217
Joint & External	15,781,302	16,287,635	13,668,060	14,116,732
Other	9,517,418	10,735,902	13,430,261	22,111,657
Debt Service	6,583,157	11,354,580	17,384,687	29,741,313
	<u>\$ 158,143,284</u>	<u>\$ 179,415,256</u>	<u>\$ 192,256,272</u>	<u>\$ 223,252,855</u>

- (1) Includes General and Special Revenue Funds, Debt Service Funds to 2001, and Proprietary Funds 2002 and after for debt service.
(2) Office of Information Services administered by Finance and Budget until June 1993, name changed to Department of Technology in July 1999.
(3) Telecommunications Office created in July 1998, administered by Department of Technology beginning July 1999.
(4) Agencies created in July 1999.
(5) Name changed from Employee Relations in November 1999.
(6) Name changed from Public Health and Safety in July 1999.
(7) Name changed from Community Services in July 1999.
(8) Otter Creek Park administered by Parks Department beginning July 1996.
(9) Louisville Redevelopment Authority created in July 1995.
(10) Name changed from Office for Economic Development in July 1999.
(11) Named Job Training Partnership Agency until July 1999, then Workforce Investment Board until November 2000.

<u>2000</u>	<u>2001</u>	<u>2002</u>
\$ 3,839,237	\$ 4,631,772	\$ 4,931,141
556,062	559,568	577,485
2,859,981	3,083,155	3,140,125
5,677,332	13,993,084	13,268,998
4,580,111	3,783,856	3,898,512
177,869	70,952	191,245
1,980,939	2,104,624	2,226,907
97,379,575	102,123,658	107,864,633
29,531,352	25,473,768	27,585,030
16,326,445	17,099,535	17,444,649
17,600,140	19,529,747	19,806,534
4,949,389	6,149,720	6,574,026
8,949,580	12,517,464	10,702,776
1,423,200	1,355,457	1,473,935
273,863	368,931	391,970
8,067,272	12,846,012	9,836,973
6,950,470	10,274,734	7,190,602
14,127,154	14,478,532	15,830,289
20,027,621	22,022,096	22,426,097
7,794,390	7,924,211	10,416,251
9,785,172	7,156,584	7,521,910
3,532,011	5,669,700	3,793,590
3,318,327	3,999,501	3,639,308
176,290	399,007	402,819
205,615	406,248	435,391
6,577,373	11,788,804	14,713,045
1,763,450	1,752,980	3,501,993
926,763	966,293	912,389
<u>8,682,430</u>	<u>5,728,146</u>	<u>2,020,328</u>
<u>\$ 288,039,413</u>	<u>\$ 318,258,139</u>	<u>\$ 322,718,951</u>
\$ 16,624,912	\$ 18,085,502	\$ 19,245,400
83,184,194	87,088,719	89,471,057
37,661,848	38,275,123	38,620,529
23,641,276	26,144,789	25,753,285
14,185,319	15,385,464	17,140,611
11,761,207	8,601,560	13,341,213
<u>18,031,154</u>	<u>24,938,116</u>	<u>26,108,706</u>
<u>\$ 205,089,910</u>	<u>\$ 218,519,273</u>	<u>\$ 229,680,801</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
After Merger, Fiscal Years 2003-2005**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government:			
Metro Council	\$ 4,446,718	\$ 4,888,456	\$ 5,075,237
Mayor's Office	3,579,829	3,064,445	2,659,334
County Attorney	7,412,962	6,611,944	7,167,704
Other Elected Officials	6,932,008	6,636,712	6,835,898
Internal Audit	591,705	580,394	559,436
Finance Department	18,021,085	8,816,523	8,075,458
External Agencies	15,492,849	4,417,159	4,609,080
Purchasing Department	553,489	551,093	563,414
Office of Strategic Planning		450,909	527,551
Information Technology	6,082,646	5,605,906	6,960,196
Human Resources Department	3,882,710	3,841,236	3,936,674
Human Relations Commission	895,795	1,026,522	954,004
Police Department	117,349,274	116,490,491	124,261,384
Public Protection Cabinet	58,529	122,706	143,619
Fire Department	45,563,191	49,381,667	53,460,537
County Emergency Medical Services	7,728,142	7,499,875	8,474,925
Emergency Management	1,544,502	1,323,869	1,894,720
Corrections Department	39,592,089	35,447,150	39,085,164
Youth Detention Services		6,409,564	6,428,374
Metro Criminal Justice Commission	475,965	602,472	671,851
Office of Public Safety	185,464	150,269	179,017
Firefighters' Pension Fund	729,228	1,493,646	1,961,998
Policemen's Retirement Fund	515,085	1,416,532	1,938,891
Public Works Department	48,689,479	29,782,867	31,987,550
Facilities Management		15,794,170	16,879,201
Solid Waste Management Services	19,786,921	18,933,215	18,590,252
Inspections, Permits and Licenses	28,911,602	7,345,033	7,491,076
Animal Control Services	1,467,087	1,561,764	1,771,235
Department of Neighborhoods	3,470,642	4,936,210	6,066,781
Parks Department	21,534,348	20,489,287	21,922,934
International and Cultural Affairs	401,297	340,869	
Louisville Free Public Library	15,136,690	16,155,557	16,221,548
Louisville Zoological Gardens	10,199,331	10,340,000	10,582,091
Metro Development Authority	6,435,126	9,625,536	10,806,651
Office for Business Services	3,547,154		
Planning and Development Services		2,982,449	3,040,619
Housing Department	10,463,530	8,975,859	7,849,557
Community Development		2,999,939	3,366,481
Air Pollution Control	4,601,638	4,114,432	3,984,459
Waterfront Development Corporation	8,264,879	1,772,145	1,981,842
Redevelopment Authority	5,959,506	2,523,091	584,410
Health Department	20,747,662	32,662,513	33,031,631
Human Services	17,986,236	15,383,324	16,013,312
Office of Youth Development	1,657,705		
Kentuckiana Works	12,098,123	8,469,476	8,219,516
Community Action Partnership	4,668,437	4,917,148	5,291,665
Debt service principal	19,081,735	19,177,195	22,613,352
Debt service interest and other charges	13,418,536	16,072,154	15,880,910
Capital outlay		27,576,389	33,780,656
	<u>\$ 560,160,929</u>	<u>\$ 549,760,162</u>	<u>\$ 584,382,195</u>

