

Louisville/Jefferson County Metro Government COMPREHENSIVE ANNUAL FINANCIAL REPORT



GREG FISCHER
MAYOR

one city. one community. one family.

July 1, 2010–June 30, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT LOUISVILLE, KENTUCKY



Fiscal Year Ended June 30, 2011

**GREG FISCHER
Mayor**

Prepared by:
Office of Management & Budget

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2011**

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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OFFICE OF THE MAYOR
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

December 23, 2011

To the citizens of Louisville,

I am pleased to present the Comprehensive Annual Financial Report of the Louisville/Jefferson County Metro Government (“Metro Government”) for the fiscal year ended June 30, 2011. As a businessman, I know that any business has ups and downs — variations caused by many factors, including global economic conditions beyond our control. Governments are no exception, and have an added responsibility in that it is tax dollars that must be managed.

Sound fiscal practices, good stewardship of resources and responsible accounting are the foundation of long-term fiscal health. As a result of prudent fiscal management, our revenue exceeded our expenditures, and our two largest revenue sources, property and occupational tax, remained basically stable. The undesignated fund balance at the close of fiscal year 2011 was \$61.5 million, which represents 12 percent of total general fund expenditures.

As a result of our continued strong financial operations and management policies, the nation’s most respected credit rating agencies, Moody’s, Standard and Poor’s and Fitch have rated Metro Government among the highest rated large cities in America with Aa1, AA+ and AAA, respectively.

We must make decisions today to ensure that our city remains strong tomorrow. These are the issues that my team is focusing on every day. We face difficult choices, but we face them together. We can grow our tax base and we can make reasonable and prudent changes that will reduce expenses. We look forward to the challenges and opportunities ahead.

Sincerely,

Greg Fischer
Mayor



**OFFICE OF MANAGEMENT AND BUDGET
LOUISVILLE, KENTUCKY**

GREG FISCHER
MAYOR

STEVE ROWLAND
CHIEF FINANCIAL OFFICER

December 23, 2011

To the Citizens of Metro Louisville:

As the Chief Financial Officer of the Louisville/Jefferson County Metropolitan Government ("Metro Government"), I have the distinct pleasure of submitting the Comprehensive Annual Financial Report ("CAFR") for the year ended June 30, 2011.

Responsibility for the accuracy, completeness and fairness of the data, including all disclosures, rests with the management of Metro Government. I have overseen completion of this CAFR, and 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 this government. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities are included. There were no changes to any financial policies that had a significant impact on the current year's financial statements.

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 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. 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 among five senior staff reporting directly to the Mayor.

Among the services that Metro Government provides are public safety, streets and roads, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and other administrative services.

An annual appropriated budget is adopted for the General Fund on a cash basis, which differs from the basis used for financial report under accounting principles generally accepted in the United States. On or before June 1 of each year, in accordance with state statute, the Mayor proposes an Executive Budget to the Metro Council. On or before June 30 of each year, in

accordance with 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 enact 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 capital improvements budget and program for Metro Government is prepared annually to include a program of proposed capital expenditures for the ensuing fiscal year.

Metro Government undertakes long-term financial planning through the development of an internal 5-year Capital Improvement Plan (“CIP”) in conjunction with the use of a debt-capacity model. The CIP is an annual survey of capital needs, prioritized relative to the government’s most recently adopted 10-year strategic plan, and based on factors such as legal mandates, financial leverage, operating impact, and useful life of the asset. The debt capacity model identifies a portion of revenues that are available for funding debt service and/or pay-go capital. The revenue stream is currently based on occupational tax receipts to include employee wages, corporate profits, and insurance premiums. The capital budget is intended to be funded with the revenues available for debt service and/or pay-go capital.

The 2011 CAFR reflects a government that continues to be financially strong. During fiscal year 2011, Metro Government continued the recovery that began during the second half of fiscal year 2010. General Fund revenues exceeded budget by \$3.8 million, or 0.8% in fiscal year 2011; however, this was somewhat offset by a deficit of just under \$2.0 million in the Capital Cumulative Reserve Fund related to planned surplus real estate sales that did not occur. The two broadest measures of metro Louisville’s economic environment and largest sources of revenue were stable: Real & Personal Property contracted 0.3% (\$117.6M compared to \$117.9M) and Employee Withholdings grew 4.5% (\$210.7M compared to \$201.6M).

To gather a more complete understanding of the fiscal condition of Metro Government, this letter should be read in conjunction with the Management’s Discussion & Analysis, 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 (“GAAP”). 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 funding, 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.

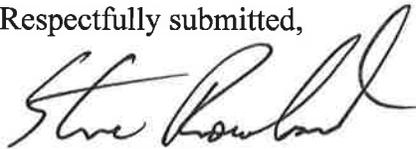
OTHER INFORMATION

Independent Audit. Kentucky law (KRS 64.810) allows the Auditor of Public Accounts ("APA") to perform the annual audit of the funds of Metro Government. The APA has granted permission for Metro Government to employ a private certified public accounting firm to conduct the audits of the basic financial statements for fiscal year 2011.

Awards. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro Government for the 2010 CAFR. In order to be awarded a Certificate of Achievement, Metro Government published an easily readable and efficiently organized CAFR. The report satisfied both GAAP and applicable legal requirements.

Acknowledgments. The preparation of the 2011 CAFR for Metro Government was made possible by the dedicated service of the staff of the Office of Management and Budget. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report for Metro Government. In addition, I would like to thank Crowe Horwath, without whose efficient services, this report could not have been presented on a timely basis.

Respectfully submitted,



Steve Rowland
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, 2010

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.



Linda C. Davison

President

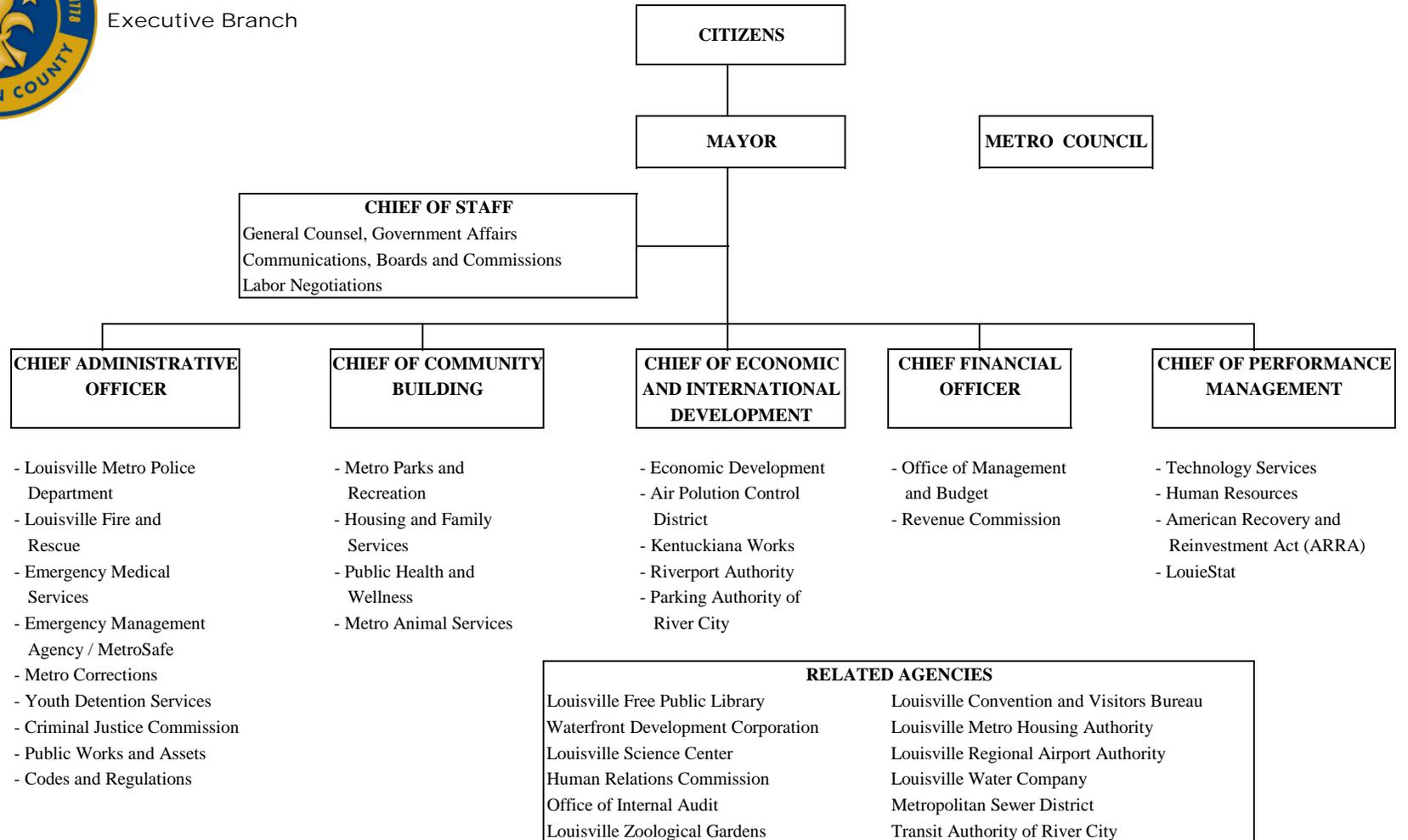
Jeffrey R. Emer

Executive Director

LOUISVILLE METRO GOVERNMENT ORGANIZATION CHART



Louisville Metro Government
Executive Branch



LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT



Fiscal Year Ended June 30, 2011

HONORABLE GREG FISCHER 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
DAVID JAMES.....	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 AUBREY WELCH.....	DISTRICT 13
ROBERT HENDERSON.....	DISTRICT 14
MARIANNE BUTLER.....	DISTRICT 15
KELLY DOWNARD.....	DISTRICT 16
GLEN STUCKEL.....	DISTRICT 17
JON ACKERSON.....	DISTRICT 18
JERRY MILLER.....	DISTRICT 19
STUART BENSON.....	DISTRICT 20
DAN JOHNSON.....	DISTRICT 21
ROBIN ENGEL.....	DISTRICT 22
JAMES PEDEN.....	DISTRICT 23
MADONNA FLOOD.....	DISTRICT 24
DAVID YATES.....	DISTRICT 25
BRENT ACKERSON.....	DISTRICT 26

OFFICE OF MANAGEMENT AND BUDGET

STEVE ROWLAND..... CHIEF FINANCIAL OFFICER
ANGELA DUNN..... DIRECTOR OF ACCOUNTING

Honorable Greg Fischer, Mayor and
The Louisville Metro Council
Louisville, Kentucky

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, 2011, 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 opinions on these financial statements based on our audit.

We did not audit the financial statements of the Transit Authority of River City and the Louisville Science Center, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those entities, are based on the reports of the other auditors. These entities represent less than 1% of the total component unit assets and 17% of component program revenues.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro Government's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Metro Government, as of June 30, 2011, 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.

As discussed in Note 2 to the financial statements, Metro Government recorded a prior period adjustment relating to a change in accounting policies pertaining to amortization and to correct an error in recorded accrued interest payable in debt.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 5 through 13, the required supplemental information including the budgetary comparison information on page 85, and the pension information related to the schedule of funding progress on page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United

States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro Government's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based upon our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have 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 do not express an opinion or provide assurance on them.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Louisville, Kentucky
December 23, 2011





**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2011**

Our discussion and analysis of Louisville/Jefferson County Metro Government's ("Metro Government") financial performance provides an overview of Metro Government's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Metro Government's financial statements, which begin on page 15.

Financial Highlights

- Total assets of the primary government exceeded total liabilities by approximately \$614 million at the close of fiscal year 2011. This amount includes a deficit of approximately \$68.2 million in unrestricted net assets.
- Total net assets increased by \$18,194,336.
- At the end of fiscal year 2011, Metro Government's governmental funds reported a combined ending fund balance of approximately \$211.3 million. This was a decrease of approximately \$944,775 from the end of fiscal year 2010.
- At the end of fiscal year 2011, unassigned general fund balance was \$61.5 million or approximately 12% of total general fund expenditures.

Overview of the Financial Statements

Management's discussion and analysis ("MD&A") are provided to serve as an introduction to the basic financial statements that follow. Metro Government's basic financial statements consist of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements provide information about the activities of Metro Government as a whole and present a longer-term view of the Metro Government's finances.

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 (page 15) and the Statement of Activities (pages 16-17) 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 in assessing the overall health of the Metro Government, such as changes in the Metro Government's property tax base and the condition of the Metro Government's capital assets (roads, buildings, etc.).

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2011**

Metro Government's basic services are reported in the governmental activities section of the government-wide financial statements, including the police, fire, general administration, streets, and parks. Occupational taxes, property taxes, fines, and state and federal grants finance most of these 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 2011.

The Metro Government includes the Louisville Water Company, the Parking Authority of River City, Inc., the Transit Authority of River City, the Louisville and Jefferson County Riverport Authority, the Louisville and Jefferson County Metropolitan Sewer District, and the Louisville Science Center, Inc. in its report as discretely presented component units. 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.

Fund Financial Statements

The fund financial statements provide detailed information about Metro Government's most significant funds – not the Metro Government as a whole as presented in the government-wide financial statements. 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. 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 Note 1). The Metro Government also uses fiduciary funds, which are separate funds from the governmental and proprietary funds described below. Fiduciary 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 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 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.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2011**

Proprietary funds: Proprietary funds are reported in the same way that 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 33.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. Required supplementary information includes a budgetary to actual comparison of Metro Government's general fund and a schedule of funding progress and employer contributions for Metro Government's pension and benefit trust fund. Required supplementary information begins on page 84. Metro Government presents combining financial statements for the nonmajor, internal service, and agency funds as other supplementary information. This information begins on page 86.

Government-Wide Financial Analysis

Net assets serve as a useful indicator of a government's financial position over time. Metro Government's assets exceeded liabilities by approximately \$614 million at June 30, 2011.

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

June 30

(amounts in thousands)

	Governmental Activities		Total Percentage Change
	2010	2011	2010-2011
Current and other assets	\$ 354,538	\$ 325,690	-8.1%
Capital assets	843,635	843,778	0.0%
Total assets	1,198,173	1,169,468	-2.4%
Long-term liabilities	522,544	486,602	-6.9%
Other liabilities	79,818	68,861	-13.7%
Total liabilities	602,362	555,463	-7.8%
Net assets			
Invested in capital assets, net of related debt	562,313	564,365	0.4%
Restricted	110,555	117,847	6.6%
Unrestricted	(77,057)	(68,207)	-11.5%
Total net assets	\$ 595,811	\$ 614,005	3.1%

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2011**

Current and other assets decreased by 8.1% primarily due to the spending of bond proceeds on capital projects. Long term liabilities decreased 6.9% mainly as a result of scheduled debt service repayments.

The largest portion of Metro Government's net assets for governmental activities reflects the investment in capital assets (e.g. land, buildings, and infrastructure) less any related debt outstanding used to acquire those assets. Metro Government uses these capital assets to provide services to its citizens. These assets are not available for future spending and cannot be liquidated to repay the related debt.

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

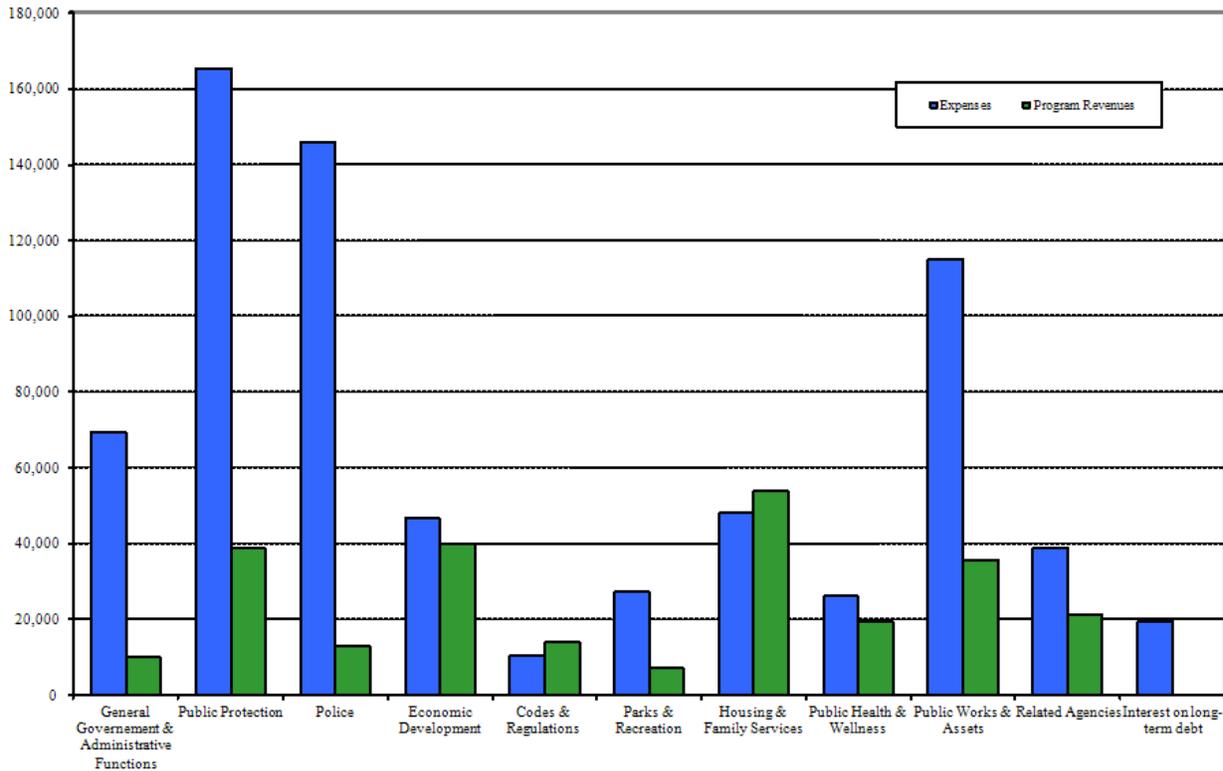
**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CHANGES IN NET ASSETS
For the Year Ended June 30
(amounts in thousands)**

	Governmental Activities	
	2010	2011
Revenues		
Program revenues:		
Charges for services	\$ 94,189	\$ 113,158
Operating grants and contributions	101,748	92,109
Capital grants and contributions	55,754	47,353
General revenues:		
Property taxes	144,035	135,553
Other taxes	292,400	304,471
Other	47,093	41,357
Total revenues	735,219	734,001
Expenses		
General Government & Administrative Functions	66,575	69,495
Public Protection	179,178	165,249
Police	154,758	146,110
Economic Development	41,026	46,807
Codes & Regulations	11,364	10,261
Parks & Recreation	31,235	27,335
Housing & Family Services	40,596	48,009
Public Health & Wellness	27,847	26,098
Public Works & Assets	121,629	115,038
Related Agencies	41,933	38,707
Interest on long-term debt	19,406	19,397
Total expenses	735,547	712,506
Increase (decrease) in net assets	(328)	21,495
Net assets--beginning	596,077	595,811
Prior period adjustment	62	(3,301)
Net assets--ending	\$ 595,811	\$ 614,005

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2011**

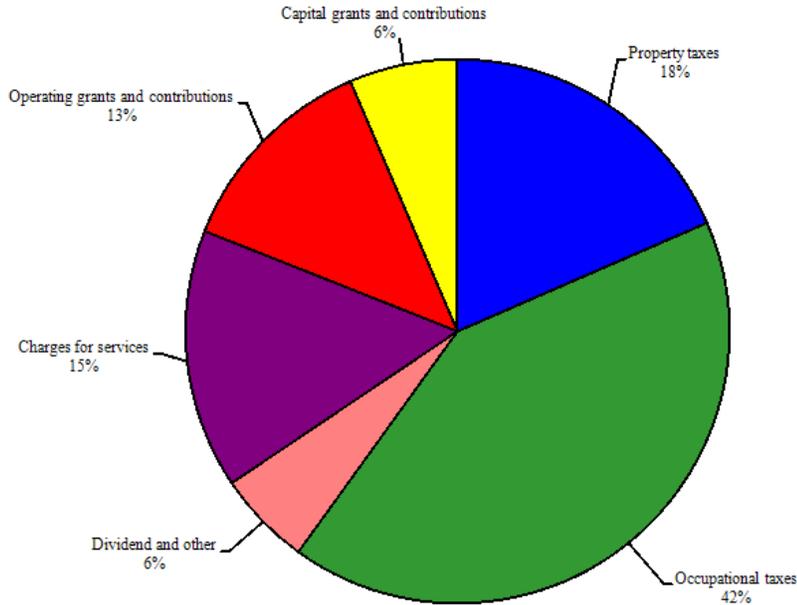
Government-wide net assets increased \$18.2 million in fiscal year 2011 versus a decrease of \$265,773 in the prior fiscal year. Total revenue increased \$7.1 million and total expenses increased \$5.8 million over fiscal year 2011. Metro Government experienced the largest increases of revenue through the collection of charges for services and occupational taxes. There was a slight decrease in revenue from the collection of property taxes as well as grants and contributions; however, Metro Government was able to offset the decreases with the increased revenue mentioned above. Occupational taxes are directly related to the employment level in the community. Unemployment for metro Louisville was 10.3% at June 30, 2011.

Expenses and Program Revenue – Governmental Activities – For the Year Ended June 30, 2011:



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2011**

Revenues by Source – Governmental Activities – For the Year Ended June 30, 2011:



Financial Analysis of the Government's Funds

At the close of fiscal year 2011, Metro Government's governmental funds reported a combined ending fund balance of approximately \$211.3 million. This is a \$944,775 dollar decrease from fiscal year 2010. Metro Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 for detailed information on the fund balance classifications). Metro Government had \$61.5 million of unassigned fund balance available in the General Fund at June 30, 2011. Unassigned fund balance of the General Fund (Metro Government's main operating fund) represents approximately 12% of total general fund expenditures for fiscal year 2011.

The General Fund's fund balance decreased \$4.4 million during fiscal year 2011 as compared to a decrease of \$1.5 million in fiscal year 2010. The current year decrease is primarily the result of \$4.3 million appropriated from the unassigned General Fund balance to satisfy the judgment related to litigation by the Louisville Fire Department for overtime pay.

The Special Revenue Fund's fund balance increased \$14.7 million during fiscal year 2011 as compared to a \$13.6 million increase in fiscal year 2010. Current year revenues were down \$2.1 million from 2010 revenues, while current year expenditures were up \$8 million from 2010 expenditures. The overall increase in 2010 was primarily related to a prior period adjustment to reflect a change in revenue recognition. The increase in 2011 was the result of current year activity with charges for services increasing primarily as a result of increased loan activity.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2011**

The Capital Projects Fund's fund balance decreased \$16.7 million during fiscal year 2011 as compared to a \$33.6 million increase in fiscal year 2010. Compared to 2010, miscellaneous revenues in the Capital Project Fund decreased by \$7.7 million because insurance recoveries to reimburse capital outlay resulting from the August 4, 2009 flood were complete. Expenditures of the Capital Projects Fund were lower than fiscal year 2010 as a result of fewer planned expenditures due to the recession.

