

*In the opinion of Co-Bond Counsel, based on existing laws, regulations and judicial decisions and as of the date of original issuance of the Series 2010B Bonds and Series 2010C Bonds, and subject to the conditions set forth in "TAX TREATMENT" herein, the interest on the Series 2010B Bonds is excludable from gross income for federal and Kentucky income tax purposes. Co-Bond Counsel is further of the opinion that the interest on the Series 2010B Bonds will not be an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Series 2010C Bonds is included in gross income for federal income tax purposes. Co-Bond Counsel is further of the opinion that the Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth of Kentucky and all its political subdivisions and taxing authorities. See "TAX TREATMENT" herein.*



## LOUISVILLE/JEFFERSON COUNTY (KENTUCKY) METRO GOVERNMENT

### \$1,985,000 General Obligation Bonds, Series 2010B \$7,400,000 Taxable General Obligation Bonds (Qualified Energy Conservation Bonds – Direct Payment to Issuer), Series 2010C

**Dated: Date of Delivery**

**Bonds Due: As set forth on the inside cover**

The Series 2010B Bonds (the –Series 2010B Bonds”) and the Series 2010C Bonds (the –Series 2010C Bonds”) and collectively with the Series 2010B Bonds, the "Bonds"), are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (–DTC”), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made in Book-Entry Only form, and individual purchasers (–Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates.

Interest will be payable on the Bonds on August 1 and February 1, commencing August 1, 2011 as described herein. Principal will be payable on August 1 as described herein. U.S. Bank National Association has been designated as Paying Agent, Bond Registrar, and Filing Agent for Interest Subsidy Payments. The Bonds will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by U.S. Bank National Association as Paying Agent and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

**The Bonds will be direct general obligations of the Louisville/Jefferson County (Kentucky) Metro Government (the "Metro Government"). The full faith, credit and taxing power of the Metro Government are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds. The Bonds are payable from taxes levied on all taxable property of the Metro Government without limitation as to rate or amount.**

The Bonds will not be subject to optional redemption; however the Series 2010C Bonds are subject to extraordinary optional redemption as described herein.

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FOR MATURITIES, INTEREST RATES AND PRICES/YIELDS,  
PLEASE REFER TO THE INSIDE OF THIS COVER PAGE

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The Bonds are offered when, as and if issued, subject to prior sale, to withdrawal or modification of the offer without notice, to the approval of validity by Co-Bond Counsel, Stites & Harbison PLLC, Louisville, Kentucky and Wyatt, Tarrant & Combs, LLP, Louisville, Kentucky, and to certain other conditions. Certain legal matters will be passed on for the Metro Government by James Carey, Esquire, of the Jefferson County Attorney's Office. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about September 28, 2010.

The cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: September 14, 2010

**Hutchinson, Shockey, Erley & Co.**  
(Series 2010B)

**Morgan Keegan & Company, Inc.**  
(Series 2010C)

## Louisville/Jefferson County (Kentucky) Metro Government

### Maturity Schedules

#### \$1,985,000 General Obligation Bonds, Series 2010B

<u>CUSIP</u> <sup>1</sup>	<u>Maturing August 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>
546585 ER7	2011	370,000	2.00%	0.42%
546585 ES5	2012	390,000	2.00	0.56
546585 ET3	2013	400,000	2.00	0.73
546585 EU0	2014	410,000	2.00	0.97
546585 EV8	2015	415,000	2.00	1.31

#### \$7,400,000 Taxable General Obligation Bonds (Qualified Energy Conservation Bonds – Direct Payment to Issuer), Series 2010C

<u>CUSIP</u> <sup>1</sup>	<u>Maturing August 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>
546585 EW6	2027	7,400,000	4.70%	4.70%

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<sup>1</sup> CUSIP numbers have been assigned to the Bonds by S&P's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are included solely for the convenience of the bondowners. Neither the Metro Government nor the Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

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**LOUISVILLE/JEFFERSON COUNTY (KENTUCKY) METRO GOVERNMENT**

**MAYOR**

The Honorable Jerry E. Abramson

**METRO COUNCIL**

Brent Ackerson	Madonna Flood	Tom Owen
Jon Ackerson	Judith Green	James Peden
Stuart Benson	Doug Hawkins	Barbara Shanklin
Rick Blackwell	Hal Heiner	Glen Stuckel
Cheri Bryant Hamilton	Robert Henderson	David Tandy
Marianne Butler	Deonte Hollowell	Tina Ward-Pugh
Kelly Downard	Dan Johnson	Vicki Welch
Robin Engel	Jim King	Mary Woolridge
Kenneth Fleming	Kevin Kramer	

**ADMINISTRATIVE**

William Summers, IV	Deputy Mayor
Rick Johnstone	Director, Louisville at Work
Mary Lou Northern	Senior Advisor, Parks, Cultural Affairs & Faith Initiatives
Mary Gwen Wheeler	Senior Advisor, Director, Office of Policy & Management
Christina Heavrin	Special Counsel to the Mayor and Interim Director, Housing & Family Services
Robert White	Chief, Louisville Metro Police
Bruce Traugher	Director, Economic Development
Adewale Troutman, MD	Director, Public Health & Wellness
James Mims	Director, Codes and Regulations
Mike Heitz	Director, Parks & Recreation
Ted Pullen	Director, Public Works & Assets
Jane Driskell Sistrunk	Director, Office of Management & Budget
Beth Niblock	Director, Technology Services
Bill Hornig	Director, Human Resources
James Carey, Esquire	Assistant Jefferson County Attorney

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**CO-BOND COUNSEL**

Stites & Harbison PLLC  
Louisville, Kentucky

Wyatt, Tarrant & Combs, LLP  
Louisville, Kentucky

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**CO-FINANCIAL ADVISORS**

Morgan Keegan & Company, Inc.  
Memphis, Tennessee

Public Financial Management, Inc.  
Memphis, Tennessee

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**AUDITORS**

Crit Luallen, Auditor of Public Accounts  
for Commonwealth of Kentucky  
Frankfort, Kentucky

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OFFICIAL STATEMENT

Regarding

**LOUISVILLE/JEFFERSON COUNTY (KENTUCKY) METRO GOVERNMENT**

**\$1,985,000 General Obligation Bonds, Series 2010B  
\$7,400,000 Taxable General Obligation Bonds (Qualified Energy Conservation Bonds –  
Direct Payment to Issuer), Series 2010C**

**INTRODUCTION**

This Official Statement is furnished in connection with the issuance of the Bonds referred to above (the ~~Bonds~~) by the Louisville/Jefferson County (Kentucky) Metro Government (the ~~Metro Government~~).

The Metro Government is a public body corporate and politic, duly created and existing as a political subdivision of the Commonwealth of Kentucky under the Constitution and laws of the Commonwealth. The Bonds will be issued pursuant to an ordinance (the ~~Ordinance~~ or the ~~Bond Ordinance~~) adopted by the governing body of the Metro Government.

The Bonds will be direct general obligations of the Metro Government. The full faith, credit and taxing power of the Metro Government are irrevocably pledged for the prompt payment of the principal of, premium, if any, and interest on the Bonds. The Bonds are payable from taxes levied on all taxable property of the Metro Government without limitation as to rate or amount. See ~~SECURITY AND SOURCE OF PAYMENT~~.

The Bonds are being issued to provide moneys to finance certain energy conservation projects, and to pay costs of issuance. See ~~THE PLAN OF FINANCE~~.

The Bonds are subject to redemption prior to their stated maturities under certain events related to compliance with future changes in Section 54D or other sections of the tax code as described herein. See ~~DESCRIPTION OF THE BONDS - Redemption Prior to Maturity~~. The Bonds are being offered in the denomination of \$5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See ~~DESCRIPTION OF THE BONDS~~.

The Metro Government has covenanted to undertake continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See ~~CONTINUING DISCLOSURE~~.

The Metro Government has hereby deemed the information contained herein to be ~~final~~ as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for the information permitted by the Rule to be excluded.

**GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT**

Certain capitalized terms used frequently in this Official Statement are defined in this section of the Official Statement. Certain other capitalized terms used frequently in this Official Statement are defined in ~~Appendix D - Summary of Certain Provisions of the Ordinance~~ of the Official Statement.

~~Bonds~~ means collectively, the Metro Government's **\$1,985,000** General Obligation Bonds, Series 2010B and **\$7,400,000** Taxable General Obligation Bonds (Qualified Energy Conservation Bonds – Direct Payment to Issuer), Series 2010C, dated their date of delivery, which are being offered by this Official Statement.

~~Internal Revenue Code~~ means the Internal Revenue Code of 1986, as amended.

**–Metro Government**” means the Louisville/Jefferson County (Kentucky) Metro Government, 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.

**–Ordinance**” or **–Bond Ordinance**” means the ordinance adopted by the governing body of the Metro Government authorizing the issuance of the Bonds.

**–Paying Agent**” or **–Bond Registrar**” means U.S. Bank National Association, which is the paying agent, registrar for the Bonds and filing agent for the 8038T & CP forms.

**–QECBs**” means Qualified Energy Conservation Bonds as described in Section 54D and related sections of the Code.

## **DESCRIPTION OF THE BONDS**

### **General Provisions**

The Bonds will be issued pursuant to the Ordinance. Certain provisions of the Ordinance are described herein under **–DESCRIPTION OF THE BONDS**” and **–SECURITY AND SOURCE OF PAYMENT**”. For a description of certain other provisions of the Ordinance, see **–Appendix D - Summary of Certain Provisions of the Ordinance**” of this Official Statement.

The Bonds will be fully registered book-entry bonds in the denomination of \$5,000 or any multiple thereof, will be dated their date of delivery, and will be numbered separately from 1 upward.

Interest on the Bonds is payable August 1 and February 1, commencing August 1, 2011. The Bonds will be issued in the principal amounts indicated on the inside cover hereof, subject to the permitted adjustment, in fully registered form and will mature as to principal and will bear interest as set forth on the inside cover page of this Official Statement.

### **Method and Place of Payment**

The Bonds will be issued in book-entry only form, as described below under **–DESCRIPTION OF THE BONDS - Book-Entry Only System**”, and the method and place of payment will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Bonds is discontinued.

Payment of interest due on each interest payment date will be made by check or draft mailed on such interest payment date to the persons who were registered owners of the Bonds on the regular record date for such interest payment date, which will be the 1<sup>st</sup> day of the month preceding such interest payment date. Payment of the principal of the Bonds and payment of accrued interest due upon redemption on any date other than an interest payment date will be made only upon surrender of the Bonds at the designated office of the Paying Agent in Louisville, Kentucky.

### **Registration and Exchange**

The Bonds will be issued in book-entry only form, as described below under **–DESCRIPTION OF THE BONDS - Book-Entry Only System**”, and the method for registration and exchange of the Bonds will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Bonds is discontinued.

The Bonds are transferable only on the bond register maintained at the designated office of the Paying Agent. Subject to the terms and conditions of Book Entry Only, upon surrender of the Bonds to be transferred, properly endorsed, the new Bonds will be issued to the designated transferee.

The Bonds will be issued in denominations of \$5,000 or any multiple thereof and, subject to the provisions of the Ordinance, may be exchanged for a like aggregate principal amount of Bonds, of any authorized denominations and of the same maturity, as requested by the holder surrendering the same.

No service charge shall be made for any transfer or exchange, but the Metro Government may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

### **Book-Entry Only System**

*The information contained in this section concerning The Depository Trust Company and its book-entry only system has been obtained from materials furnished by The Depository Trust Company to the Metro Government. The Metro Government does not make any representation or warranty as to the accuracy or completeness of such information.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee or such other name as may be requested by an authorized representative of DTC. One fully-registered Bonds certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.**

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Metro Government as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Metro Government or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants and not of DTC, the Paying Agent or the Metro Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Metro Government or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as a depository with respect to the Bonds at any time by giving reasonable notice to the Metro Government or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Metro Government and the Paying Agent cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of or interest and premium, if any, on the Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Metro Government nor the Paying Agent will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Ordinance to be given to bondholders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as bondholder.



In addition, the Metro Government may discontinue the book-entry only system for the Bonds at any time by giving reasonable notice to DTC.

### **Redemption Prior to Maturity**

#### **Series 2010B Bonds**

##### Optional Redemption

The Series 2010B Bonds are not subject to optional redemption prior to their stated maturities.

#### **Series 2010C Bonds**

##### Optional Redemption

The Series 2010C Bonds are not subject to optional redemption prior to their stated maturities.

##### Extraordinary Optional Redemption

The Series 2010C Bonds are issued as QECBs. The Series 2010C Bonds are subject to extraordinary optional redemption prior to maturity at the option of the Metro Government in whole or in part, and if in part shall be selected on a pro rata basis within a maturity, on any date if a material adverse change has occurred to Sections 54D or 6431 of the Code pursuant to which the Metro Government's cash subsidy payment from the U.S. Treasury is reduced, suspended or eliminated. The redemption price (the "Extraordinary Optional Redemption Price") will be equal to the greater of:

- (1) 100% of the principal amount of the Series 2010C Bonds to be redeemed; or
- (2) The sum of the present values of the remaining scheduled payments of principal and interest on the Series 2010C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010C Bonds are to be redeemed, discounted to the date on which the Series 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points (1%), plus, in each case, accrued interest on the Series 2010C Bonds to be redeemed to the redemption date.

The redemption price of any Series 2010C Bonds to be redeemed at the option of the Metro Government will be determined by an independent accounting firm, investment banking firm, or financial advisor retained by the Metro Government at the Metro Government's expense to calculate such redemption price. The Bond Registrar and the Metro Government may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

"Treasury Rate" means, with respect to any redemption date for any Series 2010C Bond, the U.S. Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 2010C Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2010C Bonds to be redeemed.

### Extraordinary Mandatory Redemption

The Series 2010C Bonds are subject to extraordinary mandatory redemption, in whole or in part, in Authorized Denominations, at a redemption price equal to the initial reoffering price of the Series 2010C Bonds called for redemption, plus accrued interest to a redemption date designated by the Metro Government that is not later than 90 days after the end of the Available Project Proceeds Expenditure Period, in a principal amount equal to the unexpended Available Project Proceeds of the Series 2010C Bonds on deposit in the Project Fund.

—Available Project Proceeds” means (i) the excess of the proceeds from the sale of the Series 2010C Bonds over the issuance costs financed by the Series 2010C Bonds and (ii) the proceeds from any investment of the excess described in (i).

—Available Project Proceeds Expenditure Period” means the period ending (a) on the third anniversary of the date the Series 2010C Bonds are issued, or (b) in the event the United States Internal Revenue Service grants an extension of the three-year expenditure period, the last day of the extended expenditure period.

### **Notice of Redemption**

At least thirty (30) days but not more than sixty (60) days before the redemption date of any Series 2010C Bonds, the Bond Registrar shall cause a notice of redemption to be mailed, by regular United States first class mail, postage prepaid, to all Holders of Series 2010C Bonds to be redeemed in whole or in part at their registered addresses.

Failure to mail any notice or any defect therein in respect of any Series 2010C Bonds shall not affect the validity of the redemption of any other Series 2010C Bonds. Such redemption notice shall set forth the details with respect to redemption. Any Holder owning at least \$1,000,000 in principal amount of the Series 2010C Bonds may request that a second copy of the notice of redemption be sent to a second address provided to the Bond Registrar in writing. The notice of redemption shall set forth the complete title of the issue, CUSIP numbers, date of the issue, serial numbers, interest rate, maturity, date fixed for redemption, redemption price to be paid and, if less than all of the Series 2010C Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters of such Series 2010C Bonds to be redeemed and, in the case of Series 2010C Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, and the place or places of redemption, including the name, address and phone number of a contact person.

A second notice of redemption shall be given within sixty (60) days after the redemption date in the manner required above to the registered owners of redeemed Series 2010C Bonds which have not been presented for payment within thirty (30) days after the redemption date.

Any notice mailed shall be conclusively presumed to have been duly given on mailing, whether or not the owner of such Series 2010C Bonds receives the notice.

### **Authority for Issuance**

The Bonds are being issued by the Metro Government under authority of the Constitution of Kentucky, as amended, particularly Sections 158 and 159 thereof, Sections 66.011 through 66.191 of the Kentucky Revised Statutes, as amended, and applicable decisions of the appellate courts of the Commonwealth of Kentucky, and are further being issued pursuant to the Ordinance.

## QUALIFIED ENERGY CONSERVATION BONDS

### General Description

In February 2009, as part of the American Recovery and Reinvestment Act of 2009 (~~—ARR~~), Congress added Sections 54A and 6431 to the Internal Revenue Code of 1986, as amended (the ~~Code~~) which permit state or local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such bonds are referred to as Qualified Energy Conservation Bonds. A qualified bond is a Qualified Energy Conservation Bond under Section 54D(a)(3) of the Code if it meets certain requirements of the Code and the related Treasury Regulations and the Metro Government has made an irrevocable election to have the special rule for qualified energy conservation bonds apply. Pursuant to Sections 54A and 54D of the Code, the Metro Government, by the adoption of the Ordinance, certified that: (i) no less than 100% of the "available project proceeds" (as defined in Section 54A(e)(4) of the Code) of the Series 2010C Bonds will be used for a "qualified conservation purpose" (as defined in 54D(a)(1) of the Code) within three (3) years from the issue date of the Series 2010C Bonds; (ii) it will enter into a binding commitment with a third party to spend at least 10% of the "available project proceeds" within the six-month period beginning on the issue date of the Series 2010C Bonds; and (iii) the improvements will be completed with due diligence and the available project proceeds will be spent with due diligence. The Metro Government certified that each project is for a qualified conservation purpose in accordance with Section 54D(f) of the Code. The Metro Government has covenanted that it shall not, at any time or times, use any of the "available project proceeds" of the Series 2010C Bonds directly or indirectly to acquire any facilities the acquisition of which does not constitute a "qualified conservation purpose" within the meaning of Section 54D(f) of the Code. The Metro Government with respect to the Series 2010C Bonds has irrevocably elected to have Section 6431(f)(3) of the Code apply.

Interest on Series 2010C Bonds is not excluded from gross income for purposes of the federal income tax, and beneficial owners of the Series 2010C Bonds will not receive any tax credits as a result of ownership of such Series 2010C Bonds of the Metro Government, since the Metro Government will elect to receive the QECB Interest Subsidy Payment (as defined herein) when the Series 2010C Bonds are issued.

### Interest Subsidy Payment

Under Section 6431(f) of the Code, an issuer of a QECB may apply to receive payments (the ~~QECB Interest Subsidy Payment~~) directly from the Secretary of the United States Treasury (the ~~Secretary~~). The amount of a QECB Interest Subsidy Payment is set in Section 6431 of the Code at 70% of the amount of interest which would have been paid on the QECB set by the U.S. Treasury and in effect on the first day on which there is a binding written contract for the sale of the QECB. To receive a QECB Interest Subsidy Payment, under currently existing procedures, the Metro Government will have to file a tax return (now designated as Form 8038-CP) between 90 and 45 days prior to the corresponding bond interest payment date. At least 30 days prior to submitting the first Form 8038-CP, the Metro Government will be required to file Form 8038-TC with the required debt service schedules. The Metro Government should expect to receive the QECB Interest Subsidy Payment contemporaneously with the interest payment date with respect to the Series 2010C Bonds. Depending on the timing of the filing and other factors, the QECB Interest Subsidy Payment may be received before or after the corresponding interest payment date.

### The Series 2010C Bonds as Qualified Energy Conservation Bonds

The Metro Government has made an irrevocable election to treat the Series 2010C Bonds as Qualified Energy Conservation Bonds. As a result of such election, interest on the Series 2010C Bonds will be includable in gross income of the beneficial owners thereof for federal income tax purposes and the beneficial owners of such Series 2010C Bonds will not be entitled to any tax credits as a result of either ownership of such Series 2010C Bonds or receipt of any interest payments on such Series 2010C Bonds. Beneficial owners of such Series 2010C Bonds should consult their tax advisors with respect to the inclusion of interest on such Series 2010C Bonds in gross income for federal income tax purposes.

In the case of the Series 2010C Bonds the Metro Government is treating as Qualified Energy Conservation Bonds, the Metro Government intends to apply for QECB Interest Subsidy Payments from the Secretary pursuant to Section 6431 of the Code. No assurances are provided that the Metro Government will receive the QECB Interest Subsidy Payment. The amount of any QECB Interest Subsidy Payment is subject to legislative changes by Congress. For the Series 2010C Bonds to be and remain Qualified Energy Conservation Bonds, the Metro Government must comply with certain covenants and the Metro Government must establish certain facts and expectations with respect to the Series 2010C Bonds, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting a QECB Interest Subsidy Payment after the 45th day prior to an interest payment date; therefore, if the Metro Government fails to file the necessary tax return in a timely fashion, it is possible that the Metro Government will never receive such QECB Interest Subsidy Payment. Also, the QECB Interest Subsidy Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Metro Government to an agency of the United States of America. It is the intent of the Metro Government that the Interest Subsidy Payments will be deposited in the Bond Fund. Metro Government has pledged its full faith and credit to repayment of the Series 2010C Bonds should the amounts from the Interest Subsidy Payment be less than anticipated. Notwithstanding the foregoing, should Interest Subsidy Payments be reduced due to changes in the tax laws, the Metro Government may exercise certain extraordinary optional redemption rights, as described under ~~DESCRIPTION OF THE BONDS – Redemption Prior to Maturity – Extraordinary Optional Redemption~~.

### **SECURITY AND SOURCE OF PAYMENT**

Under the terms of the Ordinance, the Bonds constitute general obligations of the Metro Government and the full faith, credit and taxing power of the Metro Government is irrevocably pledged to the prompt payment of principal of, premium, if any, and interest on the Bonds when due. The Louisville/Jefferson County Metro Revenue Commission (the ~~Commission~~) collects occupational taxes and any other amounts received by the Metro Government. Prior to submitting collected taxes and other revenues to the Metro Government, the Commission is authorized to apply revenues to the Bonds and all other general obligation debt, in the manner and subject to all the terms and conditions of the Ordinance summarized herein.

In compliance with Section 159 of the Constitution of Kentucky and the above-cited statutes, and for the purpose of providing funds required to pay the interest on the Bonds (as well as all other General Obligation Debt, if any, of the Metro Government) when due and in order to create a sinking fund to pay the principal thereof (and premium, if any) as the Bonds (and any other General Obligation Debt) become due, the Ordinance levies on all of the taxable property within the Metro Government, beginning in 2009 and continuing in each year as long as any of the Bonds or any other General Obligation Debt is outstanding, a direct annual tax sufficient, to the extent other lawfully available moneys of the Metro Government are not provided, for that purpose, which tax shall be unlimited as to rate or amount. The proceeds derived from the special annual tax levied from time to time, together with other lawfully available moneys of the Metro Government provided for the purpose, shall be deposited and carried in the Bond Fund as a special account of the Metro Government and shall be applied only for the purpose of paying the principal of and interest (and premium, if any) on the Bonds and other General Obligation Debt, if any. The proceeds of the special annual tax and the balances accumulated from time to time in the Bond Fund are irrevocably pledged for the purpose of paying the interest on (and premium, if any) and principal of the Bonds and such other General Obligation Debt and shall never be used for any other purpose. The Metro Government covenants and pledges with the registered holders of the Bonds that the Metro Government will levy the special annual tax in each year at whatever rates may be necessary from time to time in order to produce the amounts required in each year, to the extent funds are not otherwise provided, to pay the principal of, premium, if any, and interest on the Bonds and such other General Obligation Debt when due.

If principal or interest on the Bonds or any other General Obligation Debt should fall due in any year at a time when there are insufficient funds on hand, collected by reason of the foregoing special tax levy, such principal and interest shall be paid from other available funds of the Metro Government and reimbursement therefor shall be made out of the special tax provided by the Ordinance, when the same shall have been collected.

The Ordinance also constitutes a continuing appropriation from such taxes and all other lawfully available Pledged Receipts, of the sum annually necessary to pay the principal of and interest on the Bonds and such other General Obligation Debt when due. The Commission is authorized in the Ordinance to collect occupational taxes

and any other amounts received by or on behalf of the Metro Government, and to apply the same to the payment of debt charges on the Bonds and such other General Obligation Debt and all other obligations due or coming due under the Ordinance or otherwise with respect to such General Obligation Debt.

As general obligations of the Metro Government, the Bonds are declared pursuant to the Ordinance to be payable in accordance with the Act from all lawfully available Pledged Receipts (including, but not by way of limitation, any moneys attributable to the Bond proceeds or the income from the temporary investment thereof, moneys held in the Funds and Accounts established under the Ordinance and any other moneys held by the Bond Registrar for the benefit of the Bonds); provided there shall be no impairment of the express contract rights, if any, of the holders of outstanding bonds of the Metro Government.

Payment of the principal of and interest on the Bonds and such other General Obligation Debt when due in accordance with the foregoing provisions is subject only to the prior application of the Pledged Receipts in accordance with the express contract rights, if any, of the holders of outstanding bonds of the Metro Government as provided pursuant to the Act.

### **THE PLAN OF FINANCE**

The Metro Government will use the proceeds received from the sale of the Bonds to (i) finance public projects (including the costs of acquisition, improvement or construction thereof, in accordance with the Act) that satisfy qualified conservation purposes under Section 54D of the Code, and (ii) finance certain costs associated with the issuance of the Bonds.

Prior to the passage of ARRA, the Metro Government was in the process of conducting an energy audit for Metro Government owned facilities. The energy audit process identified approximately \$27 million in projects which could result in ongoing energy improvements of Metro Government owned facilities. Subsequent to the audit process, Metro Government contracted with Johnson Controls, Inc. (-JCI"), a leading firm engaged in implementing energy cost reductions, to implement \$9.3 million in projects.

Analysis produced by JCI shows energy consumption reductions assuming today's energy costs totaling approximately \$15.8 million over a 15-year period. The Metro Council adopted an ordinance approving a contractual arrangement with JCI. It is anticipated that the net proceeds of the Bonds will fulfill Metro's obligations under the JCI contract.

*For more information on the plan of finance and the uses of the proceeds from the sale of the Bonds, see "ESTIMATED SOURCES AND USES OF FUNDS" below.*

### **ESTIMATED SOURCES AND USES OF FUNDS**

The sources and uses of funds for the plan of financing are as follows (rounded to the nearest whole dollar):

<u>Sources of Funds</u>	<u>2010B</u>	<u>2010C</u>
Principal amount of Bonds	\$1,985,000.00	\$7,400,000.00
Reoffering Premium	58,702.40	-
Total	<u>\$2,043,702.40</u>	<u>\$7,400,000.00</u>
<u>Uses of Funds</u>		
Project Fund	\$2,018,265.36	\$7,283,045.69
Purchaser's Discount	6,768.85	47,360.00
Costs of Issuance	18,668.19	69,594.31
Total	<u>\$2,043,702.40</u>	<u>\$7,400,000.00</u>

## DEBT SERVICE REQUIREMENTS

The following table contains debt service requirements on the Series 2010B and Series 2010C Bonds, and the Metro Governments' other debt:

Fiscal Year Ended	Series 2010 B&C			Other Debt <sup>(2)(3)(4)</sup>	Total Debt Service
	Principal	Interest <sup>(1)</sup>	Total		
6/30/2011	-	-	-	50,241,536	50,241,536
6/30/2012	370,000	224,303	594,303	50,530,568	51,124,870
6/30/2013	390,000	158,640	548,640	51,174,975	51,723,615
6/30/2014	400,000	150,740	550,740	48,933,753	49,484,493
6/30/2015	410,000	142,640	552,640	48,881,889	49,434,529
6/30/2016	415,000	134,390	549,390	41,149,528	41,698,918
6/30/2017	-	130,240	130,240	39,489,325	39,619,565
6/30/2018	-	130,240	130,240	39,573,136	39,703,376
6/30/2019	-	130,240	130,240	32,294,823	32,425,063
6/30/2020	-	130,240	130,240	26,768,448	26,898,688
6/30/2021	-	130,240	130,240	21,865,977	21,996,217
6/30/2022	-	130,240	130,240	21,874,277	22,004,517
6/30/2023	-	130,240	130,240	20,848,960	20,979,200
6/30/2024	-	130,240	130,240	20,053,699	20,183,939
6/30/2025	-	130,240	130,240	16,357,113	16,487,353
6/30/2026	-	130,240	130,240	14,094,422	14,224,662
6/30/2027	-	130,240	130,240	14,069,226	14,199,466
6/30/2028	7,400,000	65,120	7,465,120	11,487,665	18,952,785
6/30/2029	-	-	-	7,170,744	7,170,744
6/30/2030	-	-	-	7,169,695	7,169,695
<b>Total</b>	<b>9,385,000</b>	<b>2,308,473</b>	<b>11,693,473</b>	<b>584,029,758</b>	<b>595,723,231</b>

- Notes:
- (1) Net of QECB Interest Subsidy Payment on Series 2010C
  - (2) Net of BAB Interest Subsidy Payment and Recovery Zone Interest Subsidy Payment.
  - (3) Includes the debt described more particularly in "Appendix B-Comprehensive Annual Financial Report of Louisville/Jefferson County Metro Government for the Fiscal Year Ended June 30, 2009" of this Official Statement.
  - (4) For purposes of this table, the principal amount of the Metro Government's debt to be retired in a fiscal year pursuant to mandatory redemption provisions is shown in that fiscal year.

## THE METRO GOVERNMENT

### General

In the November 7, 2000 General Election, local voters approved a consolidation of the governmental and corporate functions of the City of Louisville, Kentucky (the “City”) and the County of Jefferson, Kentucky (the “County”) into a single political entity, and pursuant to legislation enacted by the Kentucky General Assembly, the Louisville/Jefferson County Metro Government commenced operations effective January 6, 2003, replacing and superseding the governments of the City and the County.

The Metro Government is a public body corporate and politic, duly created and existing as a political subdivision of the Commonwealth of Kentucky under the constitution and laws of the Commonwealth. The Metro Government is governed by an elected Mayor and the Metro Council composed of twenty-six council members elected from each of twenty-six council districts for staggered four-year terms. The issuance of the Bonds has been authorized by the Ordinance of the Metro Government acting by and through its Metro Council.

See —Appendix A - Information Statement of Louisville/Jefferson County Metro Government” and —Appendix B – Comprehensive Annual Financial Report of Louisville/Jefferson County Metro Government for the Fiscal Year ended June 30, 2009” of this Official Statement, which contain further information and data regarding the Metro Government.

### Recent Developments—Fiscal Year 2010 and 2011

On May 27, 2010, Mayor Jerry E. Abramson presented his proposed Louisville Metro Budget for Fiscal Year 2010-2011. The proposed FY11 budget included a comparison of General Fund revenues originally budgeted for Fiscal Year 2010 (ending June 30, 2010) and a current estimate (as of May, 2010) for the same. The estimate for General Fund revenues for Fiscal Year 2010 was at \$486.5 million compared to an original budget of \$485.5 million.

The Metro government is in the process of closing Fiscal Year 2010 and changing its revenue recognition methodology. As a result of this change, the Metro Government will recognize a prior period adjustment that will impact fund balance, primarily the special revenue fund balance. In terms of Fiscal Year 2010 revenues and agency expenditures, it is anticipated that Metro will remain in structural balance, based upon the preliminary unaudited financial statements.

## LITIGATION

At the time of delivery of and payment for the Bonds, the Metro Government will deliver, or cause to be delivered, a certificate of the Metro Government stating that there is no controversy or litigation of any nature then pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Metro Government taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the corporate existence, boundaries or powers of the Metro Government.

## **RISK FACTORS**

An investment in the Bonds involves certain risks which should be carefully considered by investors. The sufficiency of revenues to pay debt service on the Bonds may be affected by events and conditions relating to, among other things, population and employment trends and economic conditions in the Metropolitan Louisville Statistical Area\*, the nature and extent of which are not presently determinable.

Holders of the Bonds should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

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\*Metropolitan Louisville Statistical Area, as defined by the Kentucky State Data Center, includes the counties of Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer and Trimble in Kentucky, and counties of Clark, Floyd, Harrison, Scott, and Washington in Indiana.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization and validity of the Bonds will be the subject of approving opinions of Stites & Harbison PLLC, Louisville, Kentucky and Wyatt, Tarrant & Combs, LLP, Louisville, Kentucky, Co-Bond Counsel. The proposed forms of such opinions are set forth in Appendix C to this Official Statement. Certain legal matters will be passed on for Metro Government by James T. Carey, Esquire, Assistant Jefferson County Attorney.

