

COMPREHENSIVE ANNUAL FINANCIAL REPORT

LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT LOUISVILLE, KENTUCKY



Fiscal Year Ended June 30, 2007

JERRY E. ABRAMSON
Mayor

Larry Hayes
Deputy Mayor

Prepared by:
Department of Finance

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letters of Transmittal.....	i
Government Finance Officers Association Certificates of Achievement.....	vi
Organization Chart.....	vii
Mayor, Metro Council, and Finance Department Officials.....	viii

FINANCIAL SECTION

Independent Auditors' Report.....	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental funds.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Proprietary Funds:	
Statement of Fund Net Assets.....	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
Statement of Cash Flows	25
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	26
Statement of Changes in Fiduciary Net Assets.....	26
Component Units:	
Statement of Net Assets.....	28
Statement of Revenues, Expenses, and Changes in Net Assets.....	30
Notes to the Financial Statements.....	34
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	79
Pensions - Schedules of Funding Progress, Schedules of Employer Contributions, and Actuarial Assumptions.....	80
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	84
Combining Statement of Net Assets - Internal Service Funds.....	86

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2007**

TABLE OF CONTENTS

FINANCIAL SECTION (continued)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	87
Combining Statement of Cash Flows – Internal Service Funds	88
Combining Statement of Fiduciary Net Assets – Agency Funds	89
Statement of Changes Fiduciary Net Assets – Agency Funds.....	90

STATISTICAL SECTION

Summary of Net Assets and Changes in Net Assets.....	92
Fund Balance, Governmental Funds.....	93
Changes in Fund Balance, Governmental Funds	94
General Government Revenues by Source	95
General Fund Tax Revenue by Source	96
Employment, Income and Occupational Tax Revenues	97
Principal Withholding Taxpayers	98
Assessed and Estimated Actual Value of Taxable Property	99
Property Tax Rates – Direct and Overlapping Governments	100
Principal Property Tax Payers	101
Property Tax Levies and Collections.....	102
Legal Debt Margin.....	103
Direct and Overlapping Governmental Activities Debt.....	104
Ratios of Outstanding Debt by Type	105
Ratios of General Bonded Debt Outstanding.....	106
Pledged Revenue Coverage	107
Demographic & Economic Indicators	108
Principal Employers.....	109
Number of Government Employees by Function/Program	110
Miscellaneous Operating Indicators and Capital Asset Information	111



LOUISVILLE, KENTUCKY
OFFICE OF THE MAYOR

JERRY E. ABRAMSON
MAYOR

December 21, 2007

To The Citizens of Louisville:

I am pleased to present the Comprehensive Annual Financial Report of the Louisville Metro Government for the fiscal year ended June 30, 2007. We have built squarely on the foundation we established over the past few years by improving public safety; investing in roads, building maintenance and other infrastructure needs; expanding and improving our parks; growing jobs and fostering economic development; strengthening neighborhoods and families; supporting educational advancement; protecting the high quality of life we enjoy; and improving our efficiency, effectiveness, responsiveness and accountability as a government.

This fiscal year we began a long-range multi-million dollar initiative to modernize our Louisville Fire Department. We invested money to purchase land and design a new Louisville Metro animal shelter and began improvements and upgrades to Riverview Park in Southwest Louisville. We began the final phase of MetroSafe, our emergency communications and operations center, with renovations at the former Federal Reserve Building to receive new equipment (including the radio system that will connect all community first responders) and unify operations.

This is the fifth 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 three years of Metro Government focused on building a strong foundation for our new merged government by consolidating city and county operations. To continue our commitment to build a solid foundation for this new government, Metro Government established a \$33 million Blueprint for our Future capital program in 2006 to create a long-term approach to planning and funding capital improvements throughout the community. During fiscal year 2007, Metro Government continued to develop a five-year Metro Capital Improvement Plan, a strategic approach to prioritizing future capital needs within our community.

As a result of prudent fiscal management, the undesignated fund balance at the close of fiscal year 2007 increased to more than \$65.3 million, or about 13 percent of total general fund expenditures. This annual report reflects a government that is financially strong. 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".

Jerry E. Abramson
Mayor



DEPARTMENT OF FINANCE & ADMINISTRATION
LOUISVILLE, KENTUCKY

JERRY E. ABRAMSON
MAYOR

JANE C. DRISKELL
CHIEF FINANCIAL OFFICER

December 21, 2007

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, 2007. This is the fifth 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 ("Metro 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 my 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 Metro Government is a public body corporate and politic, duly created and existing as a political subdivision of the Commonwealth of Kentucky under the Constitution and laws of the Commonwealth. The Metro Government is governed by an elected Mayor and the Metro Council composed of twenty-six council members (elected from each of the twenty-six council districts for staggered terms initially commencing on January 6, 2003, and eventually all extending for four years). All executive and administrative power of the consolidated local government is vested in the office of the Mayor. As outlined in the organizational chart included in this report, the administration of Metro Government has divided operations into a seven cabinet structure.

The Metro Government provides some of the following services: public protection and safety, streets and roads, planning and zoning, public improvements and community development, sanitation, public health and social services, parks, and other administrative services.

Budgets are adopted consistent with generally accepted accounting principles. On or before June 1 of each year, pursuant to state statute, the Mayor proposes an Executive Budget to the Metro Council. On or before June 30 of each year, as required by state statute, the Metro Council

adopts the Executive Budget as it may have been amended, as the approved budget for the fiscal year beginning July 1. An affirmative vote of a majority of the Metro Council is required to change the proposed appropriations, to amend the budget once it has been approved, or to approve any supplemental appropriations. All budget adjustments at the department level must be approved by the Chief Financial Officer consistent with the approved budget.

The 2007 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.

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.

As a part of Metro Government's single audit described above, 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. Metro Government believes that the statements and schedules included in the financial section of this report continue to meet its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit. Kentucky law (KRS 64.810) allows the Auditor of Public Accounts ("APA") to perform the annual audit of the funds of the Metro Government. The APA has granted permission for the Metro Government to employ a private certified public accounting ("CPA") firm to conduct the audits of the basic financial statement for fiscal years 2006 and 2007. A copy of the Independent Auditor's report is included in this report. In addition to

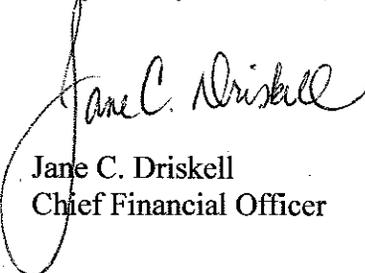
meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984, Single Audit Amendments of 1996, Government Auditing Standards and the Office of Management and Budget Circular A-133.

Awards. The Government Finance Officers Association of the United States and Canada (“GFOA”) with awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2006. The Metro Government has achieved this prestigious award for four consecutive years (since inception of the merged government in 2003). In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments. The preparation of the fifth 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 my sincere appreciation for the contributions made in the preparation of this report for Metro Louisville.

Respectfully submitted,



Jane C. Driskell
Chief Financial Officer

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, 2006

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.

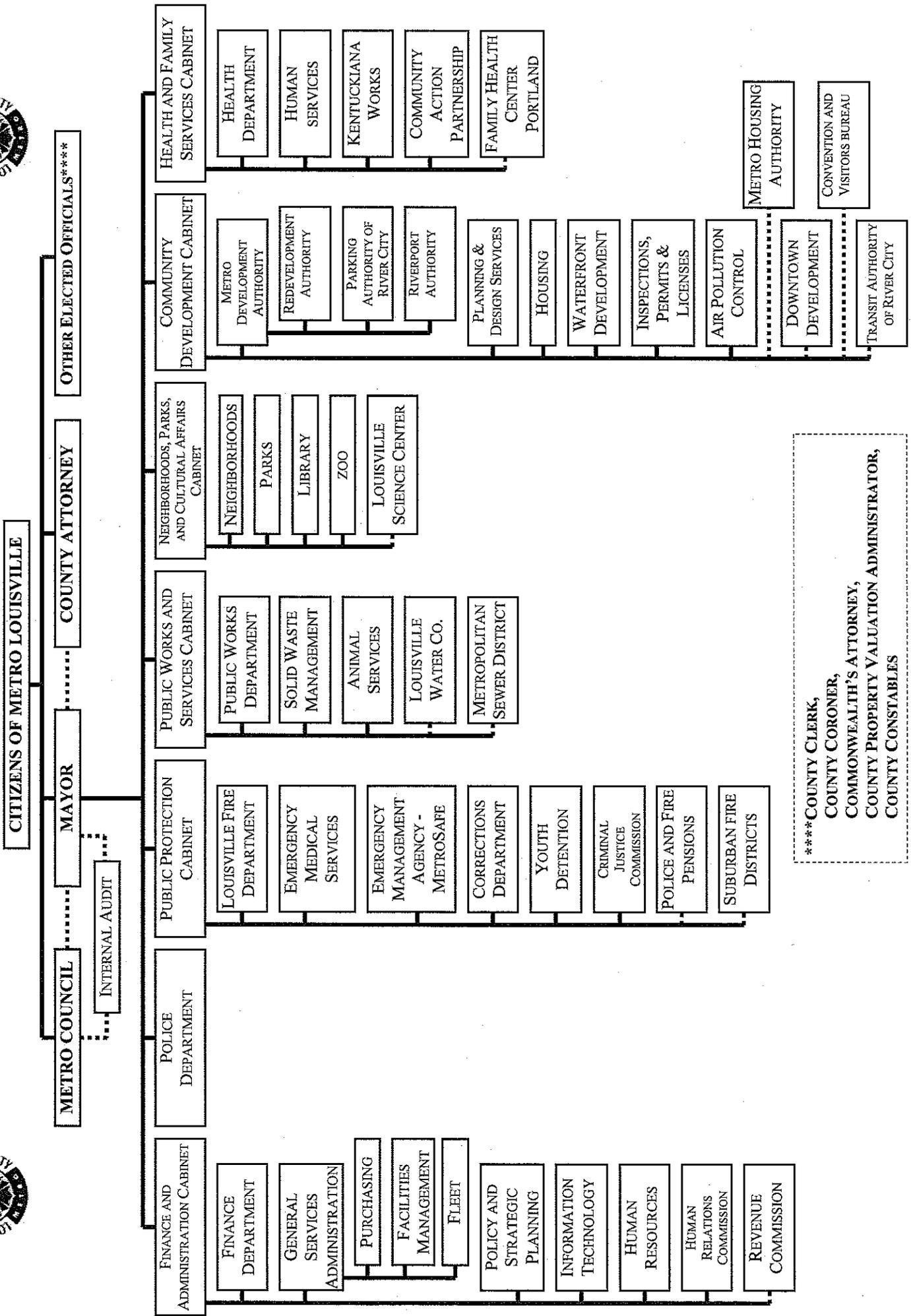


President

Executive Director



LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT ORGANIZATIONAL CHART



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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT



Fiscal Year Ended June 30, 2007

HONORABLE JERRY E. ABRAMSON MAYOR

METRO COUNCIL MEMBERS

JUDY GREEN	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
VICKI WELCH	DISTRICT 13
ROBERT HENDERSON	DISTRICT 14
MARIANNE BUTLER	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 DIRECTOR OF ACCOUNTING

Independent Auditors' Report



Honorable Jerry Abramson, Mayor and
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 Louisville/Jefferson County Metro Government ("Metro Government") as of and for the year ended June 30, 2007, which collectively comprise Metro Government's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the Metro Government's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of some of the entities that comprise 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 entities, is based on the reports of the other auditors. Those entities were:

- Governmental Funds – Capital Projects Corporation (included within the Debt Service Funds)
- Fiduciary Funds – Mass Transit (included within Agency Funds)
- Component Units – Parking Authority of River City, Inc., Transit Authority of River City, Inc., Louisville and Jefferson County Riverport Authority, and the Louisville Science Center

Those financial statements reflect total assets and revenues as follows:

	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Government-Wide Financial Statements:		
Primary Government - Governmental Activities		1%
Component Units	8%	25%
Fund Financial Statements		1%
Fiduciary Funds (Agency Funds)	31%	23%
Component Units	8%	24%

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.

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 opinion.

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 Metro Government, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 through 12, the budgetary comparison information on page 79, and the pension information related to funding progress on page 80 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro Government's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, and the statistical section, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based upon our audit and the reports of other auditors, are fairly presented in all material respects in relation to the Metro Government's basic financial statements taken as a whole. The information presented in the introductory and statistical sections 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 have also issued a report dated December 21, 2007 on our consideration of the Metro Government's internal control over financial reporting and 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

STROTHMAN & COMPANY PSC

Louisville, Kentucky
December 21, 2007

THIS PAGE INTENTIONALLY LEFT BLANK

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2007**

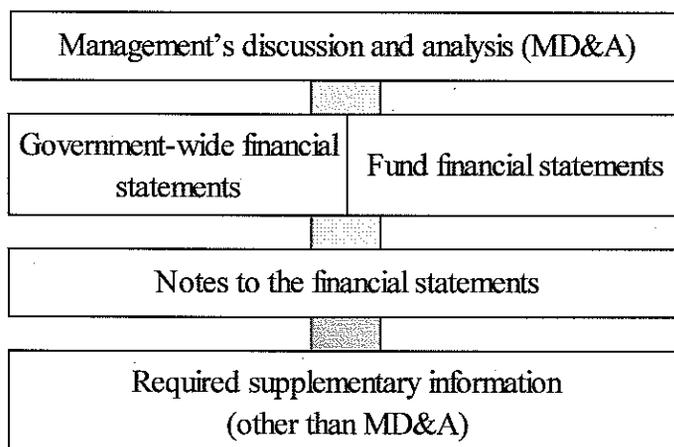
Our discussion and analysis of Louisville/Jefferson County Metro Government's financial performance provides an overview of Metro Government's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Metro Government's financial statements, which begin on page 15.

Financial Highlights

Metro Government first implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, for the fiscal year 2002.

- Total net assets increased by \$6,433,166.
- Total assets of the primary government exceeded total liabilities by \$622.0 million at the close of fiscal year 2007.
- At fiscal year-end, Metro Governmental funds reported a combined ending fund balance of \$222.3 million.

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 (Unaudited), continued
For the Year Ended June 30, 2007**

Reporting the Metro Government as a Whole

The Statement of Net Assets and the Statement of Activities

The 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. Metro Government's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, is one way to measure the Metro Government's financial health, or financial position. Increases or decreases in the Metro Government's net assets over time are one indicator of whether its financial health is improving or deteriorating. Additional non-financial factors should be considered, such as changes in the Metro Government's property tax base and the condition of the Metro Government's capital assets (roads, buildings, etc.) in assessing the overall health of the Metro Government.

The Government-Wide Financial Statements of the Metro Government can be 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 taxes, 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 2007.
- **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/Jefferson County Riverport Authority, the Louisville/Jefferson County 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.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2007**

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

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

	Governmental Activities		Total Percent age Change
	2006	2007	2006-2007
Current and other assets	\$ 307,979	\$ 325,275	5.6%
Capital assets	818,123	807,317	-1.3%
Total assets	1,126,102	1,132,592	0.6%
Long-term liabilities	413,535	431,802	4.4%
Other liabilities	97,034	78,824	-18.8%
Total liabilities	510,569	510,626	0.0%
Net assets			
Invested in capital assets, net of related debt	515,671	514,870	-0.2%
Restricted	62,355	88,866	42.5%
Unrestricted	37,507	18,230	-51.4%
Total net assets	\$ 615,533	\$ 621,966	1.0%

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

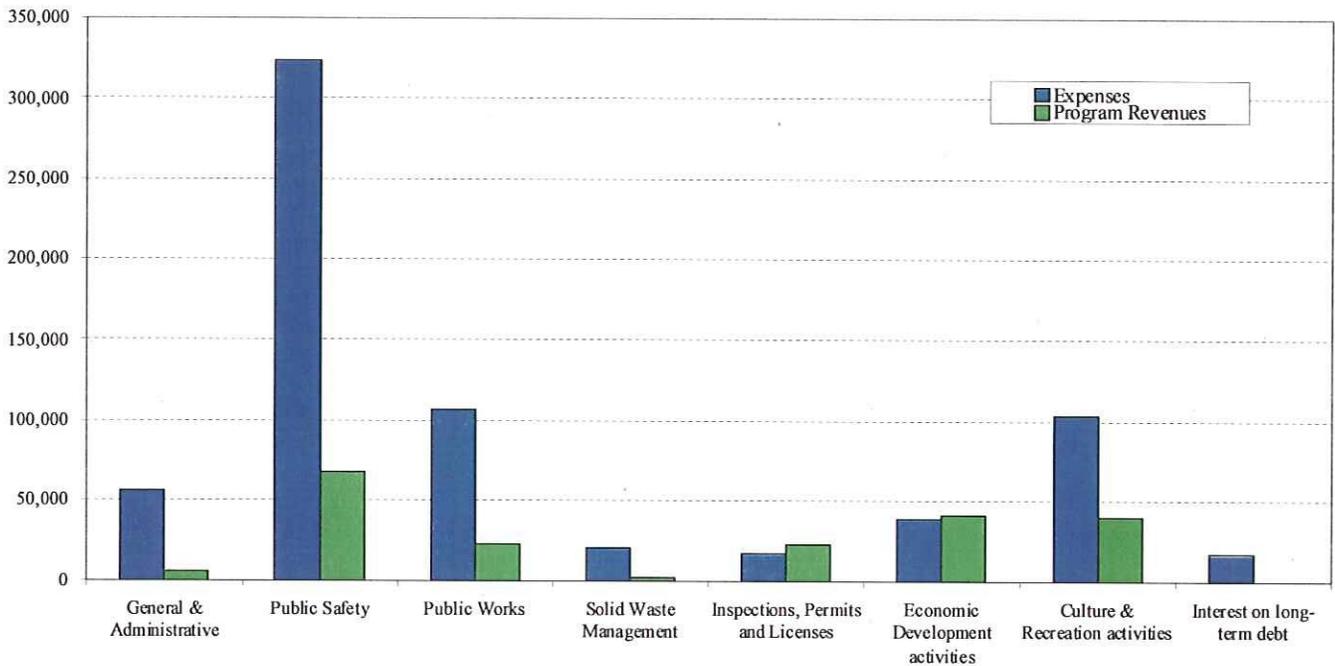
**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CHANGES IN NET ASSETS**
For the Year Ended June 30
(amounts in thousands)

	Governmental Activities	
	2006	2007
Revenues		
Program revenues:		
Charges for services	\$ 69,752	\$ 83,457
Operating grants and contributions	72,212	73,451
Capital grants and contributions	56,128	42,119
General revenues:		
Property taxes	120,751	126,742
Other taxes	285,559	307,856
Other	44,745	43,964
Total revenues	649,147	677,589
Expenses		
General & Administrative	53,923	55,481
Public Safety	316,348	323,968
Public Works	108,688	106,660
Solid Waste Management	20,163	20,498
Inspections, Permits and Licenses	15,927	16,384
Economic Development activities	36,986	38,524
Culture & Recreation activities	102,719	102,802
Interest on long-term debt	16,302	17,214
Total expenses	671,056	681,531
Increase (decrease) in net assets	(21,909)	(3,942)
Net assets--beginning	636,998	615,533
Prior period adjustment		10,375
Increase due to acquired agency	444	
Net assets--ending	\$ 615,533	\$ 621,966

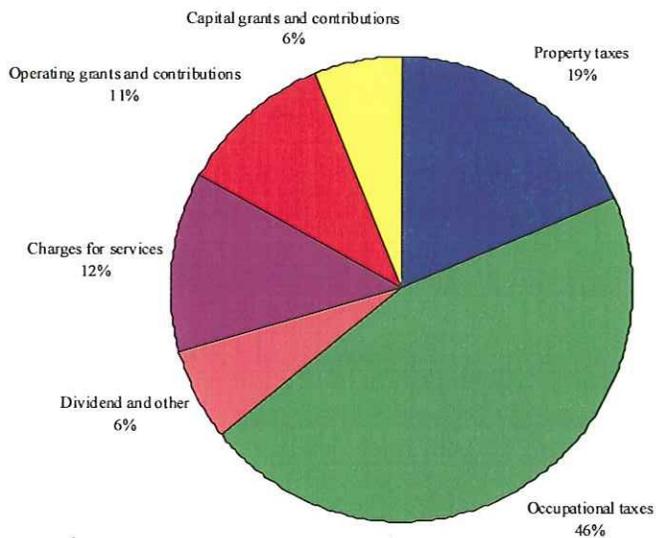
Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2007**

The cost of all governmental activities, this year was \$681.7 million.