The Special Purpose Fund's fund balance increased \$5.4 million in fiscal year 2011 versus a \$5.4 million decrease in fiscal year 2010. There were no transfers to the General Fund. Governmental revenues increased and capital outlay expenditures decreased over the course of 2011 to yield the overall fund balance increase.

General Fund Budgetary Highlights

Actual expenditures were \$62 million below the final budgeted amounts. The largest variances between budget and actual amounts relate to fleet and depreciation adjustments which were approximately \$33.3 million in fiscal year 2011. These amounts are included in budgeted recoveries (within charges for service) and as budgeted departmental expenditures, but are not reflected in actual totals presented in the financial statements because they are interagency charges and are eliminated.

Debt service for Metro Government is budgeted in the General Fund, but is reflected as a transfer out of the General Fund and recorded as expenditures in the debt service funds, which resulted in a variance of \$18.6 million from the budgeted expenditure of \$19 million to the actual expenditure of \$425,785. Departmental expenditures were under budget due to required departmental reductions in spending as a result of decrease in revenue collections.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2010**

Capital Asset And Debt Administration

Capital Assets

Metro Government held \$843.8 million of capital assets, net of accumulated depreciation at June 30, 2011. Depreciation charges for fiscal year 2011 totaled \$44.3 million.

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

	<u>2010</u>	<u>2011</u>	<u>Total Percentage Change 2010-2011</u>
Land	\$ 310,005,534	\$ 310,977,120	0.3%
Land improvements	49,827,481	46,031,249	-7.6%
Buildings	217,504,996	217,237,485	-0.1%
Machinery and equipment	26,514,585	27,770,382	4.7%
Vehicles	33,182,822	28,075,997	-15.4%
Collections and works of art	5,300,667	2,907,851	-45.1%
Infrastructure	91,926,227	81,019,472	-11.9%
Construction in progress	109,372,992	129,758,247	18.6%
Total	<u>\$ 843,635,304</u>	<u>\$ 843,777,803</u>	0.0%

Machinery and equipment increased primarily due to the purchase of defibrillators made by Emergency Management Services. In addition, Emergency Management Agency/MetroSafe purchased radios as part of the MetroSafe communications system. Construction in progress increased due to the construction of the Glacier Run exhibit at the Louisville Zoological Gardens. In addition, Parks and Recreation upgraded several parks to include spray grounds. See Note 5 for additional detail on Capital Assets.

Debt Administration

At year-end, the Metro Government has outstanding debt as shown in the following table:

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

	<u>2010</u>	<u>2011</u>	<u>Total Percentage Change 2010-2011</u>
General obligation debt	\$ 354,445	\$ 335,457	-5.4%
Revenue bonds	95,980	92,231	-3.9%
Total	<u>\$ 450,425</u>	<u>\$ 427,688</u>	-5.0%

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 decreased by \$22.7 million. Additional information on the Metro Government's long-term debt activity can be found in Note 9 of this report.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued
For the Year Ended June 30, 2011**

Future Economic Factors

The most recent unemployment rate for Metro Louisville (September 2011) was 10.3% compared to the national unemployment rate of 9.1%; however, regionally the Metropolitan Statistical Area has approximately 607,000 jobs compared to approximately 594,400 in September 2010. Metro Government's fiscal year 2012 budget projects growth of 1.7% in the General Fund based on relatively flat real property tax assessments and a continued modest recovery in growth rates for occupational license fees. In the near-term, it is not anticipated that real property tax assessments will have growth due to the housing inventory already on the market and flat building permit activity.

The retrofitting of two Ford plants, along with UAW ratification of the proposed contract, has provided a boost to Metro's manufacturing base. Additionally, Metro Government has benefitted from the continued expansion of UPS's Worldport hub at the Louisville International Airport and GE's announcements of two new product lines to be manufactured at their Appliance Park facility in Louisville. All of these developments have served as a stabilizing base for local employment and wages.

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 Office of Management and Budget, 611 West Jefferson Street, Louisville, Kentucky, 40202.

BASIC FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government	Component
	Governmental Activities	Units
ASSETS		
Cash and cash equivalents	\$ 137,182,513	\$ 54,327,181
Investments	71,238,661	65,572,142
Receivables, net of allowance for uncollectible amounts	78,660,480	70,411,945
Inventories	555,584	19,144,890
Prepaid items and deferred charges	4,200,608	24,279,443
Assets restricted by bond indentures and other legal provisions	33,852,401	516,792,374
Non-utility property		202,526
Capital assets:		
Land and improvements	316,071,096	30,304,524
Construction in progress	129,758,247	451,252,321
Works of art	255,000	
Infrastructure	921,467,616	2,362,198,238
Other capital assets	602,630,350	1,549,039,507
Less accumulated depreciation	(1,126,404,506)	(1,279,077,253)
Capital assets, net	843,777,803	3,113,717,337
Total assets	1,169,468,050	3,864,447,838
LIABILITIES		
Accounts payable and accrued payroll	39,153,976	51,796,880
Accrued interest payable	2,512,316	14,158,988
Due to other government agencies	17,111,207	16,447,740
Unearned revenue	9,155,137	15,349,423
Other liabilities	928,120	8,616,979
Dividend payable		71,973
Bond anticipation note		226,340,000
Long-term liabilities:		
Due within one year	49,066,000	45,913,960
Due in more than one year	437,536,000	2,032,367,233
Total liabilities	555,462,756	2,411,063,176
NET ASSETS		
Invested in capital assets, net of related debt	564,365,332	1,164,005,980
Restricted for:		
Capital projects	59,169,036	98,573,144
Debt service	702,588	414,100,094
Other purposes	57,975,583	
Unrestricted	(68,207,245)	(223,294,556)
Total net assets	\$ 614,005,294	\$ 1,453,384,662

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, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General Government:					
Metro Council	\$ 6,008,924	\$ 16,958			\$ (5,991,966)
Mayor's Office	2,950,097				(2,950,097)
County Attorney	7,374,423	2,303,573	\$ 19,228		(5,051,622)
Other Elected Officials	8,309,068	365,406	28,500		(7,915,162)
Public Protection:					
Fire	52,859,608	405,013	1,943,749	\$ 2,467,852	(48,042,994)
Emergency Medical Services	25,126,843	14,857,817	11,009	620,000	(9,638,017)
Emergency Management/MetroSafe	20,344,717	3,773,010	247,288	1,230,268	(15,094,151)
Corrections	48,178,922	7,886,332	2,889,302		(37,403,288)
Youth Detention Services	9,430,629	132,222	93,322		(9,205,085)
Metro Animal Services	2,960,400	1,157,691	90,791	42,162	(1,669,756)
Criminal Justice Commission	1,205,545		667,209	132,158	(406,178)
Firefighters' Pension Fund	2,837,939				(2,837,939)
Policemen's Retirement Fund	2,304,641				(2,304,641)
Police	146,109,848	2,886,013	6,705,386	3,359,246	(133,159,203)
Economic Development:					
Metro Development Authority	40,563,472	12,377,407	15,153,743	8,567,561	(4,464,761)
Air Pollution Control	6,243,886	3,066,160	809,770		(2,367,956)
Codes & Regulations:					
Inspections, Permits and Licenses	7,616,534	11,476,715	1,912,272		5,772,453
Planning and Design Services	2,643,770	302,182	199,302	202,610	(1,939,676)
Parks & Recreation	27,335,066	4,613,908	1,069,377	1,367,890	(20,283,891)
Housing & Family Services:					
Housing	20,321,240	17,821,377	5,271,094	14,143,305	16,914,536
Human Services	15,288,619	22,789	3,827,659	2,604,591	(8,833,580)
Community Action Partnership	12,399,098	1,016	10,170,390	100,000	(2,127,692)
Public Health & Wellness	26,097,549	4,062,012	15,119,036	2,091	(6,914,410)
Public Works & Assets					
Public Works	50,877,761	2,446,942	22,927,882	4,384,263	(21,118,674)
General Services Administration	44,391,489	4,104,005	87,164	35,639	(40,164,681)
Solid Waste Management Services	19,768,734	1,618,280			(18,150,454)
Information Technology	10,284,427	1,228,633			(9,055,794)
Office of Management & Budget	30,926,357	6,029,472	49,761		(24,847,124)
Human Resources	3,643,413				(3,643,413)
Related Agencies					
Human Relations Commission	799,554	8,065	207,239		(584,250)
Louisville Free Public Library	18,605,602	515,867	1,173,524	2,712,016	(14,204,195)
Louisville Zoological Gardens	13,025,216	9,337,769	816,099	5,027,419	2,156,071
Internal Audit	760,064				(760,064)
Waterfront Development Corporation	5,515,664	341,599	618,542	353,700	(4,201,823)
Interest expense	19,397,158				(19,397,158)
Total governmental activities	<u>\$ 712,506,277</u>	<u>\$ 113,158,233</u>	<u>\$ 92,108,638</u>	<u>\$ 47,352,771</u>	<u>\$ (459,886,635)</u>
Component units:					
Louisville Water Company	\$ 126,173,551	\$ 148,227,865		\$ 9,543,012	\$ 31,597,326
Parking Authority of River City, Inc.	12,812,362	16,666,559		375,553	4,229,750
Transit Authority of River City	72,521,752	11,112,076	\$ 58,978,453		(2,431,223)
Louisville and Jefferson County Riverport Authority	1,764,472	1,365,911			(398,561)
Metropolitan Sewer District	231,023,000	185,676,000		3,747,000	(41,600,000)
Louisville Science Center, Inc.	5,993,246	2,748,422	1,466,983		(1,777,841)
Total component units	<u>\$ 450,288,383</u>	<u>\$ 365,796,833</u>	<u>\$ 60,445,436</u>	<u>\$ 13,665,565</u>	<u>\$ (10,380,549)</u>

(Continued)

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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2011

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
Net (expense) revenue (from preceding page)	\$ (459,886,635)	\$ (10,380,549)
General revenues:		
Taxes:		
Property taxes, levied for general purposes	135,553,293	
Occupational taxes	304,470,948	
Investment income	1,185,714	86,075,093
Dividends	18,232,699	
Other intergovernmental revenue	13,499,503	
Gain on sale of assets	323,156	
Other taxes	3,480,660	
Miscellaneous	4,635,565	165,474
Total general revenues	<u>481,381,538</u>	<u>86,240,567</u>
Change in net assets	21,494,903	75,860,018
Net assets--beginning	595,810,958	1,377,524,644
Prior period adjustment	(3,300,567)	
Net assets--ending	<u>\$ 614,005,294</u>	<u>\$ 1,453,384,662</u>

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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Special Purpose Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 30,706,430	\$ 1,955,384	\$ 15,185,105	\$ 15,070,954	\$ 1,158,863	64,076,736
Investments	26,623,948	1,699,628	13,198,956	13,099,736	982,731	55,604,999
Receivables:						
Taxes receivable, less allowance for uncollectible amounts	2,778,189					2,778,189
Accounts receivable and accrued interest	19,795,098	1,264,319	121,753			21,181,170
Loans receivable, less allowance for uncollectible amounts	1,166,518	27,899,676	1,901,609			30,967,803
Notes receivable			2,635,000			2,635,000
Due from federal government		17,889,192				17,889,192
Due from state government		2,791,257				2,791,257
Due from other funds	26,904,617				140,760	27,045,377
Inventories	555,584					555,584
Prepaid items	430,644	165,327				595,971
Restricted assets:						
Cash and cash equivalents			32,796,847		702,588	33,499,435
Investments			352,966			352,966
Total assets	<u>\$ 108,961,028</u>	<u>\$ 53,664,783</u>	<u>\$ 66,192,236</u>	<u>\$ 28,170,690</u>	<u>\$ 2,984,942</u>	<u>259,973,679</u>
LIABILITIES						
Accounts payable	\$ 13,090,731	\$ 2,795,995	\$ 2,367,940	\$ 34,512		18,289,178
Accrued payroll and withholdings	15,813,105	560,466				16,373,571
Due to other funds	949,591					949,591
Matured bonds and interest payable					\$ 140,760	140,760
Notes payable			2,000,000			2,000,000
Deferred revenue	2,907,183	7,126,979				10,034,162
Unearned revenue	2,027					2,027
Other liabilities	928,120					928,120
Total liabilities	<u>33,690,757</u>	<u>10,483,440</u>	<u>4,367,940</u>	<u>34,512</u>	<u>140,760</u>	<u>48,717,409</u>
FUND BALANCES						
Nonspendable	2,152,746	28,065,003	2,536,609			32,754,358
Restricted for:						
Debt service reserve					702,588	702,588
Other capital projects			33,149,813			33,149,813
Committed	8,398,077	13,420,935				21,819,012
Assigned to:						
Capital projects	2,102,577		26,137,874	28,136,178	2,141,594	58,518,223
Grant programs	1,001,509	1,695,405				2,696,914
Other purposes	133,562					133,562
Unassigned	61,481,800					61,481,800
Total fund balances	<u>75,270,271</u>	<u>43,181,343</u>	<u>61,824,296</u>	<u>28,136,178</u>	<u>2,844,182</u>	<u>211,256,270</u>
Total liabilities and fund balances	<u>\$ 108,961,028</u>	<u>\$ 53,664,783</u>	<u>\$ 66,192,236</u>	<u>\$ 28,170,690</u>	<u>\$ 2,984,942</u>	

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

Capital assets of \$843,777,803 net of accumulated depreciation, reported in the government wide financial statements less \$101,235 of capital assets held by the internal service funds used in governmental activities are not financial resources and therefore are not reported in the funds.	843,676,568
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.	4,244,931
Certain revenues are earned but not available and therefore are deferred in the fund financial statements but are recognized as revenue in the government-wide statements.	10,034,162
Accrued interest payable on long-term liabilities is reported in the government-wide statements, but is not reported in the funds.	(2,512,316)
Long-term liabilities of \$486,602,000, including bonds payable, less \$2,000,000 reported in the governmental funds, less \$28,378,042 reported in internal service funds, less deferred charges of \$3,529,637 are not due and payable in the current period and therefore are not reported in the funds.	(452,694,321)
Net assets of governmental activities	<u>\$ 614,005,294</u>

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
For the Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Special Purpose Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 138,778,419					\$ 138,778,419
Occupational taxes	304,470,948					304,470,948
Licenses and permits	11,168,192		\$ 200,196			11,368,388
Intergovernmental	33,338,942	\$ 114,395,673		\$ 1,687,182	\$ 5,762,813	155,184,610
Charges for services	59,572,719	26,273,111	1,638,113	397,351		87,881,294
Fees and fines	3,198,045					3,198,045
Investment income	323,415	244,068	591,840	26,143	248	1,185,714
Dividends	18,232,699					18,232,699
Donations	2,319,967	760,420	7,011,743			10,092,130
Miscellaneous	3,558,459	419,344	420,593			4,398,396
Total revenues	<u>574,961,805</u>	<u>142,092,616</u>	<u>9,862,485</u>	<u>2,110,676</u>	<u>5,763,061</u>	<u>734,790,643</u>
EXPENDITURES						
Current operating:						
General Government:						
Metro Council	6,016,623					6,016,623
Mayor's Office	2,942,483					2,942,483
County Attorney	7,385,828					7,385,828
Other Elected Officials	8,321,919					8,321,919
Public Protection:						
Fire	48,941,896	2,517,795				51,459,691
Emergency Medical Services	23,637,381	752,295				24,389,676
Emergency Management/MetroSafe	12,478,754	6,522,544				19,001,298
Corrections	48,155,520	12,668				48,168,188
Youth Detention Services	9,350,162	6,915				9,357,077
Metro Animal Services	2,935,622					2,935,622
Criminal Justice Commission	296,667	910,742				1,207,409
Firefighters' Pension Fund	2,866,195					2,866,195
Policemen's Retirement Fund	2,327,587					2,327,587
Police	141,212,643	3,930,091				145,142,734
Economic Development:						
Metro Development Authority	14,380,373	24,768,846				39,149,219
Air Pollution Control	785,713	5,339,936				6,125,649
Codes & Regulations:						
Inspections, Permits and Licenses	6,268,510	1,359,804				7,628,314
Planning and Design Services	2,381,004	251,609				2,632,613
Parks & Recreation	23,126,859	1,510,788				24,637,647
Housing & Family Services:						
Housing	729,237	19,614,638				20,343,875
Human Services	8,869,331	6,442,420				15,311,751
Community Action Partnership	207,026	10,290,688				10,497,714
Public Health & Wellness	9,723,407	16,240,559				25,963,966
Public Works & Assets:						
Public Works	14,477,397	19,227,338				33,704,735
General Services Administration	33,669,856	6,913				33,676,769
Solid Waste Management Services	18,470,895	1,312,337				19,783,232
Information Technology	9,337,569					9,337,569
Office of Management & Budget	30,852,510				2,500	30,855,010
Human Resources	3,647,513					3,647,513
Related Agencies:						
Human Relations Commission	602,663	198,127				800,790
Louisville Free Public Library	15,282,954	2,327,614				17,610,568
Louisville Zoological Gardens	12,907,257					12,907,257
Internal Audit	761,240					761,240
Waterfront Development Corporation	2,553,091					2,553,091
Debt service principal					36,100,000	36,100,000
Debt service interest and other charges	425,785		211,776		15,788,789	16,426,350
Capital outlay			37,222,412	2,590,227	39,715	39,852,354
Total expenditures	<u>526,329,470</u>	<u>123,544,667</u>	<u>37,434,188</u>	<u>2,590,227</u>	<u>51,931,004</u>	<u>741,829,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,632,335</u>	<u>18,547,949</u>	<u>(27,571,703)</u>	<u>(479,551)</u>	<u>(46,167,943)</u>	<u>(7,038,913)</u>

(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, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Special Purpose Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets			323,156			323,156
Issuance of bonds, par			9,385,000			9,385,000
Issuance of bonds, premium			58,702			58,702
Issuance of refunding bonds, par					41,300,000	41,300,000
Issuance of refunding bonds, premium					1,341,521	1,341,521
Proceeds from long term note	10,000,000					10,000,000
Payment to bond refunding escrow agent					(42,030,940)	(42,030,940)
Transfers in	4,297,022	512,574	4,419,479	6,453,515	45,579,507	61,262,097
Transfers out	(67,285,954)	(4,369,931)	(3,289,513)	(600,000)		(75,545,398)
Total other financing sources (uses)	<u>(52,988,932)</u>	<u>(3,857,357)</u>	<u>10,896,824</u>	<u>5,853,515</u>	<u>46,190,088</u>	<u>6,094,138</u>
Net change in fund balances	(4,356,597)	14,690,592	(16,674,879)	5,373,964	22,145	(944,775)
Fund balances--beginning	79,626,868	28,490,751	78,499,175	22,762,214	2,822,037	212,201,045
Fund balances--ending	<u>\$ 75,270,271</u>	<u>\$ 43,181,343</u>	<u>\$ 61,824,296</u>	<u>\$ 28,136,178</u>	<u>\$ 2,844,182</u>	<u>\$ 211,256,270</u>

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Net change in fund balances--total governmental funds	\$	(944,775)
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 \$46,254,893 was greater than depreciation of \$44,332,071 in the governmental funds, less \$74,611 of depreciation in the internal service funds, for the current period.		
		1,997,433
In the Statement of Activities, only the loss on the disposal of assets is reported, while in the governmental funds, the proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the basis of the assets disposed.		
		(1,780,323)
Deferred revenues added to net assets in the prior year are deducted in the current year.		
		(11,145,509)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		10,034,162
Bond proceeds of \$9,443,702 from new issues, \$42,641,521 from refunding issuances, and note proceeds of \$10,000,000 provide current financial resources to governmental funds, but issuing debt increases the long-term liabilities in the Statement of Net Assets. Repayment of \$36,100,000 of bond principal, payments of \$42,030,940 to bond refunding escrow agents and \$87,000 of capital lease payments are expenditures in the governmental funds, but these items reduce long-term liabilities in the Statement of Net Assets.		
		16,132,717
The changes in compensated absences and claims and judgements are reported in the Statement of Activities and do not require the use of current financial resources, therefore the changes are not reported as expenditures in governmental funds.		
		589,118
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.		
		9,584,159
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 on deep discount bonds and net changes in accrued interest of \$4,119,840 and amortization less other charges of \$1,147,761 are also shown as differences for the year.		
		<u>(2,972,079)</u>
Change in net assets of governmental activities	\$	<u><u>21,494,903</u></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, 2011

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 73,105,777
Investments	15,633,662
Accounts receivable	417,869
Deposits with paying agents	75,000
Total current assets	89,232,308
Capital assets:	
Machinery and equipment, net	101,235
Total capital assets	101,235
Total assets	89,333,543
LIABILITIES	
Current liabilities:	
Accounts payable	4,350,467
Claims and judgments	15,885,487
Due to other funds	43,206,993
Unearned revenue	9,153,110
Total current liabilities	72,596,057
Noncurrent liabilities:	
Claims and judgments	12,492,555
Total noncurrent liabilities	12,492,555
Total liabilities	85,088,612
NET ASSETS	
Invested in capital assets	101,235
Restricted	650,351
Unrestricted	3,493,345
Total net assets	\$ 4,244,931

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, 2011**

	Governmental Activities Internal Service Fund
OPERATING REVENUES:	
Collection, investment and other fees	\$ 5,083,838
Insurance income	15,314,911
Insurance premiums	50,776,845
Total operating revenues	71,175,594
OPERATING EXPENSES:	
Professional services	4,478,598
Contractual services	354,486
Repairs and maintenance	13,579
Other supplies and expenses	542,412
Insurance claims, settlements and losses	66,081,875
Insurance premiums	4,508,627
Depreciation	74,611
Total operating expenses	76,054,188
Operating loss	(4,878,594)
NONOPERATING REVENUES:	
Investment income	179,452
Total nonoperating revenues	179,452
Net gain before transfers	(4,699,142)
Transfers in	14,283,301
Change in net assets	9,584,159
Total net assets--beginning	(5,339,228)
Total net assets--ending	\$ 4,244,931

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, 2011

	Governmental Activities <hr/> Internal Service Fund <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from collection, investment, and other fees	\$ 5,083,838
Insurance income	66,008,869
Payments to employees	(3,447,280)
Payments to suppliers	(1,946,141)
Contractual services	(1,856,180)
Claims paid	(90,460,740)
Insurance premiums paid	(4,508,627)
Decrease in cash collected for others	1,176,983
Other payments	(8,500)
	(29,957,778)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	14,283,301
	14,283,301
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investment pool participation	8,457,110
Investment income	179,452
	8,636,562
Net decrease in cash and cash equivalents	(7,037,915)
Cash and cash equivalents, beginning of the year	80,143,692
Cash and cash equivalents, end of the year	\$ 73,105,777
Reconciliation of Operating Gain to Net Cash Provided/(Used) By Operating Activities	
Operating loss	\$ (4,878,594)
Adjustments to reconcile operating gain to net cash provided/(used) by operating activities:	
Depreciation expense	74,611
Increase (decrease) in cash due to changes in assets and liabilities:	
Accounts receivable	(82,887)
Deposits with paying agents	(20,000)
Accounts and other payables	(1,227,140)
Liability for incurred claims	(24,529,362)
Due to other funds and governmental agencies	2,723,222
Unearned revenue	(2,017,628)
	(29,957,778)