The information contained in this Official Statement under the headings ~~DESCRIPTION OF THE BONDS~~, ~~FAX TREATMENT~~ and ~~Appendix D - Summary of Certain Provisions of the Ordinance~~, has been reviewed by Bond Counsel to determine that such information conforms in substance to the proceedings and laws relating to the issuance of the Bonds that are summarized in such information; but Co-Bond Counsel have not undertaken to review the accuracy or completeness of statements and data otherwise contained in this Official Statements, including the Appendices, and express no opinion thereon and assume no responsibility in connection therewith.

## **TAX TREATMENT**

In the opinions of Stites & Harbison, PLLC and Wyatt, Tarrant & Combs, LLP, Co-Bond Counsel, under existing law and as of the date of issuance of the Bonds, (i) interest on the Series 2010B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference nor an adjustment to adjusted current earnings in determining alternative minimum taxable income for federal income tax purposes and (ii) interest on the Series 2010C Bonds is included in gross income for federal income tax purposes.

For the purpose of rendering their opinions described above with respect to the Series 2010B Bonds, Co-Bond Counsel will assume compliance by Metro Government with the requirements of the Internal Revenue Code of 1986 (the "Code") that must be met subsequent to the issuance of the Series 2010B Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2010B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010B Bonds. Metro Government has covenanted in the Bond Ordinance and other documents and certificates delivered in connection with the Series 2010B Bonds to comply with such requirements.

For purposes of determining their taxable income under the Code, property and casualty insurance companies must reduce their losses by an amount equal to 15% of the interest they receive or accrue which is excludable from gross income under the code (~~tax-exempt interest~~), including interest on the Series 2010B Bonds.

Recipients of Social Security benefits must include tax-exempt interest income, including interest on the Series 2010B Bonds, in computing their ~~modified~~ adjusted gross income for purposes of determining to what extent, if any, such benefits are included in their gross income.



Interest on the Series 2010B Bonds, as well as other tax-exempt interest, may be taken into account in computing a foreign corporation's branch profits tax under the Code.

Tax-exempt interest income, including interest on the Series 2010B Bonds, is taken into account in determining whether certain taxpayers are denied the earned income credit under the Code by reason of having excessive investment income.

The Code requires gain on the sale or other disposition of tax-exempt obligations acquired after April 30, 1993, including the Series 2010B Bonds, to be included in gross income as ordinary income, and not as capital gain, to the extent of accrued market discount. Accrued market discount in the case of tax-exempt obligations, such as the Series 2010B Bonds, originally issued at a price equal to their principal amount is generally equal to the difference, if any, between such principal amount and the price at which the taxpayer purchased such obligations in the secondary market.

Certain of the Bonds (~~—Premium Bonds~~) may be offered and sold to the public at prices in excess of the respective stated redemption prices thereof at maturity. For Federal income tax purposes, the excess of the cost to the holder of a Premium Bond over the amount payable at maturity constitutes amortizable bond premium. The holder of a Premium Bond will realize gain or loss upon the sale or other disposition of the Premium Bond equal to the difference between the amount realized and the adjusted basis of the Premium Bond determined by accounting for reductions due to the amortization of the bond premium during the holder's period of ownership. No deduction is allowable in respect of any amount of amortizable bond premium on the Premium Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors for a further description of the federal income tax rules mentioned above and for an analysis of the effect on their individual tax situations of their ownership of and receipt of interest on, and disposition of the Bonds.

In the opinions of Co-Bond Counsel, under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.

#### **PURCHASE**

The Series 2010B Bonds are being purchased from the Metro Government by Hutchinson, Shockey, Erley & Co. (the ~~—2010B Purchaser~~). The 2010B Purchaser has agreed to purchase the Series 2010B Bonds for an aggregate purchase price of \$2,036,933.55 (which represents the face amount of the Series 2010B Bonds less purchaser's discount of \$6,768.85 plus original issue premium of \$58,702.40).

The Series 2010C Bonds are being purchased from the Metro Government by Morgan Keegan & Company, Inc. (the ~~—2010C Purchaser~~). The 2010C Purchaser has agreed to purchase the Series 2010C Bonds for an aggregate purchase price of \$7,352,640.00 (which represents the face amount of the Series 2010C Bonds less purchaser's discount of \$47,360.00). See the information under the heading ~~—COFINANCIAL ADIVISORS~~ herein regarding the 2010C Purchaser.

The purchasers of the Series 2010B and 2010C Bonds are collectively referred to as (the "Purchasers"). The initial public offering price set forth on the inside cover page may be changed by the Purchasers, and the Purchasers may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the offering price set forth on the inside cover page. The Purchasers will purchase all the Bonds if any are purchased.

#### **CONTINUING DISCLOSURE**

The Metro Government will agree in a Continuing Disclosure Certificate dated as of the date of issuance of the Bonds (the ~~—Continuing Disclosure Certificate~~), to provide, in accordance with the requirements of Rule 15c2-12 (the ~~—Rule~~) promulgated by the Securities and Exchange Commission, the following:

A. To each Repository (as defined below) annual financial information and operating data for Metro Government with respect to the fiscal year of Metro Government ending June 30, 2010, and each fiscal year thereafter;

B. If not submitted as part of the annual financial information, then when and if available, to each Repository, audited financial statements for Metro Government with respect to the fiscal year of the Metro Government ending June 30, 2010, and each fiscal year thereafter;

C. In a timely manner, to each Repository, notice of any of the following events with respect to the Bonds, if material: (a) principal and interest payment delinquencies, (b) non-payment related defaults, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers, or their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds, (g) modifications to rights of holders of the Bonds, (h) Bond calls, (i) defeasances, (j) releases, substitutions or sales of property securing repayment of the Bonds and (k) rating changes; and

D. in a timely manner, to each Repository, notice of a failure by the Metro Government to provide required financial information on or before the date, if any, specified in the Continuing Disclosure Certificate.

The Metro Government may from time to time elect (but is not contractually bound) to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Metro Government, any such other event is material with respect to the Bonds; but the Metro Government does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

~~“National Repository”~~ means the Municipal Securities Rulemaking Board (“MSRB”).

~~“Repository”~~ means National Repository and each State Repository.

~~“State Repository”~~ shall mean any public or private repository or entity designated by the Commonwealth as a state repository for the purpose of the Rule. As of the date hereof, there is no State Repository.

The Metro Government also reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Metro Government; provided that the Metro Government agrees that any such modification will be done in a manner consistent with the Rule. The Metro Government reserves the right to terminate its obligation to provide annual financial information and notices of material events as set forth above, if and when the Metro Government no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

The Metro Government acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders (including beneficial owners) of the Bonds and shall be enforceable by any holder of Bonds, provided that the Bondholder’s right to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Metro Government’s obligations pursuant to the provisions of this undertaking, and any failure by the Metro Government to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds or the Ordinance.

The Metro Government has not failed to comply all in all material respects with its previous undertakings under the Rule to provide annual reports and notices of material events.

Purchase of the Bonds shall be conditioned on the receipt by the initial purchaser of the Bonds, at or prior to the delivery of the Bonds, of evidence that the Metro Government has made the continuing disclosure undertaking described above, in the form of the Continuing Disclosure Certificate, for the benefit of the holders of the Bonds.

## **RATINGS**

Moody's Investors Service, Inc., Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings (collectively, the "Rating Agencies") have assigned ratings to the Bonds of Aa1, AA+, and AAA, respectively. Such ratings are not recommendations to buy, sell or hold the Bonds, and any such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any definitive explanation of the significance of any such rating may be obtained only from the appropriate Rating Agency.

The Metro Government furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the Metro Government and the Bonds. Generally, Rating Agencies base their ratings on such materials and information, as well as on their own investigations, studies and assumptions. There is no assurance that any such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely if, in the judgment of the appropriate Rating Agency, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Bonds could have an adverse effect on their market price. Neither the Metro Government nor the Underwriter has undertaken any responsibility either to bring to the attention of the Bondowners any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

## **INDEPENDENT AUDITORS**

The financial statements of the Metro Government included in Appendix B to this Official Statement have been audited by Crit Luallen, the Auditor of Public Accounts for the Commonwealth of Kentucky, Frankfort, Kentucky, as stated in their report appearing herein as Appendix B to this Official Statement.

## **CO-FINANCIAL ADVISORS**

This Official Statement has been prepared under the direction of the Metro Government and with the assistance of Morgan Keegan & Company, Inc. (~~Morgan Keegan~~) and Public Financial Management, Inc. ("PFM"), employed by the Metro Government to perform professional services in the capacity of co-financial advisors. In their role as co-financial advisors, Morgan Keegan and PFM have provided advice on the plan of financing and structure of the issue, reviewed and commented on certain legal documents, drafted certain portions of the Official Statement based upon information provided by the Metro Government and reviewed the pricing of the Bonds by the Purchasers thereof. The information set forth herein has been obtained from the Metro Government and other sources, which are believed to be reliable. Morgan Keegan and PFM have not verified the factual information contained or representations made by the Metro Government in the Official Statement but relied on the information supplied by the Metro Government and the Metro Government's certificate as to the Official Statement.

Prior to bidding, Metro Government granted Morgan Keegan written permission to submit a bid on the Series 2010B Bonds and/or Series 2010C Bonds. Morgan Keegan submitted bids on both series of Bonds in accordance with the terms and conditions of the Official Notice of Sale relating to the Bonds and on the same basis as any and all other bidders. Morgan Keegan was the successful bidder on the Series 2010C Bonds.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Metro Government and the purchasers or owners of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Metro Government.

The Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement. The Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended.

Any information or expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Metro Government since the date hereof.

Certain statements contained in this Official Statement including, without limitation, statements containing the words ~~estimates,~~ ~~believes,~~ ~~anticipates,~~ ~~expects,~~ and words of similar import, constitute ~~forward-looking~~ statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Metro Government to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, population trends and political and economic developments that could adversely impact the collection of revenues. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Metro Government disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time. The prices and other terms of the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers, without prior notice.

#### *Circular 230*

The information contained in this official statement is not intended to be used, and cannot be used, by a purchaser of the Bonds for the purpose of avoiding Federal Tax penalties. Each purchaser of the Bonds is urged to contact an independent tax advisor concerning an investment in the Bonds.

#### **ADDITIONAL INFORMATION**

For further information with respect to the Bonds, contact Ms. Jane Driskell Sistrunk, Director, Office of Management & Budget, Louisville/Jefferson County Metro Government, 611 West Jefferson Street; Louisville, Kentucky 40202 (telephone: (502) 574-1218), or Kevin Thompson (telephone: (901) 579-4393) or Lisa Daniel (telephone: (901) 682-8356), Co-Financial Advisors.

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This Official Statement has been approved by the governing body of the Metro Government.

**LOUISVILLE/JEFFERSON COUNTY METRO  
GOVERNMENT**

By: \_\_\_\_\_ /s/  
Jerry E. Abramson, Mayor

By: \_\_\_\_\_ /s/  
Jane Driskell Sistrunk, Director, Office of  
Management & Budget

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**APPENDIX A**

**Information Statement of  
Louisville/Jefferson County Metro Government**

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## THE METRO GOVERNMENT

### Organization

**General.** In the November 7, 2000 General Election, local voters approved a consolidation of the governmental and corporate functions of the City of Louisville, Kentucky (the “City”) and the County of Jefferson, Kentucky (the “County”) into a single political entity, and pursuant to legislation enacted by the Kentucky General Assembly, the Louisville/Jefferson County Metro Government (the “Metro Government” or “Metro Louisville”) commenced operations effective January 6, 2003, replacing and superseding the governments of the City and the County. Neither the City nor the County continues to exist as an independent governmental entity and the boundaries of the City of Louisville and Jefferson County are now co-extensive.

All executive and administrative power of the consolidated local government is vested in the office of the Mayor. The Mayor of the consolidated local government possesses substantially all the power and authority possessed by the Mayor of the City of Louisville and the former Jefferson County Judge/Executive prior to the effective date. The legislative authority of the consolidated local government is vested in a consolidated local governmental council composed of twenty-six (26) council members elected from each of twenty-six council districts for staggered four-year terms.

### Fiscal Year

The Metro Government operates on a fiscal year, which commences July 1 and ends June 30.

### Budgeting Procedures

**General.** Budgets are adopted consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. This appropriated budget includes all transfers to the Capital Improvement Reserve Fund (a capital projects fund) 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 authorization for budgetary carryforwards into the next fiscal year. When authorized, those 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, 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 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.

**Capital Improvements Budget.** The capital improvements budget and program for the Metro Government is prepared annually to include a program of proposed capital expenditures for the ensuing fiscal year. The Mayor submits the capital improvements budget, based on information from all officers, departments, boards, commissions

and other agencies requesting funds from the Metro Government for capital improvements, to the Council and recommends those projects to be undertaken during the ensuing fiscal year and the method of financing them. The Mayor's recommendation notes the impact of proposed projects on the debt structure of the Metro Government and includes in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year.

The Council has the power to accept, with or without amendment, or reject, the proposed program and proposed means of financing. The Council cannot authorize an expenditure for the construction of any building, structure, work or improvement, unless the appropriation for such project is included in its capital improvements budget, except to meet a public emergency threatening the lives, health or property of the inhabitants, when passed by two-thirds vote of the membership of the Council.

## **Accounting**

Pursuant to Kentucky statute, independent auditors annually audit the financial statements of the Metro Government. The Basic Financial Statements and other financial information are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. In addition to meeting the requirements set forth in state statutes, Metro Government audits are also designed to meet the requirements of the federal Single Audit Act of 1984 and the Single Audit Amendments of 1996, and related OMB Circular A-133. Copies of the Comprehensive Annual Financial Report ("CAFR") are available through the office of the Director, Office of Management and Budget, Metro Government, 611 West Jefferson Street, Louisville, Kentucky 40202 and at [http://www.louisvilleky.gov/yourtaxdollarsatwork/financial\\_reports.htm](http://www.louisvilleky.gov/yourtaxdollarsatwork/financial_reports.htm).

The Metro Government manages its financial reporting through the use of categories of fund types and account groups.

The Metro Government reports the following major governmental funds:

The **General Fund** is the Government's primary operating fund which accounts for all of the activities of the general operations of the Government, except those required to be accounted for in another fund.

The **Special Revenue Fund** is used to account for the collection and disbursement of earmarked money, primarily federal and state grant money.

The **Capital Projects Fund** is used to account for the acquisition or construction of general capital assets.

The **Special Purpose Fund** is used to account for the acquisition of assets, such as vehicles and data processing equipment, that are funded by specific revenue sources.

The Metro Government reports the following major proprietary funds:

The **Louisville and Jefferson County Riverport Authority ("Riverport")** is a legally separate entity that was established in order to develop and maintain an industrial riverport complex on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

The **Louisville Water Company ("LWC")** is a legally separate entity that provides water services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

The **Parking Authority of River City, Inc. ("PARC")**, a non-profit corporation, provides parking services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

The **Transit Authority of River City ("TARC")** is a legally separate entity that operates the mass transit system in the metropolitan area. Metro Government does not provide any funding to TARC,

but it does administer the Mass Transit Trust Fund, which receives occupational tax revenues and remits those amounts to TARC.

The **Metropolitan Sewer District (MSD)** is a legally separate entity that operates to provide sewer services to the residents of the metropolitan area on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

The **Louisville Science Center, Inc. (LSC)** provides museum exhibits and scientific programs to the public. Financial support is received from admissions, merchandise sales, memberships, parking fees, donations, and an appropriation from the Metro Government.

Additionally, the Metro Government reports the following fund types:

**Agency Funds**, which are custodial in nature, are used to account for assets held by elected officials and other departments as agents for individuals, governmental entities and others.

**Bond Fund** is used to account for the accumulation of resources for, and the payment of, principal, interest and related costs of debt.

**Internal Service Funds** are used to account for the operations of self-sustaining agencies rendering services to other agencies of the Government on a cost reimbursement basis.

**Pension Benefit and Trust Funds** are used to account for the Firefighters' Pension Fund and the Policemen's Retirement Fund.

## Revenues

The Metro Government derives its revenues from a direct tax levy on real and personal property, occupational tax, bank and franchise taxes, earned income, fees, and Commonwealth of Kentucky (the "Commonwealth") and Federal payments. Occupational taxes accounted for 54.1% of all revenues available to the General Fund during the fiscal year ended June 30, 2009. Property tax collections totaled 23.9% in the fiscal year ended June 30, 2009. A description of each major revenue category follows:

**Taxes** – These include occupational taxes, ad valorem property taxes, the levy of which is statutorily limited, bank and life insurance shares, franchises, public service corporations, agricultural products, whiskey, deeds and other miscellaneous taxes.

**Intergovernmental** – Under this revenue category are payments to the Metro Government by other public divisions (Federal, Commonwealth or other governmental units or agencies).

**Licenses and Permits** – This category includes charges for licenses and permits issued by departments, agencies, boards and commissions of the Metro Government.

**Fines and Forfeitures** – This category includes collections of obligations imposed by the courts, law enforcements and agencies charged with the care of prisoners.

**Charges for Services** – These are fees and charges for activities and services provided by agencies of the Metro Government.

**Donations** - Revenue received from various sources for specific purposes.

**Dividends** - Revenue received from the Louisville Water Company stock that is wholly owned by Metro Government.

**Investment Income** – Interest on investments.

**Miscellaneous Revenue** – Includes (i) commissions and fees collected by certain officials for certain activities of the Metro Government; (ii) proceeds from confiscation of property; (iii) compensation for loss, sale or damage to property; and (iv) miscellaneous.

Major sources of revenue include the occupational tax and ad valorem property taxes.

The occupational tax is levied at the statutory rate of 1.25% on employee withholdings and business net profits. Occupational taxes are collected by the Louisville & Jefferson County Revenue Commission. In addition, a 5% license tax on the amount of premiums written by insurance companies doing business within Metro Louisville is also collected by the Revenue Commission. After setting aside sufficient funds to cover General Obligation annual debt service requirements and annual Revenue Commission operating expenses, the balance of collections is remitted monthly to the Metro Government.

The property tax is levied each August or September by the Metro Council on the assessed value listed as of the prior January 1 for all real and certain personal property within the Metro Government. Taxable values are assessed periodically by the Property Valuation Administrator who is required by law to maintain total assessments at approximately 100% of fair market value. The Property Valuation Administrator must provide an official assessment for each class of property each year. The State Local Finance Officer must certify to the Metro Government the maximum permissible ad valorem tax rates on the basis of that assessment and the Metro Government may levy the maximum permissible rate or a lower rate. However, if a tax rate is levied on real property which will produce more revenue than the maximum permissible rate, the excess levy is subject to a recall vote. The Metro Government is not currently at the maximum tax rate.

## **INVESTMENT PRACTICES**

The funds of the Metro Government are managed and invested pursuant to applicable standards of the Metro Council, the Kentucky Revised Statutes (KRS 66.480) and respective bond indentures which allow investment in the following types of securities: Obligations of the United States and of its agencies and instrumentalities, including repurchase agreements; obligations backed by the full faith and credit of the United States, United States government agency, or of any corporation of the United States government; certificates of deposit issued by any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation; highly rated uncollateralized certificates of deposit, bankers acceptances, and commercial paper; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies and instrumentalities; highly rated securities issued by a state or local government, or any instrumentality or agency in the United States; and mutual funds which include the above eligible investments.

The investments of the Metro Government are managed to accomplish the following hierarchy of objectives: (1) preservation of principal; (2) maintenance of liquidity; and (3) maximization of returns.

## **PENSION PLANS**

Metro Government, LWC, TARC, MSD and Riverport contribute to the County Employees Retirement System (—CERS”), which is a cost-sharing, multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The contribution requirements of plan members and Metro Government are established and may be amended by the CERS Board of Trustees. Members of the CERS Board of Trustees closely observe the future costs of both benefit improvements and changes in pension trends of employees. Recommendations of actuaries are carefully considered and appropriate measures are taken to ensure that the pension plans are actuarially sound.

Most of the former City’s firemen and policemen transferred to CERS in 1989 and 1986, respectively. For those who did not transfer, Metro Government contributes to the Firefighter’s Pension Fund and the Policemen’s Retirement Fund (the —Funds”). Both of these are single employer defined benefit pension plans. The Funds provide retirement benefits and both Funds include death and disability benefits whereby the surviving spouse or disabled employee is entitled to receive certain benefits. Membership of each plan consisted of the following at June 30, 2009:

	<u>Firefighter's Pension Fund</u>	<u>Policemen's Retirement Fund</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	231	194
Vested active plan participants	0	1

### **PUBLIC EMPLOYEES' REPRESENTATION**

As of August 1, 2010, Louisville Metro Government has 5,646 employees of which 4,262, or 75.5%, are represented by unions. At the time of the merger of the City of Louisville and Jefferson County, there were twenty-six different bargaining unit contracts in place. In order to slow the growth of personnel costs in the first fiscal year of the new government, in addition to a significant reduction of the workforce, no non-union employee received a cost of living raise. Of course, previously negotiated union employee cost-of-living raises were honored. The goal for negotiating new contracts with the employees of the twenty-six bargaining units was to insure that there was no cost-of-living raise in the initial year of any contract. In addition, the Metro Government wanted to peg future cost-of-living wages to the growth of the Metro Government's occupational license fee revenues by an acceptable formula. Of the first complete round of contract renewals after merger, all contained a 0% wage increase for the first year, and all but one have included the formula (half of a percent increase for each one percent increase in occupational license fees) for future wage increases. The renewal contract with the 1,200 police officers and sergeants, while it contained the agreed upon formula for future wage increases, did provide a 2% floor for the second and third year of the contract. In addition, in the second year of the contract with police officers and sergeants, all will begin to contribute to their health insurance premiums, whereas in previous years only some paid a very nominal amount. More recently, the Metro Council ratified on May 27, 2010, a collective bargaining agreement with the Firefighters (the second largest union) that will remain in effect until June 30, 2013. Its economic provisions provided for a 0% wage increase in the first year and three subsequent years of the above mentioned formula with a floor of 2%.

Currently, there are ten active negotiations underway. It is anticipated that the pattern of negotiations set out above will continue to result in negotiated agreements that slow the increase in personnel costs to an acceptable level.

### **ECONOMIC AND DEMOGRAPHIC PROFILE OF LOUISVILLE AND JEFFERSON COUNTY**

#### **Introduction**

The Louisville/Jefferson County Metro Government (~~–Metro Louisville~~), as created in January 2003 with the merger of the City of Louisville and Jefferson County, is located in the north central part of Kentucky on the south bank of the Ohio River and encompasses more than 385 square miles. It is located in the geographic center of the Ohio River Valley region at a focal point where railroads, highways and the Ohio River converge, offering excellent accessibility to all major markets and is close to the population center of the United States. Metro Louisville, the largest municipality in the state, is a commercial, industrial, medical, educational, cultural and financial center for the greater metropolitan area. Louisville is widely known as the Derby City, because of the running of the famed Kentucky Derby each May at Louisville's Churchill Downs race track.

#### **Population Growth**

The following table sets forth information concerning population growth in Louisville and Jefferson County. Comparison with the Commonwealth of Kentucky and the United States serves to illustrate relative growth.

**THE METRO GOVERNMENT OF LOUISVILLE AND JEFFERSON COUNTY  
DEMOGRAPHIC STATISTICS**

Area	1990	2000	% Change 1990-2000	Estimated		% Change 1990-2008
				2007	2008	
Louisville/Jefferson County	664,937	693,604	4.3%	709,264	713,877	7.4%
Kentucky	3,685,296	4,041,769	9.7	4,241,474	4,269,245	15.8
United States	248,709,873	281,421,906	13.2	301,621,157	304,059,724	22.3

Source: Bureau of the Census website [www.census.gov](http://www.census.gov)

**Per Capita Personal Income**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Jefferson County	29,573	31,498	33,076	34,186	34,418	36,032	37,223	39,789	41,626	-
Louisville MSA	27,584	29,397	30,351	31,045	34,422	31,788	33,751	35,871	37,473	38,099
Kentucky	22,763	24,413	24,923	25,415	25,863	27,045	28,071	29,542	30,824	31,826
United States	27,939	29,847	30,582	30,838	31,530	33,157	34,690	36,794	38,615	39,582

Source: Bureau of Economic Analysis website [www.bea.gov](http://www.bea.gov).

**Employment**

The following table shows the labor force segments of the eight county Louisville Metropolitan Statistical Area for calendar years 2000 through 2009.

**Louisville MSA  
EMPLOYMENT BY INDUSTRY  
In Thousands**

Industry	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Change 2000- 2009
Construction & Mining	34.0	33.6	32.8	32.6	34.1	34.7	33.6	33.9	34.4	30.7	(9.7)
Manufacturing	96.7	92.5	86.2	82.6	81.2	79.8	79.0	77.3	73.2	64.6	(33.2)
Wholesale Trade	31.4	30.5	29.2	28.8	29.3	29.6	30.2	30.3	29.9	28.2	(10.2)
Retail Trade	70.3	68.6	67.5	65.8	65.5	65.6	65.2	65.4	64.3	61.1	(13.1)
Transportation & Public Utilities	41.8	40.7	38.9	37.0	36.7	38.2	41.6	44.3	43.1	40.1	(4.1)
Financial Activities	37.6	37.6	38.2	38.8	39.1	39.7	41.9	43.4	43.4	42.4	12.8
Information	12.0	11.9	11.5	10.9	10.2	10.0	10.2	10.5	10.5	9.8	(18.3)
Professional & Business Services	65.0	62.7	62.6	64.2	65.2	68.6	71.6	73.7	74.1	70.5	8.5
Education and Health Services	66.3	67.5	70.4	73.4	75.2	76.6	76.8	78.4	80.2	81.9	23.5
Leisure & Hospitality	58.8	56.6	54.8	55.8	57.4	57.9	59.1	59.9	60.3	59.2	0.7
Other Services	29.3	29.1	29.0	29.1	29.0	28.4	28.1	28.0	27.5	26.0	(11.3)
Government	77.3	77.0	76.1	76.5	76.5	77.6	79.1	79.8	80.6	81.3	5.2
Total	620.5	608.3	597.2	595.5	599.4	606.7	616.4	624.9	621.5	595.8	(4.0)

Source: Bureau of Labor Statistics website [www.bls.gov](http://www.bls.gov).

Note: The Bureau of Labor Statistics converted from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS) effective March 2003 with the release of the January 2003 data. The above chart was adjusted to the new format.

## Unemployment Rates

The unemployment rate for the metropolitan area was 9.8% as of June 2010. The following table sets forth the unemployment percentage rates in Louisville/Jefferson County, the MSA, the State and the United States for the calendar years 2000-2009.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Jefferson County	3.7%	4.7%	5.7%	6.2%	5.5%	6.1%	5.8%	5.4%	6.4%	10.3%
Louisville MSA	3.6	4.6	5.4	5.8	5.3	5.9	5.7	5.2	6.3	10.1
Kentucky	4.2	5.2	5.7	6.3	5.6	6.0	5.9	5.6	6.6	10.5
United States	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3

Source: Bureau of Labor Statistics website [www.bls.gov](http://www.bls.gov).

### THE METRO GOVERNMENT OF LOUISVILLE AND JEFFERSON COUNTY MISCELLANEOUS STATISTICS (CONTINUED)

#### Twenty-Five Largest Employers in the Louisville MSA, excluding government agencies

	Product / Service	Number of Employees
1. United Parcel Services Inc.*	Global commerce services	20,125
	Health insurance and supplemental benefits	9,400
2. Humana Inc.*	Healthcare	8,698
3. Norton Healthcare Inc.*	Healthcare	5,782
4. Jewish Hospital & St. Mary's Healthcare Inc.*	Healthcare	5,692
5. The Kroger Co.	Retail grocer	5,397
6. Ford Motor Co.	Automotive manufacturer	4,100
7. GE Appliances & Lighting*	Home appliance and lighting products	3,889
8. Baptist Healthcare Systems Inc.*	Healthcare	2,645
9. University of Louisville Hospital*	Healthcare	2,224
10. Kindred Healthcare Inc.*	Healthcare	2,142
11. Catholic Archdiocese of Louisville*	Schools/churches/related activities	1,976
12. E.On U.S. LLC	Utility	1,830
13. Manna Inc.	Quick-service restaurants	1,757
14. Yum! Brands, Inc.*	Quick-service restaurants	1,602
15. Papa John's International Inc.*	Quick-service restaurants	1,540
16. Horseshoe Southern Indiana	Entertainment	1,500
17. Publishers Printing Co. LLC	Printer	1,473
18. Floyd Memorial Hospital & Health Services	Healthcare	1,358
19. Lowe's Cos, Inc.	Home-improvement Retailer	1,350
20. JBS Swift & Co.	Pork processor	1,340
21. Insight Communications	telecommunications	1,314
22. ResCare Inc.	Human Services	1,276
23. Anthem Blue Cross and Blue Shield Kentucky	Health Benefits	1,240
24. Brown-Forman Corp.	Manufacturer	1,225
25. Clark Memorial Hospital	Healthcare	1,225
25. SHPS, Inc.	Benefits Administration	1,225

\* Indicates Corporate, U.S. Division, or Regional Headquarters.  
Source: Business First of Louisville, August 2010.

**THE METRO GOVERNMENT OF LOUISVILLE AND JEFFERSON COUNTY  
MISCELLANEOUS STATISTICS (CONTINUED)**

**Major Public Employers  
in Louisville/Jefferson County Area**

	<b>Product / Service</b>	<b>Number of Employees</b>
1. Jefferson County Public Schools	K-12 Public education	13,326
2. University of Louisville	Higher education	6,135
3. Louisville-Jefferson County Metro Government	Government service	5,811
4. Kentucky State Government	Government service	4,253
5. U.S. Government	Federal government service	2,985
6. U.S. Postal Service	Postal services	2,626
7. U.S. Census Bureau	Government services	2,491
8. Louisville VA Medical Center	Health Care	1,656
9. Bullitt County Public Schools	K-12 Public education	1,591
10. Oldham County Board of Education	K-12 Public education	1,568
11. Greater Clark County Schools	K-12 Public education	1,409
12. New Albany-Floyd County Consolidated School Corp	K-12 Public education	1,390
13. Shelby County Public Schools	K-12 Public education	995
14. Jefferson County Community College	Higher education	681
15. Transit Authority of River City	Public transportation	639

Source: Business First of Louisville, October 2009.

**Education**

The School System had its beginning in 1975 with the merger of the Louisville and Jefferson County School Systems. The Jefferson County School District is governed by a seven-member Board of Education. Members represent individual election districts, and serve staggered four-year terms. The members elect a chairperson and vice chairperson from the members. The Superintendent is Secretary of the Board and its executive officer. The school system is the largest district in Kentucky and is the 28th largest system in the nation.

The following tables summarize certain information regarding the School System's building facilities and enrollment and attendance trends.

**School System  
Public Education Facilities  
2009-2010**

<b>Educational Level</b>	<b>Number of Buildings</b>	<b>2009-2010 School Year Enrollment</b>
Elementary	92	48,257
Middle	27	20,341
Senior	27	27,492
Special Education	<u>10</u>	<u>2,762</u>
Total	156	98,852



**School System  
Public Schools  
Enrollment and Attendance**

<u>School Year</u>	<u>Enrollment <sup>(1)</sup></u>	<u>Average Attendance</u>
1999-2000	95,344	93.1%
2000-2001	95,603	93.4
2001-2002	95,459	94.1
2002-2003	96,188	93.8
2003-2004	96,839	93.7
2004-2005	95,283	93.7
2005-2006	95,841	93.9
2006-2007	98,087	96.1
2007-2008	98,002	96.0
2008-2009	98,796	96.0

<sup>(1)</sup> Official enrollment as reported by the Commonwealth of Kentucky in September of each school year; 2009-2010 totals have not been published yet.

The Louisville Metropolitan Statistical Area has 21 colleges and universities, including the University of Louisville, Spalding University, Indiana University-Southeast, Bellarmine University and Jefferson Community College. Total higher education enrollment exceeds 61,000 students annually. Eight of Louisville MSA's institutions of higher education offer graduate programs. Several commercial and vocational schools are located in the Louisville MSA.

**Manufacturing**

In 2008, an average of 73,200 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, motor vehicle equipment, textiles and furnishings, machinery and electronics, and consumer products.

Louisville MSA's largest manufacturing employer is Ford Motor Co., with some 5,600 employees, with two separate manufacturing facilities located in Louisville. The second largest, General Electric Company, with some 4,000 employees, also has its plant located in Louisville.