(1) Includes General, Special Revenue, and Debt Service Funds.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**

Last Ten Fiscal Years

Fiscal Year	Taxes (2)	Licenses and Permits (2)	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Income	Donations and Miscellaneous Revenue	Total Revenues (3)
<u>CITY OF LOUISVILLE</u>								
1996	\$ 156,528,372	\$ 3,156,770	\$ 62,348,857	\$ 11,421,153	\$ 1,443,758	\$ 3,575,156	\$ 10,627,259	\$ 249,101,325
1997	165,975,239	3,234,576	73,202,890	12,937,332	1,571,731	4,502,189	18,800,365	280,224,322
1998	171,546,628	3,523,866	64,456,961	12,144,401	1,504,802	5,068,122	18,627,864	276,872,644
1999	177,938,209	4,851,823	100,655,977	13,503,162	1,474,871	4,824,882	18,184,290	321,433,214
2000	185,228,241	4,579,320	73,484,531	13,544,570	1,503,794	5,775,832	26,275,433	310,391,721
2001	193,104,313	4,184,641	102,782,341	14,019,751	1,500,863	5,805,741	24,334,117	345,731,767
2002	197,696,495	4,538,807	101,217,079	36,623,819	871,925	6,254,485	14,253,512	361,456,122
<u>JEFFERSON COUNTY FISCAL COURT</u>								
1996	\$ 44,398,024	\$ 80,114,861	\$ 30,189,386	\$ 18,004,306		\$ 2,245,254	\$ 2,397,014	\$ 177,348,845
1997	47,902,779	87,100,043	32,956,101	19,131,362		2,306,857	1,889,873	191,287,015
1998	50,838,200	91,689,380	29,954,670	20,501,566		3,621,943	2,716,206	199,321,965
1999	52,211,162	97,495,357	34,516,120	22,795,284		2,723,755	4,402,152	214,143,830
2000	54,199,896	101,146,947	34,071,960	24,922,560		2,530,960	6,221,255	223,093,578
2001	54,358,301	103,930,110	31,774,038	27,435,313		2,345,784	5,844,223	225,687,769
2002	59,329,125	102,846,322	47,199,455	24,422,782		1,060,539	3,442,388	238,300,611
<u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u>								
2003	\$ 346,479,687	\$ 23,741,060	\$ 125,886,137	\$ 56,029,421	\$ 914,218	\$ 2,099,625	\$ 4,349,907	\$ 559,500,055
2004	373,962,219	10,544,820	128,437,170	33,532,382	1,016,230	90,583	6,824,682	554,408,086
2005	396,679,992	11,480,682	112,396,801	57,928,605	718,975	2,932,989	4,655,833	586,793,877

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Prior to 2003, Occupational taxes were classified as taxes by the City of Louisville and as licenses by Jefferson County Fiscal Court.

(3) In 2003 revenues also included major and non-major Capital Projects Fund. 2003 has been restated in the statistical section to reflect the correct amounts.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

GENERAL FUND TAX REVENUES BY SOURCE

Fiscal Year	Total Taxes	General Property Taxes	Last Ten Fiscal Years			Occupational Taxes (1)	Other	Interest, Penalties and Other Fees
			Bank and Life Insurance Shares	Public Service Corporations				
<u>CITY OF LOUISVILLE</u>								
1996	\$ 156,528,372	\$ 34,973,746	\$ 1,445,280	\$ 4,390,708	\$ 114,297,186	\$ 913,797	\$ 507,655	
1997	165,975,239	36,905,783	1,895,498	4,797,163	120,487,277	1,225,643	663,875	
1998	171,546,628	38,582,913	1,700,426	7,596,388	121,970,729	1,082,033	614,139	
1999	177,938,209	38,617,607	1,621,733	4,140,528	132,139,269	825,266	593,806	
2000	185,228,241	40,392,393	1,734,265	3,867,647	137,736,926	878,365	618,645	
2001	193,104,313	42,634,340	1,753,908	3,427,432	143,517,870	1,062,020	708,743	
2002	197,696,495	43,479,184	1,648,598	5,177,097	145,427,943	1,187,618	776,055	
<u>JEFFERSON COUNTY FISCAL COURT</u>								
1996	\$ 44,398,024	\$ 36,415,223	\$ 2,145,424	\$ 2,481,742		\$ 2,368,211	\$ 987,424	
1997	47,902,779	39,054,807	2,732,048	2,680,412		2,380,501	1,055,011	
1998	50,838,200	40,681,540	2,535,708	3,688,808		2,681,204	1,250,940	
1999	52,211,162	41,520,979	2,690,257	3,166,999		3,185,240	1,647,687	
2000	54,199,896	43,655,901	2,718,821	2,443,663		3,081,323	2,300,188	
2001	54,358,301	45,290,533	2,661,015	2,255,129		2,809,534	1,342,090	
2002	59,329,125	49,152,467	2,748,105	2,972,797		3,088,308	1,367,448	
<u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u>								
2003	\$ 346,149,531	\$ 92,608,431	\$ 4,350,721	\$ 6,763,891	\$ 235,901,121	\$ 5,944,104	\$ 581,263	
2004	373,962,220	93,016,802	4,803,193	7,402,223	260,797,870	7,411,472	530,660	
2005	396,679,992	96,472,771	4,699,922	8,794,533	275,767,186	9,576,926	1,368,653	

(1) Prior to 2003, Occupational taxes were classified as taxes by the City of Louisville and as licenses by Jefferson County Fiscal Court.