During fiscal year 2011, 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, 2011

	Pension & Benefit Trust	Private- purpose Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,111,794	\$ 409,967	\$ 8,746,962
Investments	13,055,574	363,009	8,615,305
Accounts receivable and accrued interest	308,777		
Due from other funds			17,111,804
Due from other governmental agencies			4,319,622
Total assets	<u>14,476,145</u>	<u>772,976</u>	<u>\$ 38,793,693</u>
LIABILITIES			
Accounts payable	157,808	60,287	
Notes payable			\$ 3,500,000
Health insurance reimbursement and accrued liabilities	165,000		
Due to other funds			597
Due to other governmental agencies			26,688,192
Refundable deposits			8,604,904
Total liabilities	<u>322,808</u>	<u>60,287</u>	<u>\$ 38,793,693</u>
NET ASSETS			
Held in trust for pension benefits	14,153,337		
Held in trust for private purpose		712,689	
Total net assets	<u>\$ 14,153,337</u>	<u>\$ 712,689</u>	

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2011

	Pension & Benefit Trust	Private- purpose Trust
ADDITIONS		
Contributions:		
Employer	\$ 3,313,499	
Member	4,274	\$ 432,742
Total contributions	<u>3,317,773</u>	<u>432,742</u>
Investment earnings:		
Increase in fair value of investments	1,338,202	
Realized gains	889,931	
Interest and dividends	190,499	
Total investment earnings	<u>2,418,632</u>	
Investment expense	<u>(131,982)</u>	
Net investment earnings	2,286,650	
Other income	2,244,089	
Total additions	<u>7,848,512</u>	<u>432,742</u>
DEDUCTIONS		
Benefit payments	5,605,231	
Administrative expense	868,545	394,923
Health insurance reimbursement	1,158,982	
Total deductions	<u>7,632,758</u>	<u>394,923</u>
Net increase/(decrease)	215,754	37,819
Net assets--beginning of the year	13,937,583	674,870
Net assets--end of the year	<u>\$ 14,153,337</u>	<u>\$ 712,689</u>

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



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2011**

	Louisville Water Company*	Parking Authority of River City, Inc.	Transit Authority of River City	Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Louisville Science Center, Inc.**	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 14,103,476	\$ 500	\$ 5,244,332	\$ 225,980	\$ 34,508,000	\$ 244,893	\$ 54,327,181
Investments	59,613,499			5,858,643	100,000		65,572,142
Accounts receivable	16,693,052	257,138	8,863,949	49,888	17,789,000	121,786	43,774,813
Accrued interest receivable	758,388			2,900	1,472,000		2,233,288
Contract and assessments receivable, current portion	442,406						442,406
Pledges receivable, net						169,173	169,173
Inventories	6,603,599		1,362,999	7,714,741	3,435,000	28,551	19,144,890
Reserves, current portion	2,150,697						2,150,697
Prepaid expenses	1,487,633	28,882	220,691	61,484	1,369,000	173,481	3,341,171
Restricted cash and cash equivalents					112,559,000		112,559,000
Restricted investments			31,590		294,868,000		294,899,590
Total current assets	<u>101,852,750</u>	<u>286,520</u>	<u>15,723,561</u>	<u>13,913,636</u>	<u>466,100,000</u>	<u>737,884</u>	<u>598,614,351</u>
Noncurrent assets:							
Restricted cash and cash equivalents		10,603,622				21,296	10,624,918
Restricted investments		11,997,425				638,991	12,636,416
Pledges receivable, net						9,124	9,124
Accrued interest receivable		3,664					3,664
Reserves, less current portion	83,921,753						83,921,753
Note receivable		633,078					633,078
Contract and assessments receivable, less current portion	1,886,399				21,260,000		23,146,399
Deferred charges	3,804,875	1,616,948			15,351,000		20,772,823
Non-utility property	202,526						202,526
Other assets		157,000		8,449			165,449
Capital assets:							
Land	9,059,851	9,964,905	3,177,782	8,101,986			30,304,524
Buildings and improvements	114,119,548	94,936,616	33,046,899	29,771,477	1,032,251,000	6,049,575	1,310,175,115
Machinery and equipment	54,090,805	4,787,539	89,464,389	189,527	71,040,000	1,093,769	220,666,029
Museum exhibits						18,198,363	18,198,363
Infrastructure	967,136,238				1,395,062,000		2,362,198,238
Construction in progress	118,989,719	59,411,602			272,851,000		451,252,321
Less accumulated depreciation	<u>(343,804,986)</u>	<u>(51,665,769)</u>	<u>(77,794,601)</u>	<u>(18,108,651)</u>	<u>(768,422,000)</u>	<u>(19,281,246)</u>	<u>(1,279,077,253)</u>
Capital assets, net of accumulated depreciation	<u>919,591,175</u>	<u>117,434,893</u>	<u>47,894,469</u>	<u>19,954,339</u>	<u>2,002,782,000</u>	<u>6,060,461</u>	<u>3,113,717,337</u>
Total noncurrent assets	<u>1,009,406,728</u>	<u>142,446,630</u>	<u>47,894,469</u>	<u>19,962,788</u>	<u>2,039,393,000</u>	<u>6,729,872</u>	<u>3,265,833,487</u>
Total assets	<u>1,111,259,478</u>	<u>142,733,150</u>	<u>63,618,030</u>	<u>33,876,424</u>	<u>2,505,493,000</u>	<u>7,467,756</u>	<u>3,864,447,838</u>

(continued)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET ASSETS (continued)
COMPONENT UNITS
June 30, 2011

	Louisville Water Company*	Parking Authority of River City, Inc.	Transit Authority of River City	Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Louisville Science Center, Inc.**	Total
LIABILITIES							
Current liabilities:							
Accounts payable	14,219,206	922,167	3,281,256	339,672	30,837,000	284,913	49,884,214
Accrued payroll and withholdings	337,489					167,177	504,666
Compensated absences payable	909,074		3,255,904				4,164,978
Due to other governmental agencies	11,447,740		5,000,000				16,447,740
Customer advances and deposits payable	4,329,339				1,341,000		5,670,339
Accrued interest payable	1,643,613	155,375			12,360,000		14,158,988
Bonds payable, current portion	9,865,000	3,965,000			24,840,000		38,670,000
Bond anticipation note					226,340,000		226,340,000
Other payables from restricted assets	2,304,653	641,987					2,946,640
Claims and judgments payable			3,078,982				3,078,982
Deferred revenue		227,764	755,082	216,620		144,101	1,343,567
Dividend payable	71,973						71,973
Total current liabilities	<u>45,128,087</u>	<u>5,912,293</u>	<u>15,371,224</u>	<u>556,292</u>	<u>295,718,000</u>	<u>596,191</u>	<u>363,282,087</u>
Noncurrent liabilities:							
Accounts payable					1,408,000		1,408,000
Deferred revenue	1,866,856				12,139,000		14,005,856
Arbitrage rebate liability accrued					4,153,000		4,153,000
Unamortized debt premium	9,653,454	430,956			25,647,000		35,731,410
Interest rate swaps					55,808,000		55,808,000
Bonds payable, less current portion	276,551,169	85,295,654			1,574,828,000		1,936,674,823
Total noncurrent liabilities	<u>288,071,479</u>	<u>85,726,610</u>	<u>-</u>	<u>-</u>	<u>1,673,983,000</u>	<u>-</u>	<u>2,047,781,089</u>
Total liabilities	<u>333,199,566</u>	<u>91,638,903</u>	<u>15,371,224</u>	<u>556,292</u>	<u>1,969,701,000</u>	<u>596,191</u>	<u>2,411,063,176</u>
NET ASSETS							
Invested in capital assets, net of related debt	633,175,006	30,293,166	47,894,469	19,954,339	432,689,000		1,164,005,980
Restricted for capital projects	86,072,450	11,683,759				816,935	98,573,144
Restricted for debt service		2,259,094			411,841,000		414,100,094
Unrestricted	58,812,456	6,858,228	352,337	13,365,793	(308,738,000)	6,054,630	(223,294,556)
Total net assets	<u>\$ 778,059,912</u>	<u>\$ 51,094,247</u>	<u>\$ 48,246,806</u>	<u>\$ 33,320,132</u>	<u>\$ 535,792,000</u>	<u>\$ 6,871,565</u>	<u>\$ 1,453,384,662</u>

*Amounts for the Louisville Water Company are for December 31, 2010.

**The Louisville Science Center, Inc. is a not-for-profit

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS**

For the Year Ended June 30, 2011

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Louisville Water Company*	Parking Authority of River City, Inc.	Transit Authority of River City	Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Louisville Science Center, Inc.**	
Component Units:											
Louisville Water Company*	\$ 126,173,551	\$ 148,227,865		\$ 9,543,012	\$ 31,597,326						\$ 31,597,326
Parking Authority of River City, Inc.	12,812,362	16,666,559		375,553		\$ 4,229,750					4,229,750
Transit Authority of River City	72,521,752	11,112,076	\$ 58,978,453								(2,431,223)
Louisville and Jefferson County Riverport Authority	1,764,472	1,365,911						\$ (398,561)			(398,561)
Metropolitan Sewer District	231,023,000	185,676,000		3,747,000					\$ (41,600,000)		(41,600,000)
Louisville Science Center, Inc.**	5,993,246	2,748,422	1,466,983							\$ (1,777,841)	(1,777,841)
	<u>450,288,383</u>	<u>365,796,833</u>	<u>60,445,436</u>	<u>13,665,565</u>	<u>31,597,326</u>	<u>4,229,750</u>	<u>(2,431,223)</u>	<u>(398,561)</u>	<u>(41,600,000)</u>	<u>(1,777,841)</u>	<u>(10,380,549)</u>
General Revenues											
Investment income					1,247,191	135,982	2,539	10,562	84,596,000	82,819	86,075,093
Miscellaneous					157,621			7,853			165,474
Total general revenues and special items					<u>1,404,812</u>	<u>135,982</u>	<u>2,539</u>	<u>18,415</u>	<u>84,596,000</u>	<u>82,819</u>	<u>86,240,567</u>
Change in net assets					33,002,138	4,365,732	(2,428,684)	(380,146)	42,996,000	(1,695,022)	75,860,018
Net assets, beginning balance					745,057,774	46,728,515	50,675,490	33,700,278	492,796,000	8,566,587	1,377,524,644
Net assets, ending					<u>\$ 778,059,912</u>	<u>\$ 51,094,247</u>	<u>\$ 48,246,806</u>	<u>\$ 33,320,132</u>	<u>\$ 535,792,000</u>	<u>\$ 6,871,565</u>	<u>\$ 1,453,384,662</u>

*Amounts for the Louisville Water Company are for the year ended December 31, 2010.

**The Louisville Science Center, Inc. is a not-for-profit

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



NOTES TO THE FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 safety, streets and roads, sanitation, health and social services, culture and 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 (“GAAP”) 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 Statements No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units*, as amended, 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 Revenue Commission is reported as part of the primary government as 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 Commissioners of the Revenue Commission consist of the Metro Government Mayor, the Metro Council President, the Jefferson County Public School Superintendent, and three citizen members appointed by the Mayor and approved by the Metro Council.

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.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

- The Public Properties Corporation (“PPC”) - The PPC is a non-profit municipal corporation that was incorporated by the City of Louisville, succeeded by Metro Government, which is used to account for certain property acquisitions and improvements financed by proceeds from the sale of various First Mortgage Revenue Bonds. There are currently no First Mortgage Revenue Bonds outstanding. PPC is reported as part of the primary government because its purpose is to issue bonds solely on behalf of Metro Government.
- Capital Projects Corporation (“CPC”) - 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 Mayor, with the approval of the Metro Council, appoints the CPC’s governing board. 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 by contacting Metro Government’s Office of Management and Budget, 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.

All discretely presented component units have a June 30 fiscal year end except the Louisville Water Company which has a December 31 year end.

- Louisville Water Company (“LWC”) – The LWC is a legally separate entity that provides water utility services to the residents of the Louisville 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 of LWC stock, receives a quarterly dividend, and the Mayor appoints a voting majority of the LWC’s Board of Directors. Water services valued at \$13,207,890 were provided to Metro Government in lieu of taxes during the year ended December 31, 2010. 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 City of Louisville, succeeded by Metro Government, to serve Metro Government’s existing parking facility needs and to develop strategies for the redevelopment of the downtown riverfront area. PARC serves as an agency and instrumentality of Metro Government in financing the

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

acquisition of on-street and off-street parking facilities. PARC is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to approve or overrule decisions of PARC in financing of new facilities and equipment. Complete financial statements of PARC can be requested from the Parking Authority of River City, 517 South Fourth Street, Louisville, KY 40202.

- Transit Authority of River City (“TARC”) - TARC is a legally separate entity which was established by the former City of Louisville and Jefferson County Fiscal Court, succeeded by Metro Government, that operates the mass transit system in the Louisville 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 (“MTTF”), which receives occupational tax revenues and remits those amounts to TARC. Payments to TARC from the MTTF for the fiscal year ended June 30, 2011 totaled \$42,253,613. Audited financial statements of MTTF can be requested from Metro Government’s Office of Management and Budget, 611 West Jefferson Street, Louisville, Kentucky, 40202. 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 riverport 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. The amount of free services provided to Metro Government in fiscal year ended June 30, 2011 was approximately \$3,187,000. Complete financial statements of MSD can be requested from Louisville and Jefferson County Metropolitan Sewer District, 700 West Liberty Street, Louisville, KY 40203.
- Louisville Science Center, Inc. (“LSC”) - The LSC is a legally separate, not-for-profit entity that 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

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

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, 2011, Metro Government paid \$782,000 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.

iii. Related Organizations

- Louisville Metro Housing Authority (“Housing Authority”) - The Housing Authority is a legally separate entity that plans for the construction, operation and management of low cost housing projects within the metropolitan area. The Board consists of the Mayor and eight other members appointed by the Mayor and approved by the Metro Council. Financial support is received from the federal government and from fees. The Housing Authority serves as its own fiscal agent and Metro Government is not financially accountable for the activities of the entity. Metro Government did not provide any funding to the Housing Authority for the year ended June 30, 2011.
- 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 \$11,179,735 in transient room taxes collected by the Revenue Commission during the 2011 fiscal year.

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 Net Assets presents Metro Government’s non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is related to the acquisition, construction and improvement of capital assets. The outstanding debt is also offset by any unspent proceeds from such debt.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

- Restricted net assets result from restrictions placed by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

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.

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. 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. Revenues susceptible to accrual are property taxes, intergovernment, interest revenue and charges for services. Occupational taxes, fees and fines, licenses, and permits are not susceptible to accrual because generally they are not measurable until received in cash. 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 and judgments, are recorded only when payment is due.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Agency fund financial statements report only assets and liabilities and accordingly have no measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

Metro Government reports unearned revenue in the government-wide statement of net assets and the governmental funds balance sheet. Unearned revenue reported in these statements results from resources that Metro Government has received before it has a legal claim to it, such as when grant money is received prior to incurring eligible expenditures. In a subsequent fiscal period, when the revenue is earned, the liability is removed and revenue is recognized.

Metro Government reports deferred revenue in the governmental funds balance sheet. Deferred revenue arises when revenue does not meet both the measurable and available criteria for recognition in the current period. As discussed above, Metro Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For certain non-exchange transactions, revenues are measurable, but not received within 60 days of year end. Revenue recognition is deferred to the subsequent fiscal period when it is received.

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 and consist primarily of charges to customers or agencies, 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.

When both restricted and unrestricted resources are available for use, it is Metro Government's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes and unassigned fund balances would be used as needed.

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 resources of specific revenues that are restricted or committed to spend for specified purposes other than debt service or capital projects. Metro Government reports federal and state grant money in the Special Revenue Fund.
- 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, 2011

1. Summary of Significant Accounting Policies (continued)

- The Special Purpose Capital Fund, which accounts for the acquisition of assets, such as vehicles and data processing equipment that are funded by specific revenue sources.

The Internal Service Fund, a proprietary fund, accounts 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 others.

E. Budgets

An annual appropriated budget is adopted for the General Fund on a cash basis (non-GAAP). 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. Departments may request Metro Council approval for budgetary carryforwards. These amounts are reported as committed fund balance.

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 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 Director of the Office of Management and Budget consistent with the approved budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2011 were as follows:

General Fund	\$	6,189,170
Special Revenue Fund		16,840,448
Major Capital Projects		9,441,356
Special Purpose Fund		<u>868,137</u>
Total Governmental Funds	\$	<u><u>33,339,111</u></u>

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 maturities of three months or less when purchased. The cash and cash equivalents of Metro Government's funds are invested in pooled accounts. Funds with negative cash and cash equivalents report the negative amount as due to other funds of Metro Government and the lending fund reports an offsetting due from other funds of Metro Government.

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 Note 3 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, 2011, have been recorded in the balance sheet of the General Fund and in the government wide statement of net assets as deferred revenue.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Metro Government's property tax calendar is as follows:

<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 15, following year	10% interest plus 10% penalty added to above

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

The allowance for uncollectible amounts is composed of taxes receivable which have been deemed uncollectible based on a trend analysis of collections over the past five fiscal years.

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 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 in fund balance as nonspendable, 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, 2011 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 one year.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

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 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	3-12
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 and 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 Metro 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 Employees' 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. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest 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.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

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

N. Claims and Judgments Payable

Claims and judgments payable represents estimates for medical, automobile liability, workers' compensation, and other claims incurred as of June 30, 2011. 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. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2011 by the Metro Government are nonspendable in form. Metro Government has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is classified, rescinded or modified pursuant to ordinances passed by the Metro Council, Metro Government's highest level of decision making authority.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Committed fund balance for the General Fund and Special Revenue Fund is further classified as follows:

Committed for:	General Fund	Special Revenue Fund	Total
General Government	\$ 2,450,600		\$ 2,450,600
Mayor's Office	20,313		20,313
Neighborhood Development Funds	2,426,080		2,426,080
Fire	54,595		54,595
Emergency Medical Services	421,600	\$ 100,182	521,782
Emergency Management/Metrosafe		16,686	16,686
Metro Animal Services	11,304	29,643	40,947
Criminal Justice Commission		394,496	394,496
Police	13,916	686,133	700,049
Corrections	10,000	56,960	66,960
Economic Development	959,735	3,800,621	4,760,356
Parks & Recreation	534,392	122,735	657,127
Housing & Family Services	122,418	1,923,096	2,045,514
Public Health & Wellness		4,218,241	4,218,241
Public Works & Assets		1,777,608	1,777,608
Human Relations Commission		78,963	78,963
Louisville Free Public Library		209,652	209,652
Louisville Zoological Gardens	50,837	5,842	56,679
Waterfront Development Corporation	1,322,287	77	1,322,364
Committed Fund Balance	<u>\$ 8,398,077</u>	<u>\$ 13,420,935</u>	<u>\$ 21,819,012</u>

- Assigned – includes amounts that Metro Government intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Director of the Office of Management and Budget under the authorization of the Mayor’s Office.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. Metro Government reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

Metro Government developed and adopted an Unrestricted General Fund Balance (“Financial Stabilization Fund”) Policy on November 14, 2003. The stabilization fund is represented by unassigned fund balance. The unassigned fund balance is \$61.5 million at June 30. It is Metro Government’s policy to:

- Maintain a Financial Stabilization Fund balance between one and two months of monthly average current year general fund budgeted expenditures,
- Generate additional revenues or reduce expenditures to maintain or replenish the Financial Stabilization Fund balance to meet the policy amount, and
- Utilize the Financial Stabilization Fund balance for one-time capital project or emergency operational expenditures consistent with this policy.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

The Financial Stabilization Fund balance may only be used if all of the following conditions exist:

- A rare and extraordinary event (e.g. natural disaster, or large and unanticipated reduction or elimination of state revenue), or the one-time funding of a capital project or an operating initiative that will result in material, recurring reductions in future operating expenditures or material, recurring increases in operating revenues.
- Metro Government has made a complete and rational analysis, with justifying evidence that the Financial Stabilization Fund can be maintained in the future.

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 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, 2010, a timing difference arises and causes a difference in the dividends paid and received as illustrated by the following schedule:

<u>Date paid</u>	<u>LWC Dividends Paid</u>	<u>Revenue Commission Dividends Received</u>
March 31, 2010	\$ 4,494,350	
June 30, 2010	4,494,350	
September 30, 2010	4,494,350	\$ 4,448,539
December 31, 2010	4,494,350	4,448,538
March 31, 2011		4,667,811
June 30, 2011		4,667,811
	<u>\$ 17,977,400</u>	<u>\$ 18,232,699</u>

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

A. Primary Government

During fiscal year 2011, Metro Government corrected an error that resulted from not using the effective interest method for amortization of amounts deferred on bond issuance costs, bond discounts or premiums and deferred amounts on refundings. As a result of this error, Metro Government recorded a prior period adjustment to decrease beginning

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

net assets by \$1,020,469. In addition, Metro Government has recorded a prior year adjustment to decrease beginning net assets by \$2,280,098 to record accrued interest payable on long-term obligations at the end of fiscal year 2010.

3. Cash Deposits and Investments

A. Pooled Portfolio Investments

The following schedule presents the investments in Metro Government's pooled portfolio as of June 30, 2011, 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>
U.S. Government Money Market Mutual Funds	\$ 248,876	0.12	Aaa
Certificates of Deposit	1,700,000	0.18	P-1
Corporate Bonds	1,015,680	0.83	Aaa
U.S. Treasury Notes	13,998,688	1.47	Aaa
U.S. Agency Obligations	46,678,323	1.75	Aaa
Total	<u>\$ 63,641,567</u>		
Portfolio weighted average maturity		1.63	

B. Non-Pooled Portfolio Investments

Non-pooled portfolio investments of the primary government include all restricted assets of the Capital Projects Funds, Internal Service Fund 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, 2011 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	<u>\$ 4,147,856</u>	0.12	Aaa

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.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

3. Cash Deposits and Investments, continued

Metro Government was fully collateralized and all investments were held in the Metro Government's name as of June 30, 2011.

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 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's investment policy, maintenance of adequate liquidity to meet the cash flow needs of Metro Government 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.

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.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

3. Cash Deposits and Investments, continued

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, 2011, including cash with paying agents, were \$56,064,373. Of this amount, \$350,000 was covered by the Federal Deposit Insurance Corporation (“FDIC”). The remainder, expect for \$3,614,482, was collateralized by the banks holding the deposits in the Revenue Commission’s name.

The investment balances at June 30, 2011 of \$5,016 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 Investors Service.

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 the Commissioners, 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.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

3. Cash Deposits and Investments, continued

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

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States government.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which is insured by the FDIC 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 MTTF is required to follow investment policies in accordance with Kentucky Revised Statutes ("KRS") 66.480 (see the MTTF audit report for additional discussion of allowed investments). The Escrow and Deposit Fund is governed by the Metro Government's investment policy described within this note.