**Trade**

Louisville is the major wholesale and retail center for the MSA and the Kentuckiana region comprising 16 counties and 1.36 million people in North Central Kentucky and Southern Indiana. Outside the Louisville downtown area there are 119 retail centers with 17.7 million square feet and over 5,200 individual stores, including five regional malls. Total retail trade for the Louisville MSA is more than \$14 billion.

**Transportation**

The Louisville Metro Area is a regional transportation center with major rail and river lines and three interstates running through its boundaries. In recent years, the metropolitan area has become a major air and logistics hub. Louisville is home to the \$1.1 billion UPS Worldport hub. Louisville Metro is home to a thriving public transportation network with growing bus ridership – through the Transit Authority of River City system – relative to competitive cities.

Three major interstate highways pass directly through Metro Louisville; Interstate 65 and 71 are north-south routes while Interstate 64 is a major east-west route. Interstate 264 (Watterson Expressway), and Interstate 265 (Snyder Freeway) serve as limited-access bypasses around the City. Metro Louisville is served by six railroad companies, which provide freight service to principal markets throughout the United States. Scheduled commercial airline service is available at Louisville International Airport, four miles south of downtown Metro Louisville.

Bowman Field, five miles east of downtown, maintains three paved runways for private plane use. The Louisville and Jefferson County Riverport Authority and several privately owned facilities provide public-use port facilities. Metro Louisville also serves as a U.S. Customs Port of Entry.

## Construction

Construction in Metro Louisville is illustrated by the following table describing the number and value of building permits issued by the Department of Inspections, Permits & Licenses of the Metro Government. Construction has grown through most of the 1990's. In 2009, Metro Louisville saw a total dollar volume of permit activity at \$461 million.

### THE METRO GOVERNMENT OF LOUISVILLE AND JEFFERSON COUNTY CONSTRUCTION AND BUILDING PERMIT ACTIVITY Ten-Year Summary

CALENDAR YEAR	RESIDENTIAL CONSTRUCTION		NON-RESIDENTIAL CONSTRUCTION		REPAIRS, ALTERATIONS, & INSTALLATIONS		OTHER		TOTAL PERMIT VALUE
	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMIT S	VALUE	NUMBER OF PERMITS	VALUE	
2000	3,221	474,576,708	1,795	284,488,842	918	112,090,053	592	25,648,695	896,804,298
2001	3,347	473,810,992	1,612	189,406,009	880	88,773,660	584	22,083,682	774,074,343
2002	3,175	455,272,789	1,378	155,705,893	924	116,866,518	515	11,609,770	739,454,970
2003	4,658	578,453,464	1,378	229,474,573	785	252,851,021	512	42,500,699	1,103,279,757
2004	3,800	536,602,387	1,119	307,971,472	1,498	61,433,974	1,844	29,723,870	935,731,703
2005	3,287	569,483,122	1,073	874,457,258	1,539	80,018,876	1,628	27,281,042	1,551,240,298
2006	2,700	449,330,005	265	213,964,521	1,536	133,683,720	1,960	106,423,862	903,402,108
2007	2,179	394,932,981	305	427,194,948	1,634	175,907,779	2,241	291,947,540	1,289,983,248
2008	1,938	275,901,698	246	266,789,107	1,535	221,756,945	955	4,138,802	805,835,832
2009	841	138,622,193	104	111,108,476	2,826	200,567,673	320	11,674,096	461,972,437

Source: Metro Louisville/Jefferson County Department of Inspections, Permits, and Licenses.

## Tourism

Recreation and convention travelers spend about \$1.2 billion a year in Louisville. The Kentucky Fair & Exposition Center features 1 million square feet of ground level exhibit space, making it the tenth largest center in the country. Downtown, the Kentucky International Convention Center (KICC) also serves as a center for business and convention travel. The metro area is home to more than 100 hotels containing 18,000 hotel rooms. The largest hotel, the Galt House Hotel & Suites (with 1,300 rooms), has recently completed a \$60-million renovation.

## Medical Facilities

Louisville's strong downtown medical complex includes Norton Hospital, a 719 bed facility; Jewish Hospital, a 442 bed facility; Kosair Children's Hospital, a 253 bed facility; and, University Hospital, a 404 bed facility. Norton includes a cancer center and spine institute, as well as two additional locations: Norton Audubon, a 480 bed facility and Norton Suburban Hospital, a 380 bed facility. Jewish Hospital is home to a hand-surgery institute, which was the first in the United States to perform a successful hand transplant; its heart surgery program was the first in the nation to implant an AbioMed artificial heart. University Hospital specializes in trauma care and houses a burn unit that serves the western half of the state. The community has a number of regional hospitals and outpatient care centers as well.

## Recreation and Cultural

Churchill Downs, home to the Kentucky Derby, offers two seasons of thoroughbred horse racing. Louisville is also home to the Louisville Bats, a Triple-A affiliate of the Cincinnati Reds baseball team. Metro Parks operates 123 parks on about 14,000 acres, including the 6,057-acre Jefferson Memorial Forest, the nation's largest municipally owned woods. Louisville has a professional orchestra, opera, ballet, and children's theater. Actors

Theatre of Louisville is nationally known for its annual Humana Festival of New American Plays. Louisville's Zoo attracted over 835,000 children and adults during fiscal year 2009; its Gorilla Forest won the 2003 exhibit award from the American Zoo and Aquarium Association. The city's Waterfront Park serves about 1.5 million visitors annually. Louisville museums include The Speed Art Museum, the Louisville Slugger Museum, the Louisville Science Center and the Kentucky Museum of Art and Craft. The Frazier International History Museum opened in 2004 and is the only location outside Great Britain to see the collection of its Royal Armouries. The Muhammad Ali Center and 21C, a modern art museum, opened in 2006.

#### **MISCELLANEOUS**

The information contained in this Information Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Information Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Information Statement nor any sale of securities made using this Information Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Metro Government since the date hereof.

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**APPENDIX B**

**Comprehensive Annual Financial Report of the Louisville/Jefferson County Metro Government  
for the Fiscal Year Ended June 30, 2009  
(see pages 93-114 for Statistical Information)**

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

## **LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT LOUISVILLE, KENTUCKY**



**Fiscal Year Ended June 30, 2009**

**JERRY E. ABRAMSON  
Mayor**

Prepared by:  
Office of Management & Budget

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2009**

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2009**

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LOUISVILLE, KENTUCKY  
OFFICE OF THE MAYOR

December 29, 2009

JERRY E. ABRAMSON  
MAYOR

To The Citizens of Louisville:

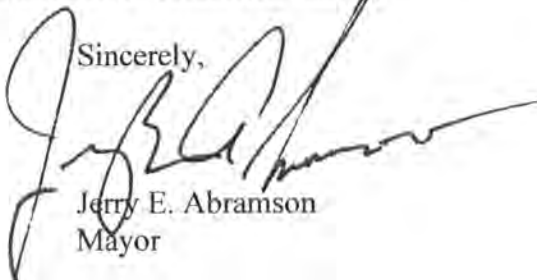
I am pleased to present the Comprehensive Annual Financial Report of the Louisville Metro Government for the fiscal year ended June 30, 2009. Over the past few years, we have laid out a vision for a stronger, safer Louisville and continued to invest in improvements that are paying off for our citizens and our hometown. This fiscal year we continued to make progress, despite the continuing national economic recession, the recovery from two natural disasters, and increases in mandated personnel costs.

During fiscal year 2009, Louisville Metro Government continued to invest in the MetroSafe Emergency Communications Network, a headquarters and technology system to better connect our emergency responders and improve response to citizens in need. This fiscal year we completed construction on two firehouses and authorized funding for a third firehouse as part of our 21<sup>st</sup> Century Fire plan, the largest financial investment in fire modernization in the city's history. We built the Newburg Library, the first new branch library in decades. Louisville Metro continued to improve public safety, define Louisville as a "City of Parks", strengthen neighborhoods, and make government more efficient and effective.

This is the seventh annual report issued for the consolidated government, since the merger of the City of Louisville and Jefferson County governments on January 6, 2003. As a result of prudent fiscal management, the undesignated fund balance at the close of fiscal year 2009 remained flat at \$65.4 million, or about 14 percent of total general fund expenditures. This annual report reflects a government that is financially solid, despite a global economic downturn that poses great fiscal challenges for local governments.

As a result of our continued strong financial operations and management policies, Moody's, Standard and Poor's and Fitch, recently reconfirmed the long-term ratings on Louisville Metro (AA2, AA+, AA+ respectively). These ratings reflect a diverse economic base anchored by strong businesses in the Louisville community, including large health service and transportation sectors and a thriving central business district. This year's financial report demonstrates the continuing success of our efforts to better serve the citizens of Louisville Metro.

Sincerely,



Jerry E. Abramson  
Mayor



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

JERRY E. ABRAMSON  
MAYOR

JANE C. DRISKELL  
DIRECTOR

December 28, 2009

To the Citizens of Metro Louisville:

As the Director of the Office of Management and Budget for the Louisville Metro Government, I have the distinct pleasure of submitting the Comprehensive Annual Financial Report (“CAFR”) for the year ended June 30, 2009. This is the seventh CAFR issued for Metro Government under the new merged government. On January 6, 2003 the Jefferson County Fiscal Court and the City of Louisville Governments merged and formed a new entity called the Louisville/Jefferson County Metropolitan Government (“Louisville Metro Government”).

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

Louisville Metro Government is a public body corporate and politic, duly created and existing as a political subdivision of the Commonwealth of Kentucky under the Constitution and laws of the Commonwealth. The Metro Government is governed by an elected Mayor and the Metro Council composed of twenty-six council members (elected from each of the twenty-six council districts for staggered terms initially commencing on January 6, 2003, and eventually all extending for four years). All executive and administrative power of the consolidated local government is vested in the office of the Mayor. As outlined in the organizational chart included in this report, the administration of Louisville Metro Government has divided operations into a 12-department structure.

Louisville Metro Government provides some of the following services: public safety, streets and roads, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and other administrative services.

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

[WWW.LOUISVILLEKY.GOV](http://WWW.LOUISVILLEKY.GOV)

611 WEST JEFFERSON STREET LOUISVILLE, KENTUCKY 40202

Council. On or before June 30 of each year, as required by state statute, the Metro Council adopts the Executive Budget as it may have been amended, as the approved budget for the fiscal year beginning July 1. An affirmative vote of a majority of the Metro Council is required to change the proposed appropriations, to amend the budget once it has been approved, or to approve any supplemental appropriations. All budget adjustments at the department level must be approved by the Chief Financial Officer consistent with the approved budget. The capital improvements budget and program for Louisville Metro Government is prepared annually to include a program of proposed capital expenditures for the ensuing fiscal year and the four fiscal years thereafter.

The 2009 CAFR reflects a government that continues to be financially strong. In fiscal year 2009, Louisville Metro Government experienced a projected revenue shortfall, but the budgetary restrictions imposed compensated for the shortfall and contributed to Louisville Metro Government's financial stability. The primary reason for the decrease in revenue is the increased unemployment and lower business earnings, which directly impact Louisville Metro Government largest source of revenue, occupational taxes. 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 Louisville Metro Government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: a) the cost of a control should not exceed the benefits likely to be derived, and b) the valuation of costs and benefits requires estimates and judgments by management.

**Single Audit.** As a recipient of federal and state assistance, Louisville 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.

Louisville 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 Louisville 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. Louisville Metro Government believes that the statements and schedules

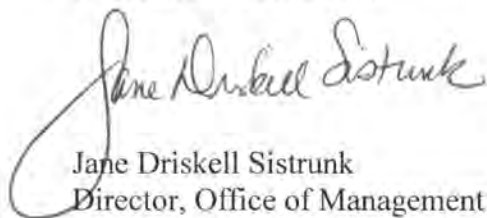
included in the financial section of this report continue to meet its responsibility for sound financial management.

#### **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 Louisville Metro Government. A copy of the Auditor of Public Accounts report is included in this report. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984, Single Audit Amendments of 1996, Government Auditing Standards and the Office of Management and Budget Circular A-133.

**Acknowledgments.** The preparation of the seventh CAFR for Louisville 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 Louisville Metro Government.

Respectfully submitted,



Jane Driskell Sistrunk  
Director, Office of Management and Budget  
Chief Financial Officer

# LOUISVILLE METRO GOVERNMENT ORGANIZATION CHART



## Louisville Metro Government Executive Branch

### OFFICE OF THE MAYOR

Communications  
Affirmative Action  
Louisville At Work  
Intergovernmental Relations

### OFFICE OF MANAGEMENT AND BUDGET

Finance Operations • Budget  
Revenue Commission

### RELATED AGENCIES

Human Relations Commission  
Louisville Convention & Visitors Bureau  
Louisville Free Public Library  
Louisville Metro Housing Authority  
Louisville Regional Airport Authority  
Louisville Science Center  
Louisville Water Company  
Louisville Zoo  
Metropolitan Sewer District  
Office of Internal Audit  
Transit Authority of River City  
Waterfront Development Corporation

## Mayor

### Deputy Mayor

### DEPARTMENTS

#### PUBLIC PROTECTION

Louisville Fire • Suburban Fire Districts • Emergency Medical Services  
Emergency Management Agency/MetroSafe • Youth Detention Services • Corrections  
Animal Services • Criminal Justice Commission

#### LOUISVILLE METRO POLICE

#### ECONOMIC DEVELOPMENT

Metro Development • Downtown Development • Riverport Authority • Redevelopment  
Authority • Parking Authority • Air Pollution Control District • KentuckianaWorks

#### CODES AND REGULATIONS

Inspections, Permits and Licenses • Planning and Design Services

#### PARKS AND RECREATION

#### HOUSING AND FAMILY SERVICES

Community Action Partnership • Human Services • Housing

#### PUBLIC HEALTH AND WELLNESS

Community Health Services • Environmental Health Services • Center for Health Equity

#### NEIGHBORHOODS

MetroCall • Brightside • Community Outreach

#### PUBLIC WORKS AND ASSETS

Streets and Roads • Solid Waste Management • Fleet • Facilities • Project Management  
Property Management

#### TECHNOLOGY SERVICES

Archives • Phone Services

#### HUMAN RESOURCES

# LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT



Fiscal Year Ended June 30, 2009

HONORABLE JERRY E. ABRAMSON..... MAYOR

## METRO COUNCIL MEMBERS

JUDY GREEN.....	DISTRICT 1
BARBARA SHANKLIN.....	DISTRICT 2
MARY C. WOOLRIDGE.....	DISTRICT 3
DAVID TANDY.....	DISTRICT 4
CHERI BRYANT HAMILTON.....	DISTRICT 5
GEORGE UNSELD.....	DISTRICT 6
KENNETH C. FLEMING.....	DISTRICT 7
TOM OWEN.....	DISTRICT 8
TINA WARD-PUGH.....	DISTRICT 9
JIM KING.....	DISTRICT 10
KEVIN KRAMER.....	DISTRICT 11
RICK BLACKWELL.....	DISTRICT 12
VICKI WELCH.....	DISTRICT 13
ROBERT HENDERSON.....	DISTRICT 14
MARIANNE BUTLER.....	DISTRICT 15
KELLY DOWNARD.....	DISTRICT 16
GLEN STUCKEL.....	DISTRICT 17
JON ACKERSON.....	DISTRICT 18
HAL HEINER.....	DISTRICT 19
STUART BENSON.....	DISTRICT 20
DAN JOHNSON.....	DISTRICT 21
ROBIN ENGEL.....	DISTRICT 22
JAMES PEDEN.....	DISTRICT 23
MADONNA FLOOD.....	DISTRICT 24
DOUG HAWKINS.....	DISTRICT 25
BRENT ACKERSON.....	DISTRICT 26

## OFFICE OF MANAGEMENT AND BUDGET

JANE DRISKELL SISTRUNK..... DIRECTOR/CHIEF FINANCIAL OFFICER  
 KEVIN MOORE..... CONTROLLER



**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

Honorable Jerry Abramson, Mayor and  
Louisville/Jefferson County Metro Council

**Independent Auditor's Report**

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, 2009, which collectively comprise Metro Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 some component units and funds that comprise Metro Government. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of the other auditors. Those component units and funds were:

**Governmental Funds:**

- Capital Projects Corporation

**Proprietary Funds:**

- Louisville/Jefferson County Metro Revenue Commission

**Fiduciary Funds:**

- Louisville/Jefferson County Metro Revenue Commission
- Mass Transit

**Discretely Presented Component Units:**

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

Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

	<u>Percent of Assets</u>	<u>Percent of Revenues/Additions</u>
<b>Government-Wide Financial Statements</b>		
Primary Government – Governmental Activities	5%	1%
Aggregate Discretely Presented Component Units	100%	100%
<b>Fund Financial Statements</b>		
Governmental Funds – Non-Major Funds	2%	91%
Proprietary Funds – Internal Service Funds	71%	7%
Fiduciary Funds – Agency Funds	54%	97%





We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Statement (GASBS) No. 33, considered accounting principles generally accepted in the United States of America, requires certain revenues in the funds to be recognized when measurable and available, and once applicable eligibility requirements are met. Revenues recorded in the government-wide financial statements are not required to meet the criteria of availability. Metro Government did not properly recognize certain revenues as required by GASBS No. 33. The result of this improper recognition is an overstatement of accounts receivable and unearned/deferred revenue in the governmental activities and Special Revenue Fund. The amount by which this departure would affect the assets, liabilities, fund balance and revenues is not reasonably determinable.

In our opinion, based on our audit and the reports of other auditors, except for the effects of the departure from generally accepted accounting principles referred to in the preceding paragraph, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and Special Revenue Fund of Metro Government, as of June 30, 2009, 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.

In addition, 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 aggregate discretely presented component units, the General Fund, Capital Projects Fund, Special Purpose Fund and aggregate remaining fund information of Metro Government, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 through 12, and budgetary comparison schedules on 81, and schedules of funding progress and employer contributions on page 82 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metro Government's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, and the statistical section, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Metro Government. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and in the audits performed by other auditors and, in our opinion, based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the basic financial statements taken as a

whole. The information presented in the introductory and statistical sections has not been subjected to the auditing procedures applied by us and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we will also issue our report dated December 28, 2009 on our consideration of Metro Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

December 28, 2009



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2009**

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, 2009. 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 \$596 million at the close of fiscal year 2009. This amount includes approximately \$12.9 million in negative unrestricted net assets.
- Total net assets decreased by \$8.9 million.
- At the end of fiscal year 2009, Metro Government's governmental funds reported a combined ending fund balance of approximately \$172 million. This was a decrease of approximately \$27.8 million from the end of fiscal year 2008.
- At the end of fiscal year 2009, unassigned general fund balance was \$65.4 million or 13% 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, such as changes in the Metro Government's property tax base and the condition of the Metro Government's capital assets (roads, buildings, etc.) in assessing the overall health of the Metro Government.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued  
For the Year Ended June 30, 2009**

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 2009.

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 accounting methods called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the Metro Government's general government operations and the basic services it provides. Governmental fund information helps 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, 2009**

*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 81. Metro Government presents combining financial statements for the nonmajor, internal service, and agency funds as other supplementary information. This information begins on page 84.

**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 \$596 million at June 30, 2009.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**NET ASSETS**

(amounts in thousands as of June 30,)

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2008</b>	<b>2009</b>	<b>2008-2009</b>
Current and other assets	\$ 311,252	\$ 295,104	-5.2%
Capital assets	795,006	860,175	8.2%
<b>Total assets</b>	<b>1,106,258</b>	<b>1,155,279</b>	<b>4.4%</b>
Long-term liabilities	415,502	465,030	11.9%
Other liabilities	85,757	94,172	9.8%
<b>Total liabilities</b>	<b>501,259</b>	<b>559,202</b>	<b>11.6%</b>
Net assets			
Invested in capital assets, net of related debt	504,736	537,460	6.5%
Restricted	81,047	71,551	-11.7%
Unrestricted	19,216	(12,934)	-167.3%
<b>Total net assets</b>	<b>\$ 604,999</b>	<b>\$ 596,077</b>	<b>-1.5%</b>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued  
For the Year Ended June 30, 2009**

Current and other assets decreased by 5.2% mainly as a result of a decreased balance of restricted assets which were released for use on capital projects. The decrease in restricted assets is offset by an increase in capital assets as funds were spent on capitalizable projects. Long term liabilities increased 11.9% related to the Bond Anticipation Note of \$44 million that Metro Government issued during fiscal year 2009.

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:

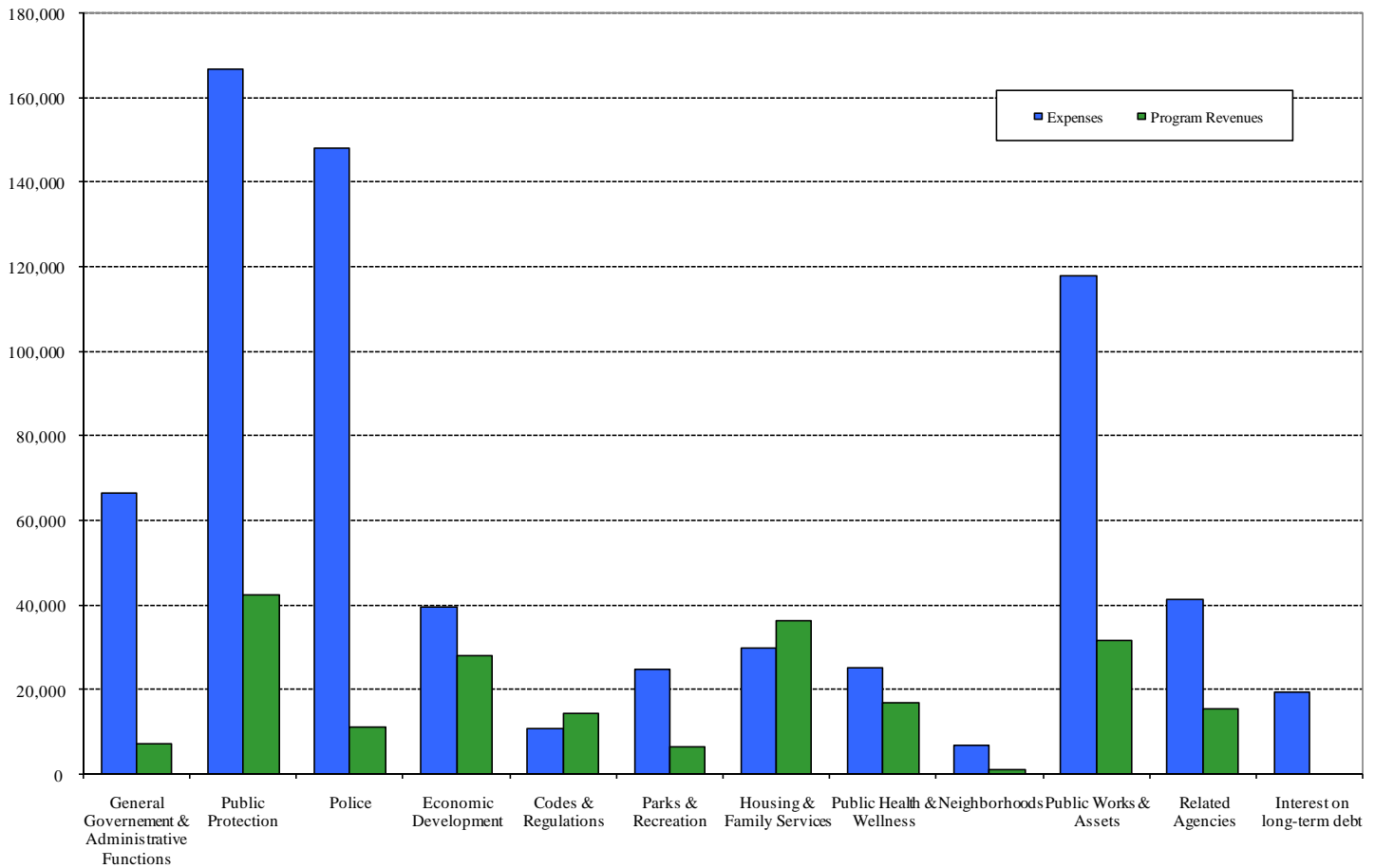
**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
CHANGES IN NET ASSETS  
For the Year Ended June 30  
(amounts in thousands)**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2009</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 78,058	\$ 76,089
Operating grants and contributions	82,810	99,302
Capital grants and contributions	31,815	37,242
General revenues:		
Property taxes	133,966	134,091
Other taxes	309,492	301,344
Other	47,815	41,169
<b>Total revenues</b>	<b>683,956</b>	<b>689,237</b>
<b>Expenses</b>		
General Government & Administrative Functions	68,656	66,605
Public Protection	168,126	166,737
Police	140,438	147,980
Economic Development	25,276	39,617
Codes & Regulations	11,289	12,221
Parks & Recreation	25,132	24,615
Housing & Family Services	28,845	29,872
Public Health & Wellness	26,796	25,067
Neighborhoods	8,195	6,878
Public Works & Assets	130,173	117,839
Related Agencies	53,572	41,303
Interest on long-term debt	14,425	19,425
<b>Total expenses</b>	<b>700,923</b>	<b>698,159</b>
<b>Increase (decrease) in net assets</b>	<b>(16,967)</b>	<b>(8,922)</b>
Net assets--beginning	621,966	604,999
Net assets--ending	<b>\$ 604,999</b>	<b>\$ 596,077</b>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued  
For the Year Ended June 30, 2009**

Governmental activities decreased \$8.9 million in fiscal year 2009 versus a decrease of \$17 million in the prior fiscal year. Total revenue increased only \$3.8 million over fiscal year 2008 while expenses decreased \$4.2 million. Metro Government experienced the largest decrease in revenue from the collection of occupational taxes. Occupational taxes are directly related to the employment level in the community and unemployment has increased from 6.5% at June 30, 2008 to 10.7% at June 30, 2009. Metro Government was able to offset the decrease in occupational taxes with increased revenue from grants and contributions. Metro Government was able to decrease expenses in many areas through planned budget reductions and decreased spending.

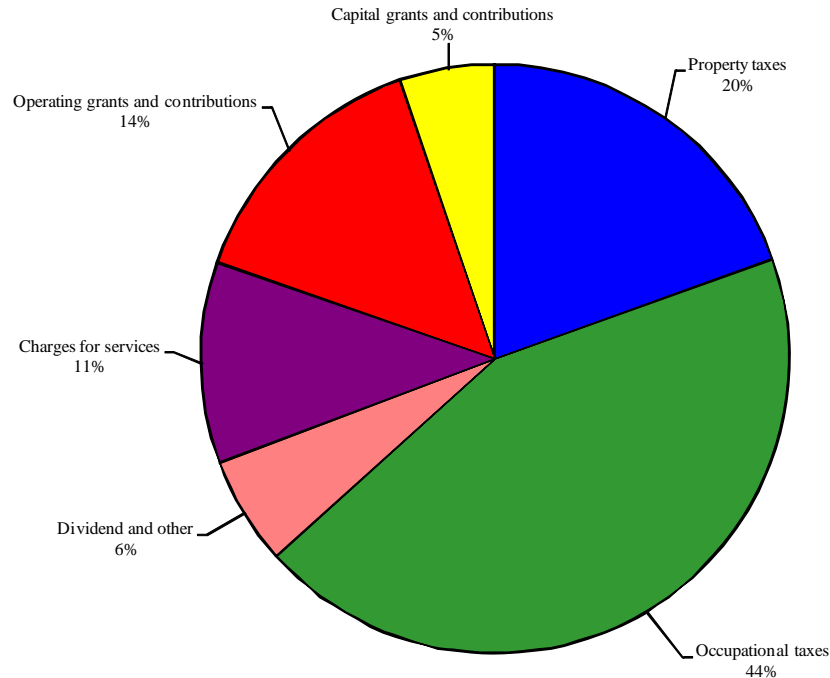
**Expenses and Program Revenue – Governmental Activities – For the Year Ended June 30, 2009:**





**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued  
For the Year Ended June 30, 2009**

Revenues by Source – Governmental Activities – For the Year Ended June 30, 2009:



**Financial Analysis of the Government's Funds**

At the close of fiscal year 2009, Metro Government's governmental funds reported a combined ending fund balance of \$172 million. This is a decrease of \$27.8 million from fiscal year 2008. 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 \$65.4 million of unassigned fund balance available in the General Fund at June 30, 2009. Unassigned fund balance of the General Fund (Metro Government's main operating fund) represents approximately 13% of total general fund expenditures for fiscal year 2009.

The General Fund's fund balance decreased \$6.8 million during fiscal year 2009 as compared to a decrease of \$16.3 million in fiscal year 2008. While General Fund revenues decreased primarily due to a decrease in occupational tax revenue, revenues from donations and intergovernmental sources also decreased due to the economic downturn in fiscal year 2009. Metro Government was able to offset the decrease in revenue in part through planned budgetary reductions in expenditures and decreases in transfers to capital funds from the General Fund.

The Special Revenue Fund's fund balance decreased \$9.6 million during fiscal year 2009 as compared to a \$1.4 million increase in fiscal year 2008. Intergovernmental revenues of the Special Revenue Fund increased primarily as a result of recognition of revenue from the federal government related to two natural disasters the Metro Louisville area experienced during fiscal year 2009. Expenditures in several Metro Government departments increased during fiscal year 2009 versus fiscal year 2008 directly as a result of these natural disasters. In addition to this

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued  
For the Year Ended June 30, 2009**

increase in operating expenditures, capital outlay also increased as the MetroSafe project was nearing completion in fiscal year 2009.

The Capital Projects Fund's fund balance decreased \$14.7 million during fiscal year 2009 as compared to an \$11.8 million decrease in fiscal year 2008. While revenues in the Capital Projects Fund were relatively at the same levels as fiscal year 2008, expenditures in the Capital Projects Fund increased as bond proceeds from the bond issue in fiscal year 2009 were spent on various capital projects. The Capital Projects Fund also received less funding in fiscal year 2009 from the General Fund to finance capital projects.

Metro Government's Special Purpose Fund has been reclassified from a nonmajor fund to a major fund in fiscal year 2009. This is the first year since the formation of Metro Government that this fund has been considered a major fund. The Special Purpose Fund's fund balance increased \$4.8 million in fiscal year 2009 versus a \$4.9 million increase in fiscal year 2008. Revenues and expenditures of this fund have remained relatively flat in fiscal year 2009 from fiscal year 2008.

**General Fund Budgetary Highlights**

Actual expenditures were \$99.5 million below the final budgeted amounts. The largest variance between budget and actual amounts relate to fleet and depreciation adjustments which were approximately \$35.6 million in fiscal year 2009. 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 Comprehensive Annual Financial Report ("CAFR") 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 the debt service expenditures recorded in the debt service funds. In addition to the eliminations for fleet and depreciation and transfers for debt service, expenditures were also under budget due to required departmental reductions in spending due to the decrease in revenue collections.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued  
For the Year Ended June 30, 2009**

**Capital Asset And Debt Administration**

Capital Assets

Metro Government held \$860 million of assets, net of accumulated depreciation at June 30, 2009. Depreciation charges for fiscal year 2009 totaled \$42 million.

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

	<b>2008</b>	<b>2009</b>	<b>Total Percentage Change 2008-2009</b>
Land	\$ 295,248,986	\$ 311,097,040	5.4%
Land improvements	46,191,343	44,683,264	-3.3%
Buildings	213,295,262	233,526,601	9.5%
Machinery and equipment	12,811,495	11,618,758	-9.3%
Vehicles	31,156,109	30,536,088	-2.0%
Collections and works of art	8,792,882	8,335,727	-5.2%
Infrastructure	116,679,736	103,231,060	-11.5%
Construction in progress	70,830,068	117,146,879	65.4%
Total	<u>\$ 795,005,881</u>	<u>\$ 860,175,417</u>	8.2%

Land increased primarily due to the acquisition of land by the Metro Development Authority in downtown Louisville for future economic development. In addition to increases in land, buildings also increased as Metro Government built and opened two new fire stations during fiscal year 2009. See Note 4 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)**

	<b>2008</b>	<b>2009</b>	<b>Total Percentage Change 2008-2009</b>
General obligation debt	\$ 226,894	\$ 275,187	21.3%
Revenue bonds	128,131	99,442	-22.4%
Total	<u>\$ 355,025</u>	<u>\$ 374,629</u>	5.5%

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 increased by \$19.6 million. Additional information on the Metro Government's long-term debt activity can be found in Note 8 of this report.