This chart shows revenues by source:



Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2007**

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 control and manage money for particular purposes (such as the Special Purpose Fund) or to show that Metro Government 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 different accounting approaches (as discussed further in footnote 1). The Metro Government also uses fiduciary funds, which are separate funds from the governmental and proprietary funds described below. 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. Metro Government uses 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 (Unaudited), continued
For the Year Ended June 30, 2007**

Revenues in the General, Special Revenue and Debt Service funds increased by approximately \$28.1 million. Tax revenue continued its trend of a modest increase over the preceding year, with the increase divided between property taxes and occupational taxes. Expenditures in these same funds decreased overall by about \$5.4 million. Decreases in expenditures occurred primarily as a result of decreased capital outlay. Total fund balances for governmental funds increased \$26.0 million, primarily due to increases of fund balances in the Major Capital Funds.

Component Unit Activities

The Louisville Water Company's operating income decreased 12.3% from last year due to decreased water sales and an increase in operating expenses. The Parking Authority of River City, Inc. reported a 57.9% increase in operating income from last year, mainly from an increase in parking facility revenue. The Transit Authority of River City, Inc.'s operating income decreased 1.1% as a result of increased cost of operations in fiscal year 2007. The Louisville and Jefferson County Riverport Authority reported a decrease of \$1,107,057 in operating income due to a large decrease in land sales in fiscal year 2007 versus 2006. The Metropolitan Sewer District's operating income decreased 4.3% due to an increase in operating expenses. The Louisville Science Center reported an increase of 54.0% in operating loss as a result of increased costs of operation.

General Fund Budgetary Highlights

Actual expenditures were \$83.0 million below the final budget amounts, and these funds will be carried forward to the fiscal year 2008 to offset future related expenditures. On the other hand, resources available for appropriation were \$18.2 million below the final budget amounts.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2007**

Capital Asset And Debt Administration

Capital Assets

At the end of June 30, 2007, 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)			
	2006	2007	Total Percentage Change 2006-2007
Land	\$ 287,445,282	\$ 291,345,646	1.4%
Land improvements	50,060,718	49,082,706	-2.0%
Buildings	221,627,583	217,029,543	-2.1%
Machinery and equipment	16,540,089	14,316,373	-13.4%
Vehicles	21,258,087	31,304,514	47.3%
Works of art	11,046,315	12,017,515	8.8%
Infrastructure	174,036,601	142,981,827	-17.8%
Construction in progress	36,108,691	49,238,597	36.4%
Total Metro	818,123,366	807,316,721	-1.3%
Component Units	2,582,654,115	2,650,045,621	2.6%
Grand Total	<u>\$ 3,400,777,481</u>	<u>\$ 3,457,362,342</u>	1.7%

As of June 30, 2007, the primary government and its component units had various commitments for future capital expenditures. See Note 5 for additional detail on Capital Assets.

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)			
	2006	2007	Total Percentage Change 2006-2007
General obligation debt	\$ 235,346	\$ 247,853	5.3%
Revenue bonds	126,630	128,043	1.1%
Note	318	57	-82.1%
Total Metro	362,294	375,953	3.8%
Component Units	1,568,353	1,626,853	3.7%
Grand Total	<u>\$ 1,930,647</u>	<u>\$ 2,002,806</u>	3.7%

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2007**

Metro Government assumed all long-term debt of the former City of Louisville and Jefferson County upon merger in January 2003. During the year, total debt of the Metro Government and its component units increased by \$72.2 million. Additional information on the Metro Government's long-term debt activity can be found in Note 9 of this report.

Future Economic Factors

The Louisville economy is strong and vibrant with high per capita income growth, low unemployment rates, low taxes, and a diversified workforce. Metro Government's per capita income is well above national and state levels. The unemployment rate for the Louisville Metro area at June 2007 was 5.6%.

Downtown Louisville continues to experience growth and development, with future plans including building a downtown, multi-purpose arena and a planned new addition to the Louisville skyline with Museum Plaza. There are also plans for additional downtown medical center expansions and additional plans for more than a dozen downtown housing developments.

Metro Government continues to be committed to major budgetary initiatives, such as the third phase of MetroSafe, library system expansions and the "City of Parks" initiative. Louisville's economy will be bolstered next year as well when Louisville hosts several national-profile sporting events including the Ryder Cup and the National Senior Games.

Contacting Metro Government's Financial Management

This financial report is designed to provide 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.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		Component Units
	Governmental Activities		Units
ASSETS			
Cash and cash equivalents	\$ 94,154,350	\$	12,897,999
Investments	123,833,648		31,207,609
Receivables, net of allowance for uncollectible amounts	62,224,001		68,545,968
Inventories	647,379		19,404,890
Prepaid items and deferred charges	2,486,893		12,606,457
Assets restricted by bond indentures and other legal provisions	41,928,459		182,608,692
Non-utility property			170,583
Investments in direct financing lease			59,420,973
Capital assets:			
Land and improvements	295,182,713		27,764,246
Construction in progress	49,238,597		246,561,591
Works of art	255,000		
Infrastructure	893,658,018		2,970,162,538
Other capital assets	624,012,347		378,996,458
Less accumulated depreciation	(1,055,029,954)		(973,439,212)
Capital assets, net	<u>807,316,721</u>		<u>2,650,045,621</u>
Total assets	<u>1,132,591,451</u>		<u>3,036,908,792</u>
LIABILITIES			
Accounts payable and accrued payroll	33,637,239		43,226,157
Due to other government agencies	14,427,089		10,134,652
Deferred revenue	29,936,169		9,706,078
Other liabilities	822,927		19,487,423
Long-term liabilities:			
Due within one year	36,004,000		32,195,404
Due in more than one year	395,798,000		1,600,743,805
Total liabilities	<u>510,625,424</u>		<u>1,715,493,519</u>
NET ASSETS			
Invested in capital assets, net of related debt	514,870,387		1,115,073,092
Restricted for:			
Capital projects	88,865,414		89,335,470
Debt service			7,034,000
Unrestricted	18,230,226		109,972,711
Total net assets	<u>\$ 621,966,027</u>	\$	<u>1,321,415,273</u>

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, 2007

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	\$ 6,328,223				\$ (6,328,223)
Mayor's Office	3,023,845	\$ 17,750	\$ 5,000		(3,001,095)
County Attorney	7,777,399	413,763	410,909		(6,952,727)
Other Elected Officials	9,009,366	210,958	321,150		(8,477,258)
Internal Audit	735,534				(735,534)
Finance Department	8,833,479	668,420	243,004	\$ 2,059,968	(5,862,087)
External Agencies	4,956,515	4,818,370			(138,145)
Policy and Strategic Planning	1,003,950				(1,003,950)
Information Technology	10,111,462	200,390	300	288,025	(9,622,747)
Human Resources Department	4,176,072				(4,176,072)
Human Relations Commission	1,004,196	8,992	143,356		(851,848)
Police Department	135,962,267	2,108,956	6,064,970	1,863,539	(125,924,802)
Public Protection Cabinet	144,389				(144,389)
Fire Department	52,734,157	273,006	2,061,541	2,249,991	(48,149,619)
Emergency Medical Services	25,366,596	12,087,525	30,597		(13,248,474)
Emergency Management	16,049,755	3,448,832	574,732	5,731,906	(6,294,285)
Corrections Department	45,972,434	2,986,720	5,381,110	4,189,621	(33,414,983)
Youth Detention Services	8,878,441	144,465	2,959,642		(5,774,334)
Metro Criminal Justice Commission	558,619		187,683	645,128	274,192
Office of Public Safety	167,886				(167,886)
Firefighters' Pension Fund	2,522,183				(2,522,183)
Policemen's Retirement Fund	1,959,853				(1,959,853)
Public Works Department	62,004,556	126,689	11,140,761	7,477,930	(43,259,176)
General Services Administration	44,655,219	3,029,427		320,567	(41,305,225)
Solid Waste Management Services	20,497,766	1,440,663	153,000	(331,438)	(19,235,541)
Inspections, Permits and Licenses	8,640,257	13,954,629	1,911,437		7,225,809
Animal Control Services	2,513,501	947,480		50,535	(1,515,486)
Department of Neighborhoods	7,068,336	379,754	482,392		(6,206,190)
Parks Department	25,515,919	5,362,110	335,090	1,570,883	(18,247,836)
Louisville Free Public Library	22,657,493	373,140	2,084,564	267,000	(19,932,789)
Louisville Zoological Gardens	12,851,221	8,224,299	938,575	1,155,267	(2,533,080)
Metro Development Authority	18,011,925	9,007,348	225,000	1,439,940	(7,339,637)
Planning and Design Services	3,885,190	1,760,956	285,794	1,200,162	(638,278)
Housing Department	6,127,426	5,945,544	4,918,009	9,859,307	14,595,434
Community Development	3,520,012	434,171			(3,085,841)
Air Pollution Control	5,230,293	3,077,590	2,083,149		(69,554)
Waterfront Development Corp	4,571,363	389,584	393,832	2,080,412	(1,707,535)
Redevelopment Authority	62,871	57,326			(5,545)
Health Department	38,132,320	1,458,022	13,653,715		(23,020,583)
Human Services	17,296,489	48,593	3,961,046		(13,286,850)
Kentuckiana Works	6,916,886	51,039	6,169,412		(696,435)
Community Action Partnership	6,880,529		6,331,623		(548,906)
Interest expense	17,214,454				(17,214,454)
Total governmental activities	\$ 681,530,647	\$ 83,456,511	\$ 73,451,393	\$ 42,118,743	\$ (482,504,000)
Component units:					
Louisville Water Co.	\$ 100,781,696	\$ 114,092,112		\$ 19,299,646	\$ 32,610,062
Parking Authority of River City, Inc.	13,058,428	14,096,997		1,808,650	2,847,219
Transit Authority of River City, Inc.	68,412,252	9,030,048	\$ 56,502,807		(2,879,397)
Louisville and Jefferson County Riverport Authority	6,283,064	1,610,781			(4,672,283)
Metropolitan Sewer District	172,064,000	132,446,000		16,859,000	(22,759,000)
Louisville Science Center	6,413,275	4,972,356			(1,440,919)
Total component units	\$ 367,012,715	\$ 276,248,294	\$ 56,502,807	\$ 37,967,296	\$ 3,705,682

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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2007

	<u>Primary Governmental Activities</u>	<u>Component Units</u>
Net (expense) revenue (from preceding page)	\$ (482,504,000)	\$ 3,705,682
General revenues:		
Taxes:		
Property taxes, levied for general purposes	126,741,678	
Occupational taxes	307,856,301	
Investment income	9,189,326	9,094,671
Dividends	14,625,718	
Other intergovernmental revenue	13,591,805	
Gain on sale of assets	1,047,399	
Other taxes	271,059	
Rental receipts	1,256,226	
Miscellaneous	3,982,753	3,950,930
Total general revenues	<u>478,562,265</u>	<u>13,045,601</u>
Change in net assets	(3,941,735)	16,751,283
Net assets--beginning	615,532,861	1,304,208,273
Prior period adjustment	10,374,901	455,717
Net assets--ending	<u>\$ 621,966,027</u>	<u>\$ 1,321,415,273</u>

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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 23,051,902	\$ 2,858,368	\$ 7,166,570	\$ 6,034,391	\$ 39,111,231
Investments	64,300,185	8,037,492	20,151,796	16,965,908	109,455,381
Receivables:					
Taxes receivable, less allowance for uncollectible amounts	3,689,147				3,689,147
Accounts receivable and accrued interest	14,778,783	6,822,050	666,370	22,584	22,289,787
Loans receivable, less allowance for uncollectible amounts	2,067,622	11,315,092	2,399,561		15,782,275
Notes receivable	79,467		3,209,066		3,288,533
Due from federal government		15,386,172			15,386,172
Due from state government		1,428,042			1,428,042
Due from other funds	24,979,847			640,761	25,620,608
Inventories	647,379				647,379
Prepaid items	1,188,371	144,282			1,332,653
Restricted assets:					
Cash and cash equivalents			15,484,650	1,917,690	17,402,340
Investments			24,526,119		24,526,119
Total assets	<u>\$ 134,782,703</u>	<u>\$ 45,991,498</u>	<u>\$ 73,604,132</u>	<u>\$ 25,581,334</u>	<u>\$ 279,959,667</u>
LIABILITIES					
Accounts payable	\$ 10,841,360	\$ 4,576,789	\$ 1,995,043	\$ 1,318,840	\$ 18,732,032
Accrued payroll and withholdings	12,783,488				12,783,488
Matured bonds and interest payable				640,761	640,761
Unearned revenue	6,171,029	18,289,295	228,408		24,688,732
Other liabilities	822,927				822,927
Total liabilities	<u>30,618,804</u>	<u>22,866,084</u>	<u>2,223,451</u>	<u>1,959,601</u>	<u>57,667,940</u>
FUND BALANCES					
Reserved for:					
Encumbrances	3,027,975	6,280,529	9,913,097	3,832,909	23,054,510
Inventories	647,379				647,379
Prepaid items	1,188,371				1,188,371
Long-term loans receivable	2,067,622	11,315,092	5,608,627		18,991,341
Debt service				528,373	528,373
Unreserved, reported in:					
General fund	97,232,552				97,232,552
Special revenue funds		5,529,793			5,529,793
Capital projects funds			55,858,957		55,858,957
Other nonmajor governmental funds				19,260,451	19,260,451
Total fund balances	<u>104,163,899</u>	<u>23,125,414</u>	<u>71,380,681</u>	<u>23,621,733</u>	<u>222,291,727</u>
Total liabilities and fund balances	<u>\$ 134,782,703</u>	<u>\$ 45,991,498</u>	<u>\$ 73,604,132</u>	<u>\$ 25,581,334</u>	

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

Capital assets of \$807,316,721 reported in the government wide financial statements less \$374,216 of capital assets held by the proprietary funds used in governmental activities are not financial resources and therefore are not reported in the funds	806,942,505
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.	(4,963,332)
Certain revenues are earned but not available and therefore are deferred in the funds	3,388,560
Long-term liabilities of \$431,802,000, including bonds payable, less \$24,999,327 reported in internal service funds, less deferred charges of \$1,109,240, are not due and payable in the current period and therefore are not reported in the funds.	(405,693,433)
Net assets of governmental activities	<u>\$ 621,966,027</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 127,919,524				\$ 127,919,524
Occupational taxes	307,856,301				307,856,301
Licenses and permits	11,811,402				11,811,402
Intergovernmental	28,558,713	\$ 85,224,465	\$ 1,222,029	\$ 7,893,833	122,899,040
Charges for services	51,954,147	13,563,706	2,192,724	909,436	68,620,013
Fees and fines	3,326,004		69,446		3,395,450
Investment income	5,508,992	825,373	2,686,086	168,875	9,189,326
Dividends	14,625,718				14,625,718
Donations	3,298,312	192,632	4,245,576		7,736,520
Miscellaneous	3,166,736	401,612	99,061		3,667,409
Total revenues	558,025,849	100,207,788	10,514,922	8,972,144	677,720,703
EXPENDITURES					
Current operating:					
General Government					
Metro Council	5,874,769				5,874,769
Mayor's Office	2,775,991				2,775,991
County Attorney	6,732,279	488,984			7,221,263
Other Elected Officials	7,875,023				7,875,023
Internal Audit	682,938				682,938
Finance Department	8,200,810				8,200,810
External Agencies	4,602,091				4,602,091
Policy and Strategic Planning	932,161				932,161
Information Technology	7,813,687				7,813,687
Human Resources Department	3,877,455				3,877,455
Human Relations Commission	894,746	37,643			932,389
Police Department	123,711,421	1,492,373		318,677	125,522,471
Public Protection Cabinet	134,064				134,064
Fire Department	48,088,235	69,300			48,157,535
Emergency Medical Services	21,243,470	23,538			21,267,008
Emergency Management	9,620,832	4,848,625			14,469,457
Corrections Department	42,605,050				42,605,050
Youth Placement Services	8,231,012				8,231,012
Metro Criminal Justice Commission	330,991	187,683			518,674
Office of Public Safety	155,881				155,881
Firefighters' Pension Fund	2,400,232				2,400,232
Policemen's Retirement Fund	1,865,091				1,865,091
Public Works Department	12,713,084	6,738,909			19,451,993
General Services Administration	32,793,726				32,793,726
Solid Waste Management Services	18,886,726	130,058			19,016,784
Inspections, Permits and Licenses	6,485,298	1,513,217			7,998,515
Animal Control Services	2,314,280				2,314,280
Department of Neighborhoods	6,559,384				6,559,384
Parks Department	22,431,967	209,975			22,641,942
Louisville Free Public Library	17,262,593	1,006,213			18,268,806
Louisville Zoological Gardens	11,072,883	7,076			11,079,959
Metro Development Authority	8,862,020	1,291,000	4,766,274		14,919,294
Planning and Design Services	3,319,534	284,088			3,603,622
Housing Department	1,185,324	4,501,479			5,686,803
Community Development	3,268,308				3,268,308
Air Pollution Control	541,359	4,231,051			4,772,410
Waterfront Development Corporation	2,141,916				2,141,916
Redevelopment Authority	57,326				57,326
Health Department	21,647,941	13,533,897			35,181,838
Human Services	12,343,176	3,716,014			16,059,190
Kentuckiana Works	250,000	6,165,932			6,415,932
Community Action Partnership	8,284	6,379,696			6,387,980