The Firefighters' Pension Fund had deposits of \$486,668 at June 30, 2011. Of this amount, \$21,759 was covered by the FDIC. The remaining \$464,909 was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Firefighters' Pension Fund's name. The Policemen's Retirement Fund had deposits of \$217,061 at June 30, 2011, which was fully insured by the FDIC.

The Firefighters' Pension Fund and Policemen's Retirement Fund are each governed by a Board of Trustees, which is ultimately responsible for the appropriateness of its investment policies and the execution of those policies to meet the funds' investment objectives. The Boards' 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.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

3. Cash Deposits and Investments, continued

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 Policeman's Retirement Fund must be rated Baa or greater at the time of purchase.

Metro Government's fiduciary fund investments are summarized in the table below as of June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>Credit Rating</u>
MTTF			
U.S. Government Money Market Mutual Funds	\$ 6,064,299	0.12	Aaa
Escrow and Deposit Fund			
U.S. Government Money Market Mutual Funds	\$ 2,551,006	0.09	Aaa
Firefighters' Pension Fund			
U.S. Agency Obligations	\$ 10,672	5.47	Aaa
Bond Mutual Funds	1,843,668	8.10	Not Rated
Equity Securities	4,534,968		
Total	<u>\$ 6,389,308</u>		
Portfolio weighted average maturity		8.08	
Policemen's Retirement Fund			
U.S. Treasury Bills	\$ 179,917	0.12	Not Rated
U.S. Treasury Notes	65,223	4.27	Aaa
U.S. Agency Obligations	223,593	1.95	Aaa*
State and Municipal Obligations	60,058	7.85	Aaa-A**
Corporate Bonds	506,925	12.51	Aaa-Baa***
Money Market Funds	231,959	0.11	Not Rated
Equity Securities	5,803,157		
Other Investments	7,311		
Total	<u>\$ 7,078,143</u>		
Portfolio weighted average maturity		5.98	

* \$12,353 of agency obligations were not rated by the rating agencies.

** \$4,920 of state and municipal obligations were not rated by the rating agencies.

*** \$107,985 of corporate bonds were not rated by the ratings agencies.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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	\$ 4,700,000	2.88	Aaa
U.S. Agency Discount Notes	59,613,499	0.54	Aaa
Money Market Mutual Funds	12,880,559	0.15	Aaa
Total	<u>\$ 77,194,058</u>		
Portfolio weighted average maturity		0.61	
PARC			
U.S. Government Money Market Funds	\$ 10,315,491	0.12	Aaa
Commercial Paper	11,997,425	0.08	P-1
Total	<u>\$ 22,312,916</u>		
Portfolio weighted average maturity		0.10	
TARC			
U.S. Government Money Market Funds	<u>\$ 1,495,959</u>	0.12	Aaa
Riverport			
U.S. Treasury Bills	<u>\$ 4,148,643</u>	0.42	Aaa
MSD			
Certificates of Deposit	\$ 100,000		
U.S. Treasury Obligations	180,000,000	11.40	Aaa
U.S. Agency Discount Notes	27,825,763	0.38	Aaa
Tax Exempt State & Municipal Bonds	87,042,151	27.20	Aa
Money Market Funds	141,507,912	0.12	Aaa
Repurchase Agreements	5,559,153		
Total	<u>\$ 442,034,979</u>		
Portfolio weighted average maturity		10.19	
LSC			
Bond Mutual Funds	\$ 70,307	7.06	N/R
Money Market Funds	241,667	0.09	N/R
Other Investments	327,017		N/R
Total	<u>\$ 638,991</u>		
Portfolio weighted average maturity		1.66	

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

3. Cash Deposits and Investments, continued

As of December 31, 2010, the LWC had \$488,359 in deposits that were not covered by FDIC insurance and were not collateralized and \$77,937,588 in deposits that were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in LWC's name.

4. Disaggregation of Accounts Receivable and Accounts Payable

Accounts receivable are amounts owed to Metro Government as of June 30, 2011. Those amounts to be received within one year are considered current. All others are considered non-current.

Receivables at June 30, 2011 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, including allowance for uncollectible amounts, are as follows:

Fund:	Receivables:						
	Taxes	Accounts	Loans	Notes	Gross Receivables	Allowance for Uncollectibles	Net Receivables
General	\$ 6,614,735	\$ 19,795,098	\$ 1,166,518		\$ 27,576,351	\$ (3,836,546)	\$ 23,739,805
Special Revenue		1,264,319	45,578,680		46,842,999	(17,679,004)	29,163,995
Major Capital Projects		121,753	2,297,859	\$ 2,635,000	5,054,612	(396,250)	4,658,362
Internal Service		417,869			417,869		417,869
Fiduciary		308,777			308,777		308,777
Total Governmental Funds	<u>\$ 6,614,735</u>	<u>\$ 21,907,816</u>	<u>\$ 49,043,057</u>	<u>\$ 2,635,000</u>	<u>\$ 80,200,608</u>	<u>\$ (21,911,800)</u>	<u>\$ 58,288,808</u>
Component Units		<u>\$ 44,804,186</u>		<u>\$ 633,078</u>	<u>\$ 45,437,264</u>	<u>\$ (1,029,373)</u>	<u>\$ 44,407,891</u>

Accounts payable are amounts owed by Metro Government as of June 30, 2011. Those liabilities to be paid within one year are considered current. All others are considered non-current.

Payables at June 30, 2011 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, are as follows:

Fund:	Payables:			
	Vendors	Notes	Other	Total
General	\$ 13,090,731		\$ 928,120	\$ 14,018,851
Special Revenue	2,795,995			2,795,995
Major Capital Projects	2,367,940	\$ 2,000,000		4,367,940
Special Purpose	34,512			34,512
Internal Service	4,350,467			4,350,467
Fiduciary	218,095	3,500,000		3,718,095
Total Governmental Funds	<u>\$ 22,857,740</u>	<u>\$ 5,500,000</u>	<u>\$ 928,120</u>	<u>\$ 29,285,860</u>
Component Units	<u>\$ 51,292,214</u>			<u>\$ 51,292,214</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

5. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 310,005,534	\$ 1,209,371	\$ (237,785)	\$ 310,977,120
Land improvements	5,093,976			5,093,976
Construction in progress	109,372,992	20,385,255		129,758,247
Works of art	255,000			255,000
Total capital assets not being depreciated	<u>424,727,502</u>	<u>21,594,626</u>	<u>(237,785)</u>	<u>446,084,343</u>
Other capital assets:				
Land improvements	83,923,099		(13,891)	83,909,208
Buildings	354,337,205	7,347,154	(49,244)	361,635,115
Machinery and equipment	65,481,926	7,273,580	(877,820)	71,877,686
Vehicles	84,675,476	4,099,444	(10,339,453)	78,435,467
Collections and works of art	17,503,418	33,500	(10,764,044)	6,772,874
Infrastructure	915,554,497	5,906,589	6,530	921,467,616
Total other capital assets	<u>1,521,475,621</u>	<u>24,660,267</u>	<u>(22,037,922)</u>	<u>1,524,097,966</u>
Less accumulated depreciation for:				
Land improvements	(39,189,594)	(3,783,788)	1,447	(42,971,935)
Buildings	(136,832,209)	(7,569,749)	4,328	(144,397,630)
Machinery and equipment	(38,967,341)	(5,820,794)	680,831	(44,107,304)
Vehicles	(51,492,654)	(8,637,771)	9,770,955	(50,359,470)
Collections and works of art	(12,457,751)	(1,700,367)	10,038,095	(4,120,023)
Infrastructure	(823,628,270)	(16,819,602)	(272)	(840,448,144)
Total accumulated depreciation	<u>(1,102,567,819)</u>	<u>(44,332,071)</u>	<u>20,495,384</u>	<u>(1,126,404,506)</u>
Other capital assets, net	<u>418,907,802</u>	<u>(19,671,804)</u>	<u>(1,542,538)</u>	<u>397,693,460</u>
Governmental activities capital assets, net	<u>\$ 843,635,304</u>	<u>\$ 1,922,822</u>	<u>\$ (1,780,323)</u>	<u>\$ 843,777,803</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

5. Capital Assets, continued

Depreciation expense was charged to governmental activities as follows:

General Government:	
Metro Council	\$ 1,578
Mayor's Office	12,056
Public Protection:	
Fire	1,467,062
Emergency Medical Services	768,377
Emergency Management	1,361,329
Corrections	84,406
Youth Detention Services	87,269
Metro Animal Services	29,068
Police	1,181,323
Economic Development:	
Metro Development Authority	1,462,427
Air Pollution Control	126,633
Codes & Regulations:	
Planning and Design Services	15,095
Parks & Recreation	2,712,686
Housing & Family Services:	
Housing	8,707
Human Services	508
Community Action Partnership	1,901,627
Public Health & Wellness	172,230
Public Works & Assets:	
Public Works	17,081,638
General Services Administration	10,677,069
Solid Waste Management Services	15,918
Information Technology	953,272
Office of Management & Budget	118,002
Human Resources	1,520
Related Agencies:	
Louisville Free Public Library	1,013,716
Louisville Zoological Gardens	136,742
Waterfront Development Corporation	2,941,813
Total depreciation expense	<u>\$ 44,332,071</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

5. Capital Assets, continued

Capital asset activity for the LWC for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,855,938	\$ 203,913		\$ 9,059,851
Construction in progress	108,114,198	84,199,997	\$ (73,324,476)	118,989,719
Total capital assets not being depreciated	<u>116,970,136</u>	<u>84,403,910</u>	<u>(73,324,476)</u>	<u>128,049,570</u>
Other capital assets:				
Buildings	103,776,859	10,529,962	(187,273)	114,119,548
Machinery and equipment	53,877,341	2,749,542	(2,536,078)	54,090,805
Infrastructure	915,945,923	54,775,362	(3,585,047)	967,136,238
Total other capital assets	<u>1,073,600,123</u>	<u>68,054,866</u>	<u>(6,308,398)</u>	<u>1,135,346,591</u>
Less accumulated depreciation for:				
Buildings	(36,202,514)	(2,709,582)	77,253	(38,834,843)
Machinery and equipment	(37,242,344)	(4,674,568)	2,450,310	(39,466,602)
Infrastructure	(247,962,280)	(18,621,123)	1,079,862	(265,503,541)
Total accumulated depreciation	<u>(321,407,138)</u>	<u>(26,005,273)</u>	<u>3,607,425</u>	<u>(343,804,986)</u>
Other capital assets, net	<u>752,192,985</u>	<u>42,049,593</u>	<u>(2,700,973)</u>	<u>791,541,605</u>
Capital assets, net	<u>\$ 869,163,121</u>	<u>\$ 126,453,503</u>	<u>\$ (76,025,449)</u>	<u>\$ 919,591,175</u>

Capital asset activity for PARC for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,304,855	\$ 660,050		\$ 9,964,905
Construction in progress	43,228,699	18,128,578	\$ (1,945,676)	59,411,601
Total capital assets not being depreciated	<u>52,533,554</u>	<u>18,788,628</u>	<u>(1,945,676)</u>	<u>69,376,506</u>
Other capital assets:				
Buildings and Improvements	93,877,028	1,303,282	(243,694)	94,936,616
Machinery and equipment	4,495,132	292,825	(417)	4,787,540
Total other capital assets	<u>98,372,160</u>	<u>1,596,107</u>	<u>(244,111)</u>	<u>99,724,156</u>
Less accumulated depreciation	<u>(48,612,730)</u>	<u>(3,184,634)</u>	<u>131,595</u>	<u>(51,665,769)</u>
Other capital assets, net	<u>49,759,430</u>	<u>(1,588,527)</u>	<u>(112,516)</u>	<u>48,058,387</u>
Capital assets, net	<u>\$ 102,292,984</u>	<u>\$ 17,200,101</u>	<u>\$ (2,058,192)</u>	<u>\$ 117,434,893</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

5. Capital Assets, continued

Capital asset activity for TARC for the year ended June 30, 2011 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	31,993,185	\$ 1,053,714		33,046,899
Vehicles	81,102,293	1,116,916	\$ (8,165,454)	74,053,755
Capitalized leased vehicles	7,599,597	206,790	(2,191,179)	5,615,208
Machinery and equipment	7,593,101	2,534,330	(332,005)	9,795,426
Total other capital assets	128,288,176	4,911,750	(10,688,638)	122,511,288
Less accumulated depreciation	(80,976,703)	(7,506,536)	10,688,638	(77,794,601)
Other capital assets, net	47,311,473	(2,594,786)	-	44,716,687
Capital assets, net	<u>\$ 50,489,255</u>	<u>\$ (2,594,786)</u>	<u>\$ -</u>	<u>\$ 47,894,469</u>

Capital asset activity for Riverport for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and improvements	\$ 8,101,986			\$ 8,101,986
Other capital assets:				
Buildings	29,777,039		\$ (5,562)	29,771,477
Other	196,309		(6,782)	189,527
Total other capital assets	29,973,348	-	(12,344)	29,961,004
Less accumulated depreciation for:				
Buildings	(17,384,228)	\$ (573,315)		(17,957,543)
Other	(171,748)	(5,823)	26,463	(151,108)
Total accumulated depreciation	(17,555,976)	(579,138)	26,463	(18,108,651)
Other capital assets, net	12,417,372	(579,138)	14,119	11,852,353
Capital assets, net	<u>\$ 20,519,358</u>	<u>\$ (579,138)</u>	<u>\$ 14,119</u>	<u>\$ 19,954,339</u>

Capital asset activity for MSD for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 140,134,000	\$ 224,055,000	\$ (91,338,000)	\$ 272,851,000
Other capital assets:				
Buildings	1,021,989,000	10,455,000	(193,000)	1,032,251,000
Machinery and equipment	93,240,000	7,075,000	(29,275,000)	71,040,000
Infrastructure	1,357,201,000	37,861,000		1,395,062,000
Total other capital assets	2,472,430,000	55,391,000	(29,468,000)	2,498,353,000
Less accumulated depreciation	(734,552,000)	(70,538,000)	36,668,000	(768,422,000)
Other capital assets, net	1,737,878,000	(15,147,000)	7,200,000	1,729,931,000
Capital assets, net	<u>\$ 1,878,012,000</u>	<u>\$ 208,908,000</u>	<u>\$ (84,138,000)</u>	<u>\$ 2,002,782,000</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

5. Capital Assets, continued

Capital asset activity for the LSC for the year ended June 30, 2011 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	\$ 19,074		\$ (19,074)	-
Other capital assets:				
Leasehold improvements	6,025,449	\$ 24,126		\$ 6,049,575
Machinery and equipment	1,030,393	63,376		1,093,769
Museum exhibits	18,192,653	5,710		18,198,363
Total other capital assets	25,248,495	93,212	-	25,341,707
Less accumulated depreciation	(17,980,429)	(1,300,817)		(19,281,246)
Other capital assets, net	7,268,066	(1,207,605)	-	6,060,461
Capital assets, net	<u>\$ 7,287,140</u>	<u>\$ (1,207,605)</u>	<u>\$ (19,074)</u>	<u>\$ 6,060,461</u>

6. Land Held for Development

Land held for development at June 30, 2011 is summarized as follows:

	Riverport Authority
Land held for development	<u>\$ 7,714,741</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 of Louisville'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. Workers' Compensation (covering all employees): Self-insured up to \$2,000,000 per occurrence. Excess coverage is purchased above this retained level.
- C. Unemployment Compensation: Completely self-insured.
- D. Group Health Coverage: Eligible Metro Government employees participated in group health coverage through three Preferred Provider Organization ("PPO") plans offered through Metro Government's health self-insurance fund, which are administered by Humana, Inc. In addition to the plans offered to all eligible Metro Government employees, eligible members of the Fraternal Order of Police may participate in two additional PPO plans offered through Metro Government's health self-insurance fund, which is also administered by Humana, Inc.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

7. Risk Management, continued

- E. General Liability: Various general liability exposures (including public official liability, law enforcement liability, medical professional liability, employer's liability, and employment practices liability), are 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 \$250 million, subject to certain sub-limits for specific exposures.

Revenues for this fund 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 year in which the claim occurs. An additional expense is charged at the end of the fiscal year for claims which may have occurred during the fiscal year, 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 \$28,378,042 reported in the Fund at June 30, 2011 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.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

7. Risk Management, continued

Changes in the Fund's claims liability amount in fiscal years 2010 and 2011 were as follows:

Year ending June 30	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2010	\$ 71,153,837	\$ 75,606,122	\$ 93,852,555	\$ 52,907,404
2011	52,907,404	66,081,875	90,611,237	28,378,042

The liability associated with the health self-insurance fund as of June 30, 2011 is \$3,091,000 and is included as a liability in the Fund.

Metro Government is also a member of LAGIT (for general liability exposures) and LAGGIT (for property exposures) which are separate risk-sharing mechanisms formed for public entities located in Jefferson County, Kentucky. The administrative responsibility for actual operations of LAGIT and LAGGIT is through Risk and Insurance Solutions, LLC. Independently audited financial statements for each trust are available by contacting LAGIT or LAGGIT's Executive Director.

Metro Government's annual accounting and investment service fees for LAGIT and LAGGIT was approximately \$37,900 and \$38,000, respectively. Metro Government has delegated certain administrative functions for LAGIT and LAGGIT to Risk and Insurance Solutions, LLC. Risk and Insurance Solutions, LLC was paid approximately \$63,960 and \$26,500 for services provided to LAGIT and LAGGIT, respectively.

Metro Government has not had any settled claims that have exceeded the above coverage amounts 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.

Excess insurance for automobile liability and general liability, as well as real and personal property, are maintained through LAGIT and LAGGIT for MSD and TARC.

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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
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8. Short-Term Debt

A. Primary Government

On September 1, 2010, the Escrow and Deposit Fund re-issued the Amended and Restated General Obligation Bond Anticipation Note, Series 2010A for \$3,500,000 at an interest rate of 2.85%. The note is held in the Escrow and Deposit Fund as the nature of the note is fiduciary. This note was issued for public improvements related to projects originally authorized by the Series 2001A Bonds, and is renewable annually. The note was issued to cover any potential liabilities associated with the development projects authorized by the Series 2001A Bonds. The original note was issued by Metro Government in the principal amount of \$3,500,000 and the date of original issuance was January 30, 2004. The current note, which matured on June 30, 2011, was extended and renewed on September 29, 2011 for \$1,500,000. All current and additional interest due on the note upon renewal was paid in full.

The following table outlines activity on short-term notes during fiscal year 2011:

Year ending June 30	Beginning Balance	Additions	Reductions	Ending Balance
2011	\$ 3,500,000	\$ 3,500,000	\$ (3,500,000)	\$ 3,500,000

B. Discretely Presented Component Units

i. Metropolitan Sewer District

On August 19, 2009, MSD issued \$226,340,000 of Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2009A. The proceeds of the notes were used to refund and refinance on a short-term basis certain outstanding Sewer and Drainage System Revenue Bonds, Series 1999A and a portion of its 1997A and 1998A Revenue Bonds until MSD issues long-term debt to provide permanent financing for such refunding. The 2009A Notes were paid off on August 19, 2010.

On May 26, 2010, MSD issued \$226,340,000 of Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2010A. The proceeds of the notes were used to refinance the 2009A Notes at a lower interest cost to MSD. The 2010A Notes matured on May 26, 2011.

On March 2, 2011, MSD issued \$226,340,000 of Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2011A. The proceeds of the notes were used to refinance the 2010A Notes. The 2011A Notes mature on March 1, 2012.

The following table outlines activity on short-term notes during fiscal year 2011 (in thousands):

Year ending June 30	Beginning Balance	Additions	Reductions	Ending Balance
2011	\$ 452,680	\$ 226,340	\$ (452,680)	\$ 226,340

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 \$335,457,000 of General Obligation Bonds outstanding at June 30, 2011. 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 annual debt service on the series 2004B bonds. The sublease is renewable annually through fiscal year 2025 at the option of PARC.

In September 2010, Metro Government issued \$1,985,000 of General Obligation Bonds, Series 2010B, and \$7,400,000 of Taxable General Obligation Bonds, Series 2010C (Qualified Energy Conservation Bonds – Direct Payment to Issuer). The proceeds of each bond issue will be used to finance the replacement of energy related components of properties owned by Metro Government.

The Series 2010B bonds are payable in principal installments ranging from \$330,000 to \$425,000 beginning August 1, 2011 plus interest at 2.0% over five years. The Series 2010C bonds provide for interest only installments over seventeen years with the entire principal due and payable on August 1, 2027.

The Series 2010C bonds were issued under the guidelines provided in the ARRA as Qualified Energy Conservation Bonds ("QECB's"). Under the guidelines set forth in the ARRA, Metro Government is eligible to apply for interest subsidy payments from the United States Treasury at 70% of the amount of interest which would have been paid on the QECB's set by the United States Treasury and in effect on the first day on which there was a binding written contract for the sale of the QECB's. For the Series 2010C bonds, the interest subsidy amounts to 62.55% of applicable interest payments over the life of the bonds.

In October 2010, Metro Government issued \$34,805,000 of General Obligation Refunding Bonds, Series 2010D, and \$6,495,000 of General Obligation Refunding Bonds, Series 2010E (Taxable). The Series 2010D bonds were issued to advance refund,

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

at a premium of 1%, the City of Louisville General Obligation Bonds, Series 2001A maturing November 1, 2013 through and including November 1, 2021 and, at par, the City of Louisville General Obligation Bonds, Series 2002A maturing October 1, 2013 through and including October 1, 2023. The Series 2010E bonds were issued to advance refund, at par, the City of Louisville General Obligation Bonds, Series 2002B (Taxable) maturing October 1, 2013 through and including October 1, 2023.

The Series 2010D bonds, issued at a premium, are payable annually in principal installments ranging from \$200,000 to \$3,545,000 plus interest ranging from 2.0% to 4.0% over 13 years. The refunding provided for a cumulative savings of \$2,590,039 over the life of the bonds resulting in net present value savings of \$2,174,517 or 6.61% of refunded principal. The Series 2010E bonds, issued at a premium, are payable annually in principal installments ranging from \$60,000 to \$665,000 plus interest ranging from 2.0% to 4.0% over 13 years. The refunding provided for a cumulative savings of \$457,277 over the life of the bonds resulting in net present value savings of \$371,475 or 6.44% of refunded principal.