**Future Economic Factors**

The most recent unemployment rate for the Metro Louisville (October 2009) is 10.3%. The unemployment rates nationally and for Kentucky are 9.5% and 10.7% respectively. Metro Government's largest source of revenue, occupational taxes, is directly related to the

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited), continued  
For the Year Ended June 30, 2009**

employment rates in Metro Louisville. Metro Government's fiscal year 2010 budget reflects the expected decrease in revenue and appropriations for expenditures.

Downtown Louisville, however, continues to experience growth and development. The multi-purpose Louisville Arena will open in November 2010 and the Fourth Street entertainment district continues to expand. The downtown medical center continues to expand and the number of downtown market rate housing units continues to increase.

**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.

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## **BASIC FINANCIAL STATEMENTS**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<b>Primary Government</b>		<b>Component</b>
	<b>Governmental</b>		<b>Units</b>
	<b>Activities</b>		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 77,890,550	\$	80,838,714
Investments	123,767,482		76,052,120
Receivables, net of allowance for uncollectible amounts	82,147,205		67,795,009
Inventories	570,596		18,777,592
Prepaid items and deferred charges	2,983,313		42,061,705
Assets restricted by bond indentures and other legal provisions	7,744,734		99,247,976
Non-utility property			198,557
Investments in direct financing lease			57,670,671
Capital assets:			
Land and improvements	315,045,473		28,298,151
Construction in progress	117,146,879		285,137,527
Works of art	255,000		
Infrastructure	910,636,238		3,211,369,599
Other capital assets	647,834,713		405,474,978
Less accumulated depreciation	(1,130,742,886)		(1,134,207,665)
Capital assets, net	<u>860,175,417</u>		<u>2,796,072,590</u>
Total assets	<u>1,155,279,297</u>		<u>3,238,714,934</u>
<b>LIABILITIES</b>			
Accounts payable and accrued payroll	40,019,663		48,113,072
Due to other government agencies	15,830,031		11,427,444
Notes payable	2,000,000		
Unearned revenue	35,573,467		20,587,905
Other liabilities	749,405		24,147,965
Dividend payable			1,455,710
Long-term liabilities:			
Due within one year	125,680,000		43,555,043
Due in more than one year	339,350,000		1,688,761,911
Total liabilities	<u>559,202,566</u>		<u>1,838,049,050</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	537,459,886		1,182,860,544
Restricted for:			
Capital projects	71,526,320		63,645,553
Debt service	24,645		100,225,000
Unrestricted	(12,934,120)		53,934,787
Total net assets	<u>\$ 596,076,731</u>	\$	<u>1,400,665,884</u>

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

<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>	
<b>Primary government:</b>					
Governmental activities:					
General Government:					
Metro Council	\$ 6,108,261	\$ 2,050	\$ 4,000		\$ (6,102,211)
Mayor's Office	2,831,226		20,913		(2,810,313)
Policy and Strategic Planning	630,283				(630,283)
County Attorney	7,739,457	192,377			(7,547,080)
Other Elected Officials	8,447,803	247,024	115,050		(8,085,729)
Public Protection:					
Fire	55,579,312	259,061	2,275,799	\$ 182,422	(52,862,030)
Emergency Medical Services	24,751,106	13,431,725	144,452	227,873	(10,947,056)
Emergency Management	16,769,397	3,276,508	504,923	8,477,131	(4,510,835)
Corrections	50,874,687	2,134,729	6,298,903		(42,441,055)
Youth Detention Services	10,088,612	192,264	3,031,003		(6,865,345)
Animal Control Services	3,005,658	1,409,306	37,063	29,449	(1,529,840)
Criminal Justice Commission	669,290		267,688	123,001	(278,601)
Firefighters' Pension Fund	2,894,744				(2,894,744)
Policemen's Retirement Fund	2,103,721				(2,103,721)
Police	147,980,259	1,343,839	8,374,184	1,542,723	(136,719,513)
Economic Development:					
Metro Development Authority	34,117,274	8,080,332	15,406,075	91,043	(10,539,824)
Air Pollution Control	5,499,818	2,866,078	1,714,998		(918,742)
Codes & Regulations:					
Inspections, Permits and Licenses	8,060,644	13,126,794	1,921,358		6,987,508
Planning and Design Services	4,159,650	428,293	188,663		(3,542,694)
Parks & Recreation	24,615,331	4,908,282	452,821	1,195,373	(18,058,855)
Housing & Family Services:					
Housing	6,021,403	1,512,710	5,030,356	15,983,817	16,505,480
Human Services	12,212,688	18,651	1,922,929	1,229,419	(9,041,689)
Community Action Partnership	11,637,718	35,234	10,624,033		(978,451)
Public Health & Wellness	25,066,813	1,210,341	15,385,197	236,367	(8,234,908)
Neighborhoods	6,878,355	386,312	749,597		(5,742,446)
Public Works & Assets					
Public Works	49,695,970	308,729	20,615,835	3,037,320	(25,734,086)
General Services Administration	45,072,779	3,144,049	261,050	140,655	(41,527,025)
Solid Waste Management Services	23,069,602	1,730,102	1,893,930	350,327	(19,095,243)
Information Technology	12,428,088	1,107,018			(11,321,070)
Finance & Administration	23,929,387	5,686,981	143,569		(18,098,837)
Human Resources	4,492,419	9,760			(4,482,659)
Related Agencies					
Human Relations Commission	926,118		96,712		(829,406)
Louisville Free Public Library	20,237,643	118,664	429,266	302,125	(19,387,588)
Louisville Zoological Gardens	14,256,138	8,519,092	762,477	3,817	(4,970,752)
Internal Audit	693,880				(693,880)
Waterfront Development Corporation	5,189,003	402,224	628,682	4,089,465	(68,632)
Interest expense	19,424,674				(19,424,674)
Total governmental activities	<u>\$ 698,159,211</u>	<u>\$ 76,088,529</u>	<u>\$ 99,301,526</u>	<u>\$ 37,242,327</u>	<u>\$ (485,526,829)</u>
<b>Component units:</b>					
Louisville Water Company	\$ 117,726,208	\$ 136,743,203		\$ 11,962,468	\$ 30,979,463
Parking Authority of River City, Inc.	13,040,208	15,637,334		1,011,813	3,608,939
Transit Authority of River City	73,158,189	11,692,790	\$ 58,189,043		(3,276,356)
Louisville and Jefferson County Riverport Authority	6,388,292	1,643,056			(4,745,236)
Metropolitan Sewer District	198,245,000	167,556,000		11,689,000	(19,000,000)
Louisville Science Center, Inc.	5,355,035	4,809,512			(545,523)
Total component units	<u>\$ 413,912,932</u>	<u>\$ 338,081,895</u>	<u>\$ 58,189,043</u>	<u>\$ 24,663,281</u>	<u>\$ 7,021,287</u>

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



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF ACTIVITIES (continued)**  
**For the Year Ended June 30, 2009**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
Net (expense) revenue (from preceding page)	\$ (485,526,829)	\$ 7,021,287
General revenues:		
Taxes:		
Property taxes, levied for general purposes	134,091,146	
Occupational taxes	301,344,426	
Investment income	3,950,500	28,232,015
Dividends	17,288,555	
Other intergovernmental revenue	11,291,887	
Gain on sale of assets	1,622,208	
Other taxes	269,634	
Rental receipts	1,950,901	
Miscellaneous	4,795,016	4,051,235
Total general revenues	<u>476,604,273</u>	<u>32,283,250</u>
Change in net assets	(8,922,556)	39,304,537
Net assets--beginning	<u>604,999,287</u>	<u>1,361,361,347</u>
Net assets--ending	<u>\$ 596,076,731</u>	<u>\$ 1,400,665,884</u>

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

	<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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,615,452		\$ 4,697,554	\$ 3,675,270	\$ 357,884	\$ 15,346,160
Investments	44,094,382		31,649,617	24,762,012	2,116,694	102,622,705
Receivables:						
Taxes receivable, less allowance for uncollectible amounts	3,685,142					3,685,142
Accounts receivable and accrued interest	18,493,403	\$ 6,704,377	40,434		22,584	25,260,798
Loans receivable, less allowance for uncollectible amounts	1,746,720	8,557,297	2,276,607			12,580,624
Notes receivable			3,724,066			3,724,066
Due from federal government		29,697,349				29,697,349
Due from state government		6,824,987				6,824,987
Due from other funds	38,602,254				640,761	39,243,015
Inventories	570,596					570,596
Prepaid items	1,470,667	91,475				1,562,142
Restricted assets:						
Cash and cash equivalents			7,720,089		24,645	7,744,734
Total assets	<u>\$ 115,278,616</u>	<u>\$ 51,875,485</u>	<u>\$ 50,108,367</u>	<u>\$ 28,437,282</u>	<u>\$ 3,162,568</u>	<u>\$ 248,862,318</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 11,826,653	\$ 7,886,332	\$ 3,231,729	\$ 281,289	\$ 2,800	\$ 23,228,803
Accrued payroll and withholdings	13,113,382	208,054				13,321,436
Due to other funds		10,993,822				10,993,822
Matured bonds and interest payable					640,761	640,761
Notes payable			2,000,000			2,000,000
Deferred revenue	8,504,034	17,869,344				26,373,378
Other liabilities	749,405					749,405
Total liabilities	<u>34,193,474</u>	<u>36,957,552</u>	<u>5,231,729</u>	<u>281,289</u>	<u>643,561</u>	<u>77,307,605</u>
<b>FUND BALANCES</b>						
Nonspendable	3,787,983	8,648,772	4,000,673			16,437,428
Restricted for:						
Debt service reserve					24,645	24,645
Other capital projects			7,720,089			7,720,089
Committed	6,499,730					6,499,730
Assigned to:						
Capital projects			33,155,876	28,155,993	2,494,362	63,806,231
Grant programs		6,269,161				6,269,161
Other purposes	5,390,322					5,390,322
Unassigned	65,407,107					65,407,107
Total fund balances	<u>81,085,142</u>	<u>14,917,933</u>	<u>44,876,638</u>	<u>28,155,993</u>	<u>2,519,007</u>	<u>171,554,713</u>
Total liabilities and fund balances	<u>\$ 115,278,616</u>	<u>\$ 51,875,485</u>	<u>\$ 50,108,367</u>	<u>\$ 28,437,282</u>	<u>\$ 3,162,568</u>	

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

Capital assets of \$860,175,417, net of accumulated depreciation, reported in the government wide financial statements less \$307,966 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.	859,867,451
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.	(46,520,583)
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.	3,685,142
Long-term liabilities of \$465,030,000, including bonds payable, less \$71,153,837 reported in internal service funds, less deferred charges and deposits with paying agents of \$1,366,171, are not due and payable in the current period and therefore are not reported in the funds.	(392,509,992)
Net assets of governmental activities	<u>\$ 596,076,731</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, 2009**

	General Fund	Special Revenue Fund	Capital Projects Fund	Special Purpose Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 133,501,705					\$ 133,501,705
Occupational taxes	301,344,426					301,344,426
Licenses and permits	10,521,865					10,521,865
Intergovernmental	28,290,329	\$ 107,486,428	\$ 15,305	\$ 810,857	\$ 4,361,715	140,964,634
Charges for services	56,761,309	7,045,603	285,448	508,331	432,333	65,033,024
Fees and fines	2,447,186		26,065			2,473,251
Investment income	2,044,037	601,500	1,222,242	69,451	13,270	3,950,500
Dividends	17,288,555					17,288,555
Donations	1,914,546	138,227	3,976,769			6,029,542
Miscellaneous	2,672,131	1,536,987	234,547			4,443,665
<b>Total revenues</b>	<b>556,786,089</b>	<b>116,808,745</b>	<b>5,760,376</b>	<b>1,388,639</b>	<b>4,807,318</b>	<b>685,551,167</b>
<b>EXPENDITURES</b>						
Current operating:						
General Government:						
Metro Council	5,694,342					5,694,342
Mayor's Office	2,618,525					2,618,525
Policy and Strategic Planning	587,717					587,717
County Attorney	7,024,343					7,024,343
Other Elected Officials	7,553,889					7,553,889
Public Protection:						
Fire	50,715,880	244,124				50,960,004
Emergency Medical Services	22,104,299	45,753				22,150,052
Emergency Management	7,181,440	8,038,402				15,219,842
Corrections	47,296,736	47,033				47,343,769
Youth Detention Services	9,292,782	89,711				9,382,493
Animal Control Services	2,773,448	2,336				2,775,784
Criminal Justice Commission	356,402	267,688				624,090
Firefighters' Pension Fund	2,875,485					2,875,485
Policemen's Retirement Fund	2,089,725					2,089,725
Police	134,558,266	2,729,798			2,500	137,290,564
Economic Development:						
Metro Development Authority	13,990,982	15,846,097				29,837,079
Air Pollution Control	633,423	4,409,585				5,043,008
Codes & Regulations:						
Inspections, Permits and Licenses	6,262,268	1,235,840				7,498,108
Planning and Design Services	2,506,155	188,664				2,694,819
Parks & Recreation	21,402,980	348,622				21,751,602
Housing & Family Services:						
Housing	810,099	4,799,834				5,609,933
Human Services	9,621,854	1,765,550				11,387,404
Community Action Partnership	322,601	10,528,195				10,850,796
Public Health & Wellness	10,153,703	12,994,602				23,148,305
Neighborhoods	6,255,803	153,727				6,409,530
Public Works & Assets:						
Public Works	11,620,859	18,323,292				29,944,151
General Services Administration	31,290,788	261,050				31,551,838
Solid Waste Management Services	19,586,443	1,904,050				21,490,493
Information Technology	9,975,852					9,975,852
Finance & Administration	22,246,348					22,246,348
Human Resources	4,187,516					4,187,516
Related Agencies:						
Human Relations Commission	766,100	96,712				862,812
Louisville Free Public Library	15,710,135	317,897				16,028,032
Louisville Zoological Gardens	12,149,060	110,605				12,259,665
Internal Audit	647,020					647,020
Waterfront Development Corporation	2,631,694					2,631,694

(Continued)

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (continued)**  
**For the Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Special Purpose Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Debt service principal					28,820,000	28,820,000
Debt service interest and other charges	941,275		1,185,696		13,100,816	15,227,787
Capital outlay		40,553,606	73,514,163	9,414,903	1,105,212	124,587,884
Total expenditures	506,436,237	125,302,773	74,699,859	9,414,903	43,028,528	758,882,300
Excess (deficiency) of revenues over (under) expenditures	50,349,852	(8,494,028)	(68,939,483)	(8,026,264)	(38,221,210)	(73,331,133)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets			1,622,208			1,622,208
Issuance of bonds, par			44,000,000			44,000,000
Issuance of bonds, premium			448,800			448,800
Issuance of refunding bonds, par					63,875,000	63,875,000
Issuance of refunding bonds, premium					874,372	874,372
Refunded bond principal					(64,530,000)	(64,530,000)
Refunded bond premium					(744,350)	(744,350)
Refunded bond interest					(21,277)	(21,277)
Transfers in	2,745,414	262,224	9,897,200	12,856,427	60,192,697	85,953,962
Transfers out	(59,876,701)	(1,382,774)	(1,713,540)		(22,980,947)	(85,953,962)
Total other financing sources (uses)	(57,131,287)	(1,120,550)	54,254,668	12,856,427	36,665,495	45,524,753
Net change in fund balances	(6,781,435)	(9,614,578)	(14,684,815)	4,830,163	(1,555,715)	(27,806,380)
Fund balances--beginning	87,866,577	24,532,511	59,561,453	23,325,830	4,074,722	199,361,093
Fund balances--ending	\$ 81,085,142	\$ 14,917,933	\$ 44,876,638	\$ 28,155,993	\$ 2,519,007	\$ 171,554,713

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, 2009**

Net change in fund balances--total governmental funds	\$	(27,806,380)
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 \$120,634,672, less \$69,990 in the internal service funds, was greater than depreciation of \$41,858,262 in the governmental funds, less \$24,036 in the internal service funds, for the current period.		78,730,456
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.		(13,606,874)
Deferred revenues added to net assets in the prior year are deducted in the current year.		(3,095,701)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		3,685,142
Bond proceeds of \$44,448,800 from new issues and \$64,749,372 from refunding issuances provide current financial resources to governmental funds, but issuing debt increases the long-term liabilities in the Statement of Net Assets. Repayment of \$28,820,000 of bond principal, \$65,274,350 of refunded bonds and \$77,000 of capital lease payments are expenditures in the governmental funds, but these items reduce long-term liabilities in the Statement of Net Assets.		(15,026,822)
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.		16,924,019
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.		(44,550,694)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Accreted interest of \$4,545,525 and amortization less other charges of \$369,823 are also shown as differences for the year.		<u>(4,175,702)</u>
Change in net assets of governmental activities	\$	<u><u>(8,922,556)</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, 2009**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 62,544,390
Investments	21,144,777
Accounts receivable	374,239
Deposits with paying agents	55,000
Total current assets	84,118,406
Capital assets:	
Machinery and equipment, net	307,966
Total capital assets	307,966
Total assets	84,426,372
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,828,663
Claims and judgments	55,254,589
Due to other funds	44,079,224
Unearned revenue	12,885,231
Total current liabilities	115,047,707
Noncurrent liabilities:	
Claims and judgments	15,899,248
Total noncurrent liabilities	15,899,248
Total liabilities	130,946,955
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	307,966
Unrestricted	(46,828,549)
Total net assets	\$ (46,520,583)

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, 2009**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUES:</b>	
Collection, investment and other fees	\$ 4,584,006
Insurance income	14,092,194
Insurance premiums	44,665,900
Total operating revenues	63,342,100
<b>OPERATING EXPENSES:</b>	
Professional services	3,990,343
Contractual services	483,429
Repairs and maintenance	4,326
Other supplies and expenses	318,860
Insurance claims, settlements and losses	98,645,823
Insurance premiums	4,903,529
Depreciation	24,036
Total operating expenses	108,370,346
Operating loss	(45,028,246)
<b>NONOPERATING REVENUES:</b>	
Investment income	477,552
Total nonoperating revenues	477,552
Change in net assets	(44,550,694)
Total net assets--beginning	(1,969,889)
Total net assets--ending	\$ (46,520,583)

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, 2009**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from collection, investment, and other fees	\$ 4,584,006
Insurance income	58,755,093
Payments to employees	(3,159,098)
Payments to suppliers	(710,893)
Contractual services	(40,553)
Claims paid	(51,721,236)
Insurance premiums paid	(4,903,529)
Increase (decrease) in cash collected for others	(793,001)
Other payments	(6,500)
	<u>2,004,289</u>
 <b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>	
Acquisition and construction of capital assets	(69,990)
	<u>(69,990)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Change in investment pool participation	(851,669)
Investment income	477,552
	<u>(374,117)</u>
Net increase in cash and cash equivalents	1,560,182
Cash and cash equivalents, beginning of the year	60,984,208
Cash and cash equivalents, end of the year	\$ 62,544,390
 <b>Reconciliation of Operating Loss to Net Cash Provided By Operating Activities</b>	
Operating loss	\$ (45,028,246)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	24,036
Increase (decrease) in cash due to changes in assets and liabilities:	
Accounts receivable	(3,001)
Accounts and other payables	(320,086)
Liability for incurred claims	48,124,587
Due to other funds and governmental agencies	(2,538,097)
Unearned revenue	1,745,096
	\$ 2,004,289

During fiscal year 2009, 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, 2009**

	<b>Pension &amp; Benefit Trust</b>	<b>Private- purpose Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,244,958	\$ 581,034	\$ 7,618,662
Investments	13,836,494		18,187,135
Accounts receivable and accrued interest	350,303		201,463
Due from other funds			15,830,031
Due from other governmental agencies			1,254,074
Total assets	15,431,755	581,034	\$ 43,091,365
<b>LIABILITIES</b>			
Accounts payable	18,891		\$ 44,017
Notes payable			3,500,000
Health insurance reimbursement and accrued liabilities	340,615		
Due to other governmental agencies			32,132,508
Refundable deposits			7,414,840
Total liabilities	359,506	-	\$ 43,091,365
<b>NET ASSETS</b>			
Held in trust for pension benefits	15,072,249		
Held in trust for private purpose		581,034	
Total net assets	\$ 15,072,249	\$ 581,034	

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2009**

	<b>Pension &amp; Benefit Trust</b>	<b>Private- purpose Trust</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 3,259,386	
Member	4,257	
Total contributions	3,263,643	
Investment earnings:		
Decrease in fair value of investments	(2,350,203)	
Realized losses	(207,435)	
Interest and dividends	285,949	
Total investment earnings	(2,271,689)	-
Other income		
Total additions	2,860,942	-
<b>DEDUCTIONS</b>		
Benefit payments	5,886,061	
Administration expense	651,033	
Health insurance reimbursement	1,157,528	
Total deductions	7,694,622	-
Net decrease	(4,833,680)	-
Net assets--beginning of the year	19,905,929	\$ 581,034
Net assets--end of the year	\$ 15,072,249	\$ 581,034

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



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**June 30, 2009**

	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
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 11,701,410	\$ 750	\$ 6,064,887	\$ 142,082	\$ 22,552,000	\$ 386,913	\$ 40,848,042
Investments				7,016,120	7,733,000		14,749,120
Accounts receivable and accrued interest	17,275,430	197,751	2,461,287	45,922	18,167,000	68,915	38,216,305
Contract and assessments receivable, current portion	334,803						334,803
Pledges receivable, net						345,615	345,615
Inventories	7,491,031		1,366,084	6,863,302	3,027,000	30,175	18,777,592
Reserves, current portion	1,702,170						1,702,170
Prepaid interest				1,782,198			1,782,198
Prepaid expenses	506,974	44,591	664,846	46,387	1,863,000	117,398	3,243,196
Restricted cash and cash equivalents		4,002,672			35,988,000		39,990,672
Restricted investments					61,303,000		61,303,000
Total current assets	<u>39,011,818</u>	<u>4,245,764</u>	<u>10,557,104</u>	<u>15,896,011</u>	<u>150,633,000</u>	<u>949,016</u>	<u>221,292,713</u>
Noncurrent assets:							
Restricted cash and cash equivalents		34,585,504				155,589	34,741,093
Restricted investments			1,488,988			359,192	1,848,180
Pledges receivable, net						87,739	87,739
Reserves, less current portion	60,868,794						60,868,794
Note receivable		1,436,694					1,436,694
Contract and assessments receivable, less current portion	2,315,592				25,146,000		27,461,592
Deferred charges	5,816,055	334,983			30,664,000		36,815,038
Non-utility property	198,557						198,557
Investments in direct financing lease				57,670,671			57,670,671
Other assets		216,000		5,273			221,273
Capital assets:							
Land	7,713,528	9,304,855	3,177,782	8,101,986			28,298,151
Buildings and improvements	101,356,869	85,013,284	24,576,754	29,854,139		6,010,486	246,811,532
Machinery and equipment	49,729,968	4,354,925	80,024,861	172,887		986,268	135,268,909
Capitalized leased vehicles			4,572,817				4,572,817
Museum exhibits						18,821,720	18,821,720
Infrastructure	896,963,599				2,314,406,000		3,211,369,599
Construction in progress	73,640,974	28,785,553			182,711,000		285,137,527
Less accumulated depreciation	<u>(301,388,818)</u>	<u>(45,006,828)</u>	<u>(73,556,516)</u>	<u>(16,704,951)</u>	<u>(680,380,000)</u>	<u>(17,170,552)</u>	<u>(1,134,207,665)</u>
Capital assets, net of accumulated depreciation	<u>828,016,120</u>	<u>82,451,789</u>	<u>38,795,698</u>	<u>21,424,061</u>	<u>1,816,737,000</u>	<u>8,647,922</u>	<u>2,796,072,590</u>
Total noncurrent assets	<u>897,215,118</u>	<u>119,024,970</u>	<u>40,284,686</u>	<u>79,100,005</u>	<u>1,872,547,000</u>	<u>9,250,442</u>	<u>3,017,422,221</u>
Total assets	<u>936,226,936</u>	<u>123,270,734</u>	<u>50,841,790</u>	<u>94,996,016</u>	<u>2,023,180,000</u>	<u>10,199,458</u>	<u>3,238,714,934</u>

(continued)

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF NET ASSETS (continued)**  
**COMPONENT UNITS**  
**June 30, 2009**

	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
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	10,841,422	1,206,325	4,476,612	315,197	18,770,000	177,184	35,786,740
Accrued payroll and withholdings	537,347					126,169	663,516
Compensated absences payable	882,623		3,179,502				4,062,125
Capital lease obligation, current portion			778,380			4,874	783,254
Due to other governmental agencies	11,427,444						11,427,444
Customer advances and deposits payable	5,075,143				3,478,000		8,553,143
Accrued interest payable	1,098,674	307,142			8,143,000		9,548,816
Notes payable, current portion				982,911			982,911
Bonds payable, current portion	9,310,000	3,235,000			23,105,000		35,650,000
Other liabilities from restricted assets	2,015,479	460,530					2,476,009
Claims and judgments payable			2,076,753				2,076,753
Deferred revenue		90,424	1,960,888	449,450		47,642	2,548,404
Dividend payable	1,455,710						1,455,710
<b>Total current liabilities</b>	<b>42,643,842</b>	<b>5,299,421</b>	<b>12,472,135</b>	<b>1,747,558</b>	<b>53,496,000</b>	<b>355,869</b>	<b>116,014,825</b>
Noncurrent liabilities:							
Accounts payable					2,114,000		2,114,000
Deferred revenue	3,576,501				14,463,000		18,039,501
Unamortized debt premium	2,283,813				10,835,000		13,118,813
Notes payable				58,624,245			58,624,245
Bonds payable, less current portion	170,565,000	74,198,277			1,385,185,000		1,629,948,277
Long term capital lease obligation, less current portion			185,461			3,928	189,389
<b>Total noncurrent liabilities</b>	<b>176,425,314</b>	<b>74,198,277</b>	<b>185,461</b>	<b>58,624,245</b>	<b>1,412,597,000</b>	<b>3,928</b>	<b>1,722,034,225</b>
<b>Total liabilities</b>	<b>219,069,156</b>	<b>79,497,698</b>	<b>12,657,596</b>	<b>60,371,803</b>	<b>1,466,093,000</b>	<b>359,797</b>	<b>1,838,049,050</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	648,141,120	5,018,512	37,831,857	21,424,055	470,445,000		1,182,860,544
Restricted for capital projects	62,570,964					1,074,589	63,645,553
Restricted for debt service					100,225,000		100,225,000
Unrestricted	6,445,696	38,754,524	352,337	13,200,158	(13,583,000)	8,765,072	53,934,787
<b>Total net assets</b>	<b>\$ 717,157,780</b>	<b>\$ 43,773,036</b>	<b>\$ 38,184,194</b>	<b>\$ 34,624,213</b>	<b>\$ 557,087,000</b>	<b>\$ 9,839,661</b>	<b>\$ 1,400,665,884</b>

\*Amounts for the Louisville Water Company are for December 31, 2008.

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**COMPONENT UNITS**  
**For the Year Ended June 30, 2009**

	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
<b>OPERATING REVENUES:</b>							
Charges for sales and services:							
Water sales	\$ 136,743,203						\$ 136,743,203
Parking		\$ 15,637,334				\$ 181,138	15,818,472
Transit fares and advertising			\$ 11,692,790				11,692,790
Port fees and rents				\$ 1,643,056			1,643,056
Sewer charges					\$ 167,556,000		167,556,000
Admissions and museum support						4,628,374	4,628,374
Total operating revenues	136,743,203	15,637,334	11,692,790	1,643,056	167,556,000	4,809,512	338,081,895
<b>OPERATING EXPENSES:</b>							
Cost of operations	58,892,084	3,331,535	65,520,920	1,301,650		3,289,914	132,336,103
General and administrative		3,599,557		509,199	68,742,000	823,223	73,673,979
Depreciation and amortization	23,159,916	3,959,802	7,584,853	942,526	56,727,000	1,241,898	93,615,995
Water services in lieu of taxes	11,411,409						11,411,409
Total operating expenses	93,463,409	10,890,894	73,105,773	2,753,375	125,469,000	5,355,035	311,037,486
Operating income (loss)	43,279,794	4,746,440	(61,412,983)	(1,110,319)	42,087,000	(545,523)	27,044,409
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment income	2,346,515	230,578		86,922	25,568,000		28,232,015
Interest income on direct financing lease				3,657,451			3,657,451
Mass transit subsidies			58,189,043				58,189,043
Capital reimbursements		1,011,813					1,011,813
Interest expense	(6,732,589)	(1,716,981)	(52,416)	(3,634,917)	(72,776,000)		(84,912,903)
Rent expense		(432,333)					(432,333)
Contributions in aid of construction	11,962,468				11,689,000		23,651,468
Dividends paid and payable	(17,530,210)						(17,530,210)
Miscellaneous	348,294			45,490			393,784
Total nonoperating revenues (expenses)	(9,605,522)	(906,923)	58,136,627	154,946	(35,519,000)	-	12,260,128
Net income (loss) before distributions	33,674,272	3,839,517	(3,276,356)	(955,373)	6,568,000	(545,523)	39,304,537
Change in net assets	33,674,272	3,839,517	(3,276,356)	(955,373)	6,568,000	(545,523)	39,304,537
Net assets, beginning of year	683,483,508	39,933,519	41,460,550	35,579,586	550,519,000	10,385,184	1,361,361,347
Net assets, end of year	\$ 717,157,780	\$ 43,773,036	\$ 38,184,194	\$ 34,624,213	\$ 557,087,000	\$ 9,839,661	\$ 1,400,665,884

\*Amounts for the Louisville Water Company are for the year ended December 31, 2008.

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, 2009**

**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 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, 2009**

**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. It is reported as part of the primary government because its purpose is to issue bonds solely on behalf of Metro Government.
- The Revenue Finance Corporation - The Revenue Finance Corporation is a non-profit municipal corporation which is used for the acquisition and implementation of public projects financed by increments in tax revenues. It exists solely for the benefit of Metro Government and is accordingly reported as part of the primary government.
- Capital Projects Corporation (“CPC”) - The 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 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 \$11,411,409 were provided to Metro Government in lieu of taxes during the year ended December 31, 2008. Complete financial statements of the LWC can be requested from the Louisville Water Company, 550 South Third Street, Louisville, KY 40202.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

- 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 future needs. PARC also operates several parking garages in the downtown area. PARC is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to approve or overrule decisions of PARC in financing of new facilities and equipment. Complete financial statements of PARC can be requested from the Parking Authority of River City, 517 South Fourth Street, Louisville, KY 40202.
- Transit Authority of River City (“TARC”) - TARC is a legally separate entity that operates the mass transit system in the metropolitan area. TARC is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to approve, disapprove, revise, amend, or otherwise alter 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 totaled \$41,166,934. Complete financial statements of TARC can be requested from the Transit Authority of River City, 1000 West Broadway, Louisville, KY 40203.
- Louisville and Jefferson County Riverport Authority (“Riverport”) - Riverport is a legally separate entity that acquires, develops, and markets land for operation of a river port industrial complex. Riverport is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to impose its will on Riverport’s decisions. Complete financial statements of Riverport can be requested from the Louisville and Jefferson County Riverport Authority, 6900 Riverport Drive, Louisville, KY 40258.
- Louisville and Jefferson County Metropolitan Sewer District (“MSD”) - The MSD is a legally separate entity that provides sewer services to the residents of the metropolitan area and charges fees for those services. MSD is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to veto, overrule, or modify decisions of MSD regarding expansion of infrastructure and sewage facilities. Metro Government does not provide any funding to MSD. The amount of free services provided in fiscal year 2009 was approximately \$3,100,000. 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 entity that provides museum exhibits and scientific programs to the public. Financial support is received from admissions, merchandise sales, memberships, parking

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

fees, donations, and an appropriation from Metro Government. It is shown as a discretely presented component unit because the Mayor appoints a voting majority of its Board of Directors. During the year ended June 30, 2009, Metro Government paid \$906,000 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**

**C. 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, 2009.

**D. 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.

**E. 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 \$11,616,563 in transient room taxes collected by the Revenue Commission during the 2009 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

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

acquisition, construction and improvement of capital assets. The outstanding debt is also offset by any unspent proceeds from such debt.

- 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, licenses, interest revenue and charges for services. Occupational taxes, fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments, are recorded only when payment is due.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

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

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.