(2) Since 2003, tax revenues designated as Other include Deed Taxes, Delinquent Taxes and other miscellaneous property taxes.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Amount of Levy	Amount Collected in Year of Levy	Percent Collected in Year of Levy	Adjusted Levy at June 30, 2005	Amount Collected as of June 30, 2005	Percent of Adjusted Levy Collected as of June 30, 2005	Total Outstanding Delinquent Taxes Receivable at June 30, 2005
<u>CITY OF LOUISVILLE</u>							
1996	\$ 35,573,379	\$ 33,861,521	95.2%	\$ 37,580,752	\$ 37,500,652	99.8%	\$ 80,100
1997	37,520,047	35,767,558	95.3%	39,093,414	38,979,438	99.7%	113,976
1998	38,683,449	36,915,075	95.4%	41,579,237	41,382,489	99.5%	196,748
1999	41,691,486	39,615,186	95.0%	41,393,848	41,072,816	99.2%	321,032
2000	43,388,371	40,745,536	93.9%	42,539,112	42,045,199	98.8%	493,913
2001	44,850,574	42,132,174	93.9%	44,708,142	43,971,963	98.4%	736,179
2002	47,392,733	44,771,361	94.5%	46,260,639	44,771,361	96.8%	1,489,278
<u>JEFFERSON COUNTY FISCAL COURT</u>							
1996	\$ 43,329,000	\$ 42,049,000	97.0%	\$ 43,329,000	\$ 42,049,000	97.0%	\$ 748,000
1997	46,470,000	45,327,000	97.5%	46,470,000	45,327,000	97.5%	701,000
1998	48,276,000	47,036,000	97.4%	48,276,000	47,036,000	97.4%	782,000
1999	50,326,000	49,625,000	98.6%	50,326,000	49,625,000	98.6%	771,000
2000	52,698,000	51,537,000	97.8%	52,698,000	51,537,000	97.8%	615,000
2001	54,209,000	52,573,000	97.0%	54,209,000	52,573,000	97.0%	875,000
2002	59,232,000	57,083,000	96.4%	59,232,000	57,083,000	96.4%	998,000

Levies do not include autos. These are levied and collected by the County Clerk's Office as required by KRS Chapter 134 and Louisville City Ordinance #185, Series 1984.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years (continued)

Fiscal Year	Amount of Levy	Amount Collected in Year of Levy	Percent Collected in Year of Levy	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Total Outstanding Delinquent Taxes Receivable at June 30, 2005
2003	\$ 101,151,309	\$ 97,734,411	96.6%	\$ 2,960,241	\$ 100,694,652	99.5%	\$ 6,389,780
2004	107,833,673	104,493,360	96.9%	4,337,307	108,830,668	100.9%	5,392,784
2005	112,929,657	109,744,607	97.2%	5,616,628	115,361,235	102.2%	9,262,583

Levies do not include autos. These are levied and collected by the County Clerk's Office as required by KRS Chapter 134 and Louisville City Ordinance #185, Series 1984.

- 1) Beginning in fiscal year 2003, Metro Government began reflecting delinquent tax information as it relates to total property tax collections in a given year within the statistical section of the financial statements.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property (2)		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Homestead Exemption (1)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
<u>CITY OF LOUISVILLE</u>								
1996	\$ 6,617,810,920	\$ 7,142,268,710	\$ 2,424,154,559	\$ 2,424,154,559	\$ 9,041,965,479	\$ 9,566,423,269	94.52 %	\$ 23,100
1997	7,134,431,883	7,643,158,843	2,505,148,035	2,505,148,035	9,639,579,918	10,148,306,878	94.99 %	23,100
1998	7,625,654,333	8,144,026,143	2,527,674,710	2,527,674,710	10,153,329,043	10,671,700,853	95.14 %	24,400
1999	7,941,343,735	8,457,155,055	2,156,337,113	2,156,337,113	10,097,680,848	10,613,492,168	95.14 %	24,400
2000	8,256,835,261	8,787,687,821	2,479,019,416	2,479,019,416	10,735,854,677	11,266,707,237	95.29 %	25,500
2001	8,847,132,278	9,354,252,216	2,421,555,297	2,421,555,297	11,268,687,575	11,775,807,513	95.69 %	25,500
2002	9,729,895,056	10,276,349,416	2,941,464,514	2,941,464,514	12,671,359,570	13,217,813,930	95.87 %	26,800
<u>JEFFERSON COUNTY FISCAL COURT</u>								
1996	\$ 22,148,393,479	\$ 23,358,696,319	\$ 7,139,401,228	\$ 7,139,401,228	\$ 29,287,794,707	\$ 30,498,097,547	96.03 %	\$ 23,100
1997	24,190,901,282	25,405,380,639	7,613,198,285	7,613,198,285	31,804,099,567	33,018,578,924	96.32 %	23,100
1998	25,660,667,701	26,940,299,068	7,765,023,517	7,765,023,517	33,425,691,218	34,705,322,585	96.31 %	24,400
1999	27,255,950,247	28,551,945,967	8,045,930,810	8,045,930,810	35,301,881,057	36,597,876,777	96.46 %	24,400
2000	29,043,139,019	30,395,875,319	8,287,149,420	8,287,149,420	37,330,288,439	38,683,024,739	96.50 %	25,500
2001	31,423,908,212	32,770,194,834	8,440,335,579	8,440,335,579	39,864,243,791	41,210,530,413	96.73 %	25,500
2002	34,730,126,504	36,179,100,046	8,843,194,051	8,843,194,051	43,573,320,555	45,022,294,097	96.78 %	26,800
<u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u>								
2003	\$ 46,274,546,626	\$ 48,330,892,272	\$ 9,032,190,675	\$ 9,032,190,675	\$ 55,306,737,301	\$ 57,363,082,947	96.42 %	\$ 26,800
2004	48,823,781,592	50,939,965,058	8,777,257,634	8,777,257,634	57,601,039,226	59,717,222,692	96.46 %	28,000
2005	50,881,807,698	53,029,275,814	8,819,447,665	8,819,447,665	59,701,255,363	61,848,723,479	96.53 %	28,000