(Continued)

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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (continued)
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Debt service principal	\$ 37,500			\$ 24,215,000	24,252,500
Debt service interest and other charges	357,162		\$ 3,231,879	13,625,413	17,214,454
Debt service payment to bond refunding escrow agent				678,000	678,000
Capital outlay		\$ 38,258,506	34,016,357	17,280,946	89,555,809
Total expenditures	493,188,020	95,115,257	42,014,510	56,118,036	686,435,823
Excess (deficiency) of revenues over expenditures	64,837,829	5,092,531	(31,499,588)	(47,145,892)	(8,715,120)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets			1,033,771	13,628	1,047,399
Issuance of debt, par			33,255,000		33,255,000
Issuance of debt, discount			(60,278)		(60,278)
Issuance of refunding bonds				58,855,000	58,855,000
Issuance of refunding bonds, discount				(137,152)	(137,152)
Payment to bond refunding escrow agent				(58,220,426)	(58,220,426)
Transfers in	1,695,736	18,223	18,194,800	45,384,416	65,293,175
Transfers out	(63,249,731)	(2,008,951)	(32,462)	(2,031)	(65,293,175)
Total other financing sources and uses	(61,553,995)	(1,990,728)	52,390,831	45,893,435	34,739,543
Net change in fund balances	3,283,834	3,101,803	20,891,243	(1,252,457)	26,024,423
Fund balances--beginning	100,880,065	20,023,611	40,114,537	24,874,190	185,892,403
Prior period adjustment			10,374,901		10,374,901
Fund balances--ending	\$ 104,163,899	\$ 23,125,414	\$ 71,380,681	\$ 23,621,733	\$ 222,291,727

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, 2007**

Net change in fund balances--total governmental funds	\$ 26,024,423
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 \$61,370,774, less \$222,272 in the proprietary funds, was less than depreciation of \$65,341,199 in the governmental funds, less \$114,239 in the proprietary funds, for in the current period.	(4,078,458)
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.	(6,836,224)
Deferred revenues added to net assets in the prior year are deducted in the current year.	(4,566,406)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	3,388,560
Bond proceeds of \$33,014,144 provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Assets. Repayment of \$24,215,000 of bond principal plus \$328,000 of capital lease and notes payable payments is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.	(8,471,144)
The change in compensated absences is reported in the Statement of Activities and does not require the use of current financial resources and therefore, the change is not reported as an expenditure in governmental funds.	61,954
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.	(4,971,319)
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. Accreted interest of \$4,906,488, amortization of \$266,303, and other items of \$1,344 less \$681,014 of deferred bond issuance costs are also shown as differences for the year.	(4,493,121)
Change in net assets of governmental activities	<u>\$ (3,941,735)</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, 2007

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 55,043,119
Investments	14,378,267
Receivables, net of allowance for uncollectible amounts	360,045
Deposits with paying agents	45,000
Total current assets	69,826,431
Capital assets:	
Buildings and equipment, net	374,216
Total capital assets	374,216
Total assets	70,200,647
LIABILITIES	
Current liabilities:	
Accounts payable	1,480,958
Claims and judgments	10,896,462
Due to other funds	40,047,697
Unearned revenue	8,635,997
Total current liabilities	61,061,114
Noncurrent liabilities:	
Claims and judgments	14,102,865
Total noncurrent liabilities	14,102,865
Total liabilities	75,163,979
NET ASSETS	
Invested in capital assets, net of related debt	208,093
Restricted	(5,171,425)
Total net assets	\$ (4,963,332)

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, 2007

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES:	
Charges for services	
Collection, investment and other fees	\$ 4,818,370
Insurance income	12,073,572
Insurance premiums	40,983,368
Total operating revenues	57,875,310
OPERATING EXPENSES:	
Professional services	3,432,633
Contractual services	795,758
Repairs and maintenance	16,855
Other supplies and expenses	617,036
Insurance claims, settlements and losses	53,863,793
Insurance premiums	4,504,671
Depreciation	114,239
Total operating expenses	63,344,985
Operating loss	(5,469,675)
NONOPERATING REVENUES:	
Investment income	498,356
Change in net assets	(4,971,319)
Total net assets--beginning	7,987
Total net assets--ending	\$ (4,963,332)

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, 2007

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net cash received from taxpayers	\$ 6,116,886
Insurance income	53,104,130
Payments to employees	(3,432,633)
Payments to suppliers	(1,430,144)
Contractual services	(105,489)
Claims paid	(49,432,083)
Insurance premiums paid	(4,504,671)
	<u>315,996</u>
Net cash provided by operating activities	<u>315,996</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:	
Acquisition and construction of capital assets	(222,272)
	<u>(222,272)</u>
Net cash used in capital activities	<u>(222,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	129,241
Change in investment pool participation	(968,801)
Investment income	498,356
Invested in cash equivalents	43,722,235
	<u>43,381,031</u>
Net cash provided by investing activities	<u>43,381,031</u>
Net increase in cash and cash equivalents	43,474,755
Balances--beginning of the year	11,568,364
	<u>11,568,364</u>
Balances--end of the year	<u>\$ 55,043,119</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (5,469,675)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	114,239
Increase (decrease) in cash due to changes in assets and liabilities:	
Accounts receivable	47,190
Due from other funds	151,176
Accounts and other payables	(249,545)
Liability for incurred claims	4,734,411
Due to other funds and governmental agencies	743,360
Unearned revenue	244,840
	<u>244,840</u>
Net cash used in operating activities	<u>\$ 315,996</u>

During fiscal year 2007, 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, 2007

	<u>Pension & Benefit Trust</u>	<u>Private- purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,553,046	\$ 152,426	\$ 6,688,957
Equity securities	16,096,596		
Corporate bonds	941,510		
US Government obligations	76,500		
US Agency obligations	1,143,859		
Other investments	191,986	428,608	20,731,840
Accounts receivable and accrued interest	335,335		812,846
Due from other funds			14,447,180
Total assets	<u>23,338,832</u>	<u>581,034</u>	<u>\$ 42,680,823</u>
LIABILITIES			
Accounts payable	4,202		
Notes payable			\$ 3,500,000
Health insurance reimbursement and accrued liabilities	311,814		
Due to other governmental agencies			32,677,590
Refundable deposits			6,503,233
Total liabilities	<u>316,016</u>	<u>-</u>	<u>\$ 42,680,823</u>
NET ASSETS			
Held in trust for pension benefits	23,022,816		
Held in trust for private purpose		581,034	
Total net assets	<u>\$ 23,022,816</u>	<u>\$ 581,034</u>	

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension & Benefit Trust</u>	<u>Private- purpose Trust</u>
ADDITIONS		
Contributions:		
Employer	\$ 1,802,069	
Member	3,823	
Total contributions	<u>1,805,892</u>	
Investment earnings:		
Increase (decrease) in fair value of investments	1,486,835	
Realized gains and losses	1,329,027	
Interest and dividends	1,934,990	
Total investment earnings	<u>4,750,852</u>	<u>-</u>
Other income	1,070,592	
Total additions	<u>7,627,336</u>	<u>-</u>
DEDUCTIONS		
Benefit payments	6,092,613	
Administration expense	599,514	
Health insurance reimbursement	1,071,797	
Total deductions	<u>7,763,924</u>	<u>-</u>
Net decrease	(136,588)	-
Net assets--beginning of the year	23,159,404	\$ 581,034
Net assets--end of the year	<u>\$ 23,022,816</u>	<u>\$ 581,034</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2007

	<u>Louisville Water Company*</u>	<u>Parking Authority of River City, Inc.</u>	<u>Transit Authority of River City, Inc.</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,700,455	\$ 750	\$ 3,318,036
Investments			
Accounts receivable and accrued interest	15,662,104	422,614	3,331,980
Pledges receivable, net			
Inventories	6,890,745		1,348,332
Prepaid interest			
Prepaid expenses	1,444,303	15,525	470,491
Total current assets	<u>30,697,607</u>	<u>438,889</u>	<u>8,468,839</u>
Noncurrent assets:			
Restricted cash and cash equivalents		16,886,914	
Restricted investments		2,987,500	1,423,301
Pledges receivable, net			
Accrued interest receivable		89,154	
Revenue bond covenant accounts	69,316,754		
Water system extension funds	14,153,400		
Note receivable		1,372,055	
Contract and assessments receivable	2,740,995		
Deferred charges	7,088,784	304,334	
Non-utility property	170,583		
Investments in direct financing lease			
Capital assets:			
Land	7,179,623	9,304,855	3,177,782
Buildings and improvements	81,861,766	83,424,140	23,931,332
Machinery and equipment	46,389,741	4,082,264	80,376,903
Capitalized leased vehicles			4,734,946
Museum exhibits			
Infrastructure	820,382,538		
Construction in progress	50,972,036	2,169,555	
Less accumulated depreciation	<u>(260,683,124)</u>	<u>(37,933,498)</u>	<u>(66,765,508)</u>
Capital assets, net of accumulated depreciation	<u>746,102,580</u>	<u>61,047,316</u>	<u>45,455,455</u>
Total noncurrent assets	<u>839,573,096</u>	<u>82,687,273</u>	<u>46,878,756</u>
Total assets	<u>870,270,703</u>	<u>83,126,162</u>	<u>55,347,595</u>
LIABILITIES			
Current liabilities:			
Accounts payable	6,082,525	1,173,146	3,411,319
Accrued payroll and withholdings	310,177		
Compensated absences payable			3,258,380
Current portion of capital lease obligation			1,095,923
Current portion of long term debt			
Due to other governmental agencies	10,134,652		
Customer advances and deposits payable	6,915,958		
Accrued interest payable	1,186,232	221,951	
Bonds payable, current portion	7,160,000	2,715,000	
Other liabilities from restricted assets	2,196,992	636,662	
Deferred revenue		72,438	936,451
Total current liabilities	<u>33,986,536</u>	<u>4,819,197</u>	<u>8,702,073</u>
Noncurrent liabilities:			
Accounts payable			
Compensated absences payable	894,544		
Deferred revenue	2,955,109		
Unamortized debt premium	2,563,018		
Revenue bonds payable (net of unamortized discounts)	188,400,000	41,746,643	
Long term capital lease obligation, less current portion			1,822,443
Other long-term debt			
Claims and judgements payable			<u>1,933,653</u>
Total noncurrent liabilities	<u>194,812,671</u>	<u>41,746,643</u>	<u>3,756,096</u>
Total liabilities	<u>228,799,207</u>	<u>46,565,840</u>	<u>12,458,169</u>
NET ASSETS			
Invested in capital assets, net of related debt	550,542,580	16,585,673	45,455,455
Restricted for capital projects	83,470,154	4,533,593	
Restricted for debt service			
Unrestricted	<u>7,458,762</u>	<u>15,441,056</u>	<u>(2,566,029)</u>
Total net assets	<u>\$ 641,471,496</u>	<u>\$ 36,560,322</u>	<u>\$ 42,889,426</u>

*Amounts for the Louisville Water Company are for December 31, 2006.
The accompanying notes are an integral part of the financial statements.

Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Louisville Science Center	Total
\$ 314,739	\$ 1,912,000	\$ 652,019	\$ 12,897,999
6,272,609	24,935,000		31,207,609
346,608	15,398,000	103,827	35,265,133
		418,785	418,785
8,047,549	3,091,000	27,264	19,404,890
1,836,812			1,836,812
46,407	1,181,000	218,801	3,376,527
16,864,724	46,517,000	1,420,696	104,407,755
	3,133,000	298,974	20,318,888
	73,801,000	429,357	78,641,158
		89,338	89,338
			89,154
			69,316,754
			14,153,400
			1,372,055
	28,749,000		31,489,995
			7,393,118
			170,583
59,420,973			59,420,973
			27,764,246
8,101,986			223,874,532
29,673,560		4,983,734	131,878,483
172,887		856,688	4,734,946
		18,508,497	18,508,497
	2,149,780,000		2,970,162,538
	193,420,000		246,561,591
(14,764,049)	(578,644,000)	(14,649,033)	(973,439,212)
23,184,384	1,764,556,000	9,699,886	2,650,045,621
82,605,357	1,870,239,000	10,517,555	2,932,501,037
99,470,081	1,916,756,000	11,938,251	3,036,908,792
			27,945,518
399,567	16,639,000	239,961	416,456
		106,279	3,258,380
		4,136	1,100,059
872,024			872,024
			10,134,652
	4,239,000		11,154,958
	10,824,000		12,232,183
	18,190,000		28,065,000
			2,833,654
79,753		40,327	1,128,969
1,351,344	49,892,000	390,703	99,141,853
	2,632,000		2,632,000
			894,544
	5,622,000		8,577,109
			2,563,018
	1,307,236,000		1,537,382,643
		13,291	1,835,734
60,532,965			60,532,965
			1,933,653
60,532,965	1,315,490,000	13,291	1,616,351,666
61,884,309	1,365,382,000	403,994	1,715,493,519
23,184,384	479,305,000		1,115,073,092
		1,331,723	89,335,470
	7,034,000		7,034,000
14,401,388	65,035,000	10,202,534	109,972,711
\$ 37,585,772	\$ 551,374,000	\$ 11,534,257	\$ 1,321,415,273

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN NET ASSETS

COMPONENT UNITS

For the Year Ended June 30, 2007

	<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	\$ 114,092,112		
Parking		\$ 14,096,997	
Transit fares and advertising			\$ 9,030,048
Port fees and rents			
Sewer charges			
Admissions and museum support			
Total operating revenues	<u>114,092,112</u>	<u>14,096,997</u>	<u>9,030,048</u>
OPERATING EXPENSES:			
Cost of operations	31,940,516	2,945,066	61,299,233
General and administrative	16,619,791	3,626,713	
Depreciation	21,610,716	3,805,375	6,974,135
Water services in lieu of taxes	9,857,822		
Total operating expenses	<u>80,028,845</u>	<u>10,377,154</u>	<u>68,273,368</u>
Operating income (loss)	<u>34,063,267</u>	<u>3,719,843</u>	<u>(59,243,320)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	3,061,129	952,266	
Interest income on direct financing lease			
Mass transit subsidies			56,502,807
Capital reimbursements		1,808,650	
Interest expense	(6,693,988)	(2,246,711)	(138,884)
Rent expense		(434,563)	
Contributed in aid of construction	19,299,646		
Dividends paid and payable	(14,058,863)		
Miscellaneous	259,549		
Total nonoperating revenues (expenses)	<u>1,867,473</u>	<u>79,642</u>	<u>56,363,923</u>
Change in net assets	35,930,740	3,799,485	(2,879,397)
Net assets, beginning of year	605,540,756	32,478,458	45,825,867
Prior period adjustment		282,379	(57,044)
Net assets, end of year	<u>\$ 641,471,496</u>	<u>\$ 36,560,322</u>	<u>\$ 42,889,426</u>

*Amounts for the Louisville Water Company are for the year ended December 31, 2006.

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

Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Louisville Science Center	Total
			\$ 114,092,112
		\$ 225,909	14,322,906
			9,030,048
\$ 1,610,781			1,610,781
	\$ 132,446,000		132,446,000
		4,746,447	4,746,447
<u>1,610,781</u>	<u>132,446,000</u>	<u>4,972,356</u>	<u>276,248,294</u>
1,077,482		4,000,053	101,262,350
513,524	63,479,000	840,562	85,079,590
942,641	52,177,000	1,572,660	87,082,527
			9,857,822
<u>2,533,647</u>	<u>115,656,000</u>	<u>6,413,275</u>	<u>283,282,289</u>
<u>(922,866)</u>	<u>16,790,000</u>	<u>(1,440,919)</u>	<u>(7,033,995)</u>
411,276	4,670,000		9,094,671
3,657,451			3,657,451
			56,502,807
			1,808,650
(3,749,417)	(56,408,000)		(69,237,000)
			(434,563)
	16,859,000		36,158,646
			(14,058,863)
<u>33,930</u>			<u>293,479</u>
<u>353,240</u>	<u>(34,879,000)</u>	<u>-</u>	<u>23,785,278</u>
<u>(569,626)</u>	<u>(18,089,000)</u>	<u>(1,440,919)</u>	<u>16,751,283</u>
38,155,398	569,463,000	12,744,794	1,304,208,273
		230,382	455,717
<u>\$ 37,585,772</u>	<u>\$ 551,374,000</u>	<u>\$ 11,534,257</u>	<u>\$ 1,321,415,273</u>

THIS PAGE INTENTIONALLY LEFT BLANK

NOTES TO THE FINANCIAL STATEMENTS

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

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 has 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**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

- 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, a non-profit municipal corporation, was incorporated by the 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.

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 for 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 services valued at \$9,906,087 were provided to Metro Government in lieu of taxes during the year ended December 31, 2006. Complete financial statements of the LWC can be requested from the Louisville Water Company, 550 South Third Street, Louisville, KY 40202.
- 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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

- 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 TARC’s 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 \$42,323,789. 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 Louisville and Jefferson County Riverport Authority, 6900 Riverport Drive, Louisville, KY 40258.
- Louisville and Jefferson County Metropolitan Sewer District (“MSD”) - The MSD is a legally separate entity that provides sewer services to the residents of the metropolitan area and charges fees for those services. 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. MSD began providing Metro Government with free wastewater and storm water service in fiscal year 2007. The amount of free services provided in fiscal year 2007 was \$1.45 million. Complete financial statements of MSD can be requested from Louisville and Jefferson County Metropolitan Sewer District, 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. During the year ended June 30, 2007, Metro Government paid \$855,800 as an appropriation to the LSC. Complete financial statements of LSC can be requested from Louisville Science Center, 727 West Main Street, Louisville, KY 40202.

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

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

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, 2007.

- Louisville Regional Airport Authority (“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 \$10,798,458 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, 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 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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

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 deferred revenue on its government-wide statement of net assets and unearned revenue on the fund financial statements. Deferred/unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred/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 deferred revenue is removed from the government-wide statement of net assets and the unearned revenue liability is removed from the 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.
- The Special Revenue Fund, which accounts for the collection and disbursement of earmarked money, primarily federal and state grant money.
- The Capital Projects Fund, which accounts for the acquisition or construction of general capital assets.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

- Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services 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 Trust Fund is 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

Budgets are adopted consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. This appropriated budget includes all transfers to capital projects funds for which transfers are designated for subsequent years' capital expenditures or for transfer to other capital or debt service funds or accounts.