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 proceeds of specific revenue sources 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.
- 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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

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

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

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

**E. Budgets**

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

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

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 Office of Management and Budget consistent with the approved budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2009 were as follows:

General Fund	\$	2,164,580
Special Revenue Fund		10,600,146
Special Purpose Fund		2,765,676
Total Governmental Funds	<u>\$</u>	<u>15,530,402</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 maturity 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 fund lending funds reports an offsetting due from other funds of Metro Government. At June 30, 2009, the Special Revenue Fund showed an amount due to the General Fund of \$10,993,822.

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 2 for additional information.

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

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

**G. Taxes Receivable**

Net taxes receivable not expected to be collected within sixty days after the close of the fiscal year, thus not available to pay current liabilities at June 30, 2009, have been recorded in the balance sheet of the General Fund and in the government wide statement of net assets as deferred revenue.

This is Metro Government's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 31, following year	5% penalty added
April 15, following year	10% interest plus 10% penalty added to above

Continued



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

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

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

**H. Interfund Receivables/Payables**

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

**I. Land Held for Development**

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

**J. Inventories and Prepaid Items**

Inventories are valued at cost, which approximates market, using the first-in, first-out 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, 2009 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.

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

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**1. Summary of Significant Accounting Policies, continued**

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

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

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

**L. Compensated Absences**

Vested and accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported in the fund's financial statements as an expenditure and a fund liability of the governmental fund that will pay it only when the liability has matured. In the government-wide statement of net assets, the total amount of vested or accumulated vacation leave is reported within the liabilities. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. Vacation pay may be accumulated up to 60 days. Earned vacation pay up to a maximum of 40 days is payable upon termination of employment.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for sick pay benefits in the government's fund financial statements, but is reported in the government-wide financial statements. Sick leave, which has no maximum accumulation, is charged to expense when paid.

Qualified participants in the County 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 in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**1. Summary of Significant Accounting Policies, continued**

**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, 2009. 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. Deficit Fund Balances**

The Internal Service Fund has a deficit balance of unrestricted net assets of \$46,828,549 at June 30, 2009. The Internal Service Fund's charges to users in subsequent fiscal years are responsible for funding this deficit.

**P. Fund Balances**

Metro Government has elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2009. 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 legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2009 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 reported pursuant to ordinances passed by the Metro Council, Metro Government's highest level of decision making authority. Committed fund balance for the General Fund is further classified as follows:

Committed for:	
General Government	\$ 3,788,552
Metro Council	403,939
Corrections	58,295
Neighborhoods	40,000
Mayor's Office	34,281
Neighborhood Development Funds	1,844,092
Public Health & Wellness	300,000
Parks & Recreation	<u>30,571</u>
Committed Fund Balance	<u>\$ 6,499,730</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.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

- 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. 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.

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.

**Q. Interfund Transactions**

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

**R. Use of Estimates**

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

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**1. Summary of Significant Accounting Policies, continued**

**S. Louisville Water Company Dividends**

The LWC has a quarterly dividend policy. Because the reporting period of the LWC covers the year ended December 31, 2008, 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, 2008	\$ 4,018,625	
June 30, 2008	4,018,625	
September 30, 2008	4,018,625	\$ 4,018,625
December 31, 2008	4,018,625	4,018,625
March 31, 2009		4,625,653
June 30, 2009		4,625,652
	<u>\$ 16,074,500</u>	<u>\$ 17,288,555</u>

**T. Restatement**

The beginning balance of the Revenue Commission's Agency Fund has been restated to reflect the correction of a prior year error. The effect of the adjustment was a decrease of \$64,332 to the Agency Fund's assets and liabilities.

**2. Cash Deposits and Investments**

**A. Pooled Portfolio Investments**

The following schedule presents the investments in Metro Government's pooled portfolio as of June 30, 2009, at fair value, with maturities (using the weighted average method), and credit risk ratings (from Moody's Investors Service):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>Credit Rating</u>
Money Market Mutual Funds	\$ 23,799,685	0.13	Aaa
U.S. Treasury Notes	28,735,399	2.34	Aaa
U.S. Agency Obligations	71,041,801	1.04	Aaa
Municipal Bonds	4,676,632	0.25	Aaa - Aa2*
Commercial Paper	9,997,570	0.17	P1
Total	<u>\$ 138,251,087</u>		
Portfolio weighted average maturity		1.07	

\* \$1,005,230 of municipal bonds were not rated by Moody's, but had a Standard & Poor's rating of AA- .

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**2. Cash Deposits and Investments, continued**

**B. Non-Pooled Portfolio Investments**

Non-pooled portfolio investments of the primary government include all restricted assets of the Capital Projects Funds and Debt Service Funds. These investments are subject to the same Metro Government investment policies as the pooled portfolio investments. Non-pooled portfolio investments as of June 30, 2009 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	\$ 8,698,922	0.14	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.

Metro Government was fully collateralized and all investments held in the Metro Government's name as of June 30, 2009.

**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 of rating of no less than 'A1' (or its equivalent) at the time of purchase.

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**2. Cash Deposits and Investments, continued**

**F. Concentration of Credit Risk**

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

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

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

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

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

**G. Revenue Commission**

The bank balances at June 30, 2009, including cash with paying agents, were \$12,534,471. Of this amount, \$500,000 was covered by Federal Deposit Insurance Corporation (“FDIC”). The remainder was collateralized by the bank holding deposits in the Revenue Commission’s name.

The investment balances at June 30, 2009 of \$47,394,672 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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**2. Cash Deposits and Investments, continued**

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.

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 institutions which are 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.

Continued



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**2. Cash Deposits and Investments, continued**

**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 investment policy described within this note.

The Firefighters’ Pension Fund had deposits of \$526,974 at June 30, 2009. Of this amount, \$100,584 was covered by the FDIC. The remaining \$426,390 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 \$182,320 at June 30, 2009, which were 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.

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.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**June 30, 2009**

**2. Cash Deposits and Investments, continued**

Metro Government's fiduciary fund investments are summarized in the table below as of June 30, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>Credit Rating</u>
<b>Mass Transit Trust Fund</b>			
Money Market Mutual Funds	\$ 6,197,862	0.13	Aaa
<b>Escrow and Deposit Fund</b>			
U.S. Treasury Obligations	\$ 8,488,172	6.63	Aaa
Money Market Funds	3,500,000	0.13	Aaa
Total	<u>\$ 11,988,172</u>		
Portfolio weighted average maturity		4.74	
<b>Firefighters' Pension Fund</b>			
U.S. Agency Obligations	\$ 20,433	7.43	Aaa
Bond Mutual Funds	1,950,482	6.43	NR
Equity Securities	4,946,296		
Other Investments	68,344		
Total	<u>\$ 6,985,555</u>		
Portfolio weighted average maturity		7.98	
<b>Policemen's Retirement Fund</b>			
U.S. Treasury Obligations	\$ 466,816	4.80	Aaa*
U.S. Agency Obligations	398,359	3.57	Aaa**
Corporate Bonds	432,444	15.58	Aaa-Baa***
Equity Securities	5,532,341		
Money Market Funds	542,023	0.12	NR
Other Investments	5,086		
Total	<u>\$ 7,377,069</u>		
Portfolio weighted average maturity		8.78	

\* \$99,828 of treasury obligations were not rated by the rating agencies.

\*\* \$24,855 of agency securities were not rated by the rating agencies.

\*\*\* \$129,092 of corporate bonds were not rated by the ratings agencies.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**2. 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>
<b>LWC</b>			
U.S. Treasury Obligations	\$ 4,700,000	4.88	Aaa
Money Market Mutual Funds	37,403,743	0.14	Aaa
Total	<u>\$ 42,103,743</u>		
Portfolio weighted average maturity		0.67	
<b>PARC</b>			
U.S. Government Money Market Funds	<u>\$ 37,818,781</u>	0.14	Aaa
<b>TARC</b>			
U.S. Government Money Market Funds	<u>\$ 2,139,855</u>	0.21	Aaa
<b>Riverport</b>			
U.S. Treasury Bills	\$ 3,285,266	0.43	Aaa
U.S. Treasury Notes	1,430,854	0.32	Aaa
Total	<u>\$ 4,716,120</u>		
Portfolio weighted average maturity		0.41	
<b>MSD</b>			
U.S. Treasury Bills	\$ 5,445,619	0.03	Aaa
U.S. Agency Discount Notes	27,869,894	0.37	Aaa
U.S. Treasury Obligations	15,486,000	6.70	Aaa
Tax Exempt State & Municipal Bonds	12,501,431	28.56	Aa
Money Market Funds	51,216,785	0.12	Aaa
Repurchase Agreements	15,260,199		
Total	<u>\$ 127,779,928</u>		
Portfolio weighted average maturity		4.24	
<b>LSC</b>			
Bond Mutual Funds	\$ 67,673	5.78	Aa1/Aa2
Money Market Funds	86,051	0.53	A1/P1
Money Market Funds	21,300	0.14	Aaa
Other Investments	205,468	N/R	N/A
Total	<u>\$ 380,492</u>		
Portfolio weighted average maturity		2.51	

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**2. Cash Deposits and Investments, continued**

As of December 31, 2008, the LWC had \$795,941 in deposits that were not covered by FDIC insurance and were not collateralized and \$12,118,000 in deposits that were uninsured and collateralized with securities held by the pledging financial institution. LSC had deposits of \$557,861 that were covered by FDIC insurance and \$85,179 that were uninsured and collateralized with securities held by the pledging financial institution.

**3. Disaggregation of Accounts Receivable and Accounts Payable**

Accounts receivable are amounts owed to Metro Government as of June 30, 2009. Those amounts to be received within one year are considered current. All others are considered non-current.

Receivables at June 30, 2009 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, including allowance for uncollectible amounts, are as follows:

<u>Fund:</u>	<u>Receivables:</u>						
	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Notes</u>	<u>Gross Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
General	\$ 7,225,768	\$ 18,493,403	\$ 1,746,720		\$ 27,465,891	\$ (3,540,626)	\$ 23,925,265
Special Revenue		6,704,377	15,400,542		22,104,919	(6,843,245)	15,261,674
Major Capital Projects		40,434	2,487,087	\$ 3,724,066	6,251,587	(210,480)	6,041,107
Nonmajor Governmental		22,584			22,584		22,584
Internal Service		374,239			374,239		374,239
Fiduciary		551,766			551,766		551,766
Total Governmental Funds	<u>\$ 7,225,768</u>	<u>\$ 26,186,803</u>	<u>\$ 19,634,349</u>	<u>\$ 3,724,066</u>	<u>\$ 56,770,986</u>	<u>\$ (10,594,351)</u>	<u>\$ 46,176,635</u>
Component Units		\$ 38,609,103		\$ 1,436,694	\$ 40,045,797	\$ (603,229)	\$ 39,442,568

Accounts payable are amounts owed by Metro Government as of June 30, 2009. Those liabilities to be paid within one year are considered current. All others are considered non-current.

Payables at June 30, 2009 for Metro Government's individual major funds, internal service funds, and fiduciary funds in the aggregate, are as follows:

<u>Fund:</u>	<u>Payables:</u>			
	<u>Vendors</u>	<u>Notes</u>	<u>Other</u>	<u>Total</u>
General	\$ 11,826,653		\$ 749,405	\$ 12,576,058
Special Revenue	7,886,332			7,886,332
Major Capital Projects	3,231,729	\$ 2,000,000		5,231,729
Special Purpose	281,289			281,289
Nonmajor Governmental	2,800			2,800
Internal Service	2,828,663			2,828,663
Fiduciary	62,908	3,500,000		3,562,908
Total Governmental Funds	<u>\$ 26,120,374</u>	<u>\$ 5,500,000</u>	<u>\$ 749,405</u>	<u>\$ 32,369,779</u>
Component Units	\$ 37,900,740	\$ 59,607,156		\$ 97,507,896

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 295,248,986	\$ 15,863,684	\$ (15,630)	\$ 311,097,040
Land improvements	3,937,067	11,366		3,948,433
Construction in progress	70,830,068	56,674,614	(10,357,803)	117,146,879
Works of art	255,000			255,000
Total capital assets not being depreciated	<u>370,271,121</u>	<u>72,549,664</u>	<u>(10,373,433)</u>	<u>432,447,352</u>
Other capital assets:				
Land improvements	81,098,203	2,161,816	(155,200)	83,104,819
Buildings	348,021,974	30,169,783	(3,171,954)	375,019,803
Machinery and equipment	52,866,983	3,403,262	(1,883,997)	54,386,248
Vehicles	105,486,224	7,250,576	(10,028,229)	102,708,571
Collections and works of art	33,239,747	2,257,291	(2,881,766)	32,615,272
Infrastructure	907,793,958	2,842,280		910,636,238
Total other capital assets at historical cost	<u>1,528,507,089</u>	<u>48,085,008</u>	<u>(18,121,146)</u>	<u>1,558,470,951</u>
Less accumulated depreciation for:				
Land improvements	(38,843,927)	(3,562,011)	35,950	(42,369,988)
Buildings	(134,726,712)	(7,460,991)	694,501	(141,493,202)
Machinery and equipment	(40,055,488)	(4,454,683)	1,742,681	(42,767,490)
Vehicles	(74,330,115)	(7,377,029)	9,534,661	(72,172,483)
Collections and works of art	(24,701,865)	(2,712,592)	2,879,912	(24,534,545)
Infrastructure	(791,114,222)	(16,290,956)		(807,405,178)
Total accumulated depreciation	<u>(1,103,772,329)</u>	<u>(41,858,262)</u>	<u>14,887,705</u>	<u>(1,130,742,886)</u>
Other capital assets, net	<u>424,734,760</u>	<u>6,226,746</u>	<u>(3,233,441)</u>	<u>427,728,065</u>
Governmental activities capital assets, net	<u>\$ 795,005,881</u>	<u>\$ 78,776,410</u>	<u>\$ (13,606,874)</u>	<u>\$ 860,175,417</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. Capital Assets, continued**

Depreciation expense was charged to governmental activities as follows:

General Government:	
Metro Council	\$ 1,410
Mayor's Office	21,639
Other Elected Officials	325,561
Public Protection:	
Fire	871,581
Emergency Medical Services	935,724
Emergency Management	419,834
Corrections	95,754
Youth Detention Services	24,955
Animal Control Services	27,068
Police	700,570
Economic Development:	
Metro Development Authority	1,989,334
Air Pollution Control	85,954
Codes & Regulations:	
Inspections, Permits and Licenses	18,285
Planning and Design Services	1,968
Parks & Recreation	1,209,389
Housing & Family Services:	
Housing	4,849
Human Services	508
Community Action Partnership	980
Public Health & Wellness	227,143
Neighborhoods	4,327
Public Works & Assets:	
Public Works	16,505,433
General Services Administration	10,547,140
Solid Waste Management Services	21,254
Information Technology	1,623,713
Finance & Administration	67,427
Human Resources	1,520
Related Agencies:	
Human Relations Commission	766
Louisville Free Public Library	2,861,910
Louisville Zoological Gardens	1,040,614
Waterfront Development Corporation	<u>2,221,652</u>
Total depreciation expense	<u>\$ 41,858,262</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**4. Capital Assets, continued**

Capital asset activity for the LWC for the year ended December 31, 2008 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 7,215,745	\$ 499,067	\$ (1,284)	\$ 7,713,528
Construction in progress	58,411,614	73,130,662	(57,901,302)	73,640,974
Total capital assets not being depreciated	<u>65,627,359</u>	<u>73,629,729</u>	<u>(57,902,586)</u>	<u>81,354,502</u>
Other capital assets:				
Buildings	89,047,541	12,411,531	(102,203)	101,356,869
Machinery and equipment	46,629,291	3,339,563	(238,886)	49,729,968
Infrastructure	862,366,257	36,680,316	(2,082,974)	896,963,599
Total other capital assets at historical cost	<u>998,043,089</u>	<u>52,431,410</u>	<u>(2,424,063)</u>	<u>1,048,050,436</u>
Less accumulated depreciation for:				
Buildings	(31,815,475)	(2,135,997)	79,131	(33,872,341)
Machinery and equipment	(29,780,358)	(4,088,645)	227,897	(33,641,106)
Infrastructure	(217,732,631)	(17,156,218)	1,013,478	(233,875,371)
Total accumulated depreciation	<u>(279,328,464)</u>	<u>(23,380,860)</u>	<u>1,320,506</u>	<u>(301,388,818)</u>
Other capital assets, net	718,714,625	29,050,550	(1,103,557)	746,661,618
Capital assets, net	<u>\$ 784,341,984</u>	<u>\$ 102,680,279</u>	<u>\$ (59,006,143)</u>	<u>\$ 828,016,120</u>

Capital asset activity for PARC for the year ended June 30, 2009 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 9,304,855			\$ 9,304,855
Construction in progress	5,804,790	\$ 24,821,086	\$ (1,840,323)	28,785,553
Total capital assets not being depreciated	<u>15,109,645</u>	<u>24,821,086</u>	<u>(1,840,323)</u>	<u>38,090,408</u>
Other capital assets:				
Buildings and Improvements	83,651,191	1,362,093		85,013,284
Machinery and equipment	4,134,769	220,156		4,354,925
Total other capital assets at historical cost	<u>87,785,960</u>	<u>1,582,249</u>	-	<u>89,368,209</u>
Less accumulated depreciation	(41,544,604)	(3,462,224)		(45,006,828)
Other capital assets, net	46,241,356	(1,879,975)	-	44,361,381
Capital assets, net	<u>\$ 61,351,001</u>	<u>\$ 22,941,111</u>	<u>\$ (1,840,323)</u>	<u>\$ 82,451,789</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**4. Capital Assets, continued**

Capital asset activity for TARC for the year ended June 30, 2009 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 3,177,782			\$ 3,177,782
Other capital assets:				
Buildings	23,974,497	\$ 602,257		24,576,754
Vehicles	69,903,298	1,526,622	\$ (5,065,704)	66,364,216
Capitalized leased vehicles	4,734,946		(162,129)	4,572,817
Machinery and equipment	13,147,287	1,334,056	(820,698)	13,660,645
Total other capital assets at historical cost	111,760,028	3,462,935	(6,048,531)	109,174,432
Less accumulated depreciation	(72,007,154)	(7,584,853)	6,035,491	(73,556,516)
Other capital assets, net	39,752,874	(4,121,918)	(13,040)	35,617,916
Capital assets, net	<u>\$ 42,930,656</u>	<u>\$ (4,121,918)</u>	<u>\$ (13,040)</u>	<u>\$ 38,795,698</u>

Capital asset activity for Riverport for the year ended June 30, 2009 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land and improvements	\$ 8,101,986			\$ 8,101,986
Other capital assets:				
Buildings	29,876,198	\$ 55,041	\$ (77,100)	29,854,139
Other	172,887			172,887
Total other capital assets at historical cost	30,049,085	55,041	(77,100)	30,027,026
Less accumulated depreciation for:				
Buildings	(15,690,228)	(850,181)		(16,540,409)
Other	(149,297)	(15,245)		(164,542)
Total accumulated depreciation	(15,839,525)	(865,426)	-	(16,704,951)
Other capital assets, net	14,209,560	(810,385)	(77,100)	13,322,075
Capital assets, net	<u>\$ 22,311,546</u>	<u>\$ (810,385)</u>	<u>\$ (77,100)</u>	<u>\$ 21,424,061</u>

Capital asset activity for MSD for the year ended June 30, 2009 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Construction in progress	\$ 136,695,000	\$ 77,424,000	\$ (31,408,000)	\$ 182,711,000
Other capital assets:				
Infrastructure	2,281,413,000	37,118,000	(4,125,000)	2,314,406,000
Less accumulated depreciation	(628,296,000)	(56,144,000)	4,060,000	(680,380,000)
Other capital assets, net	1,653,117,000	(19,026,000)	(65,000)	1,634,026,000
Capital assets, net	<u>\$ 1,789,812,000</u>	<u>\$ 58,398,000</u>	<u>\$ (31,473,000)</u>	<u>\$ 1,816,737,000</u>



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**June 30, 2009**

**4. Capital Assets, continued**

Capital asset activity for the LSC for the year ended June 30, 2009 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	\$ 242,756		\$ (223,682)	\$ 19,074
Other capital assets:				
Leasehold improvements	4,836,913	\$ 1,154,499		5,991,412
Machinery and equipment	861,688	124,580		986,268
Museum exhibits	18,508,497	313,223		18,821,720
Total other capital assets				
at historical cost	24,207,098	1,592,302	-	25,799,400
Less accumulated depreciation	(15,928,654)	(1,241,898)		(17,170,552)
Other capital assets, net	8,278,444	350,404	-	8,628,848
Capital assets, net	<u>\$ 8,521,200</u>	<u>\$ 350,404</u>	<u>\$ (223,682)</u>	<u>\$ 8,647,922</u>

**5. Land Held for Development**

Land held for development at June 30, 2009 is summarized as follows:

	Riverport Authority
Land held for development	<u>\$ 6,863,302</u>

**6. 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 \$1,000,000 per occurrence with a \$1,000,000 corridor. Excess coverage is purchased above this retained level.
- C. Unemployment Compensation: Completely self-insured.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**6. Risk Management, continued**

- D. Group Health Coverage: Prior to January 1, 2009, eligible Metro Government employees participated in group health coverage through six Preferred Provider Organization ("PPO") plans offered through Metro Government's health self-insurance fund, which were administered by Humana, Inc and Anthem Blue Cross and Blue Shield ("Anthem"). On January 1, 2009, the PPO plans administered by Anthem were terminated and all eligible employees electing coverage participated in the PPO plans 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 administered by Humana, Inc.
- 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 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.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**6. Risk Management, continued**

The claims liability of \$71,153,837 reported in the Fund at June 30, 2009 is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus*. Claims liabilities are estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific incremental claim adjustment expenses; allocated loss adjustments; and are reduced for estimated recoveries on unsettled claims.

Changes in the Fund's claims liability amount in fiscal years 2008 and 2009 were as follows:

Year ending June 30	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2008	\$ 24,999,327	\$ 48,823,549	\$ 49,593,626	\$ 24,229,250
2009	24,229,250	98,645,823	51,721,236	71,153,837

The liability associated with the health self-insurance fund as of June 30, 2009 is \$2,700,000 and is included as a liability in the Fund.

Metro Government is also a member of LAGIT (for liability exposures) and LAGGIT (for property exposures) which are separate risk-sharing mechanisms formed for public entities located in Jefferson County, Kentucky. The Metro Risk Management Division has the administrative responsibility for actual operations of LAGIT and LAGGIT and independently audited financial statements of each trust are available through the Metro Government Office of Management and Budget.

Metro Government's annual administrative fee for LAGIT was \$37,998, of which \$20,913 was transferred to the County Attorney's Office for legal services. \$60,700 was paid by LAGIT directly to Risk and Insurance Solutions, LLC for administrative services delegated by Metro Government to this professional services company.

Metro Government's annual administrative fee for LAGGIT was \$33,084. \$25,292 was paid directly by LAGGIT to Risk and Insurance Solutions, LLC for administrative services delegated by Metro Government to this professional services company.

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**  
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**June 30, 2009**

**7. Short-Term Debt**

On July 1, 2008, the Escrow and Deposit Fund re-issued the Amended and Restated General Obligation Bond Anticipation Note, Series 2008A for \$3,500,000. 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 interest on the original note made by Metro Government has been paid in full through June 30, 2009.

The following table outlines activity on short-term notes during fiscal year 2009:

Year ending June 30	Beginning Balance	Additions	Reductions	Ending Balance
2009	\$ 3,500,000	\$ 3,500,000	\$ (3,500,000)	\$ 3,500,000

**8. 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 \$275,187,000 of General Obligation Bonds and Bond Anticipation Notes outstanding at June 30, 2009. The primary collateral for the General Obligation Bonds are the occupational license tax and net profits license tax collected by the Revenue Commission. The Revenue Commission is the fiscal agent for general obligation bonded debt issued by the City of Louisville before January 6, 2003, and by Metro Government thereafter. Metro Government is the fiscal agent for general obligation bonded debt issued before January 6, 2003 by Jefferson County Fiscal Court. Metro Government's General Fund is contingently liable as guarantor of the general obligation bonded debt.

In November 2004, Metro Government issued \$5,655,000 of General Obligations Bonds, Series 2004B for the purpose of financing capital improvements of designated parking facilities for PARC. PARC has entered into an operating sublease agreement with Metro Government to provide payment in amounts equal to the debt service on the series 2004B bonds. The sublease is renewable annually through fiscal year 2025 at the option of PARC.

In December 2008, Metro Government issued \$44,000,000 of General Obligation Bond Anticipation Notes, Series 2008A ("BAN"). The BAN will mature in full on December 1, 2009. Proceeds from the BAN are being used for the purpose of acquiring, constructing and equipping various municipal improvements of Metro Government in accordance with the Metro Government Capital Improvements Budget. Specifically,

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**8. Long-Term Debt, continued**

some proceeds of this BAN are being used to purchase land related to the City Center Project.

In November 2009, Metro Government issued \$41,275,000 of General Obligation Bonds, Series 2009E, in part to refinance the BAN upon maturity. Pursuant to the Financial Accounting Standards Board ("FASB") Statement No. 6, *Classification of Short-Term Obligations Expected to be Refinanced*, paragraph 11, Metro Government is classifying the BAN as a long-term liability in the financial statements as of June 30, 2009.

In May 2009, Metro Government issued the following refunding bonds:

- \$8,150,000 of General Obligation Refunding Bonds, Series 2009A to refund, at a premium, the City of Louisville Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 1998. The Series 2009A bonds are payable annually in principal installments ranging from \$40,000 to \$775,000 plus interest ranging from 2.0% to 4.0% over 14 years. The refunding provided for a cumulative savings of \$2,099,679 over the life of the bonds resulting in net present value savings of \$954,410 or 10.67% of refunded principal.
- \$33,285,000 of General Obligation Refunding Bonds, Series 2009B to refund, at a premium, the City of Louisville, Kentucky, General Obligation Refunding Bonds, Series 1998A and the Jefferson County, Kentucky, General Obligation Refunding Bonds, Series 1998A. The Series 2009B bonds are payable annually in principal installments ranging from \$3,005,000 to \$3,735,000 plus interest ranging from 2.0% to 3.0% over 10 years. The refunding provided for a cumulative savings of \$3,022,708 over the life of the bonds resulting in net present value savings of \$2,675,727 or 8.17% of refunded principal.
- \$14,740,000 of General Obligation Refunding Bonds, Series 2009C (Taxable) to refund, at par, the City of Louisville Public Properties Corporation First Mortgage Revenue Bonds, Second Series 1998. The Series 2009C bonds are payable annually in principal installments ranging from \$1,270,000 to \$1,710,000 plus interest ranging from 3.0% to 4.0% over 10 years. The refunding provided for a cumulative savings of \$2,286,014 over the life of the bonds resulting in net present value savings of \$1,926,872 or 13.01% of refunded principal.
- \$7,700,000 of General Obligation Refunding Bonds, Series 2009D (AMT) to refund, at par, the Jefferson County, Kentucky, General Obligation Refunding Bonds, Series 1999C (AMT). The Series 2009D bonds are payable annually in principal installments ranging from \$975,000 to \$1,255,000 plus interest ranging from 3.0% to 5.0% over 7 years. The refunding provided for a cumulative savings of \$802,948 over the life of the bonds resulting in net present value savings of \$725,233 or 9.04% of refunded principal.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**8. Long-Term Debt, continued**

General Obligation Bonds outstanding, including accreted interest, at June 30, 2009, are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2009
City of Louisville General Obligation				
Serial Bonds:				
Series 2001A	\$ 13,490	4.00 to 5.00%	2022	\$ 9,985
Series 2002A Exempt	38,900	3.75 to 5.00	2024	31,800
Series 2002B Taxable	8,550	4.625 to 6.05	2024	7,140
Jefferson Co. General Obligation				
Bonds:				
2000A Term & Coupon Bonds	2,595	7.70	2016	1,420
2000B Capital Appreciation Bonds	50,096	5.625 to 6.00	2015	27,581
2001A Current Interest Bonds	36,900	5.50	2012	12,620
2001B Current Interest Bonds	2,885	5.50	2011	700
2002A Serial Coupon	32,995	4.00 to 4.75	2020	20,350
Louisville/Jefferson Co. Metro				
Government General Obligation				
Bond Anticipation Notes:				
Series 2008A	44,000	2.50	2010	44,000
Louisville/Jefferson Co. Metro				
Government General Obligation				
Bonds:				
Series 2004A (Foundation for our Future)	23,840	3.00 to 5.00	2025	20,510
Series 2004B (PARC Improvements)	5,655	3.00 to 5.00	2025	4,865
Series 2006A (Blueprint for our Future)	33,255	4.00 to 4.50	2027	31,010
Series 2009A (Refunding)	8,150	2.00 to 4.00	2023	8,150
Series 2009B (Refunding)	33,285	2.00 to 3.00	2019	33,285
Series 2009C (Refunding)	14,740	3.00 to 4.00	2019	14,740
Series 2009D (Refunding)	7,700	3.00 to 5.00	2016	7,700
Total General Obligation Bonds				<u>275,856</u>
Net of premiums, discounts and deferred amounts on refunding				(669)
Total Net General Obligation Bonds				<u>\$ 275,187</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**8. Long-Term Debt, continued**

Debt service requirements to maturity for General Obligation Bonds, excluding accreted interest of \$11,480 (which is included in the table presented on page 62), are as follows (in thousands):

Year ending June 30	Principal	Interest	Total
2010	\$ 64,944	\$ 11,458	\$ 76,402
2011	21,177	9,873	31,050
2012	20,797	9,347	30,144
2013	17,160	8,913	26,073
2014	17,608	8,521	26,129
2015-2019	71,460	22,225	93,685
2020-2024	42,100	6,932	49,032
2025-2027	9,130	499	9,629
Totals	<u>\$ 264,376</u>	<u>\$ 77,768</u>	<u>\$ 342,144</u>

There are \$99,442,000 of First Mortgage and Lease Revenue Bonds outstanding at June 30, 2009. They are collateralized by mortgages on improvements to facilities acquired or constructed with debt proceeds. Annual debt service requirements are provided from the General Fund in amounts pursuant to contracts and lease arrangements.

First Mortgage and Lease Revenue Bonds outstanding, including accreted interest, at June 30, 2009, are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2009
Jefferson County Capital Projects				
Corporation Lease Revenue Bonds:				
1992A Municipal Multiplier				
Term Bonds	\$ 16,764	6.85 to 7.00%	2018	\$ 44,556
2007A Current Interest Bonds	58,855	4.00 to 4.375	2028	<u>56,855</u>
Total First Mortgage and Lease Revenue Bonds				101,411
Net of premiums, discounts and deferred amounts on refunding				<u>(1,969)</u>
Total Net First Mortgage and Lease Revenue Bonds				<u>\$ 99,442</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. Long-Term Debt, continued**

Debt service requirements to maturity for First Mortgage and Lease Revenue Bonds, excluding accreted interest of \$30,008 (which is included in the table presented on page 63), are as follows (in thousands):

Year ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010	\$ 3,612	\$ 5,446	\$ 9,058	
2011	3,616	5,487	9,103	
2012	3,809	6,037	9,846	
2013	5,051	9,509	14,560	
2014	4,146	7,158	11,304	
2015-2019	19,519	30,699	50,218	
2020-2024	16,095	5,522	21,617	
2025-2028	15,555	1,738	17,293	
Totals	<u>\$ 71,403</u>	<u>\$ 71,596</u>	<u>\$ 142,999</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, 2009.

Notes payable outstanding at June 30, 2009 is as follows:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Maturity During Year Ended</u>	<u>Debt Outstanding June 30, 2009</u>
New Market Tax Credit Promissory Note	4.00%	2011	\$ 2,000,000

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

Year ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010		\$ 81,111	\$ 81,111	
2011	\$ 2,000,000	71,333	2,071,333	
Totals	<u>\$ 2,000,000</u>	<u>\$ 152,444</u>	<u>\$ 2,152,444</u>	

**B. Discretely Presented Component Units**

**i. Louisville Water Company**

The LWC had \$67,070,000 in Water System Revenue Bonds, Series 2000, \$31,185,000 in Water System Refunding Bonds, Series 2001, and \$81,620,000 in Water System Revenue Bonds, Series 2006 outstanding at December 31, 2008.



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**June 30, 2009**

**8. Long-Term Debt, continued**

The Series 2000 bonds mature annually in amounts ranging from \$2,540,000 to \$5,870,000 from November 15, 2009 through 2025 and bear interest at rates ranging from 5.0% to 5.5%. The Series 2001 bonds mature annually in amounts ranging from \$4,590,000 to \$5,845,000 from November 15, 2009 through 2014 and bear interest at rates ranging from 4.0% to 4.7%. The Series 2006 bonds mature annually in amounts ranging from \$2,180,000 to \$5,470,000 from November 15, 2009 through 2031 and bear interest at rates ranging from 4.0% to 5.0%.