On February 11, 2011, the Metro Council authorized, and Metro Government executed, the issuance of a promissory note in the amount of \$10,000,000 payable to the Louisville Water Company. The note was issued to finance the obligation of Metro Government in conjunction with the supplemental judgment in favor of former City of Louisville Fire Department employees for overtime wages. The note is payable in annual installments of \$480,000 to \$7,843,700 through February 10, 2016 at an interest rate of 2%. The note is renewable upon written notice for an additional term of up to five years on or before the final maturity date.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

General Obligation Bonds outstanding, including accreted interest, at June 30, 2011 are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30
City of Louisville General Obligation				
Serial Bonds:				
Series 2001A	\$ 13,490	4.25%	2013	\$ 1,290
Series 2002A Exempt	38,900	4.00	2013	3,340
Series 2002B Taxable	8,550	5.125	2013	720
Jefferson Co. General Obligation				
Bonds:				
2000A Term & Coupon Bonds	2,595	7.70	2016	1,075
2000B Capital Appreciation Bonds	50,096	5.80 to 6.00	2015	19,418
2001A Current Interest Bonds	36,900	5.50	2012	3,960
2002A Serial Coupon	32,995	4.125 to 4.75	2020	14,700
Louisville/Jefferson Co. Metro				
Government General Obligation				
Bonds:				
Series 2004A (Foundation for our Future)	23,840	4.00 to 5.00	2025	18,680
Series 2004B (PARC Improvements)	5,655	4.00 to 5.00	2025	4,430
Series 2006A (Blueprint for our Future)	33,255	4.00 to 4.50	2027	28,580
Series 2009A (Refunding)	8,150	2.00 to 4.00	2023	7,740
Series 2009B (Refunding)	33,285	2.00 to 3.00	2019	27,200
Series 2009C (Refunding)	14,740	3.25 to 4.00	2019	12,155
Series 2009D (Refunding)	7,700	5.00	2016	5,725
Series 2009E (Refunding)	41,275	3.00 to 5.00	2020	37,750
Series 2009F (BAB's & RZEB's)	63,250	4.40 to 5.65	2030	63,250
Series 2010	33,105	2.00 to 4.00	2020	31,165
Series 2010B	1,985	2.00	2016	1,985
Series 2010C (QECP's)	7,400	4.70	2028	7,400
Series 2010D	34,805	2.00 to 4.00	2024	34,605
Series 2010E	6,495	2.00 to 4.00	2024	6,435
Total General Obligation Bonds				331,603
Net of premiums, discounts and deferred amounts on refunding				3,854
Total Net General Obligation Bonds				<u>\$ 335,457</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

Debt service requirements to maturity for General Obligation Bonds, excluding accreted interest of \$9,413 (which is included in the table presented on page 63), are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2012	\$ 27,487	\$ 15,126	\$ 42,613
2013	24,070	14,355	38,425
2014	25,708	13,732	39,440
2015	26,310	13,039	39,349
2016	22,470	9,046	31,516
2017-2021	98,045	32,778	130,823
2022-2026	61,205	16,180	77,385
2027-2030	36,895	3,652	40,547
Totals	<u>\$ 322,190</u>	<u>\$ 117,908</u>	<u>\$ 440,098</u>

There are \$92,231,000 of Lease Revenue Bonds outstanding at June 30, 2011. 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.

Lease Revenue Bonds outstanding, including accreted interest, at June 30, 2011, are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30
Jefferson County Capital Projects				
Corporation Lease Revenue Bonds:				
1992A Municipal Multiplier				
Term Bonds	\$ 16,764	6.90 to 7.00%	2018	\$ 40,962
2007A Current Interest Bonds	58,855	4.00 to 4.375	2028	52,545
Total Lease Revenue Bonds				<u>93,507</u>
Net of premiums, discounts and deferred amounts on refunding				(1,276)
Total Net Lease Revenue Bonds				<u>\$ 92,231</u>

Debt service requirements to maturity for Lease Revenue Bonds, excluding accreted interest of \$29,333 (which is included in the table presented above), are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2012	\$ 3,809	\$ 6,037	\$ 9,846
2013	5,051	9,509	14,560
2014	4,146	7,158	11,304
2015	4,143	7,197	11,340
2016	4,156	7,317	11,473
2017-2021	17,264	18,786	36,050
2022-2026	17,495	4,122	21,617
2027-2028	8,110	536	8,646
Totals	<u>\$ 64,174</u>	<u>\$ 60,662</u>	<u>\$ 124,836</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

Notes payable outstanding at June 30, 2011 is as follows:

Description of Issue	Interest Rate	Maturity During Year Ended	Debt Outstanding June 30
New Market Tax Credit Promissory Note	4.00%	2014	\$ 2,000,000
Louisville Water Co. Promissory Note	2.00	2016	10,000,000
Total notes payable			<u>\$ 12,000,000</u>

Debt service requirements to maturity for notes payable are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 262,800	\$ 298,533	\$ 561,333
2013	455,300	275,811	731,111
2014	2,664,400	266,711	2,931,111
2015	912,500	172,400	1,084,900
2016	7,705,000	138,700	7,843,700
Totals	<u>\$ 12,000,000</u>	<u>\$ 1,152,155</u>	<u>\$ 13,152,155</u>

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, 2011.

B. Discretely Presented Component Units

ii. Louisville Water Company

Bonds payable at December 31, 2010 consist of the following (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended December 31	Debt Outstanding December 31
Water System Revenue Bonds				
Series 2001	60,300	4.05 to 4.7%	2014	\$ 5,260
Series 2006	83,845	4.0 to 5.0	2031	76,975
Series 2009A	116,220	2.25 to 5.0	2025	115,660
Series 2009B	86,710	3.75 to 5.5	2029	86,710
Total Water System Revenue Bonds				284,605
Net of premiums, discounts, costs of issuance and deferred loss				9,653
Total Net Water System Revenue Bonds				<u>\$ 294,258</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

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

Year ending December 31	Principal	Interest	Total
2011	\$ 9,865	\$ 13,122	\$ 22,987
2012	16,310	12,721	29,031
2013	16,620	12,282	28,902
2014	17,290	11,611	28,901
2015	17,695	10,777	28,472
2016-2020	82,575	41,617	124,192
2021-2025	68,300	23,977	92,277
2026-2030	50,480	8,335	58,815
2031	5,470	274	5,744
Totals	<u>\$ 284,605</u>	<u>\$ 134,716</u>	<u>\$ 419,321</u>

During 2010, LWC received \$4.2 million from the U.S Government's American Recovery and Reinvestment Act (ARRA) which provided funding for installation of 5.4 miles of 36-inch steel transmission pipeline along Interstate 64, and construction of a two million gallon elevated storage tank and additional booster pump station. A portion of this funding consisted of a loan of \$1.8 million at 2% interest which is reflected in LWC's notes payable at December 31, 2010.

LWC's notes payable at December 31, 2010 consist of the following:

Description of Issue	Interest Rate	Maturity During Year Ended	Debt Outstanding December 31
Kentucky Infrastructure Authority, Drinking Water State Revolving Fund Loan Program	2.00%	2031	\$ 1,811,169

Annual debt service requirements to maturity for LWC's notes payable are as follows:

Year ending December 31	Principal	Interest	Total
2011	\$ -	\$ 36,223	\$ 36,223
2012	74,542	36,223	110,765
2013	76,032	34,733	110,765
2014	77,553	33,212	110,765
2015	79,104	31,661	110,765
2016-2020	419,894	133,931	553,825
2021-2025	463,598	90,227	553,825
2026-2030	511,849	41,976	553,825
2031	108,597	2,168	110,765
Totals	<u>\$ 1,811,169</u>	<u>\$ 440,354</u>	<u>\$ 2,251,523</u>

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

iii. Parking Authority of River City, Inc.

PARC's First Mortgage Revenue Bonds payable at June 30, 2011 consist of the following (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30
First Mortgage Revenue Bonds				
Series 2001	\$ 12,960	4.30 to 4.625%	2016	\$ 4,905
Series 2002	19,460	4.0 to 5.0	2032	17,095
Series 2009A	39,265	3.0 to 5.75	2040	38,595
Series 2009B	16,110	3.0 to 4.0	2021	12,330
Series 2010A	1,590	2.0 to 2.2	2016	1,590
Series 2010B	16,220	3.9 to 6.375	2041	16,220
Total First Mortgage Revenue Bonds				90,735
Net of premiums, discounts and deferred loss				(1,043)
Total Net First Mortgage Revenue Bonds				<u>\$ 89,692</u>

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

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,965	\$ 4,271	\$ 8,236
2013	4,485	4,129	8,614
2014	4,650	3,975	8,625
2015	4,810	3,809	8,619
2016	3,695	3,645	7,340
2017-2021	12,970	16,600	29,570
2022-2026	12,545	13,770	26,315
2027-2031	15,765	10,260	26,025
2032-2036	14,080	5,901	19,981
2037-2041	13,770	1,772	15,542
Totals	<u>\$ 90,735</u>	<u>\$ 68,132</u>	<u>\$ 158,867</u>

iv. Metropolitan Sewer District

On November 17, 2010, MSD issued \$330,000,000 of Sewer and Drainage System Revenue Bonds "Build America Bonds" (BAB), Series 2010A. The proceeds of the bonds are being used to fund sewer and drainage projects for construction. MSD may apply to receive interest subsidy payments of 35% of the corresponding interest payable on the BAB on any interest payment date. During fiscal year 2011, MSD received a \$7,076,000 refund from the federal government for interest payments on its Series 2009C and 2010A BAB's.

On June 13, 2011, MSD's Board adopted the Seventeenth Supplemental Sewer and Drainage System Revenue Bond Resolution approving the issuance of up to

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LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

\$455,000,000 in bonds to currently refund all or a portion of Series 1998A and Series 2001A Revenue Bonds. The closing date for this issuance was August 24, 2011.

MSD's various bonds outstanding at June 30, 2011 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
Sewer and Drainage System				
Revenue Bonds:				
Series 1998A	\$ 260,000	4.25 to 9.00%	2030	\$ 139,495
Series 2001A	300,000	5.00 to 5.50	2036	288,015
Series 2004A	100,000	5.00 to 5.25	2038	100,000
Series 2005A	64,740	3.00 to 5.00	2026	56,790
Series 2006A	100,000	4.00 to 5.00	2038	94,965
Series 2007A	61,125	4.00 to 5.00	2025	54,305
Series 2008A	105,000	4.00 to 5.00	2038	103,485
Series 2009A	76,275	5.00	2022	67,555
Series 2009B	225,770	2.00 to 5.00	2023	201,900
Series 2009C	180,000	5.98	2040	180,000
Series 2010A	330,000	6.25	2043	330,000
Total Sewer and Drainage System Revenue Bonds				1,616,510
Net of premiums, discounts and deferred loss				8,805
Total Net Sewer and Drainage System Revenue Bonds				<u>\$ 1,625,315</u>

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
2012	\$ 24,840	\$ 81,146	\$ 105,986
2013	26,120	83,670	109,790
2014	27,480	82,551	110,031
2015	29,035	81,245	110,280
2016	30,685	79,834	110,519
2017-2021	181,425	375,005	556,430
2022-2026	205,095	327,015	532,110
2027-2031	187,095	272,581	459,676
2032-2036	254,370	235,923	490,293
2037-2041	449,960	142,621	592,581
2042-2046	200,405	18,908	219,313
Totals	<u>\$ 1,616,510</u>	<u>\$ 1,780,499</u>	<u>\$ 3,397,009</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

MSD enters into swaps and other derivative contracts to lock in long term rates in advance of issuing long term debt, to create and manage variable rate exposure in its debt portfolio, and to take advantage of market opportunities that hedge embedded interest rate and tax regulation risk that exists on its statement of net assets. MSD's interest rate swaps were found to be ineffective as of June 30, 2011, based on its evaluation. The fair value of the liability reported on MSD's statement of net assets was approximately \$55.8 million. A corresponding charge of this amount was made to MSD's non-operating expenses during the year. On June 30, 2011, MSD had the following derivative instruments outstanding (in thousands):

<u>Counter Party</u>	<u>Initial Notional Amount</u>	<u>Current Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Payment Terms</u>	<u>Receipt Terms</u>	<u>Fair Value</u>	<u>Change in Fair Value</u>
						67% of 30-day		
Wells Fargo	\$ 225,732	\$ 225,396	11/15/2009	5/15/2033	4.4215%	LIBOR	\$ (55,112)	\$ 9,268
Wells Fargo	50,376	50,040	11/15/2009	5/15/2023	SIFMA	2.9235%	2,118	92
						67% of 30-day		
Bank of America	56,433	56,349	11/15/2009	5/15/2033	4.4215%	LIBOR	(13,775)	2,318
Bank of America	64,869	45,305	5/15/2003	5/15/2023	4.0750%	SIFMA	(5,219)	431
Deutsche Bank	103,673	87,945	5/15/2003	5/15/2023	4.0750%	SIFMA	(10,128)	839
Deutsche Bank	149,465	133,250	8/15/2009	5/15/2023	SIFMA	2.7800%	4,428	241
Deutsche Bank	12,594	12,510	11/15/2009	5/15/2023	SIFMA	2.9240%	530	23
						100.30% of 3-		
Deutsche Bank	281,745	281,745	11/15/2011	5/15/2033	SIFMA	month LIBOR	21,565	8,222
						78.78% of 3-		
Morgan Stanley	190,790	133,250	5/15/2003	5/15/2023	SIFMA	month LIBOR	(215)	1,204
	<u>\$ 1,135,677</u>	<u>\$ 1,025,790</u>					<u>\$ (55,808)</u>	<u>\$ 22,638</u>

LIBOR = London Interbank Offering Rate

SIFMA = Securities Industry and Financial Markets Association

The fair values of the interest rate swaps were estimated using the zero-coupon method.

With respect to credit risk associated with the above swap transactions, MSD's agreements call for the swap values to be collateralized if the counter parties do not maintain A1/A+ credit ratings from Moody's and Standard and Poor's respectively. The counter parties' had the following June 30, 2011 credit ratings from Moody's and Standard and Poor's, respectively: Wells Fargo, Aa2 and AA; Bank of America, Aa3 and A+; Deutsche Bank, Aa3 and A+, and Morgan Stanley, A2 and A.

Effective September 21, 2011, Moody's downgraded the rating of Wells Fargo to Aa3 and downgraded the rating of Bank of America to A2.

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LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. Long-Term Debt, continued

C. Summary of Debt Transactions:

Long-term liability activity for the year ended June 30, 2011 was as follows (in thousands):

	Beginning Balance	Additions and Accreted Interest	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds and notes payable:					
General obligation debt	\$ 347,717	\$ 51,821	\$ (67,935)	\$ 331,603	\$ 27,487
Revenue bonds	97,583	2,744	(6,820)	93,507	3,809
Notes payable	2,000	12,000	(2,000)	12,000	263
Bonds and notes payable	<u>447,300</u>	<u>66,565</u>	<u>(76,755)</u>	<u>437,110</u>	<u>31,559</u>
Net of bond premiums, discounts and deferred amount on refundings	5,699	(2,153)	(968)	2,578	
Total bonds and notes payable	<u>452,999</u>	<u>64,412</u>	<u>(77,723)</u>	<u>439,688</u>	<u>31,559</u>
Other liabilities:					
Capital lease	203		(87)	116	92
Claims and judgments	52,907	66,082	(90,611)	28,378	15,885
Compensated absences	19,009	19,351	(19,940)	18,420	1,530
Total other liabilities	<u>72,119</u>	<u>85,433</u>	<u>(110,638)</u>	<u>46,914</u>	<u>17,507</u>
Governmental activities long-term liabilities	<u>\$ 525,118</u>	<u>\$ 149,845</u>	<u>\$ (188,361)</u>	<u>\$ 486,602</u>	<u>\$ 49,066</u>
COMPONENT UNITS:					
Bonds and notes payable:					
LWC	\$ 295,110	\$ 1,811	\$ (10,505)	\$ 286,416	\$ 9,865
PARC	94,570		(3,835)	90,735	3,965
MSD	1,325,785	330,000	(39,275)	1,616,510	24,840
Bonds and notes payable	<u>1,715,465</u>	<u>331,811</u>	<u>(53,615)</u>	<u>1,993,661</u>	<u>38,670</u>
Net of bond premiums, discounts and deferred amount on refundings	17,161	1,055	(801)	17,415	
Total bonds and notes payable	<u>1,732,626</u>	<u>332,866</u>	<u>(54,416)</u>	<u>2,011,076</u>	<u>38,670</u>
Other liabilities:					
Capital lease	171		(171)	-	
Claims and judgments	3,686	3,936	(2,820)	4,802	3,079
Compensated absences	4,123	42		4,165	4,165
Derivatives	78,445		(22,637)	55,808	
Total other liabilities	<u>86,425</u>	<u>3,978</u>	<u>(25,628)</u>	<u>64,775</u>	<u>7,244</u>
Component units long-term liabilities	<u>\$ 1,819,051</u>	<u>\$ 336,844</u>	<u>\$ (80,044)</u>	<u>\$ 2,075,851</u>	<u>\$ 45,914</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

10. Capital Lease Obligations

The former Jefferson County Fiscal Court financed the purchase of radio equipment for its Public Works & Assets 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 the capital lease are as follows:

Year ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 92,109	\$ 5,080	\$ 97,189
2013	23,926	371	24,297
Totals	<u>\$ 116,035</u>	<u>\$ 5,451</u>	<u>\$ 121,486</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 Metro Government or a pledge of faith and credit of Metro Government or any political subdivision thereof. Accordingly, the bonds and related assets are not included in Metro Government's financial statements.

Since the merger which formed Metro Government in January 2003, the Metro Council has authorized approximately \$1,907,127,196 of Industrial Revenue Bonds through June 30, 2011. During the year ended June 30, 2011, the Metro Council authorized approximately \$147,738,000 of Industrial Revenue Bonds. The aggregate principal amount outstanding at June 30, 2011 could not be determined.

12. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2011, are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$ 26,904,617	\$ 949,591
Nonmajor Governmental	140,760	
Agency:		
Revenue Commission	12,671,509	
Escrow & Deposit	949,591	597
Mass Transit	3,490,704	
Internal Service:		
Revenue Commission		43,206,993
Totals	<u>\$ 44,157,181</u>	<u>\$ 44,157,181</u>

These balances resulted from a timing difference between when taxes were collected by the Revenue Commission for June 2011 and were distributed to the appropriate funds.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

12. Interfund Receivables, Payables, and Transfers, continued

Interfund transfers during the fiscal year ended June 30, 2011 were as follows:

<u>Transfers out:</u>	<u>Interfund Transfers</u>						<u>Total</u>
	<u>Transfers in:</u>						
<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Special Purpose Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund</u>		
General Fund	\$ 512,574	\$ 4,419,479	\$ 4,021,272	\$ 44,049,328	\$ 14,283,301	\$ 67,285,954	
Special Revenue Fund	\$ 1,937,688		2,432,243			4,369,931	
Capital Projects Fund	1,759,334			1,530,179		3,289,513	
Special Purpose Fund	600,000					600,000	
Total	\$ 4,297,022	\$ 512,574	\$ 4,419,479	\$ 6,453,515	\$ 45,579,507	\$ 14,283,301	\$ 75,545,398

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 and deposits payable 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 net increase in contributions in aid of construction during the year totaled \$9,543,012 and is shown on the component unit's statement of activities as a capital contribution.

14. Contingencies and Commitments

A. Litigation

The Metro Government has been named as a defendant in various legal actions, but 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.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

14. Contingencies and Commitments, continued

B. Loss Contingency

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Metro Government has received a claim from Kentucky Retirement Systems for lost interest related to the settlement of a lawsuit by a group of firefighters for the payment of overtime. Metro Government is reviewing the claim but as of the issuance date of this report, the amount or range of loss cannot be reasonably estimated.

C. Federal and State Grants

In the course of operations, Metro Government receives grant funds from various federal and state government agencies to be used for designated purpose only. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to insure compliance with conditions surrounding the granting of funds. If a grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse Metro Government for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of Metro Government. Continuation of Metro Government's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

D. Construction Commitments

The Metro Government has active construction projects as of June 30, 2011. The projects include improvements to major roadways, government buildings, parks, and other various ongoing projects.

E. Other Commitments

On September 3, 2008 the Kentucky Economic Development Authority issued \$349,218,518 Louisville Arena Project Revenue Bonds, Series 2008. The proceeds from these bonds were used to fund the acquisition, development, construction, and financing of the Arena Project in downtown Louisville, a public project intended for multiple uses as a public recreational, cultural, and sports facility. Pursuant to Metro Government Ordinance 143, Series 2007 ("Arena Ordinance"), Metro Government has agreed to pay up to \$309,000,000 to or on behalf of the Louisville Arena Authority ("the Authority") for debt service over 30 years beginning in fiscal year 2011.

Metro Government's minimum and maximum annual guaranteed payments are as follows:

Years	Minimum Annual Guaranteed Payments	Maximum Annual Guaranteed Payments
2012-2019	\$6,533,333	\$9,800,000
2020-2029	7,200,000	10,800,000
2030-2039	6,866,667	10,300,000

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

14. Contingencies and Commitments, continued

On or prior to October 1 following each fiscal year through 2039, the Authority will determine whether there are sufficient gross revenues, as defined by the Arena Ordinance, to pay in full all debt service due on the bonds on the next two scheduled semiannual payments. In the event of a shortfall of revenues, Metro Government is required to appropriate additional funds to cover such shortfalls up to the Maximum Annual Guaranteed Payment. Beginning on March 31, 2011, and each March 31 thereafter, the Authority shall determine whether there is any "Excess Net Cash Flow", as defined by the Arena Ordinance, during the past fiscal year. In the event there is any "Excess Net Cash Flow" from the Authority's gross revenues, after meeting Debt Service Reserve and Renovation Fund requirements, Metro Government will receive 45% of such excess, not to exceed Metro Government's Guaranteed Payment for that fiscal year.

15. Deferred Compensation

Metro Government, the 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 plans, available to all employees, permit 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

All retired Metro Government employees receive some health care benefits depending on their length of service through the retirement system. Additionally, as outlined in their respective union contracts, retired firefighters and policemen covered under the Pension Trust Funds may purchase health care and life insurance through Metro Government or through a separately purchased plan. These retirees pay the full cost of the plans and are eligible to receive reimbursement from Metro Government up to the maximum Metro Government contribution to the cost of single coverage health insurance premiums offered for Metro Government employees.

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

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

17. Landfill Closure and Post-Closure Care Costs, continued

at June 30, 1995, in the Capital Cumulative Reserve Fund of the former City of Louisville, 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 \$52,226 at June 30, 2011. 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, LWC, TARC, Riverport, MSD, and the Revenue Commission contribute to the 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 Systems issues a publicly available financial report that includes financial statements and required supplemental information for the 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 if hired before September 1, 2008. Plan members hired on or after that date are required to contribute 6% (9% for participants in the Hazardous Duty Plan) of creditable compensation. Employers are required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2011 is 16.93% (33.25% 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 has met its funding requirement for the fiscal year ended June 30, 2011.

Metro Government's contribution to the CERS for the years ending June 30, 2011, 2010, and 2009 were \$72,516,915, \$65,664,051, and \$57,607,675, respectively.

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

- LWC's contribution to the CERS for years ending December 31, 2010, 2009, and 2008 were \$4,641,238, \$4,062,798, and \$4,022,155, respectively.
- TARC's contribution to the CERS for the years ended June 30, 2011, 2010, and 2009 were \$4,594,907, \$4,381,393, and \$3,602,392, respectively.
- Riverport's contribution to the CERS for the years ended June 30, 2011, 2010, and 2009 were \$60,336, \$56,795, and \$46,617, respectively.
- MSD's contribution to the CERS for the years ended June 30, 2011, 2010, and 2009 were \$6,394,000, \$5,628,000, and \$4,677,000, respectively.

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

18. Pension Plans, continued

- The Revenue Commission's contribution to the CERS for the years ended June 30, 2011, 2010, and 2009 were \$314,965, \$337,186, and \$268,754, respectively.