Formal budgets are not adopted for the Special Revenue Fund or for the Debt Service Funds because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund to comply with these requirements. All annual appropriations from the General Fund lapse at year-end, except for unexpended grant and encumbered appropriations. Project-length financial plans are presented for all Capital Project Funds.

On or before June 1 of each year, pursuant to state statute, the Mayor proposes an Executive Budget to the Metro Council, incorporating an estimate of revenues and recommended appropriations from the General Fund. The Metro Council may hold hearings and discuss and amend the Executive Budget. On or before June 30 of each year, as required by state statute, the Metro Council adopts the Executive Budget, as it may have been amended, as the approved budget for the fiscal year beginning July 1. An affirmative vote of a majority of the Metro Council is required to change the proposed

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

appropriations or to revise revenue estimates contained in the Executive Budget. An affirmative vote of the majority of the Metro Council is also required to amend the budget once it has been approved or to approve any supplemental appropriations.

All budget adjustments at the department level must be approved by the Chief Financial Officer consistent with the approved budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent 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 2 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, 2007, 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 to above
May 1, following year	Delinquent date, \$16 penalty added to above

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

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.

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, 2007 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 activities 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 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 for the primary

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

government is computed using the straight-line method over the following estimated useful lives:

<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

Information regarding depreciation methods and useful lives of Metro Government's component units is available in each of the respective component unit's financial reports.

L. Compensated Absences

Vested and accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported in the fund's financial statements as an expenditure and a fund liability of the governmental fund that will pay it only when the liability has matured. 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 in the government's fund financial statements, but is reported in the government-wide financial statements. 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 financial statements, 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 straight line 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

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

1. Summary of Significant Accounting Policies, continued

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, 2007. This liability includes both reported and unreported events. This amount was determined by Metro Government's management and also includes actuarially determined amounts by Metro Government's independent insurance administrators.

O. 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 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. 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.

R. Louisville Water Company Dividends

The LWC has a quarterly dividend policy. Because the reporting period of the LWC covers the year ended December 31, 2006, a timing difference arises and causes a difference in the dividends paid and received as illustrated by the following schedule:

Date paid	LWC Dividends Paid	Revenue Commission Dividends Received
March 31, 2006	\$ 3,786,123	
June 30, 2006	3,786,123	
September 30, 2006	3,786,123	\$ 3,786,123
December 31, 2006	3,002,846	3,786,122
March 31, 2007		3,918,375
June 30, 2007		3,135,098
	\$ 14,361,215	\$ 14,625,718

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

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

A. Metro Government

The beginning balance of net assets for the Primary Government Governmental Activity in the Government-Wide Statement of Activities and the beginning fund balance for the Capital Projects Fund have been restated by \$10,374,901 from the prior year. This adjustment was made to properly reflect reserves for long term loans and notes receivable as a reservation of fund balance in the fund financial statements and a restriction of net assets in the Government-Wide Statement of Activities.

B. PARC

The beginning balance of net assets for PARC has been restated by \$282,379 to correct an error from the prior year. During fiscal year 2006, meters were disposed of at incorrect values. The effect of the adjustment is an increase to the beginning balance of net assets.

C. TARC

The beginning balance of net assets for TARC has been restated to correct an error. During the fiscal year ended 2006, TARC acquired vehicles under a capital lease arrangement, which was recorded as an operating lease in error. The effect of the adjustment was a decrease in the beginning balance of net assets of \$57,044.

D. LSC

The beginning balance of net assets for LSC has been restated to properly report misclassifications from prior years of promises to give and deferred revenue. The effect of the adjustment was an increase of net assets by \$230,382.

3. 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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. Cash Deposits and Investments, continued

A. Pooled Portfolio Investments

The following schedule presents the investments in Metro Government's pooled portfolio as of June 30, 2007, 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 Mutual Funds	\$ 20,722,791	0.09	Aaa
U.S. Treasury Obligations	7,033,567	1.89	Aaa
U.S. Agency Discount Notes	49,532,000	0.19	Aaa
U.S. Agency Obligations	69,693,548	1.81	Aaa
Commercial Paper	19,904,137	0.11	P1
	<u>\$ 166,886,043</u>		
Portfolio weighted average maturity		0.91	

B. 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, 2007, 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 Mutual Funds	\$ 17,328,891	0.09	Aaa
Commercial Paper	5,768,238	0.12	Aaa
U.S. Agency Discount Notes	1,000,310	0.49	Aaa
U.S. Agency Obligations	17,756,960	0.19	Aaa
	<u>\$ 41,854,399</u>		
Portfolio weighted average maturity		0.15	

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. Cash Deposits and Investments, continued

C. 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 as of June 30, 2007.

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 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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. Cash Deposits and Investments, continued

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, 2007, including cash with paying agents, were \$10,417,476. Of this amount, \$200,000 was covered by federal depository insurance. The remainder as collateralized by the bank holding deposits in the Revenue Commission's name.

The investment balances at June 30, 2007 of \$40,536,731 consists of money market mutual funds with JP Morgan Securities. Investments at JP Morgan had an average weighted maturity of approximately two months and a credit rating of Aaa as supplied by Moody's.

Custodial Credit Risk – Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Revenue Commission may not be able to recover the value of its assets held by such financial institution. Except as follows, the Revenue Commission's investment policy states that all cash maintained in any financial institution be collateralized by certain types of investments. With the express approval of

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. Cash Deposits and Investments, continued

the Commissioner's, the Revenue Commission may invest up to 10% of its investment portfolio in uninsured certificates of deposit at authorized financial institutions.

Interest Rate Risk – Interest rate risk is the risk that changes in the interest rates on investments will adversely affect their underlying fair market value. While the Revenue Commission's investment policy does not specifically address this matter, it has been management's practice to limit investment maturities in order to manage its exposure to reductions in fair value that may result from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the "prudent person rule" outlined in the Revenue Commission's investment policy. The policy states that "investments shall be made with judgment and care under prevailing circumstances, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived." The investment policy does not address diversification of the investment portfolio, but does provide the following guidelines on the types of investments that can be made.

In accordance with its investment policy, the Revenues Commission is permitted to invest in the following:

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States government.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured.
5. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
6. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
7. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.

H. Fiduciary Funds

The Mass Transit Trust Fund is required to follow investment policies in accordance with KRS 66.480 (see the 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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. Cash Deposits and Investments, continued

The Firefighters' Pension Fund had deposits of \$339,250 at June 30, 2007. Of this amount, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC). The remaining \$239,250 was not insured or collateralized by securities held by a pledging financial institution. The Policemen's Retirement Fund had deposits of \$136,312 at June 30, 2007. Of this amount, \$100,000 was insured by the FDIC. The remaining \$36,312 was not insured or collateralized by securities held by a pledging financial institution.

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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. Cash Deposits and Investments, continued

Metro fiduciary fund investments are summarized in the table below as of June 30, 2007:

<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	\$ 9,201,985	0.08	Aaa
Escrow and Deposit Funds			
U.S. Treasury Obligations	\$ 8,008,664	8.63	Aaa
U.S. Agency Obligations	2,016,063	0.70	Aaa
Money Market Funds	1,500,273	0.06	Aaa
	<u>\$ 11,525,000</u>		
Portfolio weighted average maturity		6.12	
Firefighters' Pension Fund			
U.S. Agency Obligations	31,815	8.89	Aaa
Equity Securities	7,361,252		
U.S. Government Money Market Funds	3,831,332	0.13	Aaa
Other Investments	91,940		
	<u>\$ 11,316,339</u>		
Portfolio weighted average maturity		0.20	
Policemen's Retirement Fund			
U.S. Treasury Obligations	\$ 76,500	7.13	Aaa
U.S. Agency Obligations	1,112,044	8.38	Aaa*
Corporate Bonds	849,570	16.01	Aaa-Baa
Equity Securities	8,735,344		
Money Market Funds	278,966	0.14	A
Other Investments	191,986		
	<u>\$ 11,244,410</u>		
Portfolio weighted average maturity		10.15	

*\$164,458 of agency securities were not rated by the rating agencies.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. 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	6.88	Aaa
Commercial Paper	9,750,000	0.17	P1
Money Market Funds	17,071,922	0.08	Aaa
	<u>\$ 31,521,923</u>		
Portfolio weighted average maturity		1.12	
PARC			
U.S. Treasury Money Market Funds	\$ 16,650,655	0.04	Aaa
U.S. Agency Obligations	2,987,500	1.13	Aaa
	<u>\$ 19,638,155</u>		
Portfolio weighted average maturity		0.21	
TARC			
U.S. Government Money Market Funds	\$ 1,464,039	0.10	Aaa
	<u>\$ 1,464,039</u>		
Riverport			
U.S. Agency Discount Notes	\$ 4,779,639	0.35	Aaa
U.S. Agency Obligations	1,492,970	2.04	Aaa
	<u>\$ 6,272,609</u>		
Portfolio weighted average maturity		0.75	
MSD			
U.S. Treasury Obligations	\$ 420,000	0.36	Aaa
Corporate Bonds	12,019,000	0.02	Aa
Commercial Paper	36,432,000	0.36	P1
Money Market Funds	3,330,163	0.09	Aaa
Repurchase Agreements	48,836,821		
	<u>\$ 101,037,984</u>		
Portfolio weighted average maturity		0.26	
LSC			
Corporate Bonds	\$ 376,000	0.02	P1
Money Markets	249,520	0.15	Aaa
Other Investments	48,928		N/R
	<u>\$ 674,448</u>		
Portfolio weighted average maturity		0.07	

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

3. Cash Deposits and Investments, continued

As of June 30, 2007, PARC had \$63,388 in deposits that were not covered by FDIC insurance and were not collateralized with securities held by a pledging financial institution. LWC had \$1,179,692 in deposits that were not covered by FDIC insurance and were not collateralized, and \$57,342,000 in deposits that were collateralized with securities held by the pledging financial institution. LSC had deposits of \$296,789 that were collateralized with securities held by the pledging financial institution.

4. Disaggregation of Accounts Receivable and Accounts Payable

Accounts receivable are amounts owed to Metro Government as of June 30, 2007. Those amounts to be received within one year are considered current. All others are considered non-current.

Receivables at June 30, 2007 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, including allowance for uncollectible amounts, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Fiduciary Funds	Total	Component Units
Receivables:								
Taxes	\$ 5,679,253						\$ 5,679,253	
Accounts	14,778,783	\$ 6,822,050	\$ 666,370	\$ 22,584	\$ 360,045	\$ 1,148,181	23,798,013	\$ 36,300,723
Loans	2,067,622	17,957,929	2,399,561				22,425,112	
Notes	79,467		3,209,066				3,288,533	1,372,055
Gross receivables	22,605,125	24,779,979	6,274,997	22,584	360,045	1,148,181	55,190,911	37,672,778
Less allowance for uncollectibles	1,990,106	6,642,837					8,632,943	668,130
Net total receivables	<u>\$ 20,615,019</u>	<u>\$ 18,137,142</u>	<u>\$ 6,274,997</u>	<u>\$ 22,584</u>	<u>\$ 360,045</u>	<u>\$ 1,148,181</u>	<u>\$ 46,557,968</u>	<u>\$ 37,004,648</u>

Accounts payable are amounts owed by Metro Government as of June 30, 2007. Those liabilities to be paid within one year are considered current. All others are considered non-current.

Payables at June 30, 2007 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Fiduciary Funds	Total	Component Units
Payables:								
Vendors	\$ 10,841,360	\$ 4,576,789	\$ 1,995,043	\$ 1,318,840	\$ 1,480,958	\$ 4,202	\$ 20,217,192	\$ 30,577,518
Notes						3,500,000	3,500,000	60,532,965
Other	822,927						822,927	
Total payables	<u>\$ 11,664,287</u>	<u>\$ 4,576,789</u>	<u>\$ 1,995,043</u>	<u>\$ 1,318,840</u>	<u>\$ 1,480,958</u>	<u>\$ 3,504,202</u>	<u>\$ 24,540,119</u>	<u>\$ 91,110,483</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

5. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 287,445,282	\$ 3,900,366	\$ (2)	\$ 291,345,646
Land improvements	3,837,067			3,837,067
Construction in progress	36,108,691	16,440,954	(3,311,048)	49,238,597
Works of art	255,000			255,000
Total capital assets not being depreciated	<u>327,646,040</u>	<u>20,341,320</u>	<u>(3,311,050)</u>	<u>344,676,310</u>
Other capital assets:				
Land improvements	78,191,578	2,440,654		80,632,232
Buildings	344,528,356	4,338,110	(2,569,601)	346,296,865
Machinery and equipment	64,849,964	3,175,163	(7,335,927)	60,689,200
Vehicles	89,155,279	18,756,749	(4,757,725)	103,154,303
Collections & Works of art	33,475,637	3,828,777	(4,064,667)	33,239,747
Infrastructure	885,192,171	8,490,005	(24,158)	893,658,018
Total other capital assets at historical cost	<u>1,495,392,985</u>	<u>41,029,458</u>	<u>(18,752,078)</u>	<u>1,517,670,365</u>
Less accumulated depreciation for:				
Land improvements	(31,967,927)	(3,418,666)		(35,386,593)
Buildings	(122,900,773)	(7,276,559)	910,010	(129,267,322)
Machinery and equipment	(48,309,875)	(4,762,414)	6,699,462	(46,372,827)
Vehicles	(67,897,192)	(7,523,562)	3,570,965	(71,849,789)
Collections & Works of art	(22,684,322)	(2,839,377)	4,046,467	(21,477,232)
Infrastructure	(711,155,570)	(39,520,621)		(750,676,191)
Total accumulated depreciation	<u>(1,004,915,659)</u>	<u>(65,341,199)</u>	<u>15,226,904</u>	<u>(1,055,029,954)</u>
Other capital assets, net	<u>490,477,326</u>	<u>(24,311,741)</u>	<u>(3,525,174)</u>	<u>462,640,411</u>
Governmental activities capital assets, net	<u>\$ 818,123,366</u>	<u>\$ (3,970,421)</u>	<u>\$ (6,836,224)</u>	<u>\$ 807,316,721</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

5. Capital Assets, continued

Depreciation expense was charged to governmental activities as follows:

General Government	
Metro Council	\$ 991
Mayor's Office	33,236
Board of Elections	510,733
County Clerk	4,282
Finance Department	1,067
Information Technology	1,654,747
Police Department	754,042
Fire Department	846,716
Emergency Medical Services	2,401,839
Emergency Management Agency	454,614
Corrections Department	84,115
Youth Detention Services	13,199
Public Works Department	40,055,567
General Services Administration	9,108,768
Solid Waste Management Services	16,029
Inspections, Permits and Licenses	25,121
Animal Control Services	20,479
Department of Neighborhoods	3,697
Parks Department	1,102,737
Louisville Free Public Library	2,909,188
Louisville Zoological Gardens	895,618
Metro Development Authority	1,896,349
Planning and Development Services	3,942
Housing Department	2,596
Air Pollution Control	88,144
Waterfront Development Corporation	2,209,391
Redevelopment Authority	1,102
Health Department	235,135
Human Services	509
Kentuckiana Works	6,673
Community Action Partnership	573
Total depreciation expense	<u>\$ 65,341,199</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.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

5. Capital Assets, continued

Capital asset activity for the LWC for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 7,340,275		\$ (160,652)	\$ 7,179,623
Construction in progress	54,874,025	\$ 74,427,744	(78,329,733)	50,972,036
Total capital assets not being depreciated	62,214,300	74,427,744	(78,490,385)	58,151,659
Other capital assets:				
Buildings	80,778,414	4,120,859	(3,037,507)	81,861,766
Machinery and equipment	43,768,073	4,294,467	(1,672,799)	46,389,741
Infrastructure	766,653,547	65,329,570	(11,600,579)	820,382,538
Total other capital assets at historical cost	891,200,034	73,744,896	(16,310,885)	948,634,045
Less accumulated depreciation for:				
Buildings	(29,628,993)	(1,751,701)	1,876,165	(29,504,529)
Machinery and equipment	(25,268,849)	(4,172,900)	1,653,279	(27,788,470)
Infrastructure	(193,310,328)	(15,254,529)	5,174,732	(203,390,125)
Total accumulated depreciation	(248,208,170)	(21,179,130)	8,704,176	(260,683,124)
Other capital assets, net	642,991,864	52,565,766	(7,606,709)	687,950,921
Capital assets, net	\$ 705,206,164	\$ 126,993,510	\$ (86,097,094)	\$ 746,102,580

Capital asset activity for PARC for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 9,304,855			\$ 9,304,855
Construction in progress	1,485,881	\$ 4,608,161	\$ (3,924,487)	2,169,555
Total capital assets not being depreciated	10,790,736	4,608,161	(3,924,487)	11,474,410
Other capital assets:				
Buildings and Improvements	79,784,386	3,639,754		83,424,140
Machinery and equipment	3,832,319	249,945		4,082,264
Total other capital assets at historical cost	83,616,705	3,889,699		87,506,404
Total accumulated depreciation	(34,434,902)	(3,498,596)	-	(37,933,498)
Other capital assets, net	49,181,803	391,103	-	49,572,906
Capital assets, net	\$ 59,972,539	\$ 4,999,264	\$ (3,924,487)	\$ 61,047,316

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

5. Capital Assets, continued

Capital asset activity for TARC for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,177,782			\$ 3,177,782
Other capital assets:				
Buildings	23,811,186	\$ 120,146		23,931,332
Vehicles	66,943,074	2,022,596	\$ (1,005)	68,964,665
Capitalized leased vehicles	4,734,946			4,734,946
Machinery and equipment	10,512,654	899,584		11,412,238
Total other capital assets at historical cost	106,001,860	3,042,326	(1,005)	109,043,181
Less accumulated depreciation	(59,791,373)	(6,974,135)		(66,765,508)
Other capital assets, net	46,210,487	(3,931,809)	(1,005)	42,277,673
Capital assets, net	<u>\$ 49,388,269</u>	<u>\$ (3,931,809)</u>	<u>\$ (1,005)</u>	<u>\$ 45,455,455</u>

Capital asset activity for Riverport for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 8,122,600		\$ (20,614)	\$ 8,101,986
Other capital assets:				
Buildings	29,551,076	\$ 411,314	(288,830)	29,673,560
Other	171,342	1,545		172,887
Total other capital assets at historical cost	29,722,418	412,859	(288,830)	29,846,447
Less accumulated depreciation for:				
Buildings	(13,986,078)	(852,023)	211,731	(14,626,370)
Other	(124,159)	(13,520)		(137,679)
Total accumulated depreciation	(14,110,237)	(865,543)	211,731	(14,764,049)
Other capital assets, net	15,612,181	(452,684)	(77,099)	15,082,398
Capital assets, net	<u>\$ 23,734,781</u>	<u>\$ (452,684)</u>	<u>\$ (97,713)</u>	<u>\$ 23,184,384</u>

Capital asset activity for MSD for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 211,761,000	\$ 73,678,000	\$ (92,019,000)	\$ 193,420,000
Other capital assets:				
Infrastructure	2,049,762,000	101,347,000	(1,329,000)	2,149,780,000
Less accumulated depreciation	(527,799,000)	(52,055,000)	1,210,000	(578,644,000)
Other capital assets, net	1,521,963,000	49,292,000	(119,000)	1,571,136,000
Capital assets, net	<u>\$ 1,733,724,000</u>	<u>\$ 122,970,000</u>	<u>\$ (92,138,000)</u>	<u>\$ 1,764,556,000</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

5. Capital Assets, continued

Capital asset activity for the LSC for the year ended June 30, 2007 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	\$ 69,306	\$ 77,515		\$ 146,821
Other capital assets:				
Leasehold improvements	4,830,867	6,046		4,836,913
Machinery and equipment	838,279	18,409		856,688
Museum exhibits	17,966,283	542,214		18,508,497
Total other capital assets				
at historical cost	23,635,429	566,669	-	24,202,098
Less accumulated depreciation	(13,076,373)	(1,572,660)		(14,649,033)
Other capital assets, net	10,559,056	(1,005,991)	-	9,553,065
Capital assets, net	<u>\$ 10,628,362</u>	<u>\$ (928,476)</u>	<u>\$ -</u>	<u>\$ 9,699,886</u>

6. Land Held for Development

Land held for development at June 30, 2007 is summarized as follows:

	<u>Riverport Authority</u>
Land held for development	<u>\$ 8,047,549</u>

7. 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 with a \$1,000,000 corridor. Excess coverage is purchased above this retained level.
- C. Unemployment Compensation: Completely self-insured.
- D. Group Health Coverage: Prior to January 1, 2007, Metro Government offered various health insurance programs, including two Health Maintenance Organizations ("HMO") and two Preferred Provider Organizations ("PPO"), which were available as options to all eligible Metro Government employees. Effective January 1, 2007, the HMO plans were terminated and Metro Employees were eligible to receive benefits through six PPO

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

7. Risk Management, continued

options. The reserve for incurred but not reported ("IBNR") claims was calculated for the HMO plans, which were terminated on January 1, 2007.