Bonds payable at December 31, 2008 consist of the following (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended December 31	Debt Outstanding December 31, 2008
Water System Revenue Bonds				
Series 2000	\$ 78,500	5.0 to 5.5%	2025	\$ 67,070
Series 2001	60,300	4.0 to 4.7	2014	31,185
Series 2006	83,845	4.0 to 5.0	2031	81,620
Total Water System Revenue Bonds				179,875
Net of premiums				2,284
Total Net Water System Revenue Bonds				<u>\$ 182,159</u>

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

Year ending December 31	Principal	Interest	Total
2009	\$ 9,310	\$ 8,789	\$ 18,099
2010	9,945	8,369	18,314
2011	10,215	7,920	18,135
2012	10,695	7,458	18,153
2013	11,200	6,975	18,175
2014-2018	38,245	28,220	66,465
2019-2023	41,275	19,001	60,276
2024-2028	33,305	8,237	41,542
2029-2031	15,685	1,593	17,278
Totals	<u>\$ 179,875</u>	<u>\$ 96,562</u>	<u>\$ 276,437</u>

**ii. Parking Authority of River City, Inc.**

PARC has \$6,795,000 of First Mortgage Revenue Refunding Bonds Series 2001, \$17,825,000 of First Mortgage Revenue Bonds Series 2002, \$39,265,000 of First Mortgage Revenue Bonds Series 2009A, and \$16,110,000 of First Mortgage Revenue Refunding Bonds Series 2009B outstanding at June 30, 2009, less \$2,561,723 of unamortized discount and loss on bond refunding, totaling \$77,433,277 of outstanding debt shown on the statement of net assets. The Series 2002 bonds were issued in December 2002, and the proceeds are being used for construction of a parking garage at the Muhammad Ali Center and completion of construction and improvements to other existing parking garages.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. Long-Term Debt, continued**

The Series 2001 bonds mature semi-annually in amounts ranging from \$460,000 to \$590,000 from December 1, 2009 through December 1, 2015 and bear interest ranging from 4.125% to 4.625%. The Series 2002 bonds mature annually in amounts ranging from \$355,000 to \$1,330,000 from June 1, 2010 through June 1, 2032 and bear interest ranging from 3.75% to 5.0%. The Series 2009A bonds mature annually in amounts ranging from \$670,000 to \$2,480,000 from December 1, 2010 through December 1, 2039 and bear interest ranging from 3.0% to 5.75%. The Series 2009B bonds mature annually in amounts ranging from \$1,950,000 to \$670,000 from December 1, 2009 through December 1, 2020 and bear interest ranging from 3.0% to 4.0%.

First Mortgage Revenue Bonds payable at June 30, 2009 consist of the following (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2009
First Mortgage Revenue Bonds				
Series 2001	\$ 12,960	4.125 to 4.625%	2016	\$ 6,795
Series 2002	19,460	3.75 to 5.0	2032	17,825
Series 2009A	39,265	3.0 to 5.375	2040	39,265
Series 2009B	16,110	3.0 to 4.0	2021	16,110
Total First Mortgage Revenue Bonds				79,995
Net of premiums, discounts and deferred amounts				(2,562)
Total Net First Mortgage Revenue Bonds				<u>\$ 77,433</u>

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

Year ending June 30	Principal	Interest	Total
2010	\$ 3,235	\$ 4,165	\$ 7,400
2011	3,835	3,449	7,284
2012	3,965	3,316	7,281
2013	4,100	3,178	7,278
2014	4,255	3,031	7,286
2015-2019	13,880	13,186	27,066
2020-2024	10,255	10,876	21,131
2025-2029	11,505	8,388	19,893
2030-2034	11,875	5,145	17,020
2035-2039	10,610	2,156	12,766
2040	2,480	67	2,547
Totals	<u>\$ 79,995</u>	<u>\$ 56,957</u>	<u>\$ 136,952</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**8. Long-Term Debt, continued**

**iii. Louisville and Jefferson County Riverport Authority**

On December 27, 2005, Riverport borrowed \$63,000,000 for the purchase of certain assets. The note has a fixed interest rate of 6% and is to be paid in annual installments of principal and interest based on an amortization of 30 years. The first installment was paid on December 27, 2005 with each subsequent installment due on December 27 of each year. The entire outstanding principal balance of the indebtedness, plus all accrued but unpaid interest, is due and payable on December 27, 2010. The property purchased with this note was leased back to the seller of the property through a direct financing lease. The outstanding principal balance was \$59,607,156 and interest expense on this note was \$3,634,917 for the year ended June 30, 2009.

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

Year ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	983	\$ 3,550	\$ 4,533
2011		58,624	1,752	60,376
Totals	\$	<u>59,607</u>	<u>\$ 5,302</u>	<u>\$ 64,909</u>

**iv. Metropolitan Sewer District**

MSD has \$1,408,290,000 of Revenue Bonds outstanding as of June 30, 2009. MSD's various bonds outstanding are listed in the following table (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year Ended June 30	Debt Outstanding June 30, 2009
Sewer and Drainage System				
Revenue Bonds:				
Series 1997A	\$ 51,245	5.25 to 6.00 %	2027	\$ 24,815
Series 1998A	260,000	4.25 to 9.00	2030	159,135
Series 1999A	300,000	5.25 to 6.50	2033	285,060
Series 2001A	300,000	5.00 to 5.50	2036	291,890
Series 2003A and 2003B	191,000	variable	2023	149,645
Series 2004A	100,000	5.00 to 5.25	2038	100,000
Series 2005A	64,740	3.00 to 5.00	2026	60,090
Series 2006A	100,000	4.00 to 5.00	2038	98,385
Series 2007A	59,665	4.00 to 5.00	2025	57,995
Series 2008A	105,000	4.00 to 5.00	2038	105,000
Series 2009A	76,275	5.00	2022	76,275
Total Sewer and Drainage System Revenue Bonds				<u>\$ 1,408,290</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**8. Long-Term Debt, continued**

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

Year ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010	\$ 23,105	\$ 71,323	\$ 94,428	
2011	24,135	70,278	94,413	
2012	25,255	69,150	94,405	
2013	26,440	67,955	94,395	
2014	27,715	66,669	94,384	
2015-2019	159,745	311,878	471,623	
2020-2024	201,365	269,066	470,431	
2025-2029	255,730	213,610	469,340	
2030-2034	330,460	138,875	469,335	
2035-2039	334,340	41,357	375,697	
Totals	<u>\$ 1,408,290</u>	<u>\$ 1,320,161</u>	<u>\$ 2,728,451</u>	

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**8. Long-Term Debt, continued**

**C. Summary of Debt Transactions:**

Long-term liability activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions and Accreted Interest</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Bonds and notes payable:					
General obligation debt	\$ 227,992	\$ 109,449	\$ (61,585)	\$ 275,856	\$ 64,944
Revenue bonds	130,204	2,972	(31,765)	101,411	3,612
Notes payable	2,000			2,000	
Bonds and notes payable	<u>360,196</u>	<u>112,421</u>	<u>(93,350)</u>	<u>379,267</u>	<u>68,556</u>
Net of bond premiums, discounts and deferred amount on refundings	(3,171)	579	(45)	(2,637)	
Total bonds and notes payable	<u>357,025</u>	<u>113,000</u>	<u>(93,395)</u>	<u>376,630</u>	<u>68,556</u>
Other liabilities:					
Capital lease	361		(77)	284	81
Claims and judgments	41,229	81,646	(51,721)	71,154	55,255
Compensated absences	18,887	18,948	(18,873)	18,962	1,788
Total other liabilities	<u>60,477</u>	<u>100,594</u>	<u>(70,671)</u>	<u>90,400</u>	<u>57,124</u>
Governmental activities long-term liabilities	<u>\$ 417,502</u>	<u>\$ 213,594</u>	<u>\$ (164,066)</u>	<u>\$ 467,030</u>	<u>\$ 125,680</u>
<b>COMPONENT UNITS:</b>					
Bonds and notes payable:					
LWC	\$ 190,879		\$ (8,720)	\$ 182,159	\$ 9,310
PARC	41,998	\$ 53,207	(17,772)	77,433	3,235
Riverport	60,533		(926)	59,607	983
MSD	1,427,060	76,275	(95,045)	1,408,290	23,105
Total bonds and notes payable	<u>1,720,470</u>	<u>129,482</u>	<u>(122,463)</u>	<u>1,727,489</u>	<u>36,633</u>
Other liabilities:					
Capital lease	1,836		(863)	973	783
Claims and judgments	2,298	1,264	(1,485)	2,077	2,077
Compensated absences	4,015	47		4,062	4,062
Total other liabilities	<u>8,149</u>	<u>1,311</u>	<u>(2,348)</u>	<u>7,112</u>	<u>6,922</u>
Component units long-term liabilities	<u>\$ 1,728,619</u>	<u>\$ 130,793</u>	<u>\$ (124,811)</u>	<u>\$ 1,734,601</u>	<u>\$ 43,555</u>

Balances for claims and judgments include \$71,153,837 reported in the Insurance and Risk Management Fund, an internal service fund.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**9. Capital Lease Obligations**

**Primary Government**

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

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

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 81,445	\$ 15,744	\$ 97,189
2011	86,613	10,576	97,189
2012	92,109	5,080	97,189
2013	23,926	371	24,297
Totals	<u>\$ 284,093</u>	<u>\$ 31,771</u>	<u>\$ 315,864</u>

**10. 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.

**11. Interfund Receivables, Payables, and Transfers**

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

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$ 38,602,254	
Special Revenue		\$ 10,993,822
Nonmajor Governmental	640,761	
Agency:		
Revenue Commission	12,263,941	
Mass Transit	3,566,090	
Internal Service:		
Revenue Commission		44,079,224
Totals	<u>\$ 55,073,046</u>	<u>\$ 55,073,046</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**11. Interfund Receivables, Payables, and Transfers, continued**

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

Interfund transfers during the fiscal year ended June 30, 2009 were as follows:

<u>Transfers out:</u>	<u>Interfund Transfers</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>	
General Fund		\$ 262,224	\$ 9,897,200	\$ 12,856,427	\$ 36,860,850	\$59,876,701
Special Revenue Fund	\$ 1,031,874				350,900	1,382,774
Capital Projects Fund	1,713,540					1,713,540
Nonmajor Governmental Funds					22,980,947	22,980,947
Total	<u>\$ 2,745,414</u>	<u>\$ 262,224</u>	<u>\$ 9,897,200</u>	<u>\$ 12,856,427</u>	<u>\$ 60,192,697</u>	<u>\$85,953,962</u>

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

**12. Customer Contributions for Water Pipeline Construction**

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

The customer advances 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 \$11,962,468 and is shown on the component unit's statement of revenues, expenses and changes in net assets as non-operating revenue.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**13. 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.

Subsequent to June 30, 2009, a settlement was reached in one lawsuit regarding the computation of overtime pay for firefighters in previous years. Please refer to Note 18 for additional detail.

**B. 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.

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

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

On August 5, 2008, Metro Government issued its \$39,775,000 Louisville/Jefferson County Metro Government Mortgage Revenue Refunding and Improvement Bonds, Series 2008A, a portion of which was used to redeem the remaining outstanding Series 1997 bonds. Upon issuance of the 2008A bonds, all contingent obligations pursuant to the 1997 lease and sublease with ULAA were terminated. All payments of principal and interest on the 2008A bonds are the responsibility of ULAA exclusively.

**D. Construction Commitments**

The Metro Government has active construction projects as of June 30, 2009. The projects include improvements to major roadways, government buildings, parks, and other various ongoing projects.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**13. Contingencies and Commitments, continued**

**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 are being 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, Metro Government agrees to pay up to \$309,000,000 to or on behalf of the Arena Authority over 30 years beginning in 2010.

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

<u>Years</u>	<u>Minimum Annual Guaranteed Payments</u>	<u>Maximum Annual Guaranteed Payments</u>
2010-2019	\$ 6,533,333	\$ 9,800,000
2020-2029	7,200,000	10,800,000
2030-2039	6,866,667	10,300,000

**14. 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.

**15. Post-Employment Health Care Benefits**

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

**16. Landfill Closure and Post-Closure Care Costs**

Metro Government owns three landfill sites that were operated by the former City of Louisville, which are closed and not accepting waste. State and federal laws and regulations require certain maintenance and monitoring functions at the sites for 30 years after closure.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**16. Landfill Closure and Post-Closure Care Costs**

If the landfills were still in operation, Metro Government would be required to report a portion of the closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year end.

Because all landfills were closed in prior years, 100% of landfill closure and post-closure care costs, estimated at \$1,747,462, were recorded as an expense and corresponding liability at June 30, 1995, in the Capital Cumulative Reserve Fund of the former City 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 \$39,029 at June 30, 2009. Future costs may vary from that amount because of inflation, changes in technology, or changes in regulations.

**17. Pension Plans**

**A. County Employees' Retirement System**

**i. Plan Description**

Metro Government, 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 System 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 as of June 30, 2009 is 13.5% (29.5% 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, 2009.

Metro Government's contribution to the CERS for the years ending June 30, 2009, 2008, and 2007 were \$57,607,675, \$65,286,334, and \$54,511,578, respectively.

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

- LWC's contribution to the CERS for years ending December 31, 2008, 2007, and 2006 were \$4,235,556, \$4,081,601, and \$3,411,290, respectively.
- TARC's contribution to the CERS for the years ended June 30, 2009, 2008, and 2007 were \$3,602,392, \$4,410,909, and \$3,457,984, respectively.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**17. Pension Plans, continued**

- Riverport's contribution to the CERS for the years ended June 30, 2009, 2008, and 2007 were \$46,617, \$52,147, and \$43,954, respectively.
- MSD's contribution to the CERS for the years ended June 30, 2009, 2008, and 2007 were \$4,677,000, \$5,482,000, and \$4,221,000, respectively.
- The Revenue Commission's contribution to the CERS for the years ended June 30, 2009, 2008, and 2007 were \$269,000, \$324,000, and \$288,000, 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 ("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

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**17. Pension Plans, continued**

entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as the spouse does not remarry.

Membership of each plan consisted of the following at June 30, 2009:

	Firefighters' Pension <u>Fund</u>	Policemen's Retirement <u>Fund</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	231	194
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 four fiscal years.

For the fiscal year ended June 30, 2009, there were no net pension obligations for the Policemen's Retirement Fund or the Firefighters' Pension Fund.

Based on the actuarial valuations performed by consulting actuaries at January 1, 2009, Metro Government is required to make contributions to the Policemen's Retirement Fund of \$1,553,716 and to the Firefighters' Pension Fund of \$2,113,368 for the fiscal year beginning July 1, 2009.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**17. Pension Plans, continued**

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

<u>Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Policemen's Retirement Fund</u>
Valuation date	January 1, 2009	January 1, 2009
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	15 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	N/A	7.5%
Projected inflation rate	N/A	N/A

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION & BENEFIT TRUST FUNDS**  
**June 30, 2009**

	<u>Firefighters' Pension Trust</u>	<u>Policemen's Retirement Fund</u>	<u>Total Pension &amp; Benefit Trust</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 522,285	\$ 722,673	\$ 1,244,958
Investments	6,985,555	6,850,939	13,836,494
Accounts receivable and accrued interest	183,294	167,009	350,303
Total assets	<u>7,691,134</u>	<u>7,740,621</u>	<u>15,431,755</u>
<b>LIABILITIES</b>			
Accounts payable	18,891		18,891
Health insurance reimbursement and accrued liabilities	182,165	158,450	340,615
Total liabilities	<u>201,056</u>	<u>158,450</u>	<u>359,506</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 7,490,078</u>	<u>\$ 7,582,171</u>	<u>\$ 15,072,249</u>

Continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**17. Pension Plans, continued**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION & BENEFIT TRUST FUNDS**  
**For the Year Ended June 30, 2009**

	<b>Firefighters' Pension Trust</b>	<b>Policemen's Retirement Fund</b>	<b>Total Pension &amp; Benefit Trust</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 1,863,306	\$ 1,396,080	\$ 3,259,386
Member		4,257	4,257
Total contributions	<u>1,863,306</u>	<u>1,400,337</u>	<u>3,263,643</u>
Investment earnings:			
Decrease in fair value of investments	(1,220,273)	(1,129,930)	(2,350,203)
Realized losses	(98,063)	(109,372)	(207,435)
Interest and dividends	67,174	218,775	285,949
Net investment earnings	<u>(1,251,162)</u>	<u>(1,020,527)</u>	<u>(2,271,689)</u>
Other income	1,030,782	838,206	1,868,988
Total additions	<u>1,642,926</u>	<u>1,218,016</u>	<u>2,860,942</u>
<b>DEDUCTIONS</b>			
Benefit payments	3,238,873	2,647,188	5,886,061
Administration expense	316,596	334,437	651,033
Health insurance reimbursement	659,422	498,106	1,157,528
Total deductions	<u>4,214,891</u>	<u>3,479,731</u>	<u>7,694,622</u>
Net decrease	<u>(2,571,965)</u>	<u>(2,261,715)</u>	<u>(4,833,680)</u>
Net assets--beginning of the year	<u>10,062,043</u>	<u>9,843,886</u>	<u>19,905,929</u>
Net assets--end of the year	<u>\$ 7,490,078</u>	<u>\$ 7,582,171</u>	<u>\$ 15,072,249</u>

**18. Subsequent Events**

**A. Bond Issues**

**Primary Government**

In November 2009, Metro Government issued \$41,275,000 of General Obligation Bonds, Series 2009E and \$63,250,000 of General Obligation Bonds, Series 2009F (Federally Taxable – Build America Bonds – Direct Payment & Recovery Zone Economic Development Bonds).

The Series 2009E bonds are payable in principal installments of \$3,525,000 to \$4,845,000 plus interest at 2.5% to 5.0% over ten years. Proceeds of the Series 2009E Bonds will be used to refinance the BAN upon maturity.

The Series 2009F bonds provide for interest installments only for the first ten years of the life of the bonds. Beginning in fiscal year 2020, the Series 2009F bonds will be payable in principal installments of \$865,000 to \$7,060,000 plus interest at 4.4% to 5.65% over ten years. Proceeds of the Series 2009F Bonds will be used for various capital and economic development projects.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**18. Subsequent Events, continued**

The Series 2009F bonds were issued under the guidelines provided in the American Recovery and Reinvestment Act (“ARRA”) as Build American Bonds in the amount of \$40,635,000 and Recovery Zone Bonds in the amount of \$22,615,000. Metro Government, under the guidelines set forth in the ARRA, is eligible to apply for an interest subsidy payment from the United States Treasury for Build America Bonds of 35% and Recovery Zone Bonds of 45% of the interest payable on each type of bond.

Metro Government intends to issue additional bonds as Qualified Energy Conservation Bonds. Metro Government expects to issue such debt to raise approximately \$3,200,000 of construction proceeds. The method of issue has not been determined as of the date of this report. Proceeds from this issue will be used to facilitate the replacement of energy related components of properties owned by the Metro Government.

**Louisville Water Company**

On December 8, 2009, the Louisville Water Company issued \$202.9 million in bonds to fund its capital program for the next three years. The bonds were issued with an AAA rating, yielding an average borrowing cost of 2.98%. Proceeds from the bond issue will fund upgrades to the Crescent Hill Water Treatment Plant, construction of new transmission pipelines along Interstates 64 and 65 and completion of the riverbank filtration project at the B.E. Payne Plant.

The sale included:

- The issue of Series 2009A, \$116.2 million in tax exempt bonds at an average borrowing cost of 2.58%. This issue included refinancing of \$78.4 million of bonds issued in 2000 and 2001, saving \$13 million in interest payments over the remaining life of the bonds.
- The issue of Series 2009B, \$86.7 million taxable Build America Bonds, at 5.00%, yielding a cost of 3.25% to the Company after a 35% federal tax subsidy provided from the federal stimulus program.

**B. Litigation**

During October 2009, a settlement was reached in the litigation action regarding the computation of overtime pay for firefighters in previous years. The settlement between Metro Government and the firefighters calls for payment of \$45,000,000 payable in three installments due as follows: 1) \$15,800,000 payable by December 1, 2009, 2) \$14,300,000 payable by March 31, 2010, and 3) \$14,900,000 payable by July 15, 2010. Metro Government will pay the first installment of the settlement out of its reserves and is currently pursuing an appropriate funding mechanism for the remaining installments. Metro Government is in the process of determining any associated employer costs that are not included in the proposed settlement. These costs are not known at this time, but Metro Government believes they will be a material amount.

On November 19, 2009 the Metro Council approved Metro Government’s outlined settlement plan and the first payment. Once an appropriate funding mechanism has been determined, Metro Government will present the funding plan to the Metro Council no later than January 15, 2010.

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**18. Subsequent Events, continued**

**C. Natural Disaster**

On August 4, 2009, the Metro Louisville area experienced a flash flood disaster that resulted in damage to several Metro Government properties. As of the date of this report, Metro Government estimates that there is approximately \$6,000,000 - \$8,000,000 in damage to Metro Government properties with the majority of the damage at the main branch of the Louisville Free Public Library. As a result of this flash flood, Metro Louisville was declared a disaster area and is eligible for coverage by the Federal Emergency Management Agency ("FEMA"). Metro Government has also filed a claim with LAGGIT and will be subject to a \$250,000 deductible on this claim. Metro Government expects to recover 75% of this deductible from FEMA and 12% from the Kentucky Division of Emergency Management.

Continued





**REQUIRED SUPPLEMENTARY INFORMATION**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual Amounts - GAAP Basis	Variance with Final Budget - Over (Under)
<b>REVENUES</b>				
Property taxes	\$ 138,755,700	\$ 138,755,700	\$ 133,501,705	\$ (5,253,995)
Occupational taxes	313,953,100	309,725,800	301,344,426	(8,381,374)
Licenses and permits	12,098,400	12,098,400	10,521,865	(1,576,535)
Intergovernmental	70,417,400	29,112,000	28,290,329	(821,671)
Charges for services	85,196,500	85,755,958	56,761,309	(28,994,649)
Fees and fines	3,074,200	3,104,100	2,447,186	(656,914)
Investment income	3,586,200	3,586,200	2,044,037	(1,542,163)
Dividends	16,560,000	16,560,000	17,288,555	728,555
Donations	5,911,800	5,921,610	1,914,546	(4,007,064)
Miscellaneous	16,863,400	1,357,601	2,672,131	1,314,530
Total revenues	<u>666,416,700</u>	<u>605,977,369</u>	<u>556,786,089</u>	<u>(49,191,280)</u>
<b>EXPENDITURES</b>				
Current operating:				
General Government:				
Metro Council	7,710,000	7,847,078	5,694,342	(2,152,736)
Mayor's Office	3,028,600	3,045,481	2,618,525	(426,956)
Policy and Strategic Planning	649,800	649,800	587,717	(62,083)
County Attorney	6,751,400	6,751,400	7,024,343	272,943
Other Elected Officials	7,915,100	7,915,100	7,553,889	(361,211)
Public Protection:				
Fire	53,632,600	53,632,600	50,715,880	(2,916,720)
Emergency Medical Services	26,976,100	26,976,100	22,104,299	(4,871,801)
Emergency Management	11,230,800	8,430,800	7,181,440	(1,249,360)
Corrections	50,005,500	50,070,395	47,296,736	(2,773,659)
Youth Detention Services	9,513,300	9,513,300	9,292,782	(220,518)
Animal Control Services	3,172,800	3,179,500	2,773,448	(406,052)
Criminal Justice Commission	429,600	429,600	356,402	(73,198)
Firefighters' Pension Fund	2,979,900	2,979,900	2,875,485	(104,415)
Policemen's Retirement Fund	2,258,700	2,258,700	2,089,725	(168,975)
Police	148,509,400	148,596,380	134,558,266	(14,038,114)
Economic Development:				
Metro Development Authority	15,041,600	15,060,260	13,990,982	(1,069,278)
Community Development	66,874,300			
Air Pollution Control	1,109,300	1,139,200	633,423	(505,777)
Codes & Regulations:				
Inspections, Permits and Licenses	7,220,100	7,169,000	6,262,268	(906,732)
Planning and Design Services	2,822,500	2,904,100	2,506,155	(397,945)
Parks & Recreation	25,120,900	25,580,529	21,402,980	(4,177,549)
Housing & Family Services:				
Housing	1,032,400	980,700	810,099	(170,601)
Human Services	10,396,100	10,559,702	9,621,854	(937,848)
Community Action Partnership	587,800	464,166	322,601	(141,565)
Public Health & Wellness	12,738,300	12,738,300	10,153,703	(2,584,597)
Neighborhoods	8,841,500	8,839,518	6,255,803	(2,583,715)
Public Works & Assets:				
Public Works	18,049,700	16,746,805	11,620,859	(5,125,946)
General Services Administration	35,302,300	35,536,858	31,290,788	(4,246,070)
Solid Waste Management Services	23,183,400	23,184,100	19,586,443	(3,597,657)
Information Technology	11,085,400	11,085,400	9,975,852	(1,109,548)
Finance & Administration	23,355,000	32,682,170	22,246,348	(10,435,822)
Human Resources	4,416,800	4,504,500	4,187,516	(316,984)
Related Agencies:				
Human Relations Commission	819,000	916,400	766,100	(150,300)
Louisville Free Public Library	18,676,200	18,626,818	15,710,135	(2,916,683)
Louisville Zoological Gardens	13,532,400	13,527,227	12,149,060	(1,378,167)
Internal Audit	736,700	736,700	647,020	(89,680)
Waterfront Development Corporation	4,036,300	4,043,682	2,631,694	(1,411,988)
Debt service	26,675,100	26,675,100	941,275	(25,733,825)
Total expenditures	<u>666,416,700</u>	<u>605,977,369</u>	<u>506,436,237</u>	<u>(99,541,132)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>50,349,852</u>	<u>\$ 50,349,852</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			2,745,414	
Transfers out			(59,876,701)	
Total other financing sources (uses)			<u>(57,131,287)</u>	
Net change in fund balance			(6,781,435)	
Fund balances--beginning			87,866,577	
Fund balances--ending			<u>\$ 81,085,142</u>	

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
June 30, 2009**

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)
<b><u>Firefighters' Pension Fund:</u></b>						
1/1/2003	\$ 16,862,780	\$ 26,081,663	\$ 9,218,883	64.7%		0%
1/1/2004	15,299,159	24,691,614	9,392,455	62.0%		0%
1/1/2005	13,888,714	23,203,024	9,314,310	59.9%		0%
1/1/2006	12,900,389	28,786,353	15,885,964	44.8%		0%
1/1/2007	12,365,461	28,461,258	16,095,797	43.4%		0%
1/1/2008	11,719,592	27,777,145	16,057,553	42.2%		0%
1/1/2009	9,233,693	26,701,182	17,467,489	34.6%		0%
<b><u>Policemen's Retirement Fund:</u></b>						
1/1/2003	\$ 13,587,632	\$ 20,667,741	\$ 7,080,109	65.7%	\$ 46,883	15101.7%
1/1/2004	13,232,420	19,158,719	5,926,299	69.1%	41,643	14231.2%
1/1/2005	12,552,786	18,194,311	5,641,525	69.0%	42,210	13365.4%
1/1/2006	12,165,678	22,741,250	10,575,572	53.5%	46,525	22730.9%
1/1/2007	12,023,033	22,317,402	10,294,369	53.9%	51,542	19972.8%
1/1/2008	11,635,522	21,444,636	9,809,114	54.3%	50,704	19345.8%
1/1/2009	9,482,462	20,863,561	11,381,099	45.4%	53,435	21299.0%

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	Firefighters' Pension Fund		Policemen's Retirement Fund	
	Annual Contribution	Percentage Contributed	Annual Contribution	Percentage Contributed
2003	\$ 31,479 *	100.0%	\$ 150,544 *	100.0%
2004	600,129 *	100.0%	651,469 *	100.0%
2005	1,057,280	100.0%	1,282,519	100.0%
2006	1,655,809	100.0%	1,569,675	100.0%
2007	1,404,474	100.0%	1,063,968	100.0%
2008	1,890,353	100.0%	1,381,943	100.0%
2009	2,113,368	100.0%	1,553,716	100.0%

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

**OTHER SUPPLEMENTARY INFORMATION -  
COMBINING FINANCIAL STATEMENTS**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009**

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>	
	<u>General Obligation</u>	<u>Public Properties Corporation</u>	<u>Capital Projects Corporation</u>	<u>Bond Fund</u>	<u>Public Properties Corporation</u>	<u>Capital Projects Corporation</u>		<u>Revenue Finance Corporation</u>
<b>ASSETS</b>								
Cash and cash equivalents				\$ 8,111	\$ 284,264	\$ 43,717	\$ 21,792	\$ 357,884
Investments				54,651	1,915,217		146,826	2,116,694
Accounts receivable				22,584				22,584
Due from other funds	\$ 640,761							640,761
Restricted assets:								
Cash and cash equivalents	9,580	\$ 580	\$ 14,485					24,645
Total assets	<u>\$ 650,341</u>	<u>\$ 580</u>	<u>\$ 14,485</u>	<u>\$ 85,346</u>	<u>\$ 2,199,481</u>	<u>\$ 43,717</u>	<u>\$ 168,618</u>	<u>\$ 3,162,568</u>
<b>LIABILITIES</b>								
Accounts payable					\$ 2,738	\$ 62		\$ 2,800
Matured bonds payable	\$ 640,761							640,761
Total liabilities	<u>640,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,738</u>	<u>62</u>	<u>-</u>	<u>643,561</u>
<b>FUND BALANCES</b>								
Restricted for:								
Debt service	9,580	\$ 580	\$ 14,485					24,645
Assigned to:								
Capital projects				\$ 85,346	2,196,743	43,655	\$ 168,618	2,494,362
Total fund balances	<u>9,580</u>	<u>580</u>	<u>14,485</u>	<u>85,346</u>	<u>2,196,743</u>	<u>43,655</u>	<u>168,618</u>	<u>2,519,007</u>
Total liabilities and fund balances	<u>\$ 650,341</u>	<u>\$ 580</u>	<u>\$ 14,485</u>	<u>\$ 85,346</u>	<u>\$ 2,199,481</u>	<u>\$ 43,717</u>	<u>\$ 168,618</u>	<u>\$ 3,162,568</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, 2009**

	Debt Service Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	General Obligation	Public Properties Corporation	Capital Projects Corporation	Bond Fund	Public Properties Corporation	Capital Projects Corporation	Revenue Finance Corporation	
<b>REVENUES</b>								
Intergovernmental			\$ 4,361,715					\$ 4,361,715
Charges for services	\$ 432,333							432,333
Investment income	218	\$ 11,594	1,458					13,270
Total revenues	432,551	11,594	4,363,173	-	-	-	-	4,807,318
<b>EXPENDITURES</b>								
Current:								
Miscellaneous			2,500					2,500
Debt service:								
Principal	20,815,000	1,500,000	6,505,000					28,820,000
Interest and other charges	9,250,404	1,402,233	2,448,179					13,100,816
Capital outlay					\$ 822,249	\$ 282,963		1,105,212
Total expenditures	30,065,404	2,902,233	8,955,679	-	822,249	282,963	-	43,028,528
Deficiency of revenues under expenditures	(29,632,853)	(2,890,639)	(4,592,506)	-	(822,249)	(282,963)	-	(38,221,210)
<b>OTHER FINANCING SOURCES (USES)</b>								
Issuance of refunding bonds, par	63,875,000							63,875,000
Issuance of refunding bonds, premium	874,372							874,372
Refunded bond principal	(40,770,000)	(23,760,000)						(64,530,000)
Refunded bond premium	(654,900)	(89,450)						(744,350)
Refunded bond interest	(21,277)							(21,277)
Transfers in	29,320,063	26,367,634	4,505,000					60,192,697
Transfers out	(22,980,947)							(22,980,947)
Total other financing sources (uses)	29,642,311	2,518,184	4,505,000	-	-	-	-	36,665,495
Net change in fund balances	9,458	(372,455)	(87,506)	-	(822,249)	(282,963)	-	(1,555,715)
Fund balances--beginning	122	373,035	101,991	\$ 85,346	3,018,992	326,618	\$ 168,618	4,074,722
Fund balances--ending	\$ 9,580	\$ 580	\$ 14,485	\$ 85,346	\$ 2,196,743	\$ 43,655	\$ 168,618	\$ 2,519,007