B. Fire and Police Pension Trust Funds

i. Plan Descriptions

Most of the former City of Louisville's firemen and policemen transferred to the 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 (collectively the "Funds"). Both Funds are single employer defined benefit pension plans. These plans do not issue reports on a stand-alone basis.

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

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

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

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

18. Pension Plans, continued

Membership of each plan consisted of the following at June 30, 2011:

	<u>Firefighters’ Pension Fund</u>	<u>Policemen’s Retirement Fund</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	218	180
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 Funds 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 represents 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 years ended June 30, 2011, 2010, and 2009 the unfunded pension obligation for the Policemen’s Retirement Fund was \$11,277,174, \$11,701,428, and \$11,381,099, respectively, and for the Firefighters’ Pension Fund was \$17,599,185, \$18,064,714, and \$17,467,489, respectively.

Based on the actuarial valuations performed by consulting actuaries at January 1, 2010, 2009, and 2008, Metro Government made the required annual contributions in fiscal years ended June 30, 2011, 2010 and 2009 of \$1,486,182, \$1,553,716, and \$1,396,080, respectively, to the Policemen’s Retirement Fund and \$1,827,317,

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

18. Pension Plans, continued

\$2,113,368, and \$1,863,306, respectively, to the Firefighters' Pension Fund. These payments were equal to 100% of the required contribution in each fiscal year reported.

Based on the actuarial valuations performed by consulting actuaries at January 1, 2011, Metro Government will be required to make contributions to the Policemen's Retirement Fund of \$1,439,974 and to the Firefighters' Pension Fund of \$2,385,051 for the fiscal year beginning July 1, 2011.

Actuarial assumptions and other information used to determine the annual required contributions are presented in the following table:

<u>Fund</u>	<u>Firefighters'</u> <u>Pension Fund</u>	<u>Policemen's</u> <u>Retirement Fund</u>
Valuation date	January 1, 2011	January 1, 2011
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

Included below is the actuarial information for the current year.

SCHEDULES OF FUNDING PROGRESS

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value</u> <u>of Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL) -</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>percentage</u> <u>of Covered</u> <u>Payroll</u> <u>(b-a)/(c)</u>
<u>Firefighters' Pension Fund:</u>						
1/1/2011	\$ 7,363,311	\$ 24,962,496	\$ 17,599,185	29.5%		0%
<u>Policemen's Retirement Fund:</u>						
1/1/2011	\$ 7,958,817	\$ 19,235,991	\$ 11,277,174	41.4%	\$ 60,609	18606.4%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u> <u>June 30</u>	<u>Firefighters' Pension Fund</u>		<u>Policemen's Retirement Fund</u>	
	<u>Annual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Annual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2009	\$ 1,863,306	100.0%	\$ 1,396,080	100.0%
2010	2,113,368	100.0%	1,553,716	100.0%
2011	1,827,317	100.0%	1,486,182	100.0%

Continued

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

18. Pension Plans, continued

A schedule of funding progress is included in Metro Government's required supplementary information. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION & BENEFIT TRUST FUNDS
June 30, 2011

	<u>Firefighters'</u> <u>Pension Trust</u>	<u>Policemen's</u> <u>Retirement Fund</u>	<u>Total Pension &</u> <u>Benefit Trust</u>
ASSETS			
Cash and cash equivalents	\$ 482,753	\$ 629,041	\$ 1,111,794
Investments:			
Equity securities	4,534,968	5,803,157	10,338,125
Corporate bonds		506,925	506,925
State and Municipal Bonds		60,057	60,057
Bond Mutual Funds	1,843,668		1,843,668
US Government obligations		65,223	65,223
US Agency obligations	10,672	223,593	234,265
Other investments		7,311	7,311
Accounts receivable and accrued interest	165,010	143,767	308,777
Total assets	<u>7,037,071</u>	<u>7,439,074</u>	<u>14,476,145</u>
LIABILITIES			
Accounts payable	19,681	138,127	157,808
Health insurance reimbursement and accrued liabilities	165,000		165,000
Total liabilities	<u>184,681</u>	<u>138,127</u>	<u>322,808</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 6,852,390</u>	<u>\$ 7,300,947</u>	<u>\$ 14,153,337</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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, 2011

	Firefighters' Pension Trust	Policemen's Retirement Fund	Total Pension & Benefit Trust
ADDITIONS			
Contributions:			
Employer	\$ 1,827,317	\$ 1,486,182	\$ 3,313,499
Member		4,274	4,274
Total contributions	<u>1,827,317</u>	<u>1,490,456</u>	<u>3,317,773</u>
Investment earnings:			
Increase in fair value of investments	711,776	626,426	1,338,202
Realized gains	510,951	378,980	889,931
Interest and dividends	36,074	154,425	190,499
Total investment earnings	<u>1,258,801</u>	<u>1,159,831</u>	<u>2,418,632</u>
Investment expense	(58,812)	(73,170)	(131,982)
Net investment earnings	<u>1,199,989</u>	<u>1,086,661</u>	<u>2,286,650</u>
Other income	<u>1,406,998</u>	<u>837,091</u>	<u>2,244,089</u>
Total additions	<u>4,434,304</u>	<u>3,414,208</u>	<u>7,848,512</u>
DEDUCTIONS			
Benefit payments	3,121,585	2,483,646	5,605,231
Administration expense	615,803	252,742	868,545
Health insurance reimbursement	661,412	497,570	1,158,982
Total deductions	<u>4,398,800</u>	<u>3,233,958</u>	<u>7,632,758</u>
Net increase in net assets	35,504	180,250	215,754
Net assets--beginning of the year	<u>6,816,886</u>	<u>7,120,697</u>	<u>13,937,583</u>
Net assets--end of the year	<u>\$ 6,852,390</u>	<u>\$ 7,300,947</u>	<u>\$ 14,153,337</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

19. Subsequent Events

A. Component Unit

Effective July 1, 2011, Metro Government negotiated a Fiscal Agent Agreement with the Waterfront Development Corporation (“WDC”) in which the WDC would become a component unit of Metro Government. Previously, WDC was considered a department of the government, and all financial information was incorporated in the financial statements. The WDC will have a separate annual audit and the information will be discretely presented in Metro Government’s 2012 CAFR.

B. Other

i. Parking Authority of River City

4th Street Live Garage: On August 23, 2011, the Board of Directors of PARC made a resolution to sell the 4th Street Live parking garage to Cordish for a price of \$2.7 million as set forth in Section 2.17 of the Development Agreement.

Ali Pedestrian Bridge: The Board of Directors of PARC has authorized to fund the Ali Pedestrian Bridge project in an amount not to exceed \$550,000.

Waterfront Park Place LLC: PARC and Waterfront Park Place, LLC have negotiated a settlement agreement to fulfill a loan receivable. Waterfront Park Place, LLC will pay PARC \$75,000 and lease to PARC the operation of their parking lot for a period of ten years. The annual lease amount is \$30,000 per year increasing 3% a year. PARC will retain net income from the operation of the lot to be applied against the loan with Waterfront Park Place.

ii. Louisville and Jefferson County Metropolitan Sewer District

On August 1, 2011, MSD’s rates for wastewater and stormwater charges increased by 6.5%.

On August 24, 2011, MSD issued \$263,360,000 of Sewer and Drainage System Revenue Bonds, Series 2011A. The proceeds of the bonds, net of issuance cost, were used to currently refund MSD’s outstanding Sewer and Drainage System Revenue Bonds, Series 1998A, and to refund a portion of the outstanding Revenue Bonds, Series 2001A. The net proceeds of the refunding issue were placed in an irrevocable escrow account and used to purchase U.S. Government securities. The U.S. Government securities, together with investment income earned thereon and the beginning cash deposit provided amounts sufficient for future payment of interest and principle on the refundable issues. The refunding was completed to reduce debt service payments over the next 24 years and it resulted in a present value savings of \$37,607,000.



REQUIRED SUPPLEMENTARY INFORMATION

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amounts - GAAP Basis	Reconciliation of Basis Difference	Actual Amounts - Budgetary Basis	Variance with Final Budget - Over (Under)
REVENUES						
Property taxes	\$ 141,568,700	\$ 141,568,700	\$ 138,778,419	\$ (931,780)	\$ 137,846,639	\$ (3,722,061)
Occupational taxes	273,670,000	273,670,000	304,470,948	(1,560,388)	302,910,560	29,240,560
Licenses and permits	11,960,300	11,960,300	11,168,192	(117,783)	11,050,409	(909,891)
Intergovernmental	68,100,900	31,178,700	33,338,942	(186,758)	33,152,184	1,973,484
Charges for services	95,967,200	96,336,401	59,572,719	2,300,434	61,873,153	(34,463,248)
Fees and fines	3,086,100	3,086,100	3,198,045	177,941	3,375,986	289,886
Investment income	1,010,000	1,010,000	323,415		323,415	(686,585)
Dividends	18,160,000	18,160,000	18,232,699		18,232,699	72,699
Donations	4,405,600	4,578,359	2,319,967	(468,137)	1,851,830	(2,726,529)
Miscellaneous	27,288,800	11,001,512	3,558,459	(49,880)	3,508,579	(7,492,933)
Total revenues	<u>645,217,600</u>	<u>592,550,072</u>	<u>574,961,805</u>	<u>(836,351)</u>	<u>574,125,454</u>	<u>(18,424,618)</u>
EXPENDITURES						
Current operating:						
General Government:						
Metro Council	7,661,500	8,149,633	6,016,623	8,024	6,024,647	(2,124,986)
Mayor's Office	3,115,100	3,148,713	2,942,483	1,615	2,944,098	(204,615)
County Attorney	6,987,700	6,987,700	7,385,828	14,425	7,400,253	412,553
Other Elected Officials	8,300,700	8,321,031	8,321,919	(2,950)	8,318,969	(2,062)
Public Protection:						
Fire	50,503,900	50,569,640	48,941,896	(101,026)	48,840,870	(1,728,770)
Emergency Medical Services	26,292,100	26,292,100	23,637,381	274	23,637,655	(2,654,445)
Emergency Management	12,700,500	12,708,500	12,478,754	(3,170)	12,475,584	(232,916)
Corrections	50,413,700	50,464,595	48,155,520	294,336	48,449,856	(2,014,739)
Youth Detention Services	10,136,000	10,136,000	9,350,162	(51,324)	9,298,838	(837,162)
Animal Control Services	3,103,600	3,122,334	2,935,622	8,571	2,944,193	(178,141)
Criminal Justice Commission	399,800	399,800	296,667		296,667	(103,133)
Firefighters' Pension Fund	2,885,800	2,885,800	2,866,195		2,866,195	(19,605)
Policemen's Retirement Fund	2,354,300	2,354,300	2,327,587		2,327,587	(26,713)
Police	150,303,100	150,441,555	141,212,643	45,516	141,258,159	(9,183,396)
Economic Development:						
Metro Development Authority	19,555,500	20,571,132	14,380,373	(524,809)	13,855,564	(6,715,568)
Community Development	60,214,500					-
Air Pollution Control	945,100	945,100	785,713	(150)	785,563	(159,537)
Codes & Regulations:						
Inspections, Permits and Licenses	6,735,200	6,763,765	6,268,510	1,480	6,269,990	(493,775)
Planning and Design Services	2,647,100	2,704,256	2,381,004	(31)	2,380,973	(323,283)
Parks & Recreation	27,971,800	28,123,740	23,126,859	78,128	23,204,987	(4,918,753)
Housing & Family Services:						
Housing	997,700	997,700	729,237	(4,399)	724,838	(272,862)
Human Services	9,418,500	9,630,755	8,869,331	(446)	8,868,885	(761,870)
Community Action Partnership	225,800	231,000	207,026	(393)	206,633	(24,367)
Public Health & Wellness	13,866,700	13,874,700	9,723,407	31,839	9,755,246	(4,119,454)
Public Works & Assets						
Public Works	14,582,300	15,122,682	14,477,397	282,042	14,759,439	(363,243)
General Services Administration	32,718,300	32,730,300	33,669,856	114,027	33,783,883	1,053,583
Solid Waste Management Services	21,086,500	21,086,500	18,470,895	319,901	18,790,796	(2,295,704)
Information Technology	10,049,500	10,049,500	9,337,569	68,215	9,405,784	(643,716)
Finance & Administration	30,865,700	34,981,609	29,902,919	(263,737)	29,639,182	(5,342,427)
Human Resources	3,886,600	3,886,600	3,647,513	30,063	3,677,576	(209,024)
Related Agencies						
Human Relations Commission	692,100	692,100	602,663	(4,742)	597,921	(94,179)
Louisville Free Public Library	16,607,200	16,607,200	15,282,954	(42,021)	15,240,933	(1,366,267)
Louisville Zoological Gardens	13,931,400	13,933,791	12,907,257	(10,095)	12,897,162	(1,036,629)
Internal Audit	790,600	790,600	761,240	158	761,398	(29,202)
Waterfront Development Corp	3,288,700	3,862,341	2,553,091	(1,254)	2,551,837	(1,310,504)
Debt service	18,983,000	18,983,000	425,785		425,785	(18,557,215)
Total expenditures	<u>645,217,600</u>	<u>592,550,072</u>	<u>525,379,879</u>	<u>288,067</u>	<u>525,667,946</u>	<u>(66,882,126)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>49,581,926</u>	<u>(1,124,418)</u>	<u>48,457,508</u>	<u>48,457,508</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Long Term Note			10,000,000		10,000,000	
Transfers in			4,297,022		4,297,022	
Transfers out			<u>(67,285,954)</u>		<u>(67,285,954)</u>	
Total other financing sources and uses			<u>(52,988,932)</u>		<u>(52,988,932)</u>	
Net change in fund balances			(3,407,006)		(4,531,424)	
Fund balances--beginning			<u>79,626,868</u>		<u>79,626,868</u>	
Fund balances--ending			<u>\$ 76,219,862</u>		<u>\$ 75,095,444</u>	

Significant budget to actual variances are discussed in the MD & A.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
June 30, 2011**

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

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
<u>Firefighters' Pension Fund:</u>						
1/1/2009	\$ 9,233,693	\$ 26,701,182	\$ 17,467,489	34.6%		0%
1/1/2010	8,371,982	26,436,696	18,064,714	31.7%		0%
1/1/2011	7,363,311	24,962,496	17,599,185	29.5%		0%
<u>Policemen's Retirement Fund:</u>						
1/1/2009	\$ 9,482,462	\$ 20,863,561	\$ 11,381,099	45.4%	\$ 53,435	21299.0%
1/1/2010	8,482,364	20,183,792	11,701,428	42.0%	60,591	19312.2%
1/1/2011	7,958,817	19,235,991	11,277,174	41.4%	60,609	18606.4%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Firefighters' Pension Fund		Policemen's Retirement Fund	
	Annual Contribution	Percentage Contributed	Annual Contribution	Percentage Contributed
2009	\$ 1,863,306	100.0%	\$ 1,396,080	100.0%
2010	2,113,368	100.0%	1,553,716	100.0%
2011	1,827,317	100.0%	1,486,182	100.0%

**OTHER SUPPLEMENTARY INFORMATION -
COMBINING FINANCIAL STATEMENTS**

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	General Obligation	Capital Projects Corporation	Public Properties Corporation	Capital Projects Corporation	
ASSETS					
Cash and cash equivalents			\$ 1,130,610	\$ 28,253	\$ 1,158,863
Investments			982,731		982,731
Due from other funds	\$ 140,760				140,760
Restricted assets:					
Cash and cash equivalents	700,088	\$ 2,500			702,588
Total assets	<u>\$ 840,848</u>	<u>\$ 2,500</u>	<u>\$ 2,113,341</u>	<u>\$ 28,253</u>	<u>\$ 2,984,942</u>
LIABILITIES					
Matured bonds payable	\$ 140,760				\$ 140,760
Total liabilities	<u>140,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,760</u>
FUND BALANCES					
Restricted for:					
Debt service	700,088	\$ 2,500			702,588
Assigned to:					
Capital projects			2,113,341	28,253	2,141,594
Total fund balances	<u>700,088</u>	<u>2,500</u>	<u>2,113,341</u>	<u>28,253</u>	<u>2,844,182</u>
Total liabilities and fund balances	<u>\$ 840,848</u>	<u>\$ 2,500</u>	<u>\$ 2,113,341</u>	<u>\$ 28,253</u>	<u>\$ 2,984,942</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, 2011**

	Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	General Obligation	Capital Projects Corporation	Public Properties Corporation	Capital Projects Corporation	
REVENUES					
Intergovernmental	\$ 1,366,210	\$ 4,396,603			\$ 5,762,813
Investment income	248				248
Total revenues	1,366,458	4,396,603	-	-	5,763,061
EXPENDITURES					
Current:					
Miscellaneous		2,500			2,500
Debt service:					
Principal	29,280,000	6,820,000			36,100,000
Interest and other charges	13,505,010	2,283,779			15,788,789
Capital outlay			\$ 36,427	\$ 3,288	39,715
Total expenditures	42,785,010	9,106,279	36,427	3,288	51,931,004
Deficiency of revenues under expenditures	(41,418,552)	(4,709,676)	(36,427)	(3,288)	(46,167,943)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds, par	41,300,000				41,300,000
Issuance of refunding bonds, premium	1,341,521				1,341,521
Payments to bond refunding escrow agents	(42,030,940)				(42,030,940)
Transfers in	40,869,831	4,709,676			45,579,507
Total other financing sources (uses)	41,480,412	4,709,676	-	-	46,190,088
Net change in fund balances	61,860	-	(36,427)	(3,288)	22,145
Fund balances--beginning	638,228	2,500	2,149,768	31,541	2,822,037
Fund balances--ending	\$ 700,088	\$ 2,500	\$ 2,113,341	\$ 28,253	\$ 2,844,182

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2011

	Insurance and Risk Management Fund	Louisville/Jefferson Co. Metro Revenue Commission	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,986,179	\$ 55,119,598	\$ 73,105,777
Investments	15,633,662		15,633,662
Accounts receivable	417,869		417,869
Deposits with paying agents	75,000		75,000
Total current assets	<u>34,112,710</u>	<u>55,119,598</u>	<u>89,232,308</u>
Capital assets:			
Furniture and equipment, net		101,235	101,235
Total capital assets	<u>-</u>	<u>101,235</u>	<u>101,235</u>
Total assets	<u>34,112,710</u>	<u>55,220,833</u>	<u>89,333,543</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,450,873	2,899,594	4,350,467
Claims and judgments	15,885,487		15,885,487
Due to other funds		43,206,993	43,206,993
Unearned revenue		9,153,110	9,153,110
Total current liabilities	<u>17,336,360</u>	<u>55,259,697</u>	<u>72,596,057</u>
Noncurrent liabilities:			
Claims and judgments	12,492,555		12,492,555
Total noncurrent liabilities	<u>12,492,555</u>	<u>-</u>	<u>12,492,555</u>
Total liabilities	<u>29,828,915</u>	<u>55,259,697</u>	<u>85,088,612</u>
NET ASSETS			
Invested in capital assets		101,235	101,235
Restricted	650,351		650,351
Unrestricted deficit	3,633,444	(140,099)	3,493,345
Total net assets	<u>\$ 4,283,795</u>	<u>\$ (38,864)</u>	<u>\$ 4,244,931</u>

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011

	Insurance and Risk Management Fund	Louisville/Jefferson Co. Metro Revenue Commission	Total
OPERATING REVENUES:			
Charges for services			
Collection, investment and other fees		\$ 5,083,838	\$ 5,083,838
Insurance income	\$ 15,314,911		15,314,911
Insurance premiums	50,776,845		50,776,845
Total operating revenues	66,091,756	5,083,838	71,175,594
OPERATING EXPENSES:			
Professional services	242,810	4,235,788	4,478,598
Contractual services	61,765	292,721	354,486
Repairs and maintenance		13,579	13,579
Other supplies and expenses	8,500	533,912	542,412
Insurance claims, settlements and losses	66,081,875		66,081,875
Insurance premiums	4,508,627		4,508,627
Depreciation		74,611	74,611
Total operating expenses	70,903,577	5,150,611	76,054,188
Operating loss	(4,811,821)	(66,773)	(4,878,594)
NONOPERATING REVENUES:			
Investment income	179,452		179,452
Total nonoperating revenues	179,452	-	179,452
Net loss before transfers	(4,632,369)	(66,773)	(4,699,142)
Transfers in	14,283,301		14,283,301
Change in net assets	9,650,932	(66,773)	9,584,159
Total net assets--beginning	(5,367,137)	27,909	(5,339,228)
Total net assets--ending	\$ 4,283,795	\$ (38,864)	\$ 4,244,931

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011

	Insurance and Risk Management Fund	Louisville/Jefferson Co. Metro Revenue Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from collection, investment, and other fees		\$ 5,083,838	\$ 5,083,838
Insurance income	\$ 66,008,869		66,008,869
Payments to employees	(242,810)	(3,204,470)	(3,447,280)
Payments to suppliers		(1,946,141)	(1,946,141)
Contractual services	(1,856,180)		(1,856,180)
Claims paid	(90,460,740)		(90,460,740)
Insurance premiums paid	(4,508,627)		(4,508,627)
Increase in cash collected for others		1,176,983	1,176,983
Other payments	(8,500)		(8,500)
Net cash provided/(used) by operating activities	<u>(31,067,988)</u>	<u>1,110,210</u>	<u>(29,957,778)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	14,283,301		14,283,301
Net cash provided by noncapital financing activities	<u>14,283,301</u>	<u>-</u>	<u>14,283,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in investment pool participation	8,457,110		8,457,110
Investment income	179,452		179,452
Net cash provided by investing activities	<u>8,636,562</u>	<u>-</u>	<u>8,636,562</u>
Net increase (decrease) in cash and cash equivalents	(8,148,125)	1,110,210	(7,037,915)
Cash and cash equivalents, beginning of the year	26,134,304	54,009,388	80,143,692
Cash and cash equivalents, end of the year	<u>\$ 17,986,179</u>	<u>\$ 55,119,598</u>	<u>\$ 73,105,777</u>
Reconciliation of Operating Loss to Net Cash Provided/(Used) By Operating Activities			
Operating loss	\$ (4,811,821)	\$ (66,773)	\$ (4,878,594)
Adjustments to reconcile operating loss to net cash provided /(used) by operating activities:			
Depreciation expense		74,611	74,611
Increase (decrease) in cash due to changes in assets and liabilities:			
Accounts receivable	(82,887)		(82,887)
Deposits with paying agents	(20,000)		(20,000)
Accounts and other payables	(1,623,918)	396,778	(1,227,140)
Liability for incurred claims	(24,529,362)		(24,529,362)
Due to other funds and governmental agencies		2,723,222	2,723,222
Unearned revenue		(2,017,628)	(2,017,628)
Net cash provided/(used) by operating activities	<u>\$ (31,067,988)</u>	<u>\$ 1,110,210</u>	<u>\$ (29,957,778)</u>

During fiscal year 2011, 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, 2011

	<u>Mass Transit</u>	<u>Escrow and Deposit</u>	<u>Revenue Commission</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 100,069	\$ 8,646,893		\$ 8,746,962
Investments	6,064,299	2,551,006		8,615,305
Due from other funds	3,490,704	949,591	\$ 12,671,509	17,111,804
Due from other governmental agencies	4,319,622			4,319,622
Total assets	<u>\$ 13,974,694</u>	<u>\$ 12,147,490</u>	<u>\$ 12,671,509</u>	<u>\$ 38,793,693</u>
LIABILITIES				
Notes payable		\$ 3,500,000		\$ 3,500,000
Due to other funds		597		597
Due to other governmental agencies	\$ 13,974,694	41,989	\$ 12,671,509	26,688,192
Refundable deposits		8,604,904		8,604,904
Total liabilities	<u>\$ 13,974,694</u>	<u>\$ 12,147,490</u>	<u>\$ 12,671,509</u>	<u>\$ 38,793,693</u>

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

For the fiscal year ended June 30, 2011

Mass Transit

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and cash equivalents	\$ 100,110	\$ 69	\$ 110	\$ 100,069
Investments	6,943,456	30,660,957	31,540,114	6,064,299
Due from other funds	3,381,231	3,490,704	3,381,231	3,490,704
Due from other governmental agencies	1,544,461	5,000,000	2,224,839	4,319,622
Total assets	<u>\$ 11,969,258</u>	<u>\$ 39,151,730</u>	<u>\$ 37,146,294</u>	<u>\$ 13,974,694</u>
LIABILITIES				
Due to other governmental agencies	\$ 11,969,258	\$ 42,253,613	\$ 40,248,177	\$ 13,974,694
Total liabilities	<u>\$ 11,969,258</u>	<u>\$ 42,253,613</u>	<u>\$ 40,248,177</u>	<u>\$ 13,974,694</u>

Escrow and Deposit

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and cash equivalents	\$ 8,080,721	\$ 5,900,083	\$ 5,333,911	\$ 8,646,893
Investments	3,500,000	2,111	951,105	2,551,006
Due from other funds		949,591		949,591
Total assets	<u>\$ 11,580,721</u>	<u>\$ 6,851,785</u>	<u>\$ 6,285,016</u>	<u>\$ 12,147,490</u>
LIABILITIES				
Notes payable	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
Due to other funds		2,111	1,514	597
Due to other governmental agencies	49,002	1,750	8,763	41,989
Refundable deposits	8,031,719	3,148,442	2,575,257	8,604,904
Total liabilities	<u>\$ 11,580,721</u>	<u>\$ 6,652,303</u>	<u>\$ 6,085,534</u>	<u>\$ 12,147,490</u>

Revenue Commission

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Due from other funds	\$ 11,624,361	\$ 137,763,779	\$ 136,716,631	\$ 12,671,509
Total assets	<u>\$ 11,624,361</u>	<u>\$ 137,763,779</u>	<u>\$ 136,716,631</u>	<u>\$ 12,671,509</u>
LIABILITIES				
Due to other governmental agencies	\$ 11,624,361	\$ 137,763,779	\$ 136,716,631	\$ 12,671,509
Total liabilities	<u>\$ 11,624,361</u>	<u>\$ 137,763,779</u>	<u>\$ 136,716,631</u>	<u>\$ 12,671,509</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.