- E. General Liability: Various general liability exposures (including public official liability, law enforcement liability, medical professional liability, employers liability, and 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 by 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 \$24,999,327 reported in the Fund at June 30, 2007, 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.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

7. Risk Management, continued

Changes in the Fund's claims liability amount in fiscal years 2006 and 2007 were as follows:

Year ending June 30	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2006	\$ 19,338,220	\$ 48,118,549	\$ 46,868,766	\$ 20,588,003
2007	20,588,003	53,843,407	49,432,083	24,999,327

The liability associated with the health self-insurance fund as of June 30, 2007 is \$3,400,000.

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 and independently audited financial statements of each trust are available through the Metro Government Department of Finance. For this service, Metro Government receives an annual administrative fee of \$149,073 of which \$20,205 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 LAGIT.

8. Short-Term Debt

On July 1, 2006, the Escrow and Deposit fund re-issued the Amended and Restated General Obligation Bond Anticipation Note, Series 2006A for \$3,500,000. The original note was issued to Metro in the principal amount of \$3,500,000 and dated on original issuance as of January 30, 2004. This note was issued for public improvements related to projects originally authorized by the Series 2001A Bonds, and is renewable annually. The interest on the original note made to Metro has been paid in full through June 30, 2007. The following table outlines activity on the note during fiscal year 2007:

Year ending June 30	Beginning Balance	Additions	Reductions	Ending Balance
2007	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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 are \$249,111,000 of General Obligation Bonds outstanding at June 30, 2007. The primary collateral for the General Obligation Bonds are the occupational license tax and net profits license tax collected by the 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 \$5,655,000 of General Obligations Bonds, Series 2004B for the purpose of financing capital improvements of designated parking facilities for PARC. PARC has entered into an operating sublease agreement with Metro Government to provide payment in amounts equal to the debt service on the series 2004B bonds. The sublease is renewable annually through fiscal year 2025 at the option of PARC.

In October 2006, Metro Government issued \$33,255,000 of General Obligation Bonds, Series 2006A. The Series A bonds are payable in principal installments ranging from \$1,100,000 to \$2,405,000 plus interest at 4.0% to 4.5% over 20 years. Proceeds of the Series 2006A bonds are being used for financing various capital improvement projects as outlined in Metro Government's 2007 fiscal year capital budget, including waterfront development, emergency management and parks projects.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

General Obligation Bonds outstanding, including accreted interest, at June 30, 2007, are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2007
City of Louisville General Obligation				
Serial Bonds:				
Refunding Bonds, Series 1998A	\$ 25,650	4.00 to 5.125%	2019	\$ 17,860
Series 2001A	13,490	4.00 to 5.00	2022	11,080
Series 2002A Exempt	38,900	3.25 to 5.00	2024	34,670
Series 2002B Taxable	8,550	4.00 to 6.05	2024	7,735
Jefferson Co. General Obligation				
Bonds:				
1998A Serial Bonds	28,650	4.00 to 4.90	2019	19,885
1999A Serial & Term Bonds	8,800	5.05 to 5.15	2009	750
1999B Serial & Term Bonds	6,790	5.05 to 5.15	2009	1,225
1999C Serial & Term Bonds	15,265	5.45 to 6.15	2016	9,825
2000A Term & Coupon Bonds	2,595	7.70	2016	1,725
2000B Capital Appreciation Bonds	50,096	5.45 to 6.00	2015	35,291
2001A Current Interest Bonds	36,900	5.00 to 5.50	2012	19,575
2001B Current Interest Bonds	2,885	5.00 to 5.50	2011	1,335
2002A Serial Coupon	32,995	3.50 to 4.75	2020	24,135
2002B Serial Coupon	16,450	3.00	2008	3,270
Louisville/Jefferson Co. Metro				
Government General Obligation				
Bonds:				
Series 2004A	23,840	3.00 to 5.00	2025	22,225
Series 2004B	5,655	3.00 to 5.00	2025	5,270
Series 2006A	33,255	4.00 to 4.50	2027	33,255
				<u>249,111</u>
Net of premiums, discounts and deferred amounts on refunding				(1,258)
Total general obligation bonds				<u>\$ 247,853</u>

First Mortgage and Lease Revenue Bonds

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
2008	\$ 21,062	\$ 11,449	\$ 32,511
2009	18,753	11,000	29,753
2010	19,279	10,428	29,707
2011	19,207	9,870	29,077
2012	18,682	9,316	27,998
2013-2017	69,018	33,142	102,160
2018-2022	46,650	10,902	57,552
2023-2027	24,435	2,027	26,462
Totals	<u>\$ 237,086</u>	<u>\$ 98,134</u>	<u>\$ 335,220</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

There are \$130,220,000 of First Mortgage and Lease Revenue Bonds outstanding at June 30, 2007. 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.

In March 2007, the Jefferson County, Kentucky Capital Projects Corporation issued \$58,855,000 of Lease Revenue Refunding Bonds, Series 2007A. The Series 2007A bonds are payable in principal installments ranging from \$2,000,000 to \$4,140,000 plus interest at 4.0% to 4.375% over 21 years. Proceeds of the Series 2007A bonds were used to refund, on a current basis, the Corporation's outstanding Series 1997 Lease Revenue Bonds at a 2% premium to par. The refunding resulted in net present value savings of \$4,637,919 or 8.16% of refunded principal.

First Mortgage and Lease Revenue Bonds outstanding, including accreted interest, at June 30, 2007, are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2007
City of Louisville Public Properties Corporation First Mortgage Bonds:				
Revenue Refunding Bonds, Series 1998	\$ 13,090	4.50 to 5.00%	2023	\$ 9,800
Revenue Bonds, Second Series 1998	23,200	5.60 to 6.375	2019	16,880
Jefferson Co. Lease Revenue Bonds:				
1992A Municipal Multiplier Term Bonds	16,764	6.75 to 7.00	2018	44,685
2007A Current Interest Bonds	58,855	4.00 to 4.375	2028	58,855
				<u>130,220</u>
Net of premiums, discounts and deferred amounts on refunding				(2,177)
Total First Mortgage and Lease Revenue Bonds				<u><u>\$ 128,043</u></u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

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
2008	\$ 2,044	\$ 4,944	\$ 6,988
2009	5,092	6,763	11,855
2010	5,192	6,765	11,957
2011	5,286	6,715	12,001
2012	5,574	7,169	12,743
2013-2017	32,107	42,452	74,559
2018-2022	23,744	13,519	37,263
2023-2027	19,120	3,387	22,507
2028	4,140	181	4,321
Totals	<u>\$ 102,299</u>	<u>\$ 91,895</u>	<u>\$ 194,194</u>

Notes payables outstanding at June 30, 2007 are as follows (in thousands):

Description of Issue	Interest Rate	Maturity	Debt Outstanding June 30, 2007
IBM Credit Corporation	5.05%	2008	\$ 57

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

Year ending June 30	Principal	Interest	Total
2008	\$ 57	\$ 1	\$ 58

Pursuant to the Internal Revenue code of 1986, as amended, Metro Government computes rebateable arbitrage on each of its outstanding bonds a minimum of every five years and at maturity. Metro Government has covenanted to rebate excess earnings on invested bond proceeds to the United States Treasury for each five-year computation period in accordance with the law. There was no arbitrage rebate liability for Metro Government at June 30, 2007.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

B. Discretely Presented Component Units

i. Louisville Water Company

LWC had \$71,800,000 in Water System Revenue Bonds, Series 2000, \$39,750,000 in Water System Refunding Bonds, Series 2001, \$83,845,000 in Water System Revenue Bonds, Series 2006, and \$165,000 in various Kentucky Infrastructure Authority loans and notes outstanding at December 31, 2006.

The Series 2000 bonds mature annually in amounts ranging from \$2,310,000 to \$5,870,000 from November 15, 2007 through 2025 and bear interest at rates ranging from 5.0% to 5.5%. The Series 2001 bonds mature annually in amounts ranging from \$4,185,000 to \$5,845,000 from November 15, 2007 through 2014 and bear interest at rates ranging from 4.0% to 4.7%. The Series 2006 bonds mature annually in amounts ranging from \$500,000 to \$5,470,000 from November 15, 2007 through 2031 and bear interest at rates ranging from 4.0% to 5.0%.

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

Year ending December 31	Principal	Interest	Total
2007	\$ 7,160	\$ 9,499	\$ 16,659
2008	8,525	9,177	17,702
2009	9,310	8,789	18,099
2010	9,945	8,369	18,314
2011	10,215	7,920	18,135
2012-2016	46,255	32,440	78,695
2017-2021	37,415	22,848	60,263
2022-2026	41,715	12,329	54,044
2027-2031	25,020	3,866	28,886
Totals	<u>\$ 195,560</u>	<u>\$ 115,237</u>	<u>\$ 310,797</u>

ii. Parking Authority of River City, Inc.

PARC has \$19,820,000 of First Mortgage Revenue Refunding Bonds Series 1997, \$8,545,000 of First Mortgage Revenue Refunding Bonds Series 2001, and \$18,495,000 of First Mortgage Revenue Bonds Series 2002 outstanding at June 30, 2007, less \$2,398,357 of unamortized discount and loss on bond refunding, equaling \$44,461,643 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 \$695,000 to \$2,140,000 from December 1, 2007 through December 1, 2020 and bear interest ranging from 4.5% to 5.0%. The Series 2001 bonds mature semi-annually in amounts ranging from \$425,000 to \$590,000 from December 1, 2007 through December 1, 2015 and bear interest ranging from 4.0% to 4.625%. The Series 2002 bonds mature

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

annually in amounts ranging from \$330,000 to \$1,330,000 from June 1, 2008 through June 1, 2032 and bear interest ranging from 3.25% to 5.0%.

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

Year ending June 30	Principal	Interest	Total
2008	\$ 2,715	\$ 2,147	\$ 4,862
2009	2,835	2,030	4,865
2010	2,960	1,905	4,865
2011	3,095	1,771	4,866
2012	3,235	1,629	4,864
2013-2017	14,540	5,821	20,361
2018-2022	6,670	3,493	10,163
2023-2027	4,760	2,225	6,985
2028-2032	6,050	937	6,987
Totals	<u>\$ 46,860</u>	<u>\$ 21,958</u>	<u>\$ 68,818</u>

iii. Louisville and Jefferson County Riverport Authority

On December 27, 2005, Riverport borrowed \$63,000,000 for the purchase of certain assets. The note has a fixed interest rate of 6% and is to be paid in annual installments of principal and interest based on an amortization of 30 years. The first installment was paid on December 27, 2005 with each subsequent installment due on December 27 of each year. The entire outstanding principal balance of the indebtedness, plus all accrued but unpaid interest, is due and payable on December 27, 2010. The property purchased with this note was leased back to the seller of the property through a direct financing lease. The outstanding principal balance was \$61,404,989 and interest expense on this note was \$3,748,116 for the year ended June 30, 2007.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

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

Year ending June 30	Principal	Interest	Total
2008	\$ 872	\$ 3,660	\$ 4,532
2009	926	3,607	4,533
2010	983	3,550	4,533
2011	58,624		58,624
Totals	<u>\$ 61,405</u>	<u>\$ 10,817</u>	<u>\$ 72,222</u>

iv. Metropolitan Sewer District

MSD has \$1,345,285,000 of Revenue Bonds outstanding as of June 30, 2007, less \$19,859,000 of an unamortized loss on refunding, equaling \$1,325,426,000 of outstanding debt shown on the statement of net assets. MSD's various bonds outstanding are listed in the following table (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2007
Sewer and Drainage System				
Revenue Bonds:				
Series 1997A	\$ 51,245	5.25 to 6.00 %	2027	\$ 24,815
Series 1997B	68,350	4.00 to 5.20	2025	65,940
Series 1998A	260,000	4.25 to 9.00	2030	240,700
Series 1999A	300,000	5.25 to 6.50	2033	290,700
Series 2001A	300,000	5.00 to 5.50	2036	295,415
Series 2003A and 2003B	191,000	variable	2023	164,580
Series 2004A	100,000	5.00 to 5.25	2038	100,000
Series 2005A	64,740	3.00 to 5.00	2026	63,135
Series 2006A	100,000	4.00 to 5.00	2038	100,000
				<u>1,345,285</u>
Less: unamortized loss on refunding				<u>(19,859)</u>
Total Sewer and Drainage System Revenue Bonds				<u>\$ 1,325,426</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

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

Year ending June 30	Principal	Interest	Total
2008	\$ 18,190	\$ 68,923	\$ 87,113
2009	20,825	67,890	88,715
2010	21,795	66,898	88,693
2011	22,770	65,892	88,662
2012	23,815	64,824	88,639
2013-2017	136,950	305,702	442,652
2018-2022	174,665	268,935	443,600
2023-2027	224,835	220,880	445,715
2028-2032	292,450	156,533	448,983
2033-2037	351,635	67,607	419,242
2038	57,355	2,845	60,200
Totals	<u>\$ 1,345,285</u>	<u>\$ 1,356,929</u>	<u>\$ 2,702,214</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

9. Long-Term Debt, continued

C. Summary of Debt Transactions:

Long-term liability activity for the year ended June 30, 2007 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	\$ 236,750	\$ 35,226	\$ (22,865)	\$ 249,111	\$ 21,062
Revenue bonds	126,630	61,790	(58,200)	130,220	2,044
Notes payable	318		(261)	57	57
Bonds and notes payable	<u>363,698</u>	<u>97,016</u>	<u>(81,326)</u>	<u>379,388</u>	<u>23,163</u>
Net of bond premiums, discounts and deferred amount on refundings	(1,404)	(2,246)	215	(3,435)	
Total bonds and notes payable	<u>362,294</u>	<u>94,770</u>	<u>(81,111)</u>	<u>375,953</u>	<u>23,163</u>
Other liabilities:					
Capital lease	500		(67)	433	72
Claims and judgments	32,588	53,843	(49,432)	36,999	10,896
Compensated absences	18,478	15,378	(15,439)	18,417	1,873
Total other liabilities	<u>51,566</u>	<u>69,221</u>	<u>(64,938)</u>	<u>55,849</u>	<u>12,841</u>
Governmental activities long-term liabilities	<u>\$ 413,860</u>	<u>\$ 163,991</u>	<u>\$ (146,049)</u>	<u>\$ 431,802</u>	<u>\$ 36,004</u>
COMPONENT UNITS:					
Bonds payable:					
LWC	\$ 118,032	\$ 83,845	\$ (6,317)	\$ 195,560	\$ 7,160
PARC	46,807		(2,345)	44,462	2,715
Riverport	62,258		(853)	61,405	872
MSD	1,341,256		(15,830)	1,325,426	18,190
Total bonds payable	<u>1,568,353</u>	<u>83,845</u>	<u>(25,345)</u>	<u>1,626,853</u>	<u>28,937</u>
Other liabilities:					
Claims and judgments	1,718	2,203	(1,988)	1,933	
Compensated absences	4,712		(559)	4,153	3,258
	<u>6,430</u>	<u>2,203</u>	<u>(2,547)</u>	<u>6,086</u>	<u>3,258</u>
Component units long-term liabilities	<u>\$ 1,574,783</u>	<u>\$ 86,048</u>	<u>\$ (27,892)</u>	<u>\$ 1,632,939</u>	<u>\$ 32,195</u>

Balances for claims and judgments include \$24,999,327 reported in the Insurance and Risk Management Fund, an Internal Service Fund.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

10. Capital Lease Obligations

Primary Government

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 June 30	Principal	Interest	Total
2008	\$ 72,015	\$ 25,174	\$ 97,189
2009	76,585	20,604	97,189
2010	81,445	15,744	97,189
2011	86,613	10,576	97,189
2012	92,109	5,080	97,189
2013	23,926	371	24,297
Totals	<u>\$ 432,693</u>	<u>\$ 77,549</u>	<u>\$ 510,242</u>

11. Conduit Debt Obligations

Metro Government occasionally issues Industrial Revenue Bonds to assist local private-sector entities in financing new or expanded industrial, commercial or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of Louisville Metro Government or a pledge of faith and credit of Louisville Metro Government or any political subdivision thereof. Accordingly, the bonds and related assets are not included in Metro Government's financial statements.

12. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2007, are as follows:

Fund	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 24,979,847	
Capital Projects		
Other Governmental	640,761	
Agency:		
Revenue Commission	11,192,012	
Escrow & Deposit		\$ 20,091
Mass Transit	3,255,168	
Internal Service:		
Insurance and Risk Management		
Revenue Commission		40,047,697
Totals	<u>\$ 40,067,788</u>	<u>\$ 40,067,788</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

11. Interfund Receivables, Payables, and Transfers, continued

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 during the fiscal year ended June 30, 2007 were as follows:

	<u>Transfers in:</u>				Total
	<u>General Fund</u>	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund		\$ 18,223	\$ 18,194,800	\$ 45,036,708	\$ 63,249,731
Special Revenue Fund	\$ 1,661,243			347,708	2,008,951
Capital Projects Fund	32,462				32,462
Nonmajor Governmental Funds	2,031				2,031
Total transfers out	<u>\$ 1,695,736</u>	<u>\$ 18,223</u>	<u>\$ 18,194,800</u>	<u>\$ 45,384,416</u>	<u>\$ 65,293,175</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) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

13. 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 net increase in this account during the year totaled \$19,299,646 and is shown on the statement of revenues, expenses and changes in net assets as non-operating revenue.

14. Contingencies and Commitments

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 Government.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

14. Contingencies and Commitments, continued

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 Government.

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

In 1997 Jefferson County issued \$18,500,000 in bonds, which were 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.

D. Construction Commitments

The Metro Government has active construction projects as of June 30, 2007. The projects include improvements to major roadways, government buildings, parks, and other various ongoing projects.

15. 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* 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.

16. 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.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

17. 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 post-closure 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, which is now reported as Metro Government's Major Capital Projects Fund. Payments and changes in estimates have decreased this liability from prior years to \$42,000 at June 30, 2007. Future costs may vary from that amount because of inflation, changes in technology, or changes in regulations.

18. Pension Plans

A. County Employees' Retirement System

i. Plan Description

Metro Government, the LWC, TARC, Riverport, MSD, and the Revenue Commission 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, 2007, is 13.19% (28.21% under the Hazardous Duty Plan) of participating employees' compensation. The contribution requirements of employers and plan members 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, 2007, 2006, and 2005 were \$54,511,578, \$44,565,067, and \$37,470,844, respectively.

Contributions of Metro Government's Component Units are as follows:

- LWC's contributions to the CERS for years ending December 31, 2006, 2005, and 2004 were \$3,411,290, \$2,888,640, and \$2,354,391, respectively.
- TARC's contribution to the CERS for the years ended June 30, 2007, 2006, and 2005 were \$3,457,984, \$2,738,701, and \$2,146,157, respectively.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

18. Pension Plans, continued

- Riverport's contribution to the CERS for the years ended June 30, 2007, 2006, and 2005 were \$43,954, \$33,160, and \$28,570, respectively.
- MSD's contribution to the CERS for the years ended June 30, 2007, 2006, and 2005 were \$4,221,000, \$3,288,000, and \$2,478,000, respectively.
- The Revenue Commission's contribution to the CERS for the years ended June 30, 2007, 2006, and 2005 were \$288,000, \$255,000, and \$189,000, respectively.

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

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

18. Pension Plans, continued

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.

Membership of each plan consisted of the following at June 30, 2007:

	Firefighters' Pension <u>Fund</u>	Policemen's Retirement <u>Fund</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	258	217
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. Metro Government contributed the required amount the Firefighters' Pension Fund and the Policemen's Retirement Fund for each of the past three fiscal years.

For the fiscal year ended June 30, 2007, there were no net pension obligations for the Policemen's Retirement Fund or the Firefighters' Pension Fund.

Based on the actuarial valuations performed by consulting actuaries at January 1, 2007, Metro Government is required to make contributions to the Policemen's Retirement Fund of \$1,381,943 and to the Firefighters' Pension Fund of \$1,890,353

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

18. Pension Plans, continued

for the fiscal year beginning July 1, 2007. Actuarial assumptions and other information used to determine the annual required contributions are presented in the following table:

	<u>Firefighters’ Pension Fund</u>	<u>Policemen’s Retirement Fund</u>
Valuation date	January 1, 2007	January 1, 2007
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	7.5%	7.5%
Projected salary increases	N/A	7.5%
Projected inflation rate	N/A	N/A

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

18. Pension Plans, continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION & BENEFIT TRUST FUNDS
June 30, 2007

	<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	\$ 4,139,173	\$ 413,873	\$ 4,553,046
Equity securities	7,361,252	8,735,344	16,096,596
Corporate bonds	91,940	849,570	941,510
US Government obligations		76,500	76,500
US Agency obligations	31,815	1,112,044	1,143,859
Other investments		191,986	191,986
Accounts receivable and accrued interest	177,163	158,172	335,335
Total assets	<u>\$ 11,801,343</u>	<u>\$ 11,537,489</u>	<u>\$ 23,338,832</u>
LIABILITIES			
Accounts payable	\$ 4,202		\$ 4,202
Health insurance reimbursement and accrued liabilities	171,898	\$ 139,916	311,814
Total liabilities	<u>176,100</u>	<u>139,916</u>	<u>316,016</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 11,625,243</u>	<u>\$ 11,397,573</u>	<u>\$ 23,022,816</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2007

18. 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, 2007

	Firefighters' Pension Trust	Policemen's Retirement Fund	Total Pension & Benefit Trust
ADDITIONS			
Contributions:			
Employer	\$ 1,404,474	\$ 1,063,968	\$ 2,468,442
Member		3,823	3,823
Total contributions	<u>1,404,474</u>	<u>1,067,791</u>	<u>2,472,265</u>
Investment earnings:			
Increase (decrease) in fair value of investments	791,330	695,506	1,486,836
Realized gains and losses	576,344	752,683	1,329,027
Interest and dividends	245,691	284,825	530,516
Net investment earnings	<u>1,613,365</u>	<u>1,733,014</u>	<u>3,346,379</u>
Other income	1,008,211	800,481	1,808,692
Total additions	<u>4,026,050</u>	<u>3,601,286</u>	<u>7,627,336</u>
DEDUCTIONS			
Benefit payments	3,378,198	2,714,415	6,092,613
Administration expense	271,975	327,539	599,514
Health insurance reimbursement	625,411	446,386	1,071,797
Total deductions	<u>4,275,584</u>	<u>3,488,340</u>	<u>7,763,924</u>
Net decrease	(249,534)	112,946	(136,588)
Net assets--beginning of the year	<u>11,874,777</u>	<u>11,284,627</u>	<u>23,159,404</u>
Net assets--end of the year	<u>\$ 11,625,243</u>	<u>\$ 11,397,573</u>	<u>\$ 23,022,816</u>

Continued

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, 2007

	Original Budget	Final Budget	Actual Amounts - GAAP Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 125,232,000	\$ 126,609,000	\$ 127,919,524	\$ 1,310,524
Occupational taxes	284,150,000	294,770,000	307,856,301	13,086,301
Licenses and permits	12,029,300	11,774,300	11,811,402	37,102
Intergovernmental	65,872,200	29,472,350	28,558,713	(913,637)
Charges for services	84,518,400	85,825,723	51,954,147	(33,871,576)
Fees and fines	2,825,300	2,280,300	3,326,004	1,045,704
Investment income	2,990,000	3,400,000	5,508,992	2,108,992
Dividends	15,410,000	15,410,000	14,625,718	(784,282)
Donations	4,935,800	5,105,325	3,298,312	(1,807,013)
Miscellaneous	21,959,400	1,565,572	3,166,736	1,601,164
Total revenues	<u>619,922,400</u>	<u>576,212,570</u>	<u>558,025,849</u>	<u>(18,186,721)</u>
EXPENDITURES				
Current operating:				
General Government	24,696,100	24,979,432	23,258,062	1,721,370
Internal Audit	707,200	707,200	682,938	24,262
Finance	10,104,700	14,728,995	8,200,810	6,528,185
External Agencies	5,598,600	5,598,600	4,602,091	996,509
Policy and Strategic Planning	678,600	1,158,600	932,161	226,439
Information Technology	8,645,900	8,649,119	7,813,687	835,432
Human Resources Department	4,207,300	4,207,300	3,877,455	329,845
Human Relations Commission	997,100	997,100	894,746	102,354
Police Department	136,662,900	136,966,394	123,711,421	13,254,973
Public Protection Cabinet	171,700	171,700	134,064	37,636
Fire Department	48,476,500	49,328,700	48,088,235	1,240,465
Emergency Medical Services	18,892,700	21,972,500	21,243,470	729,030
Emergency Management	8,848,700	10,093,500	9,620,832	472,668
Corrections Department	41,666,700	43,441,400	42,605,050	836,350
Youth Detention Services	7,639,700	8,380,100	8,231,012	149,088
Crime Commission	449,700	449,700	330,991	118,709
Office of Public Safety	227,800	227,800	155,881	71,919
Firefighters' Pension Fund	2,487,300	2,487,300	2,400,232	87,068
Policemen's Retirement Fund	1,929,300	1,929,300	1,865,091	64,209
Public Works Department	15,092,000	15,399,585	12,713,084	2,686,501
General Services Administration	34,017,800	34,567,800	32,793,726	1,774,074
Solid Waste Management and Services	22,611,200	22,734,702	18,886,726	3,847,976
Inspections, Permits and Licenses Department	6,994,900	6,994,900	6,485,298	509,602
Animal Control Services	2,568,400	2,637,090	2,314,280	322,810
Department of Neighborhoods	7,466,800	7,504,455	6,559,384	945,071
Parks Department	25,157,300	25,526,966	22,431,967	3,094,999
Louisville Free Public Library	17,912,200	18,016,725	17,262,593	754,132
Louisville Zoological Gardens	12,274,300	12,289,300	11,072,883	1,216,417
Metro Development Authority	14,956,600	15,245,307	8,862,020	6,383,287
Planning and Development Services	3,630,000	3,638,000	3,319,534	318,466
Housing Department	1,347,200	1,396,200	1,185,324	210,876
Community Development	62,452,800	3,514,400	3,268,308	246,092
Air Pollution Control	996,200	1,006,200	541,359	464,841
Waterfront Development Corporation	3,638,200	3,720,800	2,141,916	1,578,884
Louisville Redevelopment Authority	243,400	243,400	57,326	186,074
Health Department	23,415,200	23,436,200	21,647,941	1,788,259
Human Services	13,150,800	12,957,200	12,343,176	614,024
Kentuckiana Works	250,000	250,000	250,000	-
Community Action Partnership	9,300	9,300	8,284	1,016
Debt service	28,649,300	28,649,300	394,662	28,254,638
Total expenditures	<u>619,922,400</u>	<u>576,212,570</u>	<u>493,188,020</u>	<u>83,024,550</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>64,837,829</u>	<u>\$ 64,837,829</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			1,695,736	
Transfers out			<u>(63,249,731)</u>	
Total other financing sources and uses			<u>(61,553,995)</u>	
Net change in fund balances			3,283,834	
Fund balances--beginning			100,880,065	
Fund balances--ending			<u>\$ 104,163,899</u>	

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

June 30, 2007

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 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:						
1/1/2002	23,419,155	27,290,103	3,870,948	85.8%	-	0%
1/1/2003	16,862,780	26,081,663	9,218,883	64.7%	-	0%
1/1/2004	15,299,159	24,691,614	9,392,455	62.0%	-	0%
1/1/2005	13,888,714	23,203,024	9,314,310	59.9%	-	0%
1/1/2006	12,900,389	28,786,353	15,885,964	44.8%	-	0%
1/1/2007	12,365,461	28,461,258	16,095,797	43.4%	-	0%
Policemen's Retirement Fund:						
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%
1/1/2006	12,165,678	22,741,250	10,575,572	53.5%	46,525	22730.9%
1/1/2007	12,023,033	22,317,402	10,294,369	53.9%	51,542	19972.8%

Year Ended June 30	Firefighters' Pension Fund		Policemen's Retirement Fund	
	Annual Contribution	Percentage Contributed	Annual Contribution	Percentage Contributed
	2002	32,610 *	100.0%	27,824 *
2003	31,479 *	100.0%	150,544 *	100.0%
2004	600,129 *	100.0%	651,469 *	100.0%
2005	1,057,280	100.0%	1,282,519	100.0%
2006	1,655,809	100.0%	1,569,675	100.0%
2007	1,404,474	100.0%	1,063,968	100.0%

*These amounts have been restated from the prior year for consistent presentation with the current year. These amounts include the employer's required contribution and the supplemental contribution approved the Metro Council.

**OTHER SUPPLEMENTARY INFORMATION -
COMBINING FINANCIAL STATEMENTS**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007**

	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	1,395	\$ 374,906	\$ 152,072
Total assets	<u>\$ 642,156</u>	<u>\$ 374,906</u>	<u>\$ 152,072</u>
LIABILITIES			
Accounts payable			
Matured bonds payable	\$ 640,761		
Total liabilities	<u>640,761</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Encumbrances			
Debt service	1,395	\$ 374,906	\$ 152,072
Unreserved			
Total fund balances	<u>1,395</u>	<u>374,906</u>	<u>152,072</u>
Total liabilities and fund balances	<u>\$ 642,156</u>	<u>\$ 374,906</u>	<u>\$ 152,072</u>

Capital Projects Funds

Special Purpose Fund	Bond Fund	Public Properties Corporation	Capital Projects Corporation	Revenue Finance Corporation	Total Nonmajor Governmental Funds
\$ 5,167,845	\$ 16,465	\$ 805,245		\$ 44,836	\$ 6,034,391
14,531,548	46,297	2,264,281		123,782	16,965,908
	22,584				22,584
					640,761
			\$ 1,389,317		1,917,690
<u>\$ 19,699,393</u>	<u>\$ 85,346</u>	<u>\$ 3,069,526</u>	<u>\$ 1,389,317</u>	<u>\$ 168,618</u>	<u>\$ 25,581,334</u>
\$ 1,318,840					\$ 1,318,840
					640,761
<u>1,318,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,959,601</u>
3,832,909					3,832,909
14,547,644	\$ 85,346	\$ 3,069,526	\$ 1,389,317	\$ 168,618	19,260,451
18,380,553	85,346	3,069,526	1,389,317	168,618	23,621,733
<u>\$ 19,699,393</u>	<u>\$ 85,346</u>	<u>\$ 3,069,526</u>	<u>\$ 1,389,317</u>	<u>\$ 168,618</u>	<u>\$ 25,581,334</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Debt Service Funds			Special Purpose Fund
	General Obligation	Public Properties Corporation	Capital Projects Corporation	
REVENUES				
Intergovernmental			\$ 2,800,304	\$ 3,704,212
Charges for services	\$ 434,563			474,873
Investment income (loss)	1,658	\$ 45,220	10,004	111,993
Total revenues	<u>436,221</u>	<u>45,220</u>	<u>2,810,308</u>	<u>4,291,078</u>
EXPENDITURES				
Current:				
Miscellaneous				318,677
Bond issuance costs			482,630	
Debt service:				
Principal	22,865,000	1,350,000		
Interest and other charges	9,591,626	1,552,433	1,998,724	
Payment to bond refunding escrow agent			678,000	
Capital outlay				<u>17,216,976</u>
Total expenditures	<u>32,456,626</u>	<u>2,902,433</u>	<u>3,159,354</u>	<u>17,535,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,020,405)</u>	<u>(2,857,213)</u>	<u>(349,046)</u>	<u>(13,244,575)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets				13,628
Issuance of refunding bonds			58,855,000	
Refunded bond discount			(137,152)	
Payment to bond refunding escrow agent			(58,220,426)	
Transfers in	32,021,134	2,868,333		10,494,949
Transfers out		(2,031)		
Total other financing sources and uses	<u>32,021,134</u>	<u>2,866,302</u>	<u>497,422</u>	<u>10,508,577</u>
Net change in fund balances	729	9,089	148,376	(2,735,998)
Fund balances--beginning	666	365,817	3,696	21,116,551
Fund balances--ending	<u>\$ 1,395</u>	<u>\$ 374,906</u>	<u>\$ 152,072</u>	<u>\$ 18,380,553</u>

Capital Projects Funds

Bond Fund	Capital Projects Corporation	Public Properties Corporation	Revenue Finance Corporation	Total Nonmajor Governmental Funds
	\$ 1,389,317			\$ 7,893,833 909,436 168,875
-	1,389,317	-	-	8,972,144
				318,677 482,630
				24,215,000 13,142,783 678,000
		\$ 63,970		17,280,946
-	-	63,970	-	56,118,036
-	1,389,317	(63,970)	-	(47,145,892)
				13,628 58,855,000 (137,152) (58,220,426) 45,384,416 (2,031)
-	-	-	-	45,893,435
-	1,389,317	(63,970)	-	(1,252,457)
\$ 85,346	-	3,133,496	\$ 168,618	24,874,190
\$ 85,346	\$ 1,389,317	\$ 3,069,526	\$ 168,618	\$ 23,621,733

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007

	Insurance and Risk Management Fund	Louisville/Jefferson Co. Metro Revenue Commission	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,113,333	\$ 49,929,786	\$ 55,043,119
Investments	14,378,267		14,378,267
Receivables, net of allowance for doubtful accounts	360,045		360,045
Deposits with paying agents	45,000		45,000
Total current assets	<u>19,896,645</u>	<u>49,929,786</u>	<u>69,826,431</u>
Capital assets:			
Buildings and equipment, net		374,216	374,216
Total capital assets	-	374,216	374,216
Total assets	<u>19,896,645</u>	<u>50,304,002</u>	<u>70,200,647</u>
LIABILITIES			
Current liabilities:			
Accounts payable	(15,944)	1,496,902	1,480,958
Claims and judgments payable	10,896,462		10,896,462
Due to other funds		40,047,697	40,047,697
Unearned revenue	84,687	8,551,310	8,635,997
Total current liabilities	<u>10,965,205</u>	<u>50,095,909</u>	<u>61,061,114</u>
Noncurrent liabilities:			
Claims and judgments	14,102,865		14,102,865
Total noncurrent liabilities	<u>14,102,865</u>	-	<u>14,102,865</u>
Total liabilities	<u>25,068,070</u>	<u>50,095,909</u>	<u>75,163,979</u>
NET ASSETS			
Invested in capital assets, net of related debt		208,093	208,093
Restricted	(5,171,425)		(5,171,425)
Total net assets	<u>\$ (5,171,425)</u>	<u>\$ 208,093</u>	<u>\$ (4,963,332)</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, 2007