(1) Under the provisions of the Homestead Amendment to the Kentucky Constitution, persons 65 years or older are granted exemptions of these amounts on the assessed value of their bona fide residence.

(2) Prior to 2003, Jefferson County Fiscal Court included business inventories subject to property tax in the reported assessment amounts for Personal Property although no tax had been levied on such property. The Personal Property assessment for 2003 has been restated to reflect only assessments for which taxes were levied.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS

TAX RATES (PER \$100 OF ASSESSED VALUATION)

Last Ten Fiscal Years

Fiscal Year	City		Jefferson County		Urban Service District (1)		Metro Government (1)		Consolidated School District			Total		
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Inventory	Personal	Real	Inventory	Personal
1996	0.416	0.566	0.143	0.166					0.551	0.556	0.556	1.110	0.556	1.288
1997	0.408	0.566	0.141	0.166					0.536	0.557	0.557	1.085	0.557	1.289
1998	0.408	0.566	0.140	0.166					0.541	0.559	0.559	1.089	0.559	1.291
1999	0.405	0.566	0.137	0.166					0.541	0.562	0.562	1.083	0.562	1.294
2000	0.399	0.566	0.134	0.166					0.539	0.564	0.564	1.072	0.564	1.296
2001	0.394	0.566	0.129	0.166					0.532	0.567	0.567	1.055	0.567	1.299
2002	0.376	0.566	0.128	0.166					0.537	0.537	0.537	1.041	0.537	1.269
2003	0.376	0.566	0.128	0.166					0.572	0.572	0.572	1.076	0.572	1.304
2004					0.374	0.566	0.128	0.166	0.576	0.576	0.576	1.078	0.576	1.308
2005					0.374	0.566	0.128	0.166	0.592	0.592	0.592	1.094	0.592	1.324

Tax rates obtained from the Jefferson County Clerk's Office.

(1) Beginning in fiscal year 2004, property tax rates were set for the Urban Services District, which includes the prior boundaries of the City of Louisville, and for Metro Government as a whole which encompasses the entire area within Jefferson County.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PRINCIPAL TAXPAYERS

June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of \$59,701,255,363</u>
Louisville Gas & Electric Co.	Energy Utility	\$ 951,948,686	1.6%
BellSouth Telecommunications	Telecommunications	794,343,162	1.3%
Insight Midwest LP	Cable Media	287,242,228	0.5%
Humana Inc.	Health Care	220,426,161	0.4%
The Kentucky Trust Co.	Banking/Financial Services	133,425,030	0.2%
Louisville Trophy LLC	Miscellaneous Services	130,000,000	0.2%
AT&T Communications	Telecommunications	122,020,222	0.2%
Thomas W Bullitt	Retail	112,861,063	0.2%
Information Systems Corp	Information Services	102,861,642	0.2%
National City Bank, Kentucky	Banking/Financial Services	101,492,852	0.2%
		<u>\$ 2,956,621,046</u>	<u>5.0%</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMPUTATION OF LEGAL DEBT MARGIN**

June 30, 2005

ASSESSED VALUATION - January 1, 2005	\$ 59,701,255,363
Debt limit - ten percent of assessed valuation	\$ 5,970,125,536
BONDED DEBT APPLICABLE TO LIMIT - Serial bonds outstanding	<u>382,672,355</u>
Legal debt margin	<u>\$ 5,587,453,181</u>

Metro Government is authorized by Section 158 of the Kentucky Constitution to incur indebtedness to a maximum of ten percent of the value of the taxable property located within the boundaries of Jefferson County. Value of taxable property is to be estimated by the assessment next before the assessment previous to incurring of additional indebtedness.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

**RATIO OF NET BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA**

Last ten fiscal years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Net Bonded Debt (1)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
<u>CITY OF LOUISVILLE</u>						
1996	262,648	\$ 9,041,965,479	\$ 3,485,000	\$ 3,485,000	0.04%	\$ 13
1997	260,689	9,639,579,918	2,285,000	2,285,000	0.02%	9
1998	260,689	10,153,329,043	1,030,000	1,030,000	0.01%	4
1999	255,045	10,097,680,848	26,390,000	26,390,000	0.26%	103
2000	253,128	10,735,854,677	25,360,000	25,360,000	0.24%	100
2001	256,231	11,268,687,575	24,295,000	24,295,000	0.22%	95
2002	256,231	12,671,359,570	36,680,000	36,680,000	0.29%	143
<u>JEFFERSON COUNTY FISCAL COURT</u>						
1996	681,679	\$ 30,613,513,733	\$ 211,396,634	\$ 211,396,634	0.69%	\$ 310
1997	684,478	41,070,728,491	210,543,345	210,543,345	0.51%	308
1998	687,289	43,358,607,535	270,232,371	270,232,371	0.62%	393
1999	690,111	46,632,015,837	268,762,111	268,762,111	0.58%	389
2000	693,604	48,686,537,031	297,955,443	297,955,443	0.61%	430
2001	692,910	51,130,614,851	290,022,750	290,022,750	0.57%	419
2002	695,416	55,141,931,108	280,163,590	280,163,590	0.51%	403
<u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u>						
2003	695,416	\$ 55,306,737,301	\$ 389,639,029	\$ 386,770,842	0.70%	\$ 556
2004	699,017	57,601,039,226	374,237,029	372,825,790	0.65%	533
2005	700,030	59,701,255,363	384,085,000	382,672,355	0.64%	547