Contents

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Financial Trends 95-99

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

Revenue Capacity..... 100-105

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

Debt Capacity 106-110

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 111-113

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 114-115

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

	<u>Last Nine Fiscal Years (since Merger) (1)</u>								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Primary Government/Governmental Activities:									
Invested in capital assets, net of related debt	\$ 644,959,765	\$ 627,946,197	\$ 595,436,164	\$ 583,508,245	\$ 574,279,092	\$ 556,217,633	\$ 752,726,047	\$ 562,313,226	\$ 564,365,332
Restricted	64,858,586	59,949,221	40,503,493	40,159,453	48,854,645	62,193,363	63,000,419	110,554,680	117,847,207
Unrestricted	(9,103,886)	(7,054,177)	1,059,088	(8,134,837)	(1,167,710)	(13,411,709)	(219,649,735)	(77,056,948)	(68,207,245)
Total Primary Government/Governmental Activities Net Assets	<u>\$ 700,714,465</u>	<u>\$ 680,841,241</u>	<u>\$ 636,998,745</u>	<u>\$ 615,532,861</u>	<u>\$ 621,966,027</u>	<u>\$ 604,999,287</u>	<u>\$ 596,076,731</u>	<u>\$ 595,810,958</u>	<u>\$ 614,005,294</u>
Primary Government/Governmental Activities:									
Expenses (2)									
General Government	\$ 27,772,909	\$ 22,464,479	\$ 24,571,680	\$ 25,623,205	\$ 27,142,783	\$ 27,463,380	\$ 25,757,030	\$ 26,038,922	\$ 24,642,512
Public Protection	108,832,956	112,937,135	130,194,826	152,742,063	156,867,814	168,125,697	166,736,527	179,177,567	165,249,244
Police	121,700,362	120,446,100	138,751,554	132,793,664	135,962,267	140,438,253	147,980,259	154,758,199	146,109,848
Economic Development	25,171,229	21,638,429	28,451,908	26,276,189	30,710,291	25,275,680	39,617,092	41,026,189	46,807,358
Codes & Regulations	29,616,549	10,622,190	8,185,714	8,847,046	8,640,257	11,289,044	12,220,294	11,363,294	10,260,304
Parks & Recreation	25,618,761	21,653,602	24,943,797	25,479,670	25,515,919	25,131,824	24,615,331	31,235,451	27,335,066
Housing & Family Services	38,588,804	30,087,195	31,841,096	33,146,828	30,304,444	28,844,976	29,871,809	40,596,137	48,008,957
Public Health & Wellness	21,422,827	33,813,783	36,407,344	38,607,238	38,132,320	26,795,986	25,066,813	27,846,578	26,097,549
Neighborhoods (3)	5,400,041	5,072,738	6,628,578	7,202,084	7,068,336	8,194,903	6,878,355		
Public Works & Assets	129,032,678	113,837,465	129,373,570	128,850,571	127,157,541	130,173,516	117,838,351	121,630,180	115,037,984
Information Technology	7,346,791	6,046,175	9,205,957	9,543,827	10,111,462	11,858,166	12,428,088	11,113,289	10,284,427
Office of Management & Budget	52,453,722	14,169,550	14,471,294	13,048,462	13,789,994	24,813,303	23,929,387	25,184,029	30,926,357
Human Resources	3,976,508	3,947,479	4,299,291	4,452,275	4,176,072	4,521,110	4,492,419	4,238,428	3,643,413
Related Agencies	56,902,694	45,157,161	48,140,137	48,141,028	48,736,693	53,572,010	41,302,782	41,933,564	38,706,100
Interest expense	14,372,117	16,072,154	17,077,617	16,302,423	17,214,454	14,425,027	19,424,674	19,405,824	19,397,158
Total Expenses	<u>668,208,948</u>	<u>577,965,635</u>	<u>652,544,363</u>	<u>671,056,573</u>	<u>681,530,647</u>	<u>700,922,875</u>	<u>698,159,211</u>	<u>735,547,651</u>	<u>712,506,277</u>
Program Revenues:									
Charges for Services:									
Emergency Medical Services	4,681,971	8,972,481	8,831,242	9,610,942	12,087,525	11,621,333	13,431,725	14,188,669	14,857,817
Inspections, Permits and Licenses	7,407,483	23,917	12,409,334	12,963,317	13,954,629	14,215,180	13,126,794	11,366,206	11,476,715
Louisville Zoological Gardens	7,631,624	7,737,208	7,887,283	7,503,751	8,224,299	8,667,497	8,519,092	8,696,270	9,337,769
Metro Development Authority	2,416,129	517,056	8,219,029	7,893,128	9,007,348	10,082,408	8,080,332	20,095,174	12,377,407
Other	39,701,945	30,936,383	34,837,445	31,781,000	40,182,710	33,471,796	32,930,586	39,842,923	65,108,525
Total Charges for Services	<u>61,839,152</u>	<u>48,187,045</u>	<u>72,184,333</u>	<u>69,752,138</u>	<u>83,456,511</u>	<u>78,058,214</u>	<u>76,088,529</u>	<u>94,189,242</u>	<u>113,158,233</u>
Operating Grants and Contributions	96,108,452	63,481,947	4,299,069	72,212,271	73,451,393	82,810,321	99,301,526	101,747,787	92,108,638
Capital grants and Contributions	43,008,216	33,251,324	29,167,632	56,127,486	42,118,743	31,815,335	37,242,327	55,753,672	47,352,771
Total Primary Government Program Revenues	<u>200,955,820</u>	<u>144,920,316</u>	<u>176,451,034</u>	<u>198,091,895</u>	<u>199,026,647</u>	<u>192,683,870</u>	<u>212,632,382</u>	<u>251,690,701</u>	<u>252,619,642</u>
Net (Expense) Revenue	(467,253,128)	(433,045,319)	(476,093,329)	(472,964,678)	(482,504,000)	(508,239,005)	(485,526,829)	(483,856,950)	(459,886,635)
General Revenues:									
Taxes									
Property taxes, levied for general purposes	114,569,931	118,655,718	120,575,832	120,750,897	126,741,678	133,966,466	134,091,146	144,034,671	135,553,293
Occupational taxes	250,215,859	260,797,870	275,767,186	285,559,281	307,856,301	309,491,515	301,344,426	292,400,027	304,470,948
Investment income	2,211,363	937,567	3,965,089	5,251,143	9,189,326	8,413,117	3,950,500	1,812,116	1,185,714
Dividends	12,379,583	12,687,780	13,935,078	17,715,564	14,625,718	18,531,912	17,288,555	18,148,381	18,232,699
Other intergovernmental revenue	12,386,356	1,963,651	4,672,662	12,764,992	13,591,805	11,419,069	11,291,887	5,141,872	13,499,503
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	2,626,001	1,622,208	32,174	323,156
Other taxes	223,684		319,838	319,388	271,059	209,376	269,634	7,679,701	3,480,660
Rental receipts (4)	1,932,180	1,111,567	4,764,521	395,634	1,256,226	1,832,428	1,950,901	5,284,108	
Miscellaneous	3,080,838	4,008,837	5,972,358	4,464,605	3,982,753	4,782,381	4,795,016	8,995,989	4,635,565
Total General Revenues	<u>398,412,997</u>	<u>401,571,164</u>	<u>432,833,879</u>	<u>451,054,922</u>	<u>478,562,265</u>	<u>491,272,265</u>	<u>476,604,273</u>	<u>483,529,039</u>	<u>481,381,538</u>
Change in Net Assets	(68,840,131)	(31,474,155)	(43,259,450)	(21,909,756)	(3,941,735)	(16,966,740)	(8,922,556)	(327,911)	21,494,903
Net Assets - beginning, restated	769,554,596	712,315,396	680,258,195	636,998,745	615,532,861	621,966,027	604,999,287	596,076,731	595,810,958
Increase due to acquired agency				443,872					
Prior period adjustment					10,374,901			62,138	(3,300,567)
Net Assets - ending	<u>\$ 700,714,465</u>	<u>\$ 680,841,241</u>	<u>\$ 636,998,745</u>	<u>\$ 615,532,861</u>	<u>\$ 621,966,027</u>	<u>\$ 604,999,287</u>	<u>\$ 596,076,731</u>	<u>\$ 595,810,958</u>	<u>\$ 614,005,294</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.
- (2) Amounts reported for fiscal years 2003 - 2007 have been restated to conform with current year presentation.
- (3) During fiscal year 2010, Neighborhoods was disbanded and its divisions were moved to Parks & Recreation.
- (4) Rental receipts were reclassified into program income.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

FUND BALANCE, GOVERNMENTAL FUNDS

Last Nine Fiscal Years (since Merger) (1)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009 (2)</u>	<u>2010</u>	<u>2011</u>
General Fund									
Reserved	\$ 4,896,863	\$ 3,388,723	\$ 4,155,586	\$ 5,493,394	\$ 6,931,347	\$ 3,469,429			
Unreserved	73,833,428	83,658,675	92,669,401	95,386,671	97,232,552	84,397,148			
Nonspendable							\$ 3,787,983	\$ 2,429,896	\$ 2,152,746
Committed							6,499,730	7,006,904	8,398,077
Assigned							5,390,322	4,776,333	3,237,648
Unassigned							65,407,107	65,413,735	61,481,800
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>	<u>\$ 87,866,577</u>	<u>\$ 81,085,142</u>	<u>\$ 79,626,868</u>	<u>\$ 75,270,271</u>
All Other Governmental Funds									
Reserved	\$ 22,714,767	\$ 20,630,432	\$ 18,591,392	\$ 32,587,646	\$ 37,478,627	\$ 53,123,245			
Unreserved, reported in:									
Special Revenue Fund	11,213,099	15,153,840	18,242,052	3,498,142	1,696,884	(5,723,981)			
Capital Projects Fund	57,111,280	37,377,818	50,884,092	48,926,550	55,858,957	40,137,381			
Other Nonmajor Governmental Funds	26,021,801	28,183,295	23,069,260	18,559,011	23,093,360	23,957,871			
Nonspendable							\$ 12,649,445	\$ 21,915,616	\$ 30,601,612
Restricted									
Debt service reserve							24,645	640,728	702,588
Other capital projects							7,720,089	44,510,631	33,149,813
Committed								19,358,238	13,420,935
Assigned									
Capital projects							63,806,231	55,475,794	56,415,646
Grant programs							6,269,161		1,695,405
Unassigned								(9,326,830)	
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>	<u>\$ 111,494,516</u>	<u>\$ 90,469,571</u>	<u>\$ 132,574,177</u>	<u>\$ 135,985,999</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.

(2) Metro Government elected to implement GASB Statement No. 54, *Fund Balance Reporting and the Governmental Fund Type Definitions*, in fiscal year 2009. This statement allows the entity to apply prospectively in the statistical section. Therefore, Metro Government has not reclassified prior information.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Nine Fiscal Years (since Merger) (1)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES									
Property taxes	\$ 110,578,566	\$ 113,164,349	\$ 120,912,806	\$ 121,338,886	\$ 127,919,524	\$ 134,259,325	\$ 133,501,705	\$ 141,716,498	\$ 138,778,419
Occupational taxes	235,901,121	260,797,870	275,767,186	285,559,281	307,856,301	309,491,515	301,344,426	292,400,027	304,470,948
Licenses and permits	23,741,060	10,544,820	11,521,182	11,457,731	11,811,402	11,600,220	10,521,865	11,057,738	11,368,388
Intergovernmental	127,477,833	131,510,281	113,503,540	133,762,762	122,899,040	123,701,933	140,964,634	164,305,785	155,184,610
Charges for services	60,847,632	33,941,527	60,026,636	54,494,156	68,620,013	65,046,880	65,033,024	75,707,838	87,881,294
Fees and fines	914,318	1,016,230	722,187	2,438,607	3,395,450	1,491,118	2,473,251	2,216,160	3,198,045
Investment income	4,156,510	937,567	3,965,089	5,251,143	9,189,326	8,413,117	3,950,500	1,812,116	1,185,714
Dividends	12,379,583	12,687,780	13,935,078	17,715,564	14,625,718	18,531,912	17,288,555	18,148,381	18,232,699
Donations	4,040,450	5,162,538	2,748,194	11,728,614	7,736,520	4,755,423	6,029,542	10,462,409	10,092,130
Miscellaneous	17,374,993	4,024,131	3,361,493	4,831,279	3,667,409	4,332,278	4,443,665	9,825,235	4,398,396
Total revenues	597,412,066	573,787,093	606,463,391	648,578,023	677,720,703	681,623,721	685,551,167	727,652,187	734,790,643
EXPENDITURES (2)									
General Government	26,683,532	21,652,466	22,265,724	22,981,366	24,679,207	25,525,729	23,478,816	23,437,183	24,666,853
Public Protection	100,658,079	105,409,514	116,010,331	137,404,977	142,118,284	155,794,072	153,421,244	158,587,753	161,712,743
Police	117,355,711	116,490,491	126,343,610	120,413,360	125,522,471	131,670,127	137,290,564	138,444,511	145,142,734
Economic Development	21,380,913	19,299,326	23,949,370	22,091,209	26,620,960	21,911,769	34,880,087	34,809,826	45,274,868
Codes & Regulations	28,911,602	10,327,482	7,491,076	8,058,948	7,998,515	10,615,953	10,192,927	10,212,326	10,260,927
Parks & Recreation	21,767,248	20,489,287	21,922,934	22,405,732	22,641,942	22,558,585	21,751,602	24,680,213	24,637,647
Housing & Family Services	37,415,658	29,276,331	29,154,534	30,228,338	28,133,973	27,177,609	27,848,133	31,076,886	46,153,340
Public Health & Wellness	20,747,662	32,662,513	33,031,631	35,020,251	35,181,838	25,011,628	23,148,305	24,863,141	25,963,966
Neighborhoods (3)	3,871,939	4,936,210	6,066,781	6,565,329	6,559,384	7,717,628	6,409,530		
Public Works & Assets	69,765,377	64,510,252	67,457,003	70,884,688	71,262,503	73,676,326	82,986,482	81,172,938	87,164,736
Information Technology	6,082,646	5,605,906	6,960,196	7,248,081	7,813,687	9,589,440	9,975,852	9,236,175	9,337,569
Office of Management and Budget	34,067,423	13,784,775	13,247,952	11,898,662	12,802,901	23,281,270	22,246,348	22,552,036	30,855,010
Human Resources	3,882,710	3,841,236	3,936,674	4,060,640	3,877,455	4,259,117	4,187,516	3,817,202	3,647,513
Related Agencies	49,430,840	38,684,963	38,518,437	38,562,734	39,521,940	44,246,849	32,429,223	33,778,047	34,632,946
Debt service principal	19,643,000	19,177,195	22,613,352	25,595,000	24,252,500	25,960,000	28,820,000	29,820,000	36,100,000
Debt service interest and other payments	14,372,117	16,072,154	16,033,918	15,210,706	17,892,454	14,425,027	15,227,787	16,682,756	16,426,350
Capital outlay	87,662,658	59,315,442	62,653,450	93,268,102	89,555,809	83,759,227	124,587,884	92,816,423	39,852,354
Total expenditures	663,699,115	581,535,543	617,656,973	671,898,123	686,435,823	707,180,356	758,882,300	735,987,416	741,829,556
Other Financing Sources (Uses)									
Proceeds from sale of capital assets	187,679	349,995	650,000	1,156,848	1,047,399	2,626,001	1,622,208	32,174	323,156
Issuance of bonds, par	47,450,000		29,495,000		33,255,000		44,000,000	96,355,000	9,385,000
Issuance of bonds, premium/(discount)	363,474		1,267,582		(60,278)		448,800	2,743,343	58,702
Issuance of refunding bonds, par	49,445,000				58,855,000		63,875,000	41,275,000	41,300,000
Issuance of refunding bonds, premium/(discount)					(137,152)		874,372	3,976,585	1,341,521
Bond issuance costs paid	(199,324)								
Refunded bond principal, interest, and premium	(49,547,534)						(65,295,627)	(44,000,000)	
Proceeds from long term note									10,000,000
Payment to bond refunding escrow agent	(2,999,382)				(58,220,426)				(42,030,940)
Transfers in	110,805,958	42,774,751	46,270,744	45,960,731	65,293,175	72,426,546	85,953,962	67,870,287	61,262,097
Transfers out	(113,403,255)	(42,774,751)	(47,270,744)	(45,960,731)	(65,293,175)	(72,426,546)	(85,953,962)	(110,511,156)	(75,545,398)
Total other financing sources (uses)	42,102,616	349,995	30,412,582	1,156,848	34,739,543	2,626,001	45,524,753	57,741,233	6,094,138
Net change in fund balance	\$ (24,184,433)	\$ (7,398,455)	\$ 19,219,000	\$ (22,163,252)	\$ 26,024,423	\$ (22,930,634)	\$ (27,806,380)	\$ 49,406,004	\$ (944,775)
Ratio of total debt service expenditures to noncapital expenditures	5.94%	7.00%	7.01%	7.06%	7.23%	6.65%	7.41%	7.88%	8.17%

(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) Amounts reported for fiscal years 2003 - 2007 have been restated to conform with current year presentation.