	<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		\$ 4,818,370	\$ 4,818,370
Insurance income	\$ 12,073,572		12,073,572
Insurance premiums	40,983,368		40,983,368
	<hr/>	<hr/>	<hr/>
Total operating revenues	53,056,940	4,818,370	57,875,310
OPERATING EXPENSES:			
Professional services	284,868	3,147,765	3,432,633
Contractual services	19,891	775,867	795,758
Repairs and maintenance		16,855	16,855
Other supplies and expenses		617,036	617,036
Insurance claims, settlements and losses	53,843,407	20,386	53,863,793
Insurance premiums	4,504,671		4,504,671
Depreciation		114,239	114,239
	<hr/>	<hr/>	<hr/>
Total operating expenses	58,652,837	4,692,148	63,344,985
Operating income (loss)	<hr/> (5,595,897)	<hr/> 126,222	<hr/> (5,469,675)
NONOPERATING REVENUES (EXPENSES):			
Investment income	498,356		498,356
Change in net assets	(5,097,541)	126,222	(4,971,319)
Total net assets--beginning	(73,884)	81,871	7,987
	<hr/>	<hr/>	<hr/>
Total net assets--ending	\$ (5,171,425)	\$ 208,093	\$ (4,963,332)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007

	Insurance and Risk Management Fund	Louisville/Jefferson Co. Metro Revenue Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash received from taxpayers		\$ 6,116,886	\$ 6,116,886
Insurance income	\$ 53,104,130		53,104,130
Payments to employees	(284,868)	(3,147,765)	(3,432,633)
Payments to suppliers		(1,430,144)	(1,430,144)
Contractual services	(105,489)		(105,489)
Claims paid	(49,432,083)		(49,432,083)
Insurance premiums paid	(4,504,671)		(4,504,671)
Net cash provided by/(used in) operating activities	<u>(1,222,981)</u>	<u>1,538,977</u>	<u>315,996</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:			
Acquisition and construction of capital assets		(222,272)	(222,272)
Net cash used in capital activities	-	<u>(222,272)</u>	<u>(222,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale of investments	129,241		129,241
Change in investment pool participation	(968,801)		(968,801)
Investment income	498,356		498,356
Invested in cash equivalents		43,722,235	43,722,235
Net cash provided by/(used in) investing activities	<u>(341,204)</u>	<u>43,722,235</u>	<u>43,381,031</u>
Net increase/(decrease) in cash and cash equivalents	(1,564,185)	45,038,940	43,474,755
Balances--beginning of the year	<u>6,677,518</u>	<u>4,890,846</u>	<u>11,568,364</u>
Balances--end of the year	<u>\$ 5,113,333</u>	<u>\$ 49,929,786</u>	<u>\$ 55,043,119</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (5,595,897)	\$ 126,222	\$ (5,469,675)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense		114,239	114,239
Increase (decrease) in cash due to changes in assets and liabilities:			
Accounts receivable	47,190		47,190
Due from component units		151,176	151,176
Accounts and other payables	(408,685)	159,140	(249,545)
Liability for incurred claims	4,734,411		4,734,411
Due to other funds and governmental agencies		743,360	743,360
Unearned revenue		<u>244,840</u>	<u>244,840</u>
Net cash provided by/(used in) operating activities	<u>\$ (1,222,981)</u>	<u>\$ 1,538,977</u>	<u>\$ 315,996</u>

During fiscal year 2007, 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, 2007

	<u>Mass Transit</u>	<u>Escrow and Deposit</u>	<u>Revenue Commission</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 100,252	\$ 6,588,705		\$ 6,688,957
Investments	9,201,985	11,529,855		20,731,840
Accounts receivable and accrued interest	598,487	214,359		812,846
Due from other funds	3,255,168		\$ 11,192,012	14,447,180
Total assets	<u>\$ 13,155,892</u>	<u>\$ 18,332,919</u>	<u>\$ 11,192,012</u>	<u>\$ 42,680,823</u>
LIABILITIES				
Notes payable		\$ 3,500,000		\$ 3,500,000
Due to other governmental agencies	\$ 13,155,892	8,329,686	\$ 11,192,012	32,677,590
Refundable deposits		6,503,233		6,503,233
Total liabilities	<u>\$ 13,155,892</u>	<u>\$ 18,332,919</u>	<u>\$ 11,192,012</u>	<u>\$ 42,680,823</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

	Mass Transit			Balance June 30, 2007
	Balance July 1, 2006	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 100,543	\$ 252	\$ 543	\$ 100,252
Investments	10,012,329	39,264,159	40,074,503	9,201,985
Accounts receivable	1,030,573		432,086	598,487
Due from other funds	3,053,097	3,255,168	3,053,097	3,255,168
Total Assets	<u>\$ 14,196,542</u>	<u>\$ 42,519,579</u>	<u>\$ 43,560,229</u>	<u>\$ 13,155,892</u>

LIABILITIES				
Due to other governmental agencies	\$ 14,196,542	\$ (41,283,139)	\$ (42,323,789)	13,155,892
Total Liabilities	<u>\$ 14,196,542</u>	<u>\$ (41,283,139)</u>	<u>\$ (42,323,789)</u>	<u>\$ 13,155,892</u>

	Escrow and Deposit			Balance June 30, 2007
	Balance July 1, 2006	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 6,887,567	\$ 3,652,062	\$ 3,950,924	\$ 6,588,705
Investments	11,596,958	30,669	97,772	11,529,855
Accounts receivable	215,458	216,559	217,658	214,359
Total Assets	<u>\$ 18,699,983</u>	<u>\$ 3,899,290</u>	<u>\$ 4,266,354</u>	<u>\$ 18,332,919</u>

LIABILITIES				
Notes payable	\$ 3,500,000			\$ 3,500,000
Due to other governmental agencies	6,452,067	\$ (813,754)	\$ (2,691,373)	8,329,686
Refundable deposits	8,747,916	(4,003,423)	(1,758,740)	6,503,233
Total Liabilities	<u>\$ 18,699,983</u>	<u>\$ (4,817,177)</u>	<u>\$ (4,450,113)</u>	<u>\$ 18,332,919</u>

	Revenue Commission			Balance June 30, 2007
	Balance July 1, 2006	Additions	Deductions	
ASSETS				
Due from other funds	\$ 10,808,282	\$ 135,196,656	\$ 134,812,926	\$ 11,192,012
Total Assets	<u>\$ 10,808,282</u>	<u>\$ 135,196,656</u>	<u>\$ 134,812,926</u>	<u>\$ 11,192,012</u>

LIABILITIES				
Due to other governmental agencies	\$ 10,808,282	\$ (134,812,926)	\$ (135,196,656)	\$ 11,192,012
Total Liabilities	<u>\$ 10,808,282</u>	<u>\$ (134,812,926)</u>	<u>\$ (135,196,656)</u>	<u>\$ 11,192,012</u>

Statistical Section

This part of the Metro Government’s CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Metro Government’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	92-96

These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.

Revenue Capacity.....	97-102
------------------------------	---------------

These schedules contain information to help the reader assess Metro Government’s most significant local revenue sources: Occupational and Property taxes.

Debt Capacity	103-107
----------------------------	----------------

These schedules present information to help the reader assess the affordability of Metro Government’s current levels of outstanding debt and Metro Government’s ability to issue additional debt in the future.

Demographic and Economic Information	108-110
---	----------------

These schedules offer demographic and economic indicators to help the reader understand the environment within which Metro Government’s financial activities take place.

Operating Information	111-112
------------------------------------	----------------

These schedules contain service and infrastructure data to help the reader understand how the information in Metro Government’s financial report relates to the services Metro Government provides and the activities it performs.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY OF NET ASSETS AND CHANGES IN NET ASSETS**

Last Five Fiscal Years (since Merger) (1)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Primary Government/Governmental Activities:					
Invested in Capital Assets, net of related debt	\$ 565,291,116	\$ 544,355,891	\$ 520,287,023	\$ 515,671,362	\$ 514,870,387
Restricted	82,123,082	65,930,660	74,553,001	62,355,267	88,865,414
Unrestricted	53,300,267	70,554,690	42,158,721	37,506,232	18,230,226
Total Primary Government/Governmental Activities Net Assets	\$ 700,714,465	\$ 680,841,241	\$ 636,998,745	\$ 615,532,861	\$ 621,966,027
Primary Government/Governmental Activities:					
Expenses					
General Government	\$ 28,378,878	\$ 22,597,546	\$ 24,606,502	\$ 25,704,283	\$ 26,874,367
Finance and Administration Cabinet	64,694,411	25,681,498	51,150,386	74,077,387	74,740,893
Public Protection Cabinet	229,016,909	231,768,841	267,011,335	283,243,591	290,316,580
Public Works and Services Cabinet	160,165,636	123,007,267	109,752,796	85,748,510	85,015,823
Neighborhoods, Parks and Cultural Affairs Cabinet	60,666,920	57,648,612	64,403,045	66,575,216	68,092,969
Community Development Cabinet	48,175,989	37,810,252	49,878,040	48,528,905	50,049,337
Health and Family Services Cabinet	62,738,088	63,379,465	68,664,642	70,876,258	69,226,224
Interest Expense	14,372,117	16,072,154	17,077,617	16,302,423	17,214,454
	668,208,948	577,965,635	652,544,363	671,056,573	681,530,647
Program Revenues:					
Charges for Services:					
Emergency Medical Services	4,681,971	8,972,481	8,831,242	9,610,942	12,087,525
Inspections, Permits and Licenses	7,407,483	23,917	12,409,334	12,963,317	13,954,629
Louisville Zoological Gardens	7,631,624	7,737,208	7,887,283	7,503,751	8,224,299
Metro Development Authority	2,416,129	517,056	8,219,029	7,893,128	9,007,348
Other	39,701,945	30,936,383	34,837,445	31,781,000	40,182,710
Total Charges for Services	61,839,152	48,187,045	72,184,333	69,752,138	83,456,511
Operating Grants and Contributions	96,108,452	63,481,947	75,099,069	72,212,271	73,451,393
Capital grants and Contributions	43,008,216	33,251,324	29,167,632	56,127,486	42,118,743
Total Primary Government Program Revenues	200,955,820	144,920,316	176,451,034	198,091,895	199,026,647
Net (Expense) Revenue	(467,253,128)	(433,045,319)	(476,093,329)	(472,964,678)	(482,504,000)
General Revenues:					
Taxes					
Property taxes, levied for general purposes	114,569,931	118,655,718	120,575,832	120,750,897	126,741,678
Occupational taxes	250,215,859	260,797,870	275,767,186	285,559,281	307,856,301
Investment Income	2,211,363	937,567	3,965,089	5,251,143	9,189,326
Dividends	12,379,583	12,687,780	13,935,078	17,715,564	14,625,718
Other intergovernmental revenue	12,386,356	1,963,651	4,672,662	12,764,992	13,591,805
Fees and fines	1,225,524	1,058,179	2,211,315	2,676,570	-
Gain on sale of assets	187,679	349,995	650,000	1,156,848	1,047,399
Other taxes	223,684	-	319,838	319,388	271,059
Rental receipts	1,932,180	1,111,567	4,764,521	395,634	1,256,226
Miscellaneous	3,080,838	4,008,837	5,972,358	4,464,605	3,982,753
Total General Revenues	398,412,997	401,571,164	432,833,879	451,054,922	478,562,265
Change in Net Assets	(68,840,131)	(31,474,155)	(43,259,450)	(21,909,756)	(3,941,735)
Net Assets - beginning, restated	769,554,596	712,315,396	680,258,195	636,998,745	615,532,861
Increase due to acquired agency				443,872	
Prior period adjustment					10,374,901
Net Assets - ending	\$ 700,714,465	\$ 680,841,241	\$ 636,998,745	\$ 615,532,861	\$ 621,966,027

(1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

FUND BALANCE, GOVERNMENTAL FUNDS

Last Five Fiscal Years (since Merger) (1)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 4,896,863	\$ 3,388,723	\$ 4,155,586	\$ 5,493,394	\$ 6,931,347
Unreserved	<u>73,833,428</u>	<u>83,658,675</u>	<u>92,669,401</u>	<u>95,386,671</u>	<u>97,232,552</u>
Total General Fund	<u>\$ 78,730,291</u>	<u>\$ 87,047,398</u>	<u>\$ 96,824,987</u>	<u>\$ 100,880,065</u>	<u>\$ 104,163,899</u>
All Other Governmental Funds					
Reserved	\$ 22,714,767	\$ 20,630,432	\$ 18,591,392	\$ 32,587,646	\$ 37,478,627
Unreserved, reported in:					
Special Revenue Fund	11,213,099	15,153,840	18,242,052	3,498,142	1,696,884
Capital Projects Fund	57,111,280	37,377,818	50,884,092	48,926,550	55,858,957
Other Nonmajor Governmental Funds	<u>26,021,801</u>	<u>28,183,295</u>	<u>23,069,260</u>	<u>18,559,011</u>	<u>23,093,360</u>
Total all other Governmental Funds	<u>\$ 117,060,947</u>	<u>\$ 101,345,385</u>	<u>\$ 110,786,796</u>	<u>\$ 103,571,349</u>	<u>\$ 118,127,828</u>

(1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**

Last Five Fiscal Years (since Merger) (1)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
REVENUES					
Property taxes	\$ 110,578,566	\$ 113,164,349	\$ 120,912,806	\$ 121,338,886	\$ 127,919,524
Occupational taxes	235,901,121	260,797,870	275,767,186	285,559,281	307,856,301
Licenses and permits	23,740,060	10,544,820	11,521,182	11,457,731	11,811,402
Intergovernmental	127,477,833	131,510,281	113,503,540	133,762,762	122,899,040
Charges for services	60,847,632	33,941,527	60,026,636	54,494,156	68,620,013
Fees and fines	914,318	1,016,230	722,187	2,438,607	3,395,450
Investment income	4,156,510	937,567	3,965,089	5,251,143	9,189,326
Dividends	12,379,583	12,687,780	13,935,078	17,715,564	14,625,718
Donations	4,040,450	5,162,538	2,748,194	11,728,614	7,736,520
Miscellaneous	17,374,993	4,024,131	3,361,493	4,831,279	3,667,409
Total revenues	<u>597,411,066</u>	<u>573,787,093</u>	<u>606,463,391</u>	<u>648,578,023</u>	<u>677,720,703</u>
EXPENDITURES					
General Government	27,275,237	21,781,951	22,297,609	23,053,313	24,429,984
Finance and Administration Cabinet	44,928,574	24,709,348	25,626,377	57,676,780	59,152,319
Public Protection Cabinet	216,546,703	220,338,241	240,582,706	255,743,356	265,326,475
Public Works and Services Cabinet	100,144,066	73,417,049	76,719,314	39,984,759	40,783,057
Neighborhoods, Parks and Cultural Affairs Cabinet	51,561,820	52,261,923	54,793,354	56,599,713	58,550,091
Community Development Cabinet	40,492,339	33,029,779	33,780,769	40,326,284	42,448,194
Health and Family Services Cabinet	61,072,601	61,432,461	62,556,124	64,438,110	64,044,940
Debt Service Principal	19,643,000	19,177,195	22,613,352	25,595,000	24,252,500
Debt Service Interest and Other Payments	14,571,441	16,072,154	16,033,918	15,210,706	17,892,454
Capital Outlay	87,662,658	59,315,442	62,653,450	93,268,102	89,555,809
Total expenditures	<u>663,898,439</u>	<u>581,535,543</u>	<u>617,656,973</u>	<u>671,896,123</u>	<u>686,435,823</u>
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	187,679	349,995	650,000	1,156,848	1,047,399
Issuance of debt, par	47,450,000		29,495,000		33,255,000
Issuance of debt, premium/(discount)	10,734		1,267,582		(60,278)
Issuance of refunding bonds	49,445,000				58,855,000
Issuance of refunding bonds, discount	352,740				(137,152)
Refunded bond principal, interest, and premium	(49,547,534)				
Payment to bond refunding escrow agent	(2,999,382)				(58,220,426)
Transfers in	110,805,958	42,774,751	46,270,744	45,960,731	65,293,175
Transfers out	(113,403,255)	(42,774,751)	(47,270,744)	(45,960,731)	(65,293,175)
Total other financing sources (uses)	<u>42,301,940</u>	<u>349,995</u>	<u>30,412,582</u>	<u>1,156,848</u>	<u>34,739,543</u>
Net change in fund balance	<u>\$ (24,185,433)</u>	<u>\$ (7,398,455)</u>	<u>\$ 19,219,000</u>	<u>\$ (22,161,252)</u>	<u>\$ 26,024,423</u>
Ratio of total debt service expenditures to noncapital expenditures	6.31%	7.24%	7.48%	7.59%	7.60%

(1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Last Five Fiscal Years (since Merger) (2)

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Income	Donations and Miscellaneous Revenue	Total Revenues (3)
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
2006	406,898,167	11,262,911	131,246,233	53,722,470	2,438,472	3,533,830	6,632,627	615,734,710
2007	435,775,825	11,811,402	116,583,482	65,952,416	3,326,004	6,391,247	7,059,292	646,899,668

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (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 Five Fiscal Years (since Merger) (1)				Other (2)	Interest, Penalties and Other Fees
			Bank and Life Insurance Shares	Public Service Corporations	Occupational Taxes			
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	396,679,991	96,472,771	4,699,922	8,794,533	275,767,186	9,576,926	1,368,653	
2006	406,898,167	101,294,625	4,536,598	6,684,538	285,559,281	8,290,703	532,422	
2007	435,775,825	106,223,290	5,131,435	7,819,890	307,856,301	8,152,922	591,987	

- (1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (2) Tax revenues designated as Other include Deed Taxes, Delinquent Taxes and other miscellaneous property taxes.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
EMPLOYMENT, INCOME AND OCCUPATIONAL TAX REVENUES**

Last Five Fiscal Years (since Merger) (1)

Fiscal Year	Employment	Unemployment Rate	Per Capita Income (2)	Percent Income Growth	Occupational Tax Revenue	Percent Revenue Growth
2003	330,666	5.7%	33,466	2.11%	235,901,121	2.87%
2004	329,537	6.2%	34,646	3.53%	260,797,870	10.55%
2005	330,575	5.5%	36,443	5.19%	275,767,186	5.74%
2006	332,856	6.2%	37,121	1.86%	285,559,281	3.55%
2007	339,832	5.6%	38,704	4.26%	307,707,235	7.76%

Source: Bureau of Labor Statistics website: www.bls.gov

Note: Employment, unemployment and per capita figures represent the annual average for the full calendar year previous to fiscal year end.