(1) Metro Government is authorized by Section 158 of the Kentucky Constitution to incur indebtedness to a maximum of ten percent of the value of the taxable property located within the boundaries of Jefferson County. Value of taxable property is to be estimated by the assessment next before the assessment previous to incurring of additional indebtedness.

(2) Beginning in fiscal year 2003, First Mortgage and Lease Revenue Bonds have been included in the bonded debt amounts for Metro Government. The 2003 amounts have been restated to reflect the change.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

Last ten fiscal years
(amounts expressed in thousands)

Fiscal Year	Principal	Interest (1)	Total Debt Service (3)	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
<u>CITY OF LOUISVILLE</u>					
1996	\$ 1,290	\$ 173	\$ 1,463	\$ 226,104	0.6%
1997	1,200	120	1,320	252,608	0.5%
1998	1,255	67	1,322	268,159	0.5%
1999	290	481	771	329,082	0.2%
2000	1,030	1,065	2,095	288,039	0.7%
2001	1,065	1,110	2,175	318,258	0.7%
2002	1,105	1,315	2,420	322,719	0.7%
<u>JEFFERSON COUNTY FISCAL COURT</u>					
1996	\$ 4,163	\$ 2,421	\$ 6,584	\$ 158,143	4.2%
1997	7,533	3,822	11,355	179,415	6.3%
1998	10,133	7,251	17,384	192,256	9.0%
1999	16,953	12,789	29,742	223,253	13.3%
2000	6,744	11,287	18,031	205,090	8.8%
2001	10,100	14,838	24,938	218,519	11.4%
2002	14,494	11,615	26,109	229,681	11.4%
<u>LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT</u>					
2003	\$ 19,461	\$ 13,490	\$ 32,951	\$ 560,161	5.9%
2004	19,177	16,072	35,249	549,760	6.4%
2005	22,613	15,881	38,494	584,382	6.6%

(1) Excludes bond issuance and other costs.

(2) Includes General Funds, Special Revenue Funds and Debt Service Funds.

(3) Beginning in fiscal year 2003, First Mortgage and Lease Revenue Bonds have been included in the annual debt service expenditures for Metro Government. The 2003 amounts have been restated to reflect the change.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECORD OF INSURANCE PROTECTION IN FORCE
AS OF JUNE 30, 2005**

AUTOMOBILE:

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Auto Liability Excess	Metro's Risk Management Division	Louisville Area Governmental Self Insurance Trust	LOU-05-00	07/01/2004-07/01/2005	Excess Liability coverage through LAGIT Self Insurance Trust to complement the Metro's Self-Insured Auto Liability Program. Also includes cost for claims adjustment services.	Up to \$7,000,000 per Occurrence, which is subject to a \$50,000 Deductible per Occurrence.	\$908,650.00 (subject to year end audit)

WORKER'S COMPENSATION:

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Worker's Compensation Excess Insurance	Underwriters Safety & Claims, Inc.	Midwest Employer's Casualty Company	EWC 006770	07/01/2004 - 07/31/2005	Specific Excess insurance to complement Metro's Self-Insurance Program for Workers' Compensation.	Statutory Excess Limits with Limited Jones Act coverage and \$1,000,000 Employer's Liability limit. Self-Insured Retentions: \$1,000,000 per Occurrence.	\$287,562 (subject to year end audit)
Workers' Compensation Insurance Policy	Underwriter's Safety and Claims	Liberty Mutual Insurance	WC5-33S-312562-0105	03/17/2005-03/17/2006	Workers' Compensation policy covering one employee in Washington DC.	Statutory limits with \$1,000,000 Employer's Liability limit.	\$754

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 RECORD OF INSURANCE PROTECTION IN FORCE
 AS OF JUNE 30, 2005**

PROPERTY:

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Real & Personal Property, Electronic Data Processing and Auto Excess Physical Damage for all properties	Metro's Risk Management Division	Louisville Area Governmental General Insurance Trust (LAGGIT)	P-LJCMG-01-04	07/01/2004-07/01/2005	All Causes of loss subject to Policy Form Exclusions. Blanket Coverage for Building and Personal Property. Electronic data processing equipment & media, fine arts, auto physical damage, and valuable papers. Includes extension for Flood, Earthquake and Business Income/ Extra Expense coverage for all properties in which Metro government has a financial interest at sublimited amounts, as per Schedule of Locations on file. Valuation is on a Replacement Cost. Agreed Value basis. Blanket Coverage automatically includes newly acquired locations, subject to a \$100,000,000 Sublimit subject to reporting limitations. Coverage also includes Equipment Breakdown (boiler coverage) within policy limits. Includes coverage for Parking Authority of River City (PARC) Properties, Louisville Slugger Field and Louisville Free Public Library.	\$500,000,000 Shared limit for Comprehensive Causes of Loss. \$100,000,000 Shared Annual Aggregate limit for Earthquake. \$100,000,000 Shared Annual Aggregate limit for Flood. Deductible: \$250,000 all causes of loss including Earthquake and Flood except, Flood Zone A locations shall have a deductible of the amount equal to all flood insurance available under the National Flood Insurance Program, whether purchased or not, in addition to the \$250,000 standard deductible. Auto physical damage deductible is \$100,000.	\$988,507
Flood Insurance	Patriot Group	National Flood Insurance Program through Travelers Insurance Company	6501046608 6501007154	05/07/2005-05/07/2006 12/05/2004-12/05/2005	Flood coverage on four specific locations in flood zone AE. Coverage is on Actual Cash Value with a stated value per location.	\$500,000 Building (Clubhouse) \$12,000 Contents with \$500 deductible each on 460 Northwestern Parkway Louisville, KY 40212 \$500,000 Building (Parking Authority of River City Riverfront Garage), \$145,000 contents with \$1,000 deductible on each 141 N. 64 th St. Louisville, KY 40202	\$518 \$4,500