(3) During fiscal year 2010, Neighborhoods was disbanded and its divisions were moved to Parks & Recreation.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Last Nine 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
2008	443,750,840	11,600,220	122,314,139	63,750,509	1,491,118	6,017,749	7,075,098	655,999,673
2009	434,846,131	10,521,865	140,138,472	64,239,245	2,447,186	2,658,807	6,261,891	661,113,597
2010	434,116,525	11,057,738	163,208,703	73,983,795	2,171,987	1,064,124	4,475,069	690,077,941
2011	443,249,367	11,168,192	153,497,428	85,845,830	3,198,045	567,731	7,058,190	704,584,783

(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) Fiscal year 2003 revenues included the Major Capital Projects fund and other nonmajor capital funds. Fiscal year 2003 has been restated to conform to the current presentation.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

GENERAL FUND TAX REVENUES BY SOURCE

Last Nine Fiscal Years (since Merger) (1)

Fiscal Year	Total Taxes	General Property Taxes	Bank and Life Insurance Shares	Public Service Corporations	Occupational Taxes	Other (2)	Interest, Penalties and Other Fees
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
2008	443,750,840	112,610,250	5,001,374	7,883,195	309,491,515	8,336,658	427,848
2009	434,846,131	116,505,210	4,560,570	7,681,607	301,344,426	4,483,331	270,987
2010	434,116,525	117,949,837	9,147,243	7,428,378	292,400,027	6,647,248	543,792
2011	443,249,367	117,583,514	4,790,507	6,595,542	304,470,948	8,389,009	1,419,847

(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 Nine Fiscal Years (since Merger) (1)

Fiscal Year	Employment (3)	Unemployment Rate (3)	Per Capita Income (2) (3)	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%	39,877	7.42%	307,856,301	7.81%
2008	340,011	5.3%	41,626	4.39%	309,491,515	0.53%
2009	335,398	6.4%	41,517	-0.26%	301,344,426	-2.63%
2010	326,820	10.3%	41,345	-0.41%	292,400,027	-2.97%
2011	326,802	10.6%	42,767	3.44%	304,470,948	4.13%

Source: Bureau of Economic Analysis website: www.bea.gov
Workforce Kentucky website: www.workforcekentucky.ky.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) Per capita income for 2011 is an estimate based on the average annual percentage increase over the last ten years. Per capita income for 2010, which had been an estimate, has been changed to reflect published figures as of April 2011.
- (3) Employment, unemployment and per capita figures represent the annual average for the full calendar year previous to fiscal year end. The sources referenced above have continually updated these figures subsequent to the publishing of prior years reports. For consistency, Metro Government has elected to not revise prior year information and is presenting our previously published data.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PRINCIPAL WITHHOLDING TAXPAYERS

Fiscal Year Ended June 30, 2011

<u>Rank</u>	<u>Employer</u>
1	Jefferson County Board of Education
2	Norton Healthcare, Inc.
3	University of Louisville
4	Humana, Inc.
5	Louisville Metro Government
6	General Electric Company
7	Jewish Hospital & St. Mary's Healthcare, Inc.
8	United Parcel Service (Ohio)
9	United Parcel Service
10	Baptist Healthcare System
11	Brown Forman Corporation
12	Kentucky State Treasurer
13	University Medical Center
14	The Kroger Company
15	UPS Worldwide Forwarding, Inc.
16	U. S. Department of Defense
17	United States Postal Service
18	L G & E and KU Services Company
19	Wal-Mart Associates, Inc.
20	UPS Supply Chain Solutions, Inc.
21	The Wellpoint Companies, Inc.
22	PNC Bank NA
23	Jewish Physician Group
24	Defense Finance & Accounting Service
25	Insight Communications Co., Inc.
26	Yum! Brands, Inc.
27	Kindred Healthcare Operating, Inc.
28	Louisville Gas & Electric Co.
29	Archdiocese of Louisville
30	U. S. Department of Agriculture

Information obtained from the Louisville/Jefferson County Revenue Commission.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
Last Nine 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 (4)	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
2008	61,651,282,888	64,229,369,264	8,359,422,318	8,359,422,318	70,010,705,206	72,588,791,582	96.45 %	31,400
2009	64,675,966,705	67,265,364,321	8,953,378,083	8,953,378,083	73,629,344,788	76,218,742,404	96.60 %	31,400
2010	65,504,898,450	68,316,286,106	8,894,079,746	8,894,079,746	74,398,978,196	77,210,365,852	96.36 %	33,700
2011	65,218,024,765	68,379,226,365	8,431,715,628	8,431,715,628	73,649,740,393	76,810,941,993	95.88 %	33,700

- (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.
- (4) The assessed values represents both the Urban and the Suburban Service Districts.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS

TAX RATES (PER \$100 OF ASSESSED VALUATION)

Last Nine Fiscal Years (since Merger) (1)

Fiscal Year	Urban Service District (2) (3)		Metro Government (2) (3)		Consolidated School District			Total		
	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
2008	0.368	0.566	0.126	0.166	0.615	0.627	0.627	1.109	0.627	1.359
2009	0.367	0.566	0.126	0.166	0.625	0.631	0.631	1.118	0.631	1.363
2010	0.367	0.566	0.126	0.166	0.646	0.646	0.646	1.139	0.646	1.378
2011	0.367	0.566	0.126	0.166	0.676	0.676	0.676	1.169	0.676	1.408

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.
- (3) Rates reported for fiscal year 2003 for the Urban Services District are for the former City of Louisville. Rates reported for fiscal year 2003 for Metro Government are for the former Jefferson County Fiscal Court.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>June 30, 2011</u>			<u>June 30, 2002</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation of \$ 73,649,740,393</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation of \$ 56,244,680,125</u>
Louisville Gas & Electric Co.	Energy Utility	\$ 1,379,184,269	1	1.9%	\$ 822,913,351	1	1.5%
AT&T Communications	Telecommunications	390,587,458	2	0.5%	578,533,798	2	1.0%
Humana, Inc.	Healthcare	302,438,545	3	0.4%	287,842,431	4	0.5%
Louisville Trophy LLC	Miscellaneous Services	188,690,628	4	0.3%			
United Parcel Service, Inc.	Air Express and Distribution	187,819,726	5	0.3%			
BT Properties LLC	Property Management	172,654,793	6	0.2%			
MRI NCT LLC	Real Estate	159,000,398	7	0.2%			
Thomas W. Bullitt	Retail	156,935,269	8	0.2%	101,285,314	10	0.2%
Information Systems Corporation	Information Services	111,511,075	9	0.2%			
Level 3 Commun. LLC	Communications Services	91,102,265	10	0.1%			
Insight Midwest LP	Cable Media				488,093,322	3	0.9%
BellSouth Telecommunications	Telecommunications				195,444,709	5	0.3%
Ford Motor Company	Automotive Manufacturer				136,142,969	6	0.2%
The Kentucky Trust Co	Banking/Financial Services				136,055,119	7	0.2%
200 Block CHC LTD PTN	Commercial Real Estate				131,972,900	8	0.2%
Ventech Systems, Inc.	Computer Integrated Systems Design				115,553,319	9	0.2%
	TOTAL	<u>\$ 3,139,924,426</u>		<u>4.3%</u>	<u>\$ 2,993,837,232</u>		<u>5.2%</u>

Source: Jefferson County Sheriff's Office

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Eight Fiscal Years (since Merger) (1) (2)

Fiscal Year	Amount of Levy	Amount Collected in Year of Levy	Percentage Collected in Year of Levy	Collections in Subsequent Years	Total Tax Collections to Date	Percentage of Levy Collected	Total Outstanding Delinquent Taxes Receivable at June 30, 2011
2003	\$ 101,151,309	\$ 97,734,411	96.6%	\$ 2,346,534	\$ 100,080,945	98.9%	\$ 6,389,780
2004	107,833,673	104,493,360	96.9%	2,587,383	107,080,743	99.3%	5,392,784
2005	112,929,657	109,744,607	97.2%	2,289,479	112,034,086	99.2%	9,262,583
2006	115,468,469	114,972,927	99.6%	342,170	115,315,097	99.9%	6,213,399
2007	122,324,736	121,888,305	99.6%	42,808	121,931,113	99.7%	5,679,253
2008	128,569,436	128,045,919	99.6%	219,289	128,265,208	99.8%	5,401,922
2009	133,040,752	129,573,177	97.4%	3,186,770	132,759,947	99.8%	7,225,768
2010	137,034,214	132,148,914	96.4%	4,423,764	136,572,678	99.7%	12,006,630
2011	133,193,647	131,954,594	99.1%	-	131,954,594	99.1%	6,614,735

Levies do not include autos. These are levied and collected by the Jefferson County Clerk's Office as required by Kentucky Revised Statutes Chapter 134 and City of Louisville 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) Prior year's property tax levies and collections have been restated to conform to GASB 44 requirements that delinquent tax collections be reported by tax levy year rather than the year of collection.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT

LEGAL DEBT MARGIN

Last Nine Fiscal Years (since Merger) (1)

	Fiscal Year								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	\$ 7,001,070,521	\$ 7,362,934,479	\$ 7,439,897,820	\$ 7,364,974,039
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>	<u>357,226,453</u>	<u>377,246,329</u>	<u>444,678,003</u>	<u>424,406,850</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>	<u>\$ 6,643,844,068</u>	<u>\$ 6,985,688,150</u>	<u>\$ 6,995,219,817</u>	<u>\$ 6,940,567,189</u>
Total net debt applicable to the limit as a percentage of debt limit	6.83%	6.47%	6.41%	5.80%	5.64%	5.10%	5.12%	5.98%	5.76%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Valuation - January 1, 2010	\$ 73,649,740,393
Debt Limit (10% of assessed value)	7,364,974,039
Debt applicable to limit:	
Bonded debt outstanding	425,109,438
Less: Amount set aside for repayment of bonded debt	<u>(702,588)</u>
Total debt margin applicable to limit	<u>424,406,850</u>
Legal debt margin	<u>\$ 6,940,567,189</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, 2011

Governmental Unit	Debt Outstanding	Percentage Applicable to Louisville Metro Taxpayers	Louisville Metro Taxpayers Share of Debt
Direct Debt:			
Revenue bonds	\$ 92,230,934	100.00%	\$ 92,230,934
General obligation debt	<u>335,456,459</u>	100.00%	<u>335,456,459</u>
Total direct debt	<u>427,687,393</u>		<u>427,687,393</u>
Overlapping debt:			
Jefferson County Public Schools	<u>367,072,802</u>	100.00%	<u>367,072,802</u>
Total direct and overlapping debt	<u><u>\$ 794,760,195</u></u>		<u><u>\$ 794,760,195</u></u>

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

<u>Governmental Activities</u>							
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>First Mortgage Revenue Bonds (3)</u>	<u>Lease Revenue Bonds</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Personal Income (2)</u>	<u>Per Capita</u>
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
2008	226,894	25,260	102,871	355,025	1.20%	29,497,015	501
2009	275,187		99,442	374,629	1.26%	29,785,092	525
2010	354,445		95,980	450,425	1.51%	29,834,474	624
2011	335,457		92,231	427,688	1.38%	30,990,223	577

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 2011 is an estimate based on the average annual percentage increase over the last ten years. Personal Income for 2010, which had been an estimate, has been changed to reflect published figures as of April 2011.
- (3) During fiscal year 2009 all remaining outstanding First Mortgage Revenue Bonds were refunded in full. See Note 8 in the Notes to the Financial Statements for further details on the refunding transactions.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Nine Fiscal Years (since Merger) (1)

Fiscal Year	Population	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
2008	709,264	70,010,705,206	226,893,208	0.32%	320
2009	713,877	73,629,344,788	275,186,966	0.37%	385
2010	721,594	74,398,978,196	354,445,388	0.48%	491
2011	741,096	73,649,740,393	335,456,459	0.46%	453

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

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PLEDGED REVENUE COVERAGE

Last Nine Fiscal Years (since Merger) (1)

Fiscal Year	First Mortgage Revenue Bonds				Lease Revenue Bonds			
	Gross Revenue (2)	Debt Service		Coverage	Gross Revenue (2)	Debt Service		Coverage
		Principal (3)	Interest			Principal (4)	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
2008	2,898,058	1,420,000	1,479,930	1.00	4,048,781	1,640,000	2,448,179	0.99
2009	2,904,294	1,500,000	1,402,233	1.00	8,865,673	6,505,000	2,448,179	0.99
2010					9,046,194	6,690,000	2,368,179	1.00
2011					9,103,779	6,820,000	2,283,779	1.00

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. Fiscal year 2009 excludes \$23,760,000 in refunded principal on the Series 1998A and 1998B First Mortgage Revenue Bonds paid from proceeds of general obligation refunding bonds. As of June 30, 2009, there were no longer any First Mortgage Revenue Bonds outstanding.
- (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, 2011**

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>% Change 1990-2000</u>	<u>Estimated (1)</u>		<u>% Change 1990-2010</u>
				<u>2009</u>	<u>2010</u>	
Louisville/Jefferson County	664,937	693,604	4.3%	721,594	741,096	11.5%
Kentucky	3,685,296	4,041,769	9.7%	4,314,113	4,339,367	17.7%
United States	248,709,873	281,421,906	13.2%	307,006,550	308,745,538	24.1%

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

(1) Estimated population amounts for 2011 were not available from the Census Bureau.

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

Employer	Industry/Product	June 30, 2011			June 30, 2002		
		Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
United Parcel Service, Inc.	Diversified Distribution/Logistics Services	20,125	1	3.52%	21,272	1	3.70%
Jefferson County Public Schools	K-12 Public Education	13,964	2	2.44%	12,465	2	2.17%
Humana, Inc.	Healthcare	9,400	3	1.65%	4,626	9	0.80%
Norton Healthcare, Inc.	Healthcare	8,698	4	1.52%	6,495	4	1.13%
University of Louisville	Higher Education	6,352	5	1.11%	6,078	5	1.06%
Jewish Hospital & St. Mary's Healthcare, Inc.	Healthcare	5,782	6	1.01%	4,332	10	0.75%
Louisville Metro Government	Government Services	5,765	7	1.01%			
The Kroger Company	Retail Grocer	5,692	8	1.00%	4,837	8	0.84%
Ford Motor Company	Automotive Manufacturer	5,397	9	0.94%	10,300	3	1.79%
Kentucky State Government	Government Services	4,361	10	0.76%	5,358	7	0.93%
GE Consumer & Industrial	Household Appliance Manufacturer				6,000	6	1.04%
Total		85,536		14.96%	81,763		14.21%

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, 2011 (1)**

	Full-Time Equivalent Employees as of June 30, (2) (5)							
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government:								
Metro Council	80	81	85	80	79	82	79	77
Mayor's Office	33	31	31	29	28	27	28	27
Policy and Strategic Planning	6	6	7	4	7	6		
County Attorney	106	104	102	96	94	90	94	91
Other Elected Officials	69	67	64	64	64	40	37	39
Public Protection:								
Fire (3)	646	624	553	547	529	538	498	466
Emergency Medical Services (3)	131	186	278	253	257	266	247	246
Emergency Management/MetroSafe (4)	26	26	171	160	169	180	193	192
Corrections	524	545	569	582	577	563	551	547
Youth Detention Services	130	128	129	129	130	133	132	128
Metro Animal Services	37	37	41	48	48	45	49	48
Criminal Justice Commission	6	5	5	5	5	4	4	4
Public Protection Cabinet	1	1	1					
Police (4)	1,547	1,605	1,514	1,480	1,511	1,502	1,485	1,476
Economic Development:								
Metro Development Authority	54	67	66	63	65	76	65	66
Redevelopment Authority	2	2	1					
Air Pollution Control	57	57	62	65	63	66	68	67
Community Development	15	15	12	7				
Codes & Regulations:								
Inspections, Permits and Licenses	138	141	138	132	127	121	118	121
Planning and Design Services	59	62	64	64	50	49	46	47
Parks & Recreation	612	593	576	566	476	529	542	508
Housing & Family Services:								
Housing	58	56	58	58	51	52	56	55
Human Services	189	183	173	155	107	80	75	74
Community Action Partnership	94	99	96	94	92	118	109	97
Public Health & Wellness	320	320	321	302	288	280	293	285
Neighborhoods (7)	41	48	44	44	75	46	28	
Public Works & Assets:								
Public Works	274	257	223	221	228	263	306	289
General Services Administration	203	197	220	223	209	202	202	195
Solid Waste Management Services	252	244	243	238	216	216	198	200
Information Technology	49	49	59	66	68	69	62	65
Office of Management & Budget	124	116	114	113	107	105	115	110
Human Resources	53	49	49	44	47	43	37	38
Related Agencies:								
Human Relations Commission	19	18	17	16	15	17	16	14
Kentuckiana Works (6)	18	14	11	12	14			
Louisville Free Public Library	283	287	289	276	268	237	234	238
Louisville Zoological Gardens	189	187	180	184	193	235	249	254
Internal Audit	8	8	8	8	8	5	8	7
Waterfront Development Corporation	14	14	67	112	66	77	87	79
Total	<u>6,467</u>	<u>6,529</u>	<u>6,641</u>	<u>6,540</u>	<u>6,331</u>	<u>6,362</u>	<u>6,311</u>	<u>6,150</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.
- (2) During fiscal year 2008, a reorganization of departments was implemented by the Metro Government. Numbers of employees have been reclassified to conform to the current year presentation.
- (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 /MetroSafe.
- (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%.
- (6) In 2009, Kentuckiana Works was brought under the Metro Development Authority.
- (7) In 2010, Neighborhoods was dissolved and its employees were transferred to Parks & Recreation.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION
June 30, 2011 (1)

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>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Works								
Miles of streets maintained	3,000	3,000	3,000	3,000	3,025	2,540	2,540	2,900
Miles of streets paved	125	138	153	231	175	42	37	35
Number of potholes filled	21,618	29,809	30,000	14,000	18,175	15,098	27,667	34,909
Overlay and pavement repairs (sq ft) (2)				203,000	123,274	71,147	150,329	225,062
General Services Administration								
Number of vehicles maintained (3)				2,587	2,590	2,578	2,569	2,515
Number of buildings maintained	67	67	67	67	68	73	68	75
Solid Waste Management Services								
Tons recycled	15,844	18,724	19,761	21,149	18,597	10,462	14,472	11,613
Tons composted	20,149	20,594	16,570	19,507	13,085	9,582	17,045	27,148
Tons landfilled	136,900	146,521	200,455	206,556	206,146	96,754	122,291	124,506
Inspections, Permits and Licenses								
Number of inspections performed	90,961	160,023	162,545	164,467	179,118	183,330	174,540	173,751
Number of permits issued (4)		48,351	48,351	40,942	49,464	44,845	68,131	41,458
Planning and Design Services (5)								
Number of zoning adjustments					135	96	98	94
Number of plans submitted					1,179	1,340	1,297	1,464
Parks & Recreation								
Community centers	17	17	17	17	17	15	15	12
Number of parks	123	123	123	123	123	124	124	122
Park acreage	14,000	14,000	14,000	14,000	14,000	15,000	15,000	12,447
Golf courses	9	9	9	9	9	9	9	9
Swimming pools	12	12	12	11	5	5	5	5
Tennis courts	172	172	172	172	172	155	155	178
Number of walking trails/bike paths	40	40	40	40	41	33	33	52
Louisville Zoological Gardens								
Total acreage	151	151	151	151	151	151	151	151
Area developed in acres	90	90	90	90	90	88	90	90
Number of animals	1,300	1,300	1,300	1,300	1,300	1,747	1,761	1,757
Number of visitors	783,657	757,517	741,930	810,546	818,129	835,807	792,248	867,417
Louisville Free Public Library								
Number of branches	16	16	16	16	16	16	17	17
Number of library card holders	325,524	343,043	358,927	470,000	457,979	460,247	481,591	339,093
Number of computers	402	410	470	455	470	495	483	567
Number of items in circulation	1,291,907	1,348,846	1,348,747	1,288,941	1,264,123	1,418,570	1,366,625	1,309,345
Number of items borrowed	3,807,578	3,827,835	4,065,233	4,193,574	4,427,416	4,104,396	3,725,258	3,878,587
Fire Protection (Urban Service District)								
Number of stations	22	22	22	22	22	21	22	22
Number of incidents (calls answered)	11,198	10,960	9,488	11,478	11,654	14,777	11,917	10,097
Number of medical runs	11,481	9,090	7,923	9,850	13,063	21,904	20,639	16,452
Number of fires extinguished	2,400	1,829	1,995	1,975	1,829	1,856	1,392	1,093
Number of home inspections conducted	12,316	12,132	11,053	13,470	13,474	18,245	12,995	958
Number of building inspections conducted	9,740	11,024	7,708	8,992	8,343	5,833	4,310	5,725
Police Protection								
Number of active patrol units	802	802	802	848	859	885	872	852
Number of incidents (calls answered) (6)				494,140	535,550	512,847	509,072	510,259
Number of arrests	29,746	38,919	46,726	52,024	47,315	55,349	58,898	57,547
Number of citations (7)	92,997	80,728	86,426	81,780	88,497	106,347	19,097	19,202
Corrections								
Number of prisoners	39,046	39,242	35,375	45,000	46,105	45,570	46,263	45,339
Number of beds	1,919	1,919	1,919	1,919	1,919	1,961	1,919	1,793
Youth Detention Services								
Number of youth monitored	792	780	828	852	964	799	836	918
Number of youth housed	1,682	1,980	2,104	2,045	1,790	1,674	1,879	2,001
Public Health & Wellness								
Number of clinics	12	12	12	12	12	12	11	12
Number of services provided	314,696	445,676	454,022	429,610	422,634	401,690	440,750	351,789
Emergency Medical Services								
Number of dispatches	93,195	92,816	111,627	140,086	136,977	129,684	109,938	115,618
Number of transports	51,420	52,913	54,073	60,282	64,901	62,200	65,236	69,716
Metro Animal Services								
Licensed pets	67,293	63,310	58,510	85,000	72,995	63,136	53,097	53,508
Number of animals spayed/neutered	899	1,063	2,058	1,800	3,886	3,776	3,030	3,135
Number of pets adopted	899	1,063	1,943	1,200	1,395	2,453	2,244	2,173

(continued)

**LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
June 30, 2011 (1)								
Economic Development								
Number of downtown market rate housing units	1,726	1,777	1,912	2,004	2,047	2,218	2,218	2,316
Community Action Partnership								
Number of families assisted	16,562	17,892	18,479	14,849	15,722	20,887	22,418	22,569
Number of individuals assisted	40,117	42,760	44,187	33,981	36,500	48,170	51,423	51,059
Louisville Water Company								
Number of residential customers	235,906	238,893	241,938	244,478	246,145	245,649	247,192	248,451
Annual residential consumption (1,000 Gallons)	15,655,594	17,089,874	17,089,874	15,305,832	17,479,922	16,390,030	14,973,777	16,067,929
Number of commercial and industrial customers	22,593	22,708	22,940	23,546	23,825	24,571	24,504	24,711
Annual comm. and ind. consumption (1,000 Gallons)	19,660,093	19,501,479	19,968,030	18,823,270	20,303,307	19,327,579	17,785,370	15,084,249
Number of fire hydrants	18,882	19,471	19,931	20,467	20,809	21,120	21,323	21,480
Parking Authority of River City, Inc.								
Number of PARC garages	11	12	12	12	12	12	13	16
Number of PARC surface lots	4	4	4	4	3	3	3	2
Number of parkers	7,055	7,067	7,345	7,332	8,322	8,777	9,399	9,429
Transit Authority of River City								
Total ridership	15,286,298	14,657,752	15,835,796	16,280,662	16,364,856	15,070,578	14,405,530	14,056,838
Total miles driven	11,482,333	11,909,817	12,163,639	12,167,757	12,072,337	12,169,443	11,901,732	11,200,334
Total hours driven	757,968	766,821	784,215	812,549	810,921	781,544	767,926	806,803
Buses in service	270	274	265	277	276	249	321	315
Number of hybrid buses (8)						12	21	21
Number of routes	55	55	53	52	51	54	49	46
Metropolitan Sewer District								
Miles of sewers	2,959	3,035	3,099	3,133	3,200	3,197	3,207	3,200
Number of treatment plants	25	25	23	21	21	21	21	20
Number of service connections	216,551	220,599	222,698	224,654	226,430	226,711	228,580	230,240
Daily average treatment (mgd)	143	145	155	134	152	127	143	142
Daily treatment capacity (mgd) (mgd - millions of gallons per day)	162	162	173	172	174	174	174	173
Facilities and services not included in the reporting entity:								
Jefferson County Public Schools								
Total enrollment	97,010	97,278	97,518	98,087	97,988	98,999	98,963	99,095
Number of elementary schools	87	87	87	87	89	89	89	89
Number of middle schools	23	22	22	22	22	23	23	23
Number of high schools	20	19	19	19	19	19	18	18
Number of instructors (9)			5,267	5,383	5,363	5,468	5,386	5,372

- (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) 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'.
- (3) Fiscal year 2007 was the first year information related to number of vehicles maintained has been included with Metro Government's financial reports. Due to system limitations, information for fiscal years 2004-2006 was not available and therefore has not been included.
- (4) Fiscal year 2005 was the first year information related to number of permits issued has been included with Metro Government's financial reports. Due to system limitations, information for fiscal years 2004 was not available and therefore has not been included.
- (5) Fiscal year 2008 was the first year information related to Planning and Design Services has been included with Metro Government's financial reports. Due to system limitations, information for fiscal years 2004-2007 was not available and therefore has not been included.
- (6) Fiscal year 2006 was the first year that number of incidents have been included with Metro Government's financial reports. Archived information was not transferred to the new dispatch system and therefore information for fiscal years 2004-2005 was not available.
- (7) Fiscal year 2010 was the first year that the number of paper citations was not available and therefore has not been included.
- (8) Transit Authority of River City added hybrid buses in 2008.
- (9) This information was not archived prior to fiscal year 2006 and therefore is not reported.