- (1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (2) Per capita income for 2007 is an estimate based on the average annual percentage increase over the last ten years. Per capita income for 2006, which had been an estimate, has been changed to reflect published figures as of April 2007.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PRINCIPAL WITHHOLDING TAXPAYERS

Fiscal Year Ended June 30, 2007

Rank	Employer
1	Jefferson County Board of Education
2	United Parcel Service
3	Ford Motor Company
4	Norton Healthcare, Inc.
5	University of Louisville
6	General Electric Company
7	Louisville Metro Government
8	Humana, Inc.
9	Jewish Hospital & St. Mary's
10	Kentucky State Treasurer
11	Brown Forman Corporation
12	The Kroger Company
13	Baptist healthcare System
14	Humana Insurance Company
15	United States Postal Service
16	University Medical Center
17	AT&T Resources, Inc.
18	U.S. Veteran's Administration
19	The Wellpoint Companies, inc.
20	Yum! Restaurant Services Group, Inc.
21	EON US Services, Inc.
22	Wal-Mart Associates, Inc.
23	Kindred Healthcare Operating, Inc.
24	BA Merchant Services LLC
25	JP Morgan Chase Bank NA
26	National City Bank
27	Louisville Gas & Electric Co.
28	Defense Finance & Accounting Service
29	Yum! Brands, Inc.
30	JJB Hilliard & W L Lyons, Inc.

Information obtained from the Louisville/Jefferson County Revenue Commission.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
Last Five Fiscal Years (since Merger) (2)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Homestead Exemption (3)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
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
2006	53,883,962,963	56,308,314,219	8,594,585,408	8,594,585,408	62,478,548,371	64,902,899,627	96.26 %	29,400
2007	58,098,021,311	60,452,626,137	9,017,138,502	9,017,138,502	67,115,159,813	69,469,764,639	96.61 %	29,400

- (1) Pursuant to the Constitution of Kentucky and applicable statutes, real property is to be revalued annually at 100 percent of its fair cash value.
- (2) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (3) 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.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS

TAX RATES (PER \$100 OF ASSESSED VALUATION)

Last Five Fiscal Years (since Merger) (1)

Fiscal Year	City		Jefferson County		Urban Service District (2)		Metro Government (2)		Consolidated School District			Total		
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Inventory	Personal	Real	Inventory	Personal
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
2006					0.373	0.566	0.128	0.166	0.625	0.625	0.625	1.126	0.625	1.357
2007					0.372	0.566	0.126	0.166	0.615	0.625	0.625	1.113	0.625	1.357

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

- (1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (2) 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 PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	June 30, 2007			June 30, 1998		
		Assessed Valuation	Rank	Percent of Total Assessed Valuation of \$ 67,115,159,813	Assessed Valuation	Rank	Percent of Total Assessed Valuation of \$ 43,579,020,261
Louisville Gas & Electric Co.	Energy Utility	\$ 1,044,264,132	1	1.6%	\$ 613,584,399	1	1.4%
BellSouth Telecommunications	Telecommunications	435,476,143	2	0.6%	200,703,828	5	0.5%
Insight Midwest LP	Cable Media	292,704,309	3	0.4%	421,831,551	3	1.0%
Cingular Wireless LLC	Telecommunications	224,375,527	4	0.3%			
Humana Inc.	Healthcare	172,654,408	5	0.3%	316,832,833	4	0.7%
Louisville Trophy LLC	Miscellaneous Services	167,800,081	6	0.3%			
United Parcel Service	Air Express and Distribution	160,061,542	7	0.2%	583,929,314	2	1.3%
MRI/NCT LLC	Real Estate	152,749,032	8	0.2%			
Thomas W. Bullitt	Retail	124,473,414	9	0.2%			
Information Systems Corp	Information Services	100,288,146	10	0.1%			
200 Block CHC LTD PTN	Commercial Real Estate				121,177,143	6	0.3%
Ford Motor Company	Automotive Manufacturer				121,145,000	7	0.3%
United Distillers Productions	Banking/Financial Services				96,225,301	8	0.2%
AT&T Communications	Telecommunications				93,201,772	9	0.2%
General Electric	Household Appliance Manufacturer				92,004,286	10	0.2%
	TOTAL	\$ 2,874,846,734		4.3%	\$ 2,660,635,427		6.1%

Source: Jefferson County Sheriff's Office

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Five Fiscal Years (since Merger) (1)

<u>Fiscal Year</u>	<u>Amount of Levy</u>	<u>Amount Collected in Year of Levy</u>	<u>Percent Collected in Year of Levy</u>	<u>Delinquent Tax Collections (2)</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Total Outstanding Delinquent Taxes Receivable at June 30, 2007</u>
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	108,830,667	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
2006	115,468,469	114,972,927	99.6%	4,062,710	119,035,637	103.1%	6,213,399
2007	122,324,736	121,888,305	99.6%	3,945,944	125,834,249	102.9%	5,679,253

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) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (2) 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

LEGAL DEBT MARGIN

Last Five Fiscal Years (since Merger) (1)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit - 10% of assessed valuation	\$ 5,707,241,737	\$ 5,760,103,923	\$ 5,970,125,536	\$ 6,247,854,837	\$ 6,711,515,981
Total bonded debt applicable to limit	<u>389,639,029</u>	<u>372,825,790</u>	<u>382,672,355</u>	<u>362,507,086</u>	<u>378,309,052</u>
Legal debt margin	<u>\$ 5,317,602,708</u>	<u>\$ 5,387,278,133</u>	<u>\$ 5,587,453,181</u>	<u>\$ 5,885,347,751</u>	<u>\$ 6,333,206,929</u>
Total net debt applicable to the limit as a percentage of debt limit	6.83%	6.47%	6.41%	5.80%	5.64%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Valuation - January 1, 2006	\$67,115,159,813
Debt Limit (10% of assessed value)	6,711,515,981
Debt applicable to limit:	
Bonded debt outstanding	379,331,413
Less: Amount set aside for repayment of bonded debt	<u>(1,022,361)</u>
Total debt margin applicable to limit	<u>378,309,052</u>
Legal debt margin	<u>\$ 6,333,206,929</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.

(1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.

**LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

June 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to Louisville Metro Taxpayers</u>	<u>Louisville Metro Taxpayers Share of Debt</u>
Direct Debt:			
Revenue bonds	\$ 128,043,471	100.00%	\$ 128,043,471
General obligation debt	<u>247,852,649</u>	100.00%	<u>247,852,649</u>
Total direct debt	<u>375,896,120</u>		<u>375,896,120</u>
Overlapping debt:			
Jefferson County Public Schools	<u>376,969,531</u>	100.00%	<u>376,969,531</u>
Total direct and overlapping debt	<u>\$ 752,865,651</u>		<u>\$ 752,865,651</u>

**LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Five Fiscal Years (since Merger) (1)
(amounts in thousands except per capita)**

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Personal Income (2)	Per Capita
	General Obligation Bonds	First Mortgage Revenue Bonds	Lease Revenue Bonds				
2003	\$ 254,041	\$ 33,835	\$ 97,346	\$ 385,222	1.62%	\$ 23,791,641	554
2004	242,477	31,900	95,940	370,317	1.53%	24,184,881	530
2005	255,164	30,100	97,212	382,476	1.50%	25,470,269	547
2006	235,346	28,030	98,600	361,976	1.39%	25,949,674	517
2007	247,853	26,680	101,363	375,896	1.39%	27,122,740	536

Source: Bureau of Economic Analysis website: www.bea.gov

- (1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (2) Personal Income for 2007 is an estimate based on the average annual percentage increase over the last ten years. Personal Income for 2006, which had been an estimate, has been changed to reflect published figures as of April 2007.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Five Fiscal Years (since Merger) (1)

Fiscal Year	Population (2)	Assessed Value	General Obligation Bonds	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt Per Capita
2003	695,843	\$ 55,306,737,301	\$ 254,041,148	0.46%	365
2004	698,059	57,601,039,226	242,476,886	0.42%	347
2005	698,903	59,701,255,363	255,164,338	0.43%	365
2006	699,827	62,478,548,371	235,345,580	0.38%	336
2007	701,500	67,115,159,813	247,852,649	0.37%	353

(1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.

(2) Source: Workforce Kentucky website: www.workforcekentucky.ky.gov

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PLEDGED REVENUE COVERAGE

Last Five Fiscal Years (since Merger) (1)

Fiscal Year	First Mortgage Revenue Bonds				Lease Revenue Bonds			
	Gross Revenue (2)	Debt Service		Coverage	Gross Revenue (2) (4)	Debt Service		Coverage
		Principal (3)	Interest			Principal	Interest	
2003	\$ 3,553,871	\$ 1,625,000	\$ 1,947,959	0.99	\$ 7,649,620	\$ 3,645,000	\$ 4,004,820	1.00
2004	3,570,582	1,714,500	1,857,240	1.00	7,132,819	3,800,000	3,332,963	1.00
2005	3,563,081	1,800,000	1,760,475	1.00	4,487,594	1,290,000	3,196,519	1.00
2006	2,934,383	1,286,500	1,645,430	1.00	4,486,909	1,355,000	3,129,439	1.00
2007	2,902,850	1,350,000	1,552,433	1.00	2,810,307		1,998,724	1.41

Note: Metro Government makes annual lease payments in amounts sufficient to pay the required principal and interest payments on the First Mortgage Revenue Bonds and the Lease Revenue Bonds.

- (1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (2) Gross revenues include lease income and nonoperating interest income in debt service and debt service reserve funds.
- (3) Fiscal year 2005 excludes \$225,000 in refunded principal on the First Mortgage Revenue Bonds paid from a pre-funded escrow account. Fiscal year 2006 excludes \$685,000 in refunded principal and \$105,000 in current principal due on the First Mortgage Bonds paid from proceeds of capital asset sales.
- (4) In fiscal year 2007, excess revenues received for the Lease Revenue Bonds were paid to an escrow agent as partial payment in the refunding of all the outstanding Series 1997 Lease Revenue Bonds.

**LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
 DEMOGRAPHIC & ECONOMIC INDICATORS
 POPULATION GROWTH
June 30, 2007**

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>% Change 1990-2000</u>	<u>Estimated (1)</u>		<u>% Change 1990-2005</u>
				<u>2004</u>	<u>2005</u>	
Louisville/Jefferson County	664,937	693,604	4.3%	698,903	699,827	5.2%
Kentucky	3,685,296	4,041,769	9.7%	4,141,835	4,173,405	13.2%
United States	248,709,873	281,421,906	13.2%	293,656,842	296,410,404	19.2%

(1) Estimated population amounts for 2006 are not available from the Census Bureau.

Source: US Census Bureau website: www.census.gov

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	Industry/Product	June 30, 2007			June 30, 1998		
		Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
United Parcel Service, Inc.	Diversified Distribution/Logistics Services	18,398	1	3.10%	15,236	1	2.62%
Jefferson County Public Schools	K-12 Public Education	13,281	2	2.24%	12,181	2	2.10%
Ford Motor Company	Automotive Manufacturer	8,745	3	1.47%	7,942	4	1.37%
Norton Healthcare, Inc.	Healthcare	7,783	4	1.31%			
Humana, Inc.	Healthcare	7,458	5	1.26%	4,150	9	0.71%
Louisville Metro Government	Government Services	5,993	6	1.01%			
Jewish Hospital & St. Mary's Healthcare, Inc.	Healthcare	5,907	7	1.00%	5,148	6	0.89%
University of Louisville	Higher Education	5,563	8	0.94%	4,647	7	0.80%
The Kroger Company	Retail Grocer	5,177	9	0.87%			
GE Consumer & Industrial	Household Appliance Manufacturer	5,000	10	0.84%	9,750	3	1.68%
Kentucky State Government	Government Services				5,884	5	1.01%
Columbia/HCA Healthcare Corp.	Healthcare				4,506	8	0.78%
Alliant Health System	Healthcare				3,738	10	0.64%
Total		83,305		14.04%	73,182		12.61%

Source: Business First of Louisville
Bureau of labor Statistics website: www.bls.gov

Note: Employee counts and employment figures are based on the eight county Louisville Metropolitan Statistical Area

**LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
NUMBER OF GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
June 30, 2007 (1)**

	Full-Time Equivalent Employees as of June 30, (5)			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Metro Council	80	81	85	80
Mayor's Office	33	31	31	29
County Attorney	106	104	102	96
Other Elected Officials	69	67	64	64
Internal Audit	8	8	8	8
Finance Department	54	48	51	50
External Agencies	70	68	63	63
Policy and Strategic Planning	6	6	7	4
Information Technology	49	49	59	66
Human Resources Department	53	49	49	44
Human Relations Commission	19	18	17	16
Police Department (4)	1,547	1,605	1,514	1,480
Public Protection Cabinet	1	1	1	-
Fire Department (3)	646	624	553	547
Emergency Medical Services (3)	131	186	278	253
Emergency Management Agency (4)	26	26	171	160
Corrections Department	524	545	569	582
Youth Detention Services	130	128	129	129
Metro Criminal Justice Commission	6	5	5	5
Public Works Department (2)	274	257	223	221
General Services Administration (2)	203	197	220	223
Solid Waste Management Services	252	244	243	238
Inspections, Permits and Licenses	138	141	138	132
Animal Control Services	37	37	41	48
Department of Neighborhoods	41	48	44	44
Parks Department	612	593	576	566
Louisville Free Public Library	283	287	289	276
Louisville Zoological Gardens	189	187	180	184
Metro Development Authority	54	67	66	63
Planning and Development Services	59	62	64	64
Housing Department	58	56	58	58
Community Development	15	15	12	7
Air Pollution Control	57	57	62	65
Waterfront Development Corporation	14	14	67	112
Redevelopment Authority	2	2	1	-
Health Department	320	320	321	302
Human Services	189	183	173	155
Kentuckiana Works	18	14	11	12
Community Action Partnership	94	99	96	94
Total	<u><u>6,467</u></u>	<u><u>6,529</u></u>	<u><u>6,641</u></u>	<u><u>6,540</u></u>

- (1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information, however Metro Government is reflecting the last three fiscal years in this table to avoid any comparability issues since merger.
- (2) In 2006, a division of the Public Works Department was incorporated into the General Services Administration.
- (3) In 2006, certain Fire Department employees were transferred into Emergency Medical Services.
- (4) In 2006, the communication division of the Police Department was transferred to the Emergency Management Agency.
- (5) Numbers represent actual employees for the last pay period of each fiscal year, with full-time employees counted at 100% and part-time and seasonal employees counted at 50%.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION
June 30, 2007 (1) (2)

Date Founded (City of Louisville)	1778
Date of Incorporation (City of Louisville)	1828
Date of City/County Merger	2003
Form of Government	Mayor/Council
Area in Square miles	386

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Works				
Miles of Streets Maintained	3,000	3,000	3,000	3,000
Miles of Streets	125	138	153	231
Number of Potholes filled	21,618	29,809	30,000	14,000
Overlay and Pavement Repairs (sq ft)	(2)	(2)	(2)	203,000
Solid Waste Management Services				
Tons Recycled	15,844	18,724	19,761	21,149
Tons Composted	20,149	20,594	16,570	19,507
Tons Landfilled	136,900	146,521	200,455	206,556
Parks				
Community Centers	17	17	17	17
Number of Parks	123	123	123	123
Park Acreage	14,000	14,000	14,000	14,000
Golf Courses	9	9	9	9
Swimming Pools	12	12	12	11
Tennis Courts	172	172	172	172
Number of Walking Trails/Bike Paths	40	40	40	40
Zoo and Louisville Nature Center				
Total Acreage	151	151	151	151
Area developed in acres	90	90	90	90
Number of Animals	1,300	1,300	1,300	1,300
Number of Visitors	783,657	757,517	741,930	810,546
Libraries				
Number of branches	16	16	16	16
Number of Library Card Holders	325,524	343,043	358,927	470,000
Number of Computers	402	410	470	455
Fire Protection (Urban Service District)				
Number of Stations	22	22	22	22
Number of Incidents (calls answered)	11,198	10,960	9,488	11,478
Number of Medical Runs	11,481	9,090	7,923	9,850
Number of Home Inspections Conducted	12,316	12,132	11,053	13,470
Number of Building Inspections Conducted	9,740	11,024	7,708	8,992
Police Protection				
Number of active Patrol Units	802	802	802	848
Number of Arrests	27,356	29,088	29,017	25,678
Number of Citations	92,997	80,728	86,426	81,780
Corrections				
Number of Prisoners	39,046	39,242	35,375	45,000
Number of Beds	1,919	1,919	1,919	1,919
Health				
Number of Clinics	12	12	12	12
Number of Services Provided	314,696	445,676	454,022	429,610

(continued)

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION
June 30, 2007 (1) (2)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
EMS				
Number of Dispatches	93,195	92,816	111,627	140,086
Number of Transports	51,420	52,913	54,073	60,282
Animal Services				
Licensed Pets	67,293	63,310	58,510	85,000
Number of Animals Spayed/Neutered	899	1,063	2,058	1,800
Number of Pets Adopted	899	1,063	1,943	1,200
Housing				
Number of Downtown Market Rate Housing Units	1,726	1,777	1,912	2,004
Louisville Water Company				
Number of Residential Customers	235,906	238,893	241,938	244,478
Annual Residential Consumption (1,000 Gallons)	15,655,594	17,089,874	17,089,874	15,305,832
Number of Commercial and Industrial Customers	22,593	22,708	22,940	23,546
Annual Comm. and Ind. Consumption (1,000 Gallons)	19,660,093	19,501,479	19,968,030	18,823,270
Number of Fire Hydrants	18,882	19,471	19,931	20,467
Parking Authority of River City, Inc.				
Number of PARC garages	11	12	12	12
Number of PARC surface lots	4	4	4	4
Number of parkers	7,055	7,067	7,345	7,332
Transit Authority of River City, Inc.				
Total Ridership	15,286,298	14,657,752	15,835,796	16,280,662
Total Miles Driven	11,482,333	11,909,817	12,163,639	12,167,757
Total Hours Driven	757,968	766,821	784,215	812,549
Buses in Service	270	274	265	277
Number of Routes	55	55	53	52
Metropolitan Sewer District				
Miles of Sewers	2,959	3,035	3,099	3,133
Number of Treatment Plants	25	25	23	21
Number of Service Connections	216,551	220,599	222,698	224,654
Daily Average Treatment (mgd)	143	145	155	134
Daily Treatment Capacity (mgd) (mgd - millions of gallons per day)	162	162	173	172
Facilities and services not included in the reporting entity:				
Jefferson County Public Schools				
Number of elementary schools	87	87	87	87
Number of elementary school instructors	2,542	2,669	2,735	2,783
Number of middle schools	23	22	22	22
Number of middle school instructors	1,145	1,144	1,133	1,076
Number of high schools	20	19	19	19
Number of high school instructors	1,443	1,636	1,647	1,615

(1) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information, however Metro Government has elected to reflect data since the merger of the former City and County Governments. This table reflects data for the last four years.

(2) During fiscal year 2007, the Public Works Department changed the method of reporting and tracking pothole repairs. Pothole repairs are now reported for any repair 2' x 2' or smaller and overlay and pavement repairs are anything larger than 2' x 2'.