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECORD OF INSURANCE PROTECTION IN FORCE
AS OF JUNE 30, 2005**

Additional Insurance policies maintained:

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Community Action Partnership (CAP) Business Auto and Contents Policy	Acordia of Kentucky	Cincinnati Insurance Company	CAP7690889/C AA7690889	08/28/2004- 08/28/2005	Auto Liability (including Hired & Nonowned) Collision Comprehensive Also includes \$25,000 Comprehensive and Collision coverages for Hired & Borrowed vehicles.	\$1,000,000 CSL \$500 Deductible (on two owned vehicles). \$250 Deductible (on two owned vehicles). Deductibles \$250 and \$500 respectively on Hired & Borrowed vehicles physical damage coverage.	\$4,118
Aircraft Liability and Hull coverage	Underwriter's Safety and Claims	National Union Fire Insurance Company	AV1851818-01	11/16/2004- 11/16/2005	"All Risk" Blanket coverage on contents and Electronic Data Processing Equipment with a Replacement Cost Agreed Value basis. (Subject to policy exclusions.) Aircraft Liability coverage including Medical Payments. Hull Coverage on MD520M model 4 seated helicopter.	\$151,000 Blanket Contents limits with \$500 Deductible per Occurrence. \$177,500 Electronic Data Processing Equipment Limit with \$10,000 Media Coverage and \$10,000 Extra Expense. A \$250 deductible applies. \$10,000,000 Liability per Occurrence with \$3,000 medical payments each person, \$15,000 each occurrence. Hull deductible \$60,000 in motion, moored and ingestion- \$1,000 not in motion. Aircraft value of \$1,200,000.	\$62,160
Louisville/Jefferson County Workforce Investment Board dba Kentuckiana Works	Underwriter's Safety and Claims	Life Insurance Company of North America	SPS938092	10/01/2004- 10/01/2005	Special Risks Accident coverage including hospital and professional services (including dental) and accidental death and dismemberment.	\$10,000 Hospital and Professional services, \$10,000 maximum Accidental Death and Dismemberment depending upon injury and sublimit on \$1,000 Dental coverage for Reasonable expenses. No deductible applies.	.20 per participant per month.
Waterfront Development Corporation	VanZandt, Emrich and Cary	Cincinnati Insurance Company	CPP0645726/CP A0645726	12/11/2004- 12/11/2005	Risks of Direct Physical loss subject to policy exclusions for Blanket Buildings and Blanket Personal Property including Ordinance or Law for \$50,000 and \$100,000 Extra Expense; Fine Arts, Contractor's Equipment, and Data Processing. Watercraft liability including medical payments and Hull coverage on Pluckebaum 28' Cruiser.	\$1,445,000 Building and \$260,000 Personal Property with Deductible of \$2,500 for all causes of loss except Earthquake, which has a 5% deductible. \$28,500 Fine Arts with a deductible of \$1,000. \$174,400 Contractors equipment with \$11,000 tools with a deductible of \$1,000 applying. \$30,000 Electronic Data Processing Equipment with \$6,000 media and \$6,000 Loss of income and extra Expense with a deductible of \$1,000. \$1,000,000 Watercraft Liability with \$5,000 medical payments. Hull coverage of \$45,000 with a Deductible on Hull of 2%	\$13,045
					Auto liability and physical damage including hired car physical damage. General liability designated premises only	\$1,000,000 Liability on any auto. Comprehensive and Collision coverage with deductibles of \$250 and \$500 respectively. \$1,000,000 per Occurrence/ \$2,000,000 aggregate.	

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECORD OF INSURANCE PROTECTION IN FORCE**