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2009**

	<b>Insurance and Risk Management Fund</b>	<b>Louisville/Jefferson Co. Metro Revenue Commission</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,138,387	\$ 59,406,003	\$ 62,544,390
Investments	21,144,777		21,144,777
Accounts receivable	374,239		374,239
Deposits with paying agents	55,000		55,000
Total current assets	<u>24,712,403</u>	<u>59,406,003</u>	<u>84,118,406</u>
Capital assets:			
Machinery and equipment, net		307,966	307,966
Total capital assets	<u>-</u>	<u>307,966</u>	<u>307,966</u>
Total assets	<u>24,712,403</u>	<u>59,713,969</u>	<u>84,426,372</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	139,252	2,689,411	2,828,663
Claims and judgments	55,254,589		55,254,589
Due to other funds		44,079,224	44,079,224
Unearned revenue	84,687	12,800,544	12,885,231
Total current liabilities	<u>55,478,528</u>	<u>59,569,179</u>	<u>115,047,707</u>
Noncurrent liabilities:			
Claims and judgments	15,899,248		15,899,248
Total noncurrent liabilities	<u>15,899,248</u>	<u>-</u>	<u>15,899,248</u>
Total liabilities	<u>71,377,776</u>	<u>59,569,179</u>	<u>130,946,955</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		307,966	307,966
Unrestricted	(46,665,373)	(163,176)	(46,828,549)
Total net assets	<u>\$ (46,665,373)</u>	<u>\$ 144,790</u>	<u>\$ (46,520,583)</u>



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2009**

	<b>Insurance and Risk Management Fund</b>	<b>Louisville/Jefferson Co. Metro Revenue Commission</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Collection, investment and other fees		\$ 4,584,006	\$ 4,584,006
Insurance income	\$ 14,092,194		14,092,194
Insurance premiums	44,665,900		44,665,900
Total operating revenues	<u>58,758,094</u>	<u>4,584,006</u>	<u>63,342,100</u>
<b>OPERATING EXPENSES:</b>			
Professional services	243,763	3,746,580	3,990,343
Contractual services	14,464	468,965	483,429
Repairs and maintenance		4,326	4,326
Other supplies and expenses	6,500	312,360	318,860
Insurance claims, settlements and losses	98,645,823		98,645,823
Insurance premiums	4,903,529		4,903,529
Depreciation		24,036	24,036
Total operating expenses	<u>103,814,079</u>	<u>4,556,267</u>	<u>108,370,346</u>
Operating income (loss)	<u>(45,055,985)</u>	<u>27,739</u>	<u>(45,028,246)</u>
<b>NONOPERATING REVENUES:</b>			
Investment income	477,552		477,552
Total nonoperating revenues	<u>477,552</u>	<u>-</u>	<u>477,552</u>
Change in net assets	(44,578,433)	27,739	(44,550,694)
Total net assets--beginning	<u>(2,086,940)</u>	<u>117,051</u>	<u>(1,969,889)</u>
Total net assets--ending	<u>\$ (46,665,373)</u>	<u>\$ 144,790</u>	<u>\$(46,520,583)</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2009**

	<b>Insurance and Risk Management Fund</b>	<b>Louisville/Jefferson Co. Metro Revenue Commission</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from collection, investment, and other fees		\$ 4,584,006	\$ 4,584,006
Insurance income	\$ 58,755,093		58,755,093
Payments to employees	(243,763)	(2,915,335)	(3,159,098)
Payments to suppliers		(710,893)	(710,893)
Contractual services	(40,553)		(40,553)
Claims paid	(51,721,236)		(51,721,236)
Insurance premiums paid	(4,903,529)		(4,903,529)
Increase (decrease) in cash collected for others		(793,001)	(793,001)
Other payments	(6,500)		(6,500)
Net cash provided by operating activities	<u>1,839,512</u>	<u>164,777</u>	<u>2,004,289</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>			
Acquisition and construction of capital assets		(69,990)	(69,990)
Net cash used in capital activities	-	(69,990)	(69,990)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Change in investment pool participation	(851,669)		(851,669)
Investment income	477,552		477,552
Net cash used in investing activities	(374,117)	-	(374,117)
Net increase in cash and cash equivalents	1,465,395	94,787	1,560,182
Cash and cash equivalents, beginning of the year	1,672,992	59,311,216	60,984,208
Cash and cash equivalents, end of the year	<u>\$ 3,138,387</u>	<u>\$ 59,406,003</u>	<u>\$ 62,544,390</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</b>			
Operating income (loss)	\$ (45,055,985)	\$ 27,739	\$ (45,028,246)
Adjustments to reconcile operating income (loss) to net cash provided/(used) by operating activities:			
Depreciation expense		24,036	24,036
Increase (decrease) in cash due to changes in assets and liabilities:			
Accounts receivable	(3,001)		(3,001)
Accounts and other payables	(1,226,089)	906,003	(320,086)
Liability for incurred claims	48,124,587		48,124,587
Due to other funds and governmental agencies		(2,538,097)	(2,538,097)
Unearned revenue		1,745,096	1,745,096
Net cash provided by operating activities	<u>\$ 1,839,512</u>	<u>\$ 164,777</u>	<u>\$ 2,004,289</u>

During fiscal year 2009, 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, 2009**

	<u>Mass Transit</u>	<u>Escrow and Deposit</u>	<u>Revenue Commission</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 100,158	\$ 7,518,504		\$ 7,618,662
Investments	6,197,862	11,989,273		18,187,135
Accounts receivable and accrued interest		201,463		201,463
Due from other funds	3,566,090		\$ 12,263,941	15,830,031
Due from other governmental agencies	1,254,074			1,254,074
Total assets	<u>\$ 11,118,184</u>	<u>\$ 19,709,240</u>	<u>\$ 12,263,941</u>	<u>\$ 43,091,365</u>
<b>LIABILITIES</b>				
Accounts payable		\$ 44,017		\$ 44,017
Notes payable		3,500,000		3,500,000
Due to other governmental agencies	\$ 11,118,184	8,750,383	\$ 12,263,941	32,132,508
Refundable deposits		7,414,840		7,414,840
Total liabilities	<u>\$ 11,118,184</u>	<u>\$ 19,709,240</u>	<u>\$ 12,263,941</u>	<u>\$ 43,091,365</u>

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

**For the fiscal year ended June 30, 2009**

**Mass Transit**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 100,114	\$ 158	\$ 114	\$ 100,158
Investments	6,856,456	22,639,971	23,298,565	6,197,862
Due from other funds	3,791,197	3,566,090	3,791,197	3,566,090
Due from other governmental agencies		1,254,074		1,254,074
Total assets	<u>\$ 10,747,767</u>	<u>\$ 27,460,293</u>	<u>\$ 27,089,876</u>	<u>\$ 11,118,184</u>
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 10,747,767	\$ 41,166,934	\$ 40,796,517	\$ 11,118,184
Total liabilities	<u>\$ 10,747,767</u>	<u>\$ 41,166,934</u>	<u>\$ 40,796,517</u>	<u>\$ 11,118,184</u>

**Escrow and Deposit**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,053,778	\$ 4,678,788	\$ 4,214,062	\$ 7,518,504
Investments	12,120,363	97,595	228,685	11,989,273
Accounts receivable	216,379	229,565	244,481	201,463
Total assets	<u>\$ 19,390,520</u>	<u>\$ 5,005,948</u>	<u>\$ 4,687,228</u>	<u>\$ 19,709,240</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 41,883	\$ 663,450	\$ 661,316	\$ 44,017
Notes payable	3,500,000	3,500,000	3,500,000	3,500,000
Due to other governmental agencies	8,879,365	673,203	802,185	8,750,383
Refundable deposits	6,969,272	1,763,621	1,318,053	7,414,840
Total liabilities	<u>\$ 19,390,520</u>	<u>\$ 6,600,274</u>	<u>\$ 6,281,554</u>	<u>\$ 19,709,240</u>

**Revenue Commission**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>ASSETS</b>				
Due from other funds	\$ 13,183,582	\$ 134,994,977	\$ 135,914,618	\$ 12,263,941
Total assets	<u>\$ 13,183,582</u>	<u>\$ 134,994,977</u>	<u>\$ 135,914,618</u>	<u>\$ 12,263,941</u>
<b>LIABILITIES</b>				
Due to other governmental agencies	\$ 13,183,582	\$ 134,994,977	\$ 135,914,618	\$ 12,263,941
Total liabilities	<u>\$ 13,183,582</u>	<u>\$ 134,994,977</u>	<u>\$ 135,914,618</u>	<u>\$ 12,263,941</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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends .....</b>	<b>94-98</b>

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

<b>Revenue Capacity.....</b>	<b>99-104</b>
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These schedules contain information to help the reader assess Metro Government’s most significant local revenue sources: Occupational and Property taxes.

<b>Debt Capacity .....</b>	<b>105-109</b>
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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.

<b>Demographic and Economic Information .....</b>	<b>110-112</b>
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These schedules offer demographic and economic indicators to help the reader understand the environment within which Metro Government’s financial activities take place.

<b>Operating Information .....</b>	<b>113-114</b>
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These schedules contain service and infrastructure data to help the reader understand how the information in Metro Government’s financial report relates to the services Metro Government provides and the activities it performs.

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

Last Seven 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</u>
<b>Primary Government/Governmental Activities:</b>							
Invested in capital assets, net of related debt	\$ 565,291,116	\$ 544,355,891	\$ 520,287,023	\$ 515,671,362	\$ 514,870,387	\$ 504,735,518	\$ 537,459,886
Restricted	82,123,082	65,930,660	74,553,001	62,355,267	88,865,414	81,047,323	71,526,320
Unrestricted	53,300,267	70,554,690	42,158,721	37,506,232	18,230,226	19,216,446	(12,934,120)
<b>Total Primary Government/Governmental Activities Net Assets</b>	<b>\$ 700,714,465</b>	<b>\$ 680,841,241</b>	<b>\$ 636,998,745</b>	<b>\$ 615,532,861</b>	<b>\$ 621,966,027</b>	<b>\$ 604,999,287</b>	<b>\$ 596,052,086</b>
<b>Primary Government/Governmental Activities:</b>							
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
Public Protection	108,832,956	112,937,135	130,194,826	152,742,063	156,867,814	168,125,697	166,736,527
Police	121,700,362	120,446,100	138,751,554	132,793,664	135,962,267	140,438,253	147,980,259
Economic Development	25,171,229	21,638,429	28,451,908	26,276,189	30,710,291	25,275,680	39,617,092
Codes & Regulations	29,616,549	10,622,190	8,185,714	8,847,046	8,640,257	11,289,044	12,220,294
Parks & Recreation	25,618,761	21,653,602	24,943,797	25,479,670	25,515,919	25,131,824	24,615,331
Housing & Family Services	38,588,804	30,087,195	31,841,096	33,146,828	30,304,444	28,844,976	29,871,809
Public Health & Wellness	21,422,827	33,813,783	36,407,344	38,607,238	38,132,320	26,795,986	25,066,813
Neighborhoods	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
Information Technology	7,346,791	6,046,175	9,205,957	9,543,827	10,111,462	11,858,166	12,428,088
Finance & Administration	52,453,722	14,169,550	14,471,294	13,048,462	13,789,994	24,813,303	23,929,387
Human Resources	3,976,508	3,947,479	4,299,291	4,452,275	4,176,072	4,521,110	4,492,419
Related Agencies	56,902,694	45,157,161	48,140,137	48,141,028	48,736,693	53,572,010	41,302,782
Interest expense	14,372,117	16,072,154	17,077,617	16,302,423	17,214,454	14,425,027	19,424,674
<b>Total Expenses</b>	<b>668,208,948</b>	<b>577,965,635</b>	<b>652,544,363</b>	<b>671,056,573</b>	<b>681,530,647</b>	<b>700,922,875</b>	<b>698,159,211</b>
<b>Program Revenues:</b>							
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
Inspections, Permits and Licenses	7,407,483	23,917	12,409,334	12,963,317	13,954,629	14,215,180	13,126,794
Louisville Zoological Gardens	7,631,624	7,737,208	7,887,283	7,503,751	8,224,299	8,667,497	8,519,092
Metro Development Authority	2,416,129	517,056	8,219,029	7,893,128	9,007,348	10,082,408	8,080,332
Other	39,701,945	30,936,383	34,837,445	31,781,000	40,182,710	33,471,796	32,930,586
<b>Total Charges for Services</b>	<b>61,839,152</b>	<b>48,187,045</b>	<b>72,184,333</b>	<b>69,752,138</b>	<b>83,456,511</b>	<b>78,058,214</b>	<b>76,088,529</b>
Operating Grants and Contributions	96,108,452	63,481,947	75,099,069	72,212,271	73,451,393	82,810,321	99,301,526
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
<b>Total Primary Government Program Revenues</b>	<b>200,955,820</b>	<b>144,920,316</b>	<b>176,451,034</b>	<b>198,091,895</b>	<b>199,026,647</b>	<b>192,683,870</b>	<b>212,632,382</b>
<b>Net (Expense) Revenue</b>	<b>(467,253,128)</b>	<b>(433,045,319)</b>	<b>(476,093,329)</b>	<b>(472,964,678)</b>	<b>(482,504,000)</b>	<b>(508,239,005)</b>	<b>(485,526,829)</b>
<b>General Revenues:</b>							
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
Occupational taxes	250,215,859	260,797,870	275,767,186	285,559,281	307,856,301	309,491,515	301,344,426
Investment income	2,211,363	937,567	3,965,089	5,251,143	9,189,326	8,413,117	3,950,500
Dividends	12,379,583	12,687,780	13,935,078	17,715,564	14,625,718	18,531,912	17,288,555
Other intergovernmental revenue	12,386,356	1,963,651	4,672,662	12,764,992	13,591,805	11,419,069	11,291,887
Fees and fines	1,225,524	1,058,179	2,211,315	2,676,570	2,676,570	2,676,570	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
Other taxes	223,684	319,838	319,838	319,388	271,059	209,376	269,634
Rental receipts	1,932,180	1,111,567	4,764,521	395,634	1,256,226	1,832,428	1,950,901
Miscellaneous	3,080,838	4,008,837	5,972,358	4,464,605	3,982,753	4,782,381	4,795,016
<b>Total General Revenues</b>	<b>398,412,997</b>	<b>401,571,164</b>	<b>432,833,879</b>	<b>451,054,922</b>	<b>478,562,265</b>	<b>491,272,265</b>	<b>476,604,273</b>
<b>Change in Net Assets</b>	<b>(68,840,131)</b>	<b>(31,474,155)</b>	<b>(43,259,450)</b>	<b>(21,909,756)</b>	<b>(3,941,735)</b>	<b>(16,966,740)</b>	<b>(8,922,556)</b>
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
Increase due to acquired agency				443,872			
Prior period adjustment					10,374,901		
<b>Net Assets - ending</b>	<b>\$ 700,714,465</b>	<b>\$ 680,841,241</b>	<b>\$ 636,998,745</b>	<b>\$ 615,532,861</b>	<b>\$ 621,966,027</b>	<b>\$ 604,999,287</b>	<b>\$ 596,076,731</b>

(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.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**FUND BALANCE, GOVERNMENTAL FUNDS**

**Last Seven 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>
<b>General Fund</b>							
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
Committed							6,499,730
Assigned							5,390,322
Unassigned							65,407,107
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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>
<b>All Other Governmental Funds</b>							
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
Restricted							
Debt service reserve							24,645
Other capital projects							7,720,089
Assigned							
Capital projects							63,806,231
Grant programs							6,269,161
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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>

- (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 Seven 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</u>
<b>REVENUES</b>							
Property taxes	\$ 110,578,566	\$ 113,164,349	\$ 120,912,806	\$ 121,338,886	\$ 127,919,524	\$ 134,259,325	\$ 133,501,705
Occupational taxes	235,901,121	260,797,870	275,767,186	285,559,281	307,856,301	309,491,515	301,344,426
Licenses and permits	23,741,060	10,544,820	11,521,182	11,457,731	11,811,402	11,600,220	10,521,865
Intergovernmental	127,477,833	131,510,281	113,503,540	133,762,762	122,899,040	123,701,933	140,964,634
Charges for services	60,847,632	33,941,527	60,026,636	54,494,156	68,620,013	65,046,880	65,033,024
Fees and fines	914,318	1,016,230	722,187	2,438,607	3,395,450	1,491,118	2,473,251
Investment income	4,156,510	937,567	3,965,089	5,251,143	9,189,326	8,413,117	3,950,500
Dividends	12,379,583	12,687,780	13,935,078	17,715,564	14,625,718	18,531,912	17,288,555
Donations	4,040,450	5,162,538	2,748,194	11,728,614	7,736,520	4,755,423	6,029,542
Miscellaneous	17,374,993	4,024,131	3,361,493	4,831,279	3,667,409	4,332,278	4,443,665
Total revenues	<u>597,412,066</u>	<u>573,787,093</u>	<u>606,463,391</u>	<u>648,578,023</u>	<u>677,720,703</u>	<u>681,623,721</u>	<u>685,551,167</u>
<b>EXPENDITURES (2)</b>							
General Government	26,683,532	21,652,466	22,265,724	22,981,366	24,679,207	25,525,729	23,478,816
Public Protection	100,658,079	105,409,514	116,010,331	137,404,977	142,118,284	155,794,072	153,421,244
Police	117,355,711	116,490,491	126,343,610	120,413,360	125,522,471	131,670,127	137,290,564
Economic Development	21,380,913	19,299,326	23,949,370	22,091,209	26,620,960	21,911,769	34,880,087
Codes & Regulations	28,911,602	10,327,482	7,491,076	8,058,948	7,998,515	10,615,953	10,192,927
Parks & Recreation	21,767,248	20,489,287	21,922,934	22,405,732	22,641,942	22,558,585	21,751,602
Housing & Family Services	37,415,658	29,276,331	29,154,534	30,228,338	28,133,973	27,177,609	27,848,133
Public Health & Wellness	20,747,662	32,662,513	33,031,631	35,020,251	35,181,838	25,011,628	23,148,305
Neighborhoods	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
Information Technology	6,082,646	5,605,906	6,960,196	7,248,081	7,813,687	9,589,440	9,975,852
Finance & Administration	34,067,423	13,784,775	13,247,952	11,898,662	12,802,901	23,281,270	22,246,348
Human Resources	3,882,710	3,841,236	3,936,674	4,060,640	3,877,455	4,259,117	4,187,516
Related Agencies	49,430,840	38,684,963	38,518,437	38,562,734	39,521,940	44,246,849	32,429,223
Debt service principal	19,643,000	19,177,195	22,613,352	25,595,000	24,252,500	25,960,000	28,820,000
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
Capital outlay	87,662,658	59,315,442	62,653,450	93,268,102	89,555,809	83,759,227	124,587,884
Total expenditures	<u>663,699,115</u>	<u>581,535,543</u>	<u>617,656,973</u>	<u>671,898,123</u>	<u>686,435,823</u>	<u>707,180,356</u>	<u>758,882,300</u>
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of capital assets	187,679	349,995	650,000	1,156,848	1,047,399	2,626,001	1,622,208
Issuance of bonds, par	47,450,000		29,495,000		33,255,000		44,000,000
Issuance of bonds, premium/(discount)	363,474		1,267,582		(60,278)		448,800
Issuance of refunding bonds, par	49,445,000				58,855,000		63,875,000
Issuance of refunding bonds, premium/(discount)					(137,152)		874,372
Bond issuance costs paid	(199,324)						
Refunded bond principal, interest, and premium	(49,547,534)						(65,295,627)
Payment to bond refunding escrow agent	(2,999,382)				(58,220,426)		
Transfers in	110,805,958	42,774,751	46,270,744	45,960,731	65,293,175	72,426,546	85,953,962
Transfers out	(113,403,255)	(42,774,751)	(47,270,744)	(45,960,731)	(65,293,175)	(72,426,546)	(85,953,962)
Total other financing sources (uses)	<u>42,102,616</u>	<u>349,995</u>	<u>30,412,582</u>	<u>1,156,848</u>	<u>34,739,543</u>	<u>2,626,001</u>	<u>45,524,753</u>
Net change in fund balance	<u>\$ (24,184,433)</u>	<u>\$ (7,398,455)</u>	<u>\$ 19,219,000</u>	<u>\$ (22,163,252)</u>	<u>\$ 26,024,423</u>	<u>\$ (22,930,634)</u>	<u>\$ (27,806,380)</u>
Ratio of total debt service expenditures to noncapital expenditures	6.28%	7.24%	7.48%	7.59%	7.60%	6.93%	7.46%

(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.



**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**

**Last Seven Fiscal Years (since Merger) (2)**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter-governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeitures</b>	<b>Investment Income</b>	<b>Donations and Miscellaneous Revenue</b>	<b>Total Revenues (3)</b>
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

- (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 Seven Fiscal Years (since Merger) (1)**

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>Bank and Life Insurance Shares</b>	<b>Public Service Corporations</b>	<b>Occupational Taxes</b>	<b>Other (2)</b>	<b>Interest, Penalties and Other Fees</b>
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

(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 Seven Fiscal Years (since Merger) (1)**

<b>Fiscal Year</b>	<b>Employment (3)</b>	<b>Unemployment Rate (3)</b>	<b>Per Capita Income (2) (3)</b>	<b>Percent Income Growth</b>	<b>Occupational Tax Revenue</b>	<b>Percent Revenue Growth</b>
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%	43,960	5.61%	301,344,426	-2.63%

Source: Bureau of of Labor Statistics website: [www.bls.gov](http://www.bls.gov)

Workforce Kentucky website: [www.workforcekentucky.ky.gov](http://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 2009 is an estimate based on the average annual percentage increase over the last ten years. Per capita income for 2008, which had been an estimate, has been changed to reflect published figures as of April 2009.
- (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, 2009

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

Information obtained from the Louisville/Jefferson County Revenue Commission.

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

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Total</b>		<b>Ratio of Total Assessed Value to Total Estimated Actual Value</b>	<b>Homestead Exemption (3)</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>		
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

- (1) Pursuant to the Constitution of Kentucky and applicable statutes, real property is to be revalued annually at 100 percent of its fair cash value.
- (2) For the implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB recommends reporting ten years of statistical and demographic information. Since the former City of Louisville and the former Jefferson County Fiscal Court merged on January 6, 2003, Metro Government is implementing this pronouncement beginning with the year of merger in order to avoid comparability issues.
- (3) Under the provisions of the Homestead Amendment to the Kentucky Constitution, persons 65 years or older are granted exemptions of these amounts on the assessed value of their bona fide residence.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**PROPERTY TAX RATES**

**DIRECT AND OVERLAPPING GOVERNMENTS**

**TAX RATES (PER \$100 OF ASSESSED VALUATION)**

**Last Seven Fiscal Years (since Merger) (1)**

<b>Fiscal Year</b>	<b>Urban Service District (2) (3)</b>		<b>Metro Government (2) (3)</b>		<b>Consolidated School District</b>			<b>Total</b>		
	<b>Real</b>	<b>Personal</b>	<b>Real</b>	<b>Personal</b>	<b>Real</b>	<b>Inventory</b>	<b>Personal</b>	<b>Real</b>	<b>Inventory</b>	<b>Personal</b>
2003	0.376	0.057	0.128	0.166	0.572	0.572	0.572	1.076	0.572	0.795
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	1.108	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

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, 2009</u>			<u>June 30, 2000</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation of \$ 73,629,344,788</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation of \$ 48,066,143,116</u>
Louisville Gas & Electric Co.	Energy Utility	\$ 1,186,576,331	1	1.6%	\$ 707,189,319	1	1.5%
Insight Midwest LP	Cable Media	424,289,808	2	0.6%	519,057,801	3	1.1%
Humana, Inc.	Healthcare	403,075,325	3	0.5%	386,244,350	5	0.8%
AT&T Communications	Telecommunications	339,643,253	4	0.5%			
Louisville Trophy LLC	Miscellaneous Services	188,690,628	5	0.3%			
MRI NCT LLC	Real Estate	159,000,398	6	0.2%			
Thomas W. Bullitt	Retail	158,985,065	7	0.2%	96,492,595	9	0.2%
Jefferson Corporate Center		129,000,398	8	0.2%			
Sprint	Telecommunications	128,799,772	9	0.2%			
Source Services Corporation		121,915,428	10	0.2%			
BellSouth Telecommunications	Telecommunications				648,235,114	2	1.3%
Commonwealth Life	Financial Services				439,431,333	4	0.9%
United Parcel Service, Inc.	Air Express and Distribution				266,997,313	6	0.6%
Ford Motor Company	Automotive Manufacturer				133,370,149	7	0.3%
200 Block CHC LTD PTN	Commercial Real Estate				121,177,139	8	0.3%
United Distillers Productions	Distillery Company				90,344,578	10	0.2%
	<b>TOTAL</b>	<u>\$ 3,239,976,406</u>		<u>4.4%</u>	<u>\$ 3,408,539,691</u>		<u>7.1%</u>

Source: Jefferson County Sheriff's Office

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Seven Fiscal Years (since Merger) (1)**

<b>Fiscal Year</b>	<b>Amount of Levy</b>	<b>Amount Collected in Year of Levy</b>	<b>Percent Collected in Year of Levy</b>	<b>Delinquent Tax Collections (2)</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>	<b>Total Outstanding Delinquent Taxes Receivable at June 30, 2009</b>
2003	\$ 101,151,309	\$ 97,734,411	96.6%	\$ 2,960,241	\$ 100,694,652	99.5%	\$ 6,389,780
2004	107,833,673	104,493,360	96.9%	4,337,307	108,830,667	100.9%	5,392,784
2005	112,929,657	109,744,607	97.2%	5,616,628	115,361,235	102.2%	9,262,583
2006	115,468,469	114,972,927	99.6%	4,062,710	119,035,637	103.1%	6,213,399
2007	122,324,736	121,888,305	99.6%	3,945,944	125,834,249	102.9%	5,679,253
2008	128,569,436	128,045,919	99.6%	4,892,137	132,938,056	103.4%	5,401,922
2009	133,040,752	129,573,177	97.4%	2,066,224	131,639,401	98.9%	7,225,768

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



**LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT**

**LEGAL DEBT MARGIN**

**Last Seven Fiscal Years (since Merger) (1)**

	<b>Fiscal Year</b>						
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
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
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>
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>
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%

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed Valuation - January 1, 2008	\$ 73,629,344,788
Debt Limit (10% of assessed value)	7,362,934,479
Debt applicable to limit:	
Bonded debt outstanding	377,266,114
Less: Amount set aside for repayment of bonded debt	<u>(19,785)</u>
Total debt margin applicable to limit	<u>377,246,329</u>
Legal debt margin	<u>\$ 6,985,688,150</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, 2009**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable to Louisville Metro Taxpayers</b>	<b>Louisville Metro Taxpayers Share of Debt</b>
Direct Debt:			
Revenue bonds	\$ 99,441,761	100.00%	\$ 99,441,761
General obligation debt	<u>275,186,966</u>	100.00%	<u>275,186,966</u>
Total direct debt	<u>374,628,727</u>		<u>374,628,727</u>
Overlapping debt:			
Jefferson County Public Schools	<u>338,299,623</u>	100.00%	<u>338,299,623</u>
Total direct and overlapping debt	<u><u>\$ 712,928,350</u></u>		<u><u>\$ 712,928,350</u></u>

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Personal Income (2)</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>First Mortgage Revenue Bonds (3)</b>	<b>Lease Revenue Bonds</b>				
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	1.20%	31,274,740	525

Source: Bureau of Economic Analysis website: [www.bea.gov](http://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 2009 is an estimate based on the average annual percentage increase over the last ten years. Personal Income for 2008, which had been an estimate, has been changed to reflect published figures as of April 2009.
- (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 Seven Fiscal Years (since Merger) (1)**

<b>Fiscal Year</b>	<b>Population (2)</b>	<b>Assessed Value</b>	<b>General Obligation Bonds</b>	<b>Ratio of General Bonded Debt to Assessed Value</b>	<b>General Bonded Debt Per Capita</b>
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

Source: Workforce Kentucky website: [www.workforcekentucky.ky.gov](http://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.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**

**PLEDGED REVENUE COVERAGE**

**Last Seven Fiscal Years (since Merger) (1)**

<b>Fiscal Year</b>	<b>First Mortgage Revenue Bonds</b>				<b>Lease Revenue Bonds</b>			
	<b>Gross Revenue (2)</b>	<b>Debt Service</b>		<b>Coverage</b>	<b>Gross Revenue (2)</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal (3)</b>	<b>Interest</b>			<b>Principal (4)</b>	<b>Interest</b>	
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

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.
- (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, 2009**

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>% Change 1990-2000</u>	<u>Estimated (1)</u>		<u>% Change 1990-2008</u>
				<u>2007</u>	<u>2008</u>	
Louisville/Jefferson County	664,937	693,604	4.3%	709,264	713,877	7.4%
Kentucky	3,685,296	4,041,769	9.7%	4,241,474	4,269,245	15.8%
United States	248,709,873	281,421,906	13.2%	301,621,157	304,059,724	22.3%

Source: US Census Bureau website: [www.census.gov](http://www.census.gov)

(1) Estimated population amounts for 2009 were not available from the Census Bureau.

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

<b>Employer</b>	<b>Industry/Product</b>	<b>June 30, 2009</b>			<b>June 30, 2000</b>		
		<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
United Parcel Service, Inc.	Diversified Distribution/Logistics Services	20,560	1	3.49%	16,338	1	2.72%
Jefferson County Public Schools	K-12 Public Education	13,917	2	2.36%	13,467	2	2.25%
Humana, Inc.	Healthcare	9,854	3	1.67%	4,665	10	0.78%
Norton Healthcare, Inc.	Healthcare	7,978	4	1.35%	5,877	5	0.98%
Jewish Hospital & St. Mary's Healthcare, Inc.	Healthcare	6,203	5	1.05%	4,995	7	0.83%
Ford Motor Company	Automotive Manufacturer	5,929	6	1.01%	9,832	3	1.64%
University of Louisville	Higher Education	5,866	7	1.00%	4,898	8	0.82%
Louisville Metro Government	Government Services	5,639	8	0.96%			
GE Consumer & Industrial	Household Appliance Manufacturer	5,000	9	0.85%	7,446	4	1.24%
The Kroger Company	Retail Grocer	4,784	10	0.81%	4,700	9	0.78%
Kentucky State Government	Government Services				5,405	6	0.90%
<b>Total</b>		<b>85,730</b>		<b>14.55%</b>	<b>77,623</b>		<b>12.94%</b>

Source: Business First of Louisville  
Bureau of Labor Statistics website: [www.bls.gov](http://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, 2009 (1)**

	<b>Full-Time Equivalent Employees as of June 30, (2) (5)</b>					
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>General Government:</b>						
Metro Council	80	81	85	80	79	82
Mayor's Office	33	31	31	29	28	27
Policy and Strategic Planning	6	6	7	4	7	6
County Attorney	106	104	102	96	94	90
Other Elected Officials	69	67	64	64	64	40
<b>Public Protection:</b>						
Fire (3)	646	624	553	547	529	538
Emergency Medical Services (3)	131	186	278	253	257	266
Emergency Management (4)	26	26	171	160	169	180
Corrections	524	545	569	582	577	563
Youth Detention Services	130	128	129	129	130	133
Animal Control Services	37	37	41	48	48	45
Criminal Justice Commission	6	5	5	5	5	4
Public Protection Cabinet	1	1	1			
Police (4)	1,547	1,605	1,514	1,480	1,511	1,502
<b>Economic Development:</b>						
Metro Development Authority	54	67	66	63	65	76
Redevelopment Authority	2	2	1			
Air Pollution Control	57	57	62	65	63	66
Community Development	15	15	12	7		
<b>Codes &amp; Regulations:</b>						
Inspections, Permits and Licenses	138	141	138	132	127	121
Planning and Design Services	59	62	64	64	50	49
Parks & Recreation	612	593	576	566	476	529
<b>Housing &amp; Family Services:</b>						
Housing	58	56	58	58	51	52
Human Services	189	183	173	155	107	80
Community Action Partnership	94	99	96	94	92	118
Public Health & Wellness	320	320	321	302	288	280
Neighborhoods	41	48	44	44	75	46
<b>Public Works &amp; Assets:</b>						
Public Works	274	257	223	221	228	263
General Services Administration	203	197	220	223	209	202
Solid Waste Management Services	252	244	243	238	216	216
Information Technology	49	49	59	66	68	69
Finance & Administration	124	116	114	113	107	105
Human Resources	53	49	49	44	47	43
<b>Related Agencies:</b>						
Human Relations Commission	19	18	17	16	15	17
Kentuckiana Works (6)	18	14	11	12	14	
Louisville Free Public Library	283	287	289	276	268	237
Louisville Zoological Gardens	189	187	180	184	193	235
Internal Audit	8	8	8	8	8	5
Waterfront Development Corporation	14	14	67	112	66	77
<b>Total</b>	<b><u>6,467</u></b>	<b><u>6,529</u></b>	<b><u>6,641</u></b>	<b><u>6,540</u></b>	<b><u>6,331</u></b>	<b><u>6,362</u></b>

- (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 Agency.
- (5) Numbers represent actual employees for the last pay period of each fiscal year, with full-time employees counted at 100% and part-time and seasonal employees counted at 50%.
- (6) In 2009, Kentuckiana Works was brought under the Metro Development Authority.



**LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT**  
**MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION**  
June 30, 2009 (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>
<b>Public Works</b>						
Miles of streets maintained	3,000	3,000	3,000	3,000	3,025	2,540
Miles of streets paved	125	138	153	231	175	42
Number of potholes filled	21,618	29,809	30,000	14,000	18,175	15,098
Overlay and pavement repairs (sq ft) (2)				203,000	123,274	71,147
<b>General Services Administration</b>						
Number of vehicles maintained (3)				2,587	2,590	2,578
Number of buildings maintained	67	67	67	67	68	73
<b>Solid Waste Management Services</b>						
Tons recycled	15,844	18,724	19,761	21,149	18,597	10,462
Tons composted	20,149	20,594	16,570	19,507	13,085	9,582
Tons landfilled	136,900	146,521	200,455	206,556	206,146	96,754
<b>Inspections, Permits and Licenses</b>						
Number of inspections performed	90,961	160,023	162,545	164,467	179,118	183,330
Number of permits issued (4)		48,351	48,351	40,942	49,464	44,845
<b>Planning and Design Services (5)</b>						
Number of zoning adjustments					135	96
Number of plans submitted					1,179	1,340
<b>Parks</b>						
Community centers	17	17	17	17	17	15
Number of parks	123	123	123	123	123	124
Park acreage	14,000	14,000	14,000	14,000	14,000	15,000
Golf courses	9	9	9	9	9	9
Swimming pools	12	12	12	11	5	5
Tennis courts	172	172	172	172	172	155
Number of walking trails/bike paths	40	40	40	40	41	33
<b>Zoo and Louisville Nature Center</b>						
Total acreage	151	151	151	151	151	151
Area developed in acres	90	90	90	90	90	88
Number of animals	1,300	1,300	1,300	1,300	1,300	1,747
Number of visitors	783,657	757,517	741,930	810,546	818,129	835,807
<b>Libraries</b>						
Number of branches	16	16	16	16	16	16
Number of library card holders	325,524	343,043	358,927	470,000	457,979	460,247
Number of computers	402	410	470	455	470	495
Number of items in circulation	1,291,907	1,348,846	1,348,747	1,288,941	1,264,123	1,418,570
Number of items borrowed	3,807,578	3,827,835	4,065,233	4,193,574	4,427,416	4,104,396
<b>Fire Protection (Urban Service District)</b>						
Number of stations	22	22	22	22	22	21
Number of incidents (calls answered)	11,198	10,960	9,488	11,478	11,654	14,777
Number of medical runs	11,481	9,090	7,923	9,850	13,063	21,904
Number of fires extinguished	2,400	1,829	1,995	1,975	1,829	1,856
Number of home inspections conducted	12,316	12,132	11,053	13,470	13,474	18,245
Number of building inspections conducted	9,740	11,024	7,708	8,992	8,343	5,833
<b>Police Protection</b>						
Number of active patrol units	802	802	802	848	859	885
Number of incidents (calls answered) (6)				494,140	535,550	512,847
Number of arrests	29,746	38,919	46,726	52,024	47,315	55,349
Number of citations	92,997	80,728	86,426	81,780	88,497	106,347
<b>Corrections</b>						
Number of prisoners	39,046	39,242	35,375	45,000	46,105	45,570
Number of beds	1,919	1,919	1,919	1,919	1,919	1,961
<b>Youth Detention</b>						
Number of youth monitored	792	780	828	852	964	799
Number of youth housed	1,682	1,980	2,104	2,045	1,790	1,674
<b>Health</b>						
Number of clinics	12	12	12	12	12	12
Number of services provided	314,696	445,676	454,022	429,610	422,634	401,690

(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>
<b>June 30, 2009 (1)</b>						
EMS						
Number of dispatches	93,195	92,816	111,627	140,086	136,977	129,684
Number of transports	51,420	52,913	54,073	60,282	64,901	62,200
Animal Services						
Licensed pets	67,293	63,310	58,510	85,000	72,995	63,136
Number of animals spayed/neutered	899	1,063	2,058	1,800	3,886	3,776
Number of pets adopted	899	1,063	1,943	1,200	1,395	2,453
Housing						
Number of downtown market rate housing units	1,726	1,777	1,912	2,004	2,047	2,218
Community Action Partnership						
Number of families assisted	16,562	17,892	18,479	14,849	15,722	20,887
Number of individuals assisted	40,117	42,760	44,187	33,981	36,500	48,170
Louisville Water Company						
Number of residential customers	235,906	238,893	241,938	244,478	246,145	245,649
Annual residential consumption (1,000 Gallons)	15,655,594	17,089,874	17,089,874	15,305,832	17,479,922	16,390,030
Number of commercial and industrial customers	22,593	22,708	22,940	23,546	23,825	24,571
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
Number of fire hydrants	18,882	19,471	19,931	20,467	20,809	21,120
Parking Authority of River City, Inc.						
Number of PARC garages	11	12	12	12	12	12
Number of PARC surface lots	4	4	4	4	3	3
Number of parkers	7,055	7,067	7,345	7,332	8,322	8,777
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
Total miles driven	11,482,333	11,909,817	12,163,639	12,167,757	12,072,337	12,169,443
Total hours driven	757,968	766,821	784,215	812,549	810,921	781,544
Buses in service	270	274	265	277	276	249
Number of hybrid buses (7)						12
Number of routes	55	55	53	52	51	54
Metropolitan Sewer District						
Miles of sewers	2,959	3,035	3,099	3,133	3,200	3,197
Number of treatment plants	25	25	23	21	21	21
Number of service connections	216,551	220,599	222,698	224,654	226,430	226,711
Daily average treatment (mgd)	143	145	155	134	152	127
Daily treatment capacity (mgd) (mgd - millions of gallons per day)	162	162	173	172	174	174
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
Number of elementary schools	87	87	87	87	89	89
Number of middle schools	23	22	22	22	22	23
Number of high schools	20	19	19	19	19	19
Number of instructors (8)			5,267	5,383	5,363	5,468

- (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) Transit Authority of River City added hybrid buses in 2008.
- (8) This information was not archived prior to fiscal year 2006 and therefore is not reported.

**APPENDIX C**

**Opinions of Co-Bond Counsel**

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\_\_\_\_\_, 2010

Louisville/Jefferson County  
Metro Government  
Louisville, Kentucky 40202

RE: \$\_\_\_\_\_,000 General Obligation Bonds, Series 2010B,  
dated as of the date hereof (the "Bonds"), of the  
Louisville/Jefferson County Metro Government (the "Issuer")

Ladies and Gentlemen:

We have examined the transcript of proceedings for the authorization and original issuance on the date hereof of the above-referenced Bonds, including but not limited to a certified copy of the Bond Ordinance enacted August 26, 2010 (the "Bond Ordinance").

We have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. As to certain questions of fact, we have relied on statements and certifications of certain of the elected officials, officers and employees of the Issuer and other public officials, although in doing so we have not undertaken to verify independently the accuracy or completeness of such statements or certifications.

In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies. We have also relied for purposes of the opinions set forth below on the representations, warranties and certifications made in such documents by all parties thereto, although in doing so, we have not undertaken to verify independently the

Louisville/Jefferson County  
Metro Government  
\_\_\_\_\_, 2010

Page 2

accuracy or completeness of the factual matters represented, warranted or certified therein.

Based on the foregoing, and based on our examination of applicable provisions of the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), and decisions of the appellate courts of the Commonwealth, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion under existing law that as of the date hereof:

1. The Issuer is a consolidated local government and political subdivision of the Commonwealth.

2. The Bonds constitute valid obligations of the Issuer in accordance with their respective terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer pursuant to the Bond Ordinance.

3. Based on existing laws, regulations and judicial decisions, and assuming the accuracy and completeness of certain representations and warranties of the Issuer made in connection with the original issuance of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference nor an adjustment to adjusted current earnings for purposes of determining alternative minimum taxable income for federal income tax purposes. The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code (the "Code").

4. The Bonds are exempt from ad valorem taxation and the interest thereon is exempt from income taxation by the Commonwealth and all of its political subdivisions and taxing authorities.

Our opinion that interest on the Bonds is excludable from gross income for federal income tax purposes is subject to the condition that the Issuer complies with all requirements of the Code that must be satisfied subsequent to the delivery of the Bonds in order that interest on the Bonds be and continue to be excludable from gross income for

Louisville/Jefferson County  
Metro Government  
\_\_\_\_\_, 2010

Page 3

federal income tax purposes. Failure to comply with such requirements could cause such interest to be included in gross income retroactive to the date hereof. The Issuer has covenanted in the Bond Ordinance to comply with such requirements. Except as provided in paragraphs 3 and 4 above, we express no opinion regarding any federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, or otherwise arising with respect to, the Bonds.

We express no opinion on the investment quality of the Bonds or on the accuracy or completeness of any factual representations that may have been made by the Issuer or any statements or data that may have been furnished to any parties in connection with any offering or sale of the Bonds or otherwise. Our opinion is limited to the questions of law set forth herein. Without limiting the generality of the foregoing, we undertake no responsibility herein for the accuracy or completeness of the Preliminary Official Statement or the final Official Statement relating to the Bonds or any other offering material relating to the Bonds, and we express no opinion with respect thereto.

The enforceability of the Bonds and the Bond Ordinance, including rights and remedies thereunder, may be limited by [i] the application of equitable principles, [ii] the exercise of judicial discretion and [iii] bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws heretofore or hereafter enacted relating to or affecting creditors' rights or remedies. We also express no opinion on the availability of equitable rights or remedies.

We express no opinion on the laws of any jurisdiction other than the Commonwealth and the United States of America.

Yours truly,

WYATT, TARRANT & COMBS, LLP

\_\_\_\_\_, 2010

Louisville/Jefferson County  
Metro Government  
Louisville, Kentucky 40202

RE: \$\_\_\_\_\_,000 Taxable General Obligation Bonds (Qualified Energy Conservation Bonds – Direct Payment to Issuer, Series 2010C, dated as of the date hereof (the “Bonds”), of the Louisville/Jefferson County Metro Government (the “Issuer”)

Ladies and Gentlemen:

We have examined the transcript of proceedings for the authorization and original issuance on the date hereof of the above-referenced Bonds, including but not limited to a certified copy of the Bond Ordinance enacted August 26, 2010 (the “Bond Ordinance”).

We have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. As to certain questions of fact, we have relied on statements and certifications of certain of the elected officials, officers and employees of the Issuer and other public officials, although in doing so we have not undertaken to verify independently the accuracy or completeness of such statements or certifications.

In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies. We have also relied for purposes of the opinions set forth below on the representations, warranties and certifications made in such documents by all parties thereto, although in



Louisville/Jefferson County  
Metro Government  
\_\_\_\_\_, 2010

Page 2

doing so, we have not undertaken to verify independently the accuracy or completeness of the factual matters represented, warranted or certified therein.

Based on the foregoing, and based on our examination of applicable provisions of the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), and decisions of the appellate courts of the Commonwealth, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion under existing law that as of the date hereof:

1. The Issuer is a consolidated local government and political subdivision of the Commonwealth.

2. The Bonds constitute valid obligations of the Issuer in accordance with their respective terms, which unless paid from other sources are payable from taxes to be levied by the Issuer pursuant to the Bond Ordinance.

3. Based on existing laws, regulations and judicial decisions, the interest on the Bonds will be included in gross income for federal income tax purposes.

4. The Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.

Except as provided in paragraphs 3 and 4 above, we express no opinion regarding any federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, or otherwise arising with respect to, the Bonds.

We express no opinion on the investment quality of the Bonds or on the accuracy or completeness of any factual representations that may have been made by the Issuer or any statements or data that may have been furnished to any parties in connection with the offering or sale of the Bonds. Our opinion is limited to the questions of law set forth herein.

Louisville/Jefferson County  
Metro Government  
\_\_\_\_\_, 2010

Page 3

Without limiting the generality of the foregoing, we undertake no responsibility herein for the accuracy or completeness of the Preliminary Official Statement or the final Official Statement relating to the Bonds or any other offering material relating to the Bonds, and we express no opinion with respect thereto.

The enforceability of the Bonds and the Bond Ordinance, including rights and remedies thereunder, may be limited by [i] the application of equitable principles, [ii] the exercise of judicial discretion and [iii] bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws heretofore or hereafter enacted relating to or affecting creditors' rights or remedies. We also express no opinion on the availability of equitable rights or remedies.

We express no opinion on the laws of any jurisdiction other than the Commonwealth and the United States of America.

Yours truly,

WYATT, TARRANT & COMBS, LLP

15217213.2

\_\_\_\_\_, 2010

Louisville/Jefferson County  
Metro Government  
Louisville, Kentucky 40202

RE: \$ \_\_\_\_\_,000 General Obligation Bonds, Series 2010B, dated as of the date hereof (the "Bonds"), of the Louisville/Jefferson County Metro Government (the "Issuer")

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Ladies and Gentlemen:

We have examined the transcript of proceedings for the authorization and original issuance on the date hereof of the above-referenced Bonds, including but not limited to a certified copy of the Bond Ordinance enacted August 26, 2010, (the "Bond Ordinance").

We have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. As to certain questions of fact, we have relied on statements and certifications of certain of the elected officials, officers and employees of the Issuer and other public officials, although in doing so we have not undertaken to verify independently the accuracy or completeness of such statements or certifications.

In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies. We have also relied for purposes of the opinions set forth below on the representations, warranties and certifications made in such documents by all parties thereto, although in doing so, we have not undertaken to verify independently the accuracy or completeness of the factual matters represented, warranted or certified therein.

Based on the foregoing, and based on our examination of applicable provisions of the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), and decisions of the appellate courts of the Commonwealth, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion under existing law that as of the date hereof:

1. The Issuer is a consolidated local government and political subdivision of the Commonwealth.

2. The Bonds constitute valid obligations of the Issuer in accordance with their respective terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer pursuant to the Bond Ordinance.

3. Based on existing laws, regulations and judicial decisions, and assuming the accuracy and completeness of certain representations and warranties of the Issuer made in connection with the original issuance of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference nor an adjustment to adjusted current earnings for purposes of determining alternative minimum taxable income for federal income tax purposes. The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code (the "Code").

4. The Bonds are exempt from ad valorem taxation and the interest thereon is exempt from income taxation by the Commonwealth and all of its political subdivisions and taxing authorities.

Our opinion that interest on the Bonds is excludable from gross income for federal income tax purposes is subject to the condition that the Issuer complies with all requirements of the Code that must be satisfied subsequent to the delivery of the Bonds in order that interest on the Bonds be and continue to be excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause such interest to be included in gross income retroactive to the date hereof. The Issuer has covenanted in the Bond Ordinance to comply with such requirements. Except as provided in paragraphs 3 and 4 above, we express no opinion regarding any federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, or otherwise arising with respect to, the Bonds.

We express no opinion on the investment quality of the Bonds or on the accuracy or completeness of any factual representations that may have been made by the Issuer or any statements or data that may have been furnished to any parties in connection with any offering or sale of the Bonds or otherwise. Our opinion is limited to the questions of law set forth herein. Without limiting the generality of the foregoing, we undertake no responsibility herein for the accuracy or completeness of the Preliminary Official Statement or the final Official Statement relating to the Bonds or any other offering material relating to the Bonds, and we express no opinion with respect thereto.

The enforceability of the Bonds and the Bond Ordinance, including rights and remedies thereunder, may be limited by [i] the application of equitable principles, [ii] the exercise of judicial discretion and [iii] bankruptcy, insolvency, reorganization, arrangement, fraudulent

Louisville/Jefferson County  
Metro Government

\_\_\_\_\_, 2010  
Page 3

conveyance, moratorium or other laws heretofore or hereafter enacted relating to or affecting creditors' rights or remedies. We also express no opinion on the availability of equitable rights or remedies.

We express no opinion on the laws of any jurisdiction other than the Commonwealth and the United States of America.

Yours truly,

STITES & HARBISON, PLLC

LM020:00LM4:798907:2:LOUISVILLE

\_\_\_\_\_, 2010

Louisville/Jefferson County  
Metro Government  
Louisville, Kentucky 40202

RE: \$ \_\_\_\_\_,000 Taxable General Obligation Bonds (Qualified Energy Conservation Bonds – Direct Payment to Issuer), Series 2010C, dated as of the date hereof (the “Bonds”), of the Louisville/Jefferson County Metro Government (the “Issuer”)

Ladies and Gentlemen:

We have examined the transcript of proceedings for the authorization and original issuance on the date hereof of the above-referenced Bonds, including but not limited to a certified copy of the Bond Ordinance enacted August 26, 2010, (the “Bond Ordinance”).

We have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. As to certain questions of fact, we have relied on statements and certifications of certain of the elected officials, officers and employees of the Issuer and other public officials, although in doing so we have not undertaken to verify independently the accuracy or completeness of such statements or certifications.

In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies. We have also relied for purposes of the opinions set forth below on the representations, warranties and certifications made in such documents by all parties thereto, although in doing so, we have not undertaken to verify independently the accuracy or completeness of the factual matters represented, warranted or certified therein.

Based on the foregoing, and based on our examination of applicable provisions of the Constitution and laws of the Commonwealth of Kentucky (the “Commonwealth”), and decisions of the appellate courts of the Commonwealth, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion under existing law that as of the date hereof:

1. The Issuer is a consolidated local government and political subdivision of the Commonwealth.

2. The Bonds constitute valid obligations of the Issuer in accordance with their respective terms, which unless paid from other sources are payable from taxes to be levied by the Issuer pursuant to the Bond Ordinance.

3. Based on existing laws, regulations and judicial decisions, the interest on the Bonds will be included in gross income for federal income tax purposes.

4. The Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.

Except as provided in paragraphs 3 and 4 above, we express no opinion regarding any federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, or otherwise arising with respect to, the Bonds.

We express no opinion on the investment quality of the Bonds or on the accuracy or completeness of any factual representations that may have been made by the Issuer or any statements or data that may have been furnished to any parties in connection with the offering or sale of the Bonds. Our opinion is limited to the questions of law set forth herein. Without limiting the generality of the foregoing, we undertake no responsibility herein for the accuracy or completeness of the Preliminary Official Statement or the final Official Statement relating to the Bonds or any other offering material relating to the Bonds, and we express no opinion with respect thereto.

The enforceability of the Bonds and the Bond Ordinance, including rights and remedies thereunder, may be limited by [i] the application of equitable principles, [ii] the exercise of judicial discretion and [iii] bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws heretofore or hereafter enacted relating to or affecting creditors' rights or remedies. We also express no opinion on the availability of equitable rights or remedies.

We express no opinion on the laws of any jurisdiction other than the Commonwealth and the United States of America.

Yours truly,

STITES & HARBISON, PLLC

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**APPENDIX D**

**Summary of Certain Provisions of the Ordinance**

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## SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

There follows a brief description of certain provisions of the Bond Ordinance. This description is only a summary; it does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Ordinance which is available for inspection at the principal office of the Louisville/Jefferson County Metro Government (the "Issuer").

**Definitions.** Certain provisions of the Bond Ordinance are described in the Official Statement under "GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT". Unless the context otherwise requires:

"Act" means collectively, Sections 66.011 through 66.191 of the Kentucky Revised Statutes.

"Authorized Denomination" means the authorized denominations of the Bonds, which shall be \$5,000 or any multiple of \$5,000.

"Bond Fund" means the fund created by the Bond Ordinance.

"Bondholder," "bondholder," "Holder," or "holder" means the person in whose name a Bond is registered on the registration books maintained by the Bond Registrar. Notwithstanding this definition, with respect to any Bonds which are registered in Book-Entry Form, the Bond Registrar shall be entitled to rely on written instructions from a majority of the beneficial owners of the Bonds with reference to consent, if any, required from Bondholders under the Bond Ordinance.

"Bond Ordinance" means the ordinance of the Issuer, authorizing and approving the Bonds, as amended or supplemented from time to time.

"Bond Registrar" means the Bond Registrar selected on behalf of the Issuer by the Mayor, the Deputy Mayor, or the OMB Director of the Issuer or by resolution of the Metro Council of the Issuer and appointed pursuant to the Bond Ordinance (the selection to be pursuant to such additional procedures or provisions, if any, as may be recommended by counsel to the Issuer), and including any successor bond registrar designated as such pursuant to the provisions of the Bond Ordinance. The Bond Registrar shall also serve as paying agent for the Bonds and the interest thereon.

"Bonds" means collectively, the Issuer's "General Obligation Bonds" and "QECBs" and, where applicable, the Notes authorized under the provisions of the Bond Ordinance to be issued in one or more series.

"Book-Entry Form" means, with respect to the Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Bonds and bond service charges may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Holder, with the physical Bond certificates in the custody of the Securities Depository.

"Code" means the Internal Revenue Code of 1986, as amended to the date of adoption of the Bond Ordinance, or as hereafter amended, including valid regulations of the Department of the Treasury and rulings of the Commissioner of Internal Revenue thereunder.

"Commonwealth" means the Commonwealth of Kentucky.

“Cost of Issuance Account” means the account created by Section 5.4 of the Bond Ordinance.

“Financial Advisor” means, collectively, Public Financial Management, Inc. and Morgan Keegan & Company, Inc.

“Fiscal Year” means any period of twelve (12) months commencing July 1 of any year and ending June 30 of the ensuing year, or any other fiscal year of the Issuer after recognition of such fiscal year by a supplement to the Bond Ordinance.

“Funds and Accounts” means, collectively, the Bond Fund, the Cost of Issuance Account and the Project Fund.

“General Obligation Debt” means, collectively, the Bonds as may be Outstanding from time to time, as well as all other general obligation debt of the Issuer (including bonds, notes, commercial paper and any other debt instruments in writing, authorized by or issued as general obligations of the Issuer pursuant to or in accordance with the Act) and bond anticipation notes of the Issuer, if any, as may be issued and outstanding from time to time under the Act.

“General Obligation Notes” or “Notes” means, Bonds issued in one or more series as general obligations of the Issuer pursuant to or in accordance with the Act that mature no later than five (5) years from the date they are issued.

“Investment Obligation” means any investment that the Issuer is authorized to acquire pursuant to the Kentucky Revised Statutes, as amended from time to time, and to the extent, if any, that the funds then proposed for investment are governed by an applicable formal investment policy of the Issuer, which complies with such investment policy.

“Issuer” means the Louisville/Jefferson County Metro Government, a municipal corporation and political subdivision of the Commonwealth.

“Kentucky Revised Statutes” or “KRS” means the Kentucky Revised Statutes as in effect at the date of the adoption of the Bond Ordinance, and any future amendments thereof to the extent that the same will not unconstitutionally impair the obligations of contracts created under the provisions of the Bond Ordinance.

“Official Statement” means collectively one or more final Official Statements of the Issuer relating to the original issuance of each series of the Bonds or Notes.

“OMB Director” means the Director Office of Management and Budget of the Issuer, or such other official of the Issuer as may from time to time be designated by the Issuer to perform the functions or responsibilities of the Director Office of Management and Budget under the Bond Ordinance.

“Outstanding”, when used with reference to any Bonds or Notes, as applicable, means, as of any date, all Bonds theretofore or then being authenticated and delivered under the Bond Ordinance, except:

(a) any Bonds or Notes, as applicable, cancelled by the Bond Registrar at or prior to such date;

(b) Bonds or Notes, as applicable, in lieu of or in substitution for which other Bonds or Notes, as applicable, shall have been authenticated and delivered; and

(c) Bonds or Notes, as applicable, deemed to have been paid as provided in the Bond Ordinance.

“Payment Date” means [i] with respect to each series of the Bonds or Notes, such date or dates as may be determined by the OMB Director of the Issuer upon the recommendation of the Financial Advisor and except as may be provided pursuant to the procedures established for public sale or negotiated purchase in the Bond Ordinance accepting or ratifying bids for the purchase of each series of Bonds or Notes, and any date set for the redemption of Bonds or Notes, as provided in the Bond Ordinance, and [ii] with respect to any other General Obligation Debt (if any), the applicable payment dates set forth or approved in the Issuer’s legislation authorizing issuance of the General Obligation Debt.

“Pledged Receipts” means amounts received by or on behalf of the Issuer (including but not limited to ad valorem property taxes as permitted by law, occupational license fees, insurance premium taxes, excises, utility and service revenues, any available revenues received by the Issuer from tax increment financing not pledged to pay other indebtedness, and any other receipts from taxes, excises, permits, licenses, fines or other source of revenue of, or of revenue distributions to, the Issuer).

“Project” means, collectively those public projects (including the costs of acquisition, improvement or construction thereof, in accordance with the Act) that are financed with the proceeds of the Bonds and/or Notes and satisfy qualified conservation purposes under Section 54D of the Code, including the projects more particularly described in Exhibit A to the Bond Ordinance.

“Project Fund” means the fund created by the Bond Ordinance.

“QECBs” means the Louisville/Jefferson County Metro Government Taxable General Obligation Bonds (Qualified Energy Conservation Bonds – Direct Payment to Issuer), Series 2010C, which constitute Qualified Energy Conservation Bonds as described in Section 54D and related sections of the Code.

“Record Date” means the “Record Date” as defined in the Bond Ordinance.

“Revenue Commission” means Louisville/Jefferson County Metro Revenue Commission, as successor in interest to the Louisville and Jefferson County Revenue Commission as previously established and operated under the provisions of City of Louisville Codified Ordinances.

“Securities Depository” means any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

**Authorization, Amount and Designation of Bonds.** The Bond Ordinance has been adopted and approved, pursuant to the authority of Kentucky Revised Statutes, Sections 66.011 through 66.191, the general laws and the Constitution of the Commonwealth and all applicable decisions of the appellate courts of Kentucky.

**Pledge of Pledged Receipts.** The Issuer pledges in the Bond Ordinance to the payment of the principal of, interest on, and any premium for the redemption of, the Bonds or the Notes, the

Pledged Receipts received by the Issuer and all Funds and Accounts established by and in accordance with the provisions of the Bond Ordinance, including the investment income, if any, of Funds and Accounts established by the Bond Ordinance, all in accordance with the terms and provisions of the Bonds or the Notes and the Bond Ordinance, and there is created under the Bond Ordinance in favor of the Bonds or the Notes, a lien, pledge and charge on all of the Pledged Receipts over and ahead of all other bonds not contemplated by the Bond Ordinance payable from the Pledged Receipts which may be hereafter issued, and over and ahead of all other claims or obligations of any nature against the Pledged Receipts hereafter arising or hereafter incurred. The Issuer covenants and agrees that the pledge under the Bond Ordinance shall be valid and binding from and after the date of the issuance, sale and delivery of the Bonds of a series or the Notes issued pursuant to the Bond Ordinance, and all such money and securities so pledged shall be subject to the lien of this pledge without any physical delivery thereof, or any further action by the Issuer.

**Bond Fund.** There is in the Bond Ordinance recognized and there shall be maintained, with the Revenue Commission, at any time while the Bonds of a series or the Notes are outstanding, a "Bond Fund," which shall constitute a "sinking fund" within the meaning of KRS 66.081(1) which is pledged for the retirement of the General Obligation Debt. The Issuer covenants and agrees that it shall set aside as received and pay into the Bond Fund, all or such portion of the Pledged Receipts as will be sufficient to pay when due, in immediately available funds, the principal of, premium, if any, and interest on all Bonds and Notes Outstanding under the Bond Ordinance and all other General Obligation Debt (if any), in each of the foregoing cases at or before their maturity or earlier proceedings for redemption. No further payment need be made to the Bond Fund when, and so long as, the aggregate amount therein is sufficient to retire all of the Bonds and Notes then Outstanding, plus the amount of interest due and thereafter to become due on such Bonds and Notes on and prior to such retirement, together with redemption premium, if any.

The Bond Fund shall be maintained for and on behalf of the Issuer by the Revenue Commission, or shall from time to time be maintained in such other manner by or on behalf of the Issuer as shall be provided for in the proceedings of the Issuer, as a separate and special fund, apart and distinct from all other funds of the Issuer or the Revenue Commission. Separate account statements with respect thereto shall at all times be kept and maintained. On each Payment Date, there is authorized and directed to be withdrawn and made available out of the applicable account of the Bond Fund a sufficient amount to pay the principal of, premium, if any, and interest on the Bonds, the Notes and any other General Obligation Debt, if any, becoming due on such Payment Date, including Bonds redeemed pursuant to the optional or mandatory redemption provisions of the Bond Ordinance, if any.

**Cost of Issuance Account.** There is established in the Bond Ordinance a "Cost of Issuance Account", to be held and maintained by the OMB Director as a separate account within the Project Fund under the Bond Ordinance. The Issuer will, at the delivery of the Bonds or Notes, cause to be deposited with the OMB Director into the Cost of Issuance Account from Bond or Notes proceeds, as applicable, a sum sufficient to pay any and all duly authorized expenses of the issuance of the Bonds or Notes, including legal and accounting fees and expenses, financial advisors' fees and expenses, printing costs, fees of bond rating agencies, and initial fees and expenses of the Bond Registrar in connection with the issuance of the Bonds. On the payment or reimbursement of all costs of issuance of the Bonds or Notes, any proceeds of such Bonds or Notes, as applicable, or any investment earnings thereof remaining in the Cost of Issuance Account shall be transferred by the OMB Director to the Bond Fund or for any QEGBs issued under the Bond Ordinance, in accordance with any applicable requirements of the Code.

**Project Fund.** There is established in the Bond Ordinance a "Project Fund" which shall be held and maintained for and on behalf of the Issuer by the Revenue Commission, or shall from time to time be maintained in such other manner by or on behalf of the Issuer as shall be provided for in the

proceedings of the Issuer, as a separate and special fund, apart and distinct from all other funds of the Issuer or the Revenue Commission. Separate account statements with respect thereto shall at all times be kept and maintained for each series of the Bonds. The Project Fund shall be used solely for payment of costs of issuance of the Bonds of a series and for payment of the costs associated with the Project except as provided in the Bond Ordinance. As provided above, on the payment or reimbursement of all costs of issuance of the Bonds of a series, as certified by the Issuer, any proceeds of such Bonds of a series or any investment earnings thereof remaining in the Cost of Issuance Account shall be transferred by the Revenue Commission to the applicable account of the Bond Fund or, for any QECEBs issued under the Bond Ordinance, in accordance with any applicable requirements of the Code.

**Investment of Funds.** Moneys from time to time in any Fund or Account, or reserve fund created to satisfy Section 54A(d)(4)(C) of the Code pending disbursement for the purposes of each Fund and Account or reserve fund, shall be invested or reinvested in Investment Obligations from time to time as directed and effected by the Mayor or the OMB Director upon the recommendation of the Financial Advisor. Investments of moneys held in the Project Fund shall be made in such manner (i.e., maturing or subject to earlier redemption or retirement at the option of the holder thereof) as to make cash available in the Project Fund for disbursement as and when required to pay acquisition, construction, installation, equipping and related costs. Investments of moneys held in the Bond Fund shall be made in such manner (i.e., maturing or subject to earlier redemption or retirement at the option of the holder thereof) as to make cash available in the Bond Fund for disbursement as and when required to pay interest on and principal (and premium, if any) of the Bonds and Notes as and when the same become due.

**Maximum Percentages of Net Indebtedness.** The Issuer covenants not to incur "net indebtedness" (within the meaning of the Act) in an amount exceeding any applicable limitation based on the value of taxable property within the Issuer's corporate limits and jurisdiction, as estimated by the last certified assessment previous to the incurring of the indebtedness.

**Events of Default.** Each of