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Hull and Watercraft Liability Insurance for The Belle of Louisville, Spirit of Jefferson and Wharf Barge	Mauzy & Associates	Great American Insurance Company	AJG03-S2284	04/15/2005 - 04/15/2006	Hull & Machinery for Marine Perils, Protection & Indemnity including \$500,000 buyback on Pollution coverage, Longshoremens' Harbor Workers' Compensation and Medical Payments coverage on the Belle of Louisville and the Spirit of Jefferson	Agreed Value of \$1,700,000 with a \$17,000 deductible for the Belle of Louisville, \$550,000 agreed amount with a \$5,500 deductible for the Spirit of Jefferson and \$300,000 agreed amount with a \$3,000 deductible on the Wharf Barge. \$1,000,000 Protections & Indemnity limit with a \$2,500 deductible, \$1,000,000 Longshoremens' Harbor Workers' Compensation with a \$2,500 deductible, Medical payments coverage at \$5,000 \$4,000,000 limit on Protection and Indemnity excess of primary limit	\$137,520
Ocean Marine Policy for the Belle of Louisville, Spirit of Jefferson and Wharf Barge	Mauzy & Associates	St. Paul Fire and Marine Insurance Company	0312FB0830	04/15/2005 - 04/15/2006	Excess Protection and Indemnity	\$15,000,000 limit on Protection and Indemnity excess of \$5,000,000	\$14,963
Ocean Marine Policy for the Belle of Louisville, Spirit of Jefferson and Wharf Barge	Mauzy & Associates	New York Marine and General Insurance Company through Mutual Marine Office of the Midwest, Inc.	MMMW No:22230ML403	04/15/2005 - 04/15/2006	Pollution Liability	\$5,000,000 Limit of liability excess of \$5,000,000	\$2,461
Employment Practices Liability for Belle of Louisville, Spirit of Jefferson and Wharf Barge staff	Mauzy & Associates	Chubb	8169-2433	04/15/2005 - 04/15/2006	Protection for Employment related claims such as wrongful termination, etc.	\$1,000,000 Limit of Liability with a deductible of \$15,000	\$7,525
LIABILITY:							
General Liability, Public Official Liability, Police Professional, Medical Professional (EMS) & Employers Liability (Excess)	Agent Metro's Risk Management Division	Insurer Louisville Area Governmental Self Insurance Trust	Policy number LJCMG-01-04	Policy term 07/01/2004 - 07/01/2005	Coverage Excess Liability coverage through LAGIT Self Insurance Trust to complement Metro's Self Insured Program for General Liability (including Employment Practices), Public Official Liability, Police Professional Liability, Medical Professional Liability, Employer's Liability and UST/Pollution Coverages. Also includes cost for claims adjustment services.	Limits Up to \$7,000,000 per Occurrence, subject to a \$500,000 Deductible per Occurrence, except \$1,500,000 deductible on Employer's Liability (due to purchase of underlying Commercial Insurance Coverage). Separate Limits on U.S.T. Coverage: \$1,000,000 per Occurrence with an Aggregate lifetime Limit of \$5,000,000 subject to a \$25,000 per Occurrence deductible and a \$100,000 Aggregate lifetime deductible (per Occurrence deductible \$2,500 after Aggregate lifetime deductible met.) This coverage shall supplement and be excess of protection provided by the Kentucky U.S.T. State Assurance Fund.	Annual cost \$1,129,056 (subject to year end audit)
Also includes Underground Storage Tank Pollution Liability	Covers Pollution Liability exposures created by Underground Storage Tanks.						

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECORD OF INSURANCE PROTECTION IN FORCE**

AS OF JUNE 30, 2005

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Public Official Liability for Jefferson County Clerk's Office	Metro's Risk Management Division	Louisville Area Governmental Self Insurance Trust	JCC-16-04	07/01/2004 - 07/01/2005	Public Official Liability coverage through LAGIT Self Insurance Trust.	\$5,000,000 per Occurrence, subject to a \$10,000 deductible	\$34,909 subject to year end audit
<u>BONDS:</u>							
Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Government Crime Coverage	Sterling G. Thompson Company	St. Paul Fire and Marine Insurance Company	CRDS040702	04/01/2004 - continuous	Government Crime Coverage on all Metro employees including Police Officers Includes Specific Excess Indemnity on the Director of Finance and Budget/CFO and Administrator of Cash Management. Coverage includes Funds Transfer Fraud and Computer Fraud.	\$1,000,000 Limit per loss on Public Employee Theft & \$250,000 Faithful Performance Coverage on all employees including Police Officers. Includes Funds Transfer Fraud. \$500,000 Specific Excess Indemnity on the Director of Finance and Budget/CFO and Administrator of Cash Management. \$25,000 deductible per loss. \$1,000,000 Computer Fraud Coverage included as are \$1,000,000 limits for Monies and Securities In and Out	\$11,079
Public Official Bond - Alcohol Beverage Control Administrator	Acordia of Kentucky	Fidelity & Deposit Company of Maryland	8610485	01/06/2003 - continuous	Faithful Performance Public Official Bond on Alcohol Beverage Control Administrator, as per Ordinance 34.109.	\$1,000 Limit.	\$102
Public Official Bond- County Clerk	Sure-Linc Services, Inc.	Ohio Casualty Insurance Company	3-782-544-1	01/06/2003 - 01/06/2007	Faithful Performance Public Official Bond on County Clerk Barbara Holsclaw	\$500,000	\$1269
Public Official Bond- Deputy Coroners blanket bond	Sure-Linc Services, Inc.	Western Surety Company	58482897	01/01/2004 - 01/01/2006	Faithful Performance Public Official Bond on position of Deputy Coroner	\$2,000 each deputy	\$102
Public Official Bond- Coroner	Sure-Linc Services, Inc.	Western Surety Company	69436188	01/01/2003 - 01/01/2007	Faithful Performance Public Official Bond on position of Coroner, Ronald Holmes	\$10,000	\$102
Public Official Bond- Constable	Sure-Linc Services, Inc.	Western Surety Company	69436199	01/01/2003 - 01/01/2007	Faithful Performance Public Official Bond on position of Constable, Michael S. Thompson	\$10,000	\$102
Public Official Bond- Constable	Sure-Linc Services, Inc.	Western Surety Company	69436200	01/01/2003 - 01/01/2007	Faithful Performance Public Official Bond on position of Constable, John D. Zehnder	\$10,000	\$102
Public Official Bond- Constable	Sure-Linc Services, Inc.	Western Surety Company	69436196	01/01/2003 - 01/01/2007	Faithful Performance Public Official Bond on position of Constable, William Murphy Clark	\$10,000	\$102
Public Official Bond- Surveyor	Sure-Linc Services, Inc.	Western Surety Company	69437491	01/01/2003 - 01/01/2007	Faithful Performance Public Official Bond on position of Surveyor, Richard S. Matheny	\$10,000	\$102

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECORD OF INSURANCE PROTECTION IN FORCE**

Type of contract	Agent	Insurer	Policy number	AS OF JUNE 30, 2005 Policy term	Coverage	Limits	Annual cost
Public Official Bond- County Road Engineer	Sure-Linc Services, Inc.	Ohio Casualty Insurance Company	3-878-164-1	01/09/2005 - 01/09/2007	Faithful Performance Public Official Bond on position of County Road Engineer Mark W. Adams	\$10,000	\$102
Public Official Bond- County Judge Executive	Sure-Linc Services, Inc.	Western Surety Company	69436194	01/01/2003 - 01/01/2007	Faithful Performance Public Official Bond on position of County Judge Executive, Kenneth A. Herndon	\$10,000	\$102
Public Official Bond- Clerk of Metro Government	Acordia of Kentucky	Fidelity and Deposit Company	08692902	01/06/2003 - Continuous	Faithful Performance of the office of Clerk, Kathleen Jo Herron	\$10,000	\$102
Revenue Bond	Independent Agents, Inc.	Ohio Casualty Insurance Company	3-4844-188-8	08/01/2002- Continuous	Faithful Performance of Jefferson County Sheriff as collector of taxes, John Edward Aubrey	\$1,000,000	\$1852
GROUP:							
Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Group Life & Long Term Disability Coverage Insurance	NA	Prudential Life Insurance Company		01/01/2005 - 01/01/2006	Group Term Life Insurance with Accidental Death and Dismemberment Coverage available to all full time Metro employees and regular part-time non-union employees who work 25 or more hours per week. Supplemental life insurance and dependent life insurance available for purchase by employee.	In the event of death, basic coverage is \$5,000, \$15,000 or one times annual salary not to exceed \$50,000 (depending on terms of collective bargaining agreement) for union employees and one time annual salary, not to exceed \$50,000 for non- union employees. Supplemental coverage is available in various increments subject to a maximum of \$300,000 prior to age 70. Dependent coverage available at varying limits depending upon dependent type and collective bargaining agreement (for union employees).	\$7,008,516 estimated
Group Medical Plans	NA	Humana		01/01/2005 - 01/01/2006	Long Term Disability (LTD) Insurance for all eligible full time Metro employees and regular part-time employees working 25 hours or more per week or if included in collective bargaining agreement.	90 day qualifying period. Employee then receives 50% of monthly earnings subject to a Maximum Schedule amount of \$4,000 per month until recovered or age 65.	\$22,229,784 estimated including employee costs
Group Medical Plans	NA	Anthem		01/01/2005 - 01/01/2006	Healthcare insurance for employees and dependents.	Varies per plan on file in the Human Resources Department.	\$9,176,578 estimated including employee costs

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECORD OF INSURANCE PROTECTION IN FORCE**

AS OF JUNE 30, 2005

Type of contract	Agent	Insurer	Policy number	Policy term	Coverage	Limits	Annual cost
Group Prescription Plan	NA	Walgreens Health Initiative		01/01/2005 - 01/01/2006	Three tiered prescription coverage available for all full time Metro employees.	Varies per plan on file in the Human Resources Department	\$3,880,430 Estimated
Group Dental Plan	NA	Comp Benefit		01/01/2005 - 01/01/2006	Various plans for qualifying employees and dependents	Varies per plan on file in the Human Resources Department	\$288,260 Estimated
Group Dental Plan	NA	Delta Dental		01/01/2005 - 01/01/2006	Various plans for qualifying employees and dependents	Varies per plan on file in the Human Resources Department	\$971,040 Estimated
Group Vision Plan	NA	Vision Care		01/01/2005 - 01/01/2006	Vision Plan for qualifying employees and dependents providing for various levels of co-payments for eye exams, glasses and contact lenses.	Varies per plan on file in the Human Resources Department	\$219,000 Estimated

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 RECORD OF CONTRACTS IN FORCE
 TO HANDLE INSURANCE PROGRAMS
 AS OF JUNE 30, 2005

Type of Contract	Company	Contract Number	Contract Period	Details of Contract	Annual Cost
Workers' Compensation Claims Adjuster	Underwriters Safety & Claims, Inc.	20020718-1231	07/01/2004 - 06/30/2005	Claims adjusting service on Worker's Compensation claims for the Metro's Self-Insured Program. \$20,188 per month - Flat Fee	\$242,256
Actuarial Analysis & Rate Development For Self-Insurance Fund	MMC Enterprise Risk formerly William M. Mercer Company	21860	01/01/2005 - 01/01/2006	Consultant provides actuarial analysis, fund review, and rate development for the Metro's Self-Insured Auto Liability, Workers' Compensation and General Liability programs.	\$15,600
Employee Assistance Program (EAP)	Magellan	603	01/01/2005 - 12/31/2005	Provide employee assistance program support and related training to Metro employees.	\$125,000.
Administration of Flexible Spending Accounts	Wildcard Associates	PSC 2003-5039	01/01/2005 - 12/31/2005	Provide Third Party Administration for flexible spending account (Medical, Dependent Care and Transportation) Reimbursement program. On a fee for Service Basis.	Not to exceed \$15,000
Child Care Referral Services	Community Coordinated Child Care, Inc.	2005-7015	07/01/2004 - 06/30/2005	Consultant provides information and referral services for child care as well as child care financial assistance.	Not to exceed \$165,000
Benefit Consultant	J. R. Katz, Inc		07/01/2004 - 06/30/2005	Analyzing and making recommendations on current employee benefits to determine cost savings and strategies. Services shall also include other benefit consulting services as required by the Metro Government.	Not to exceed \$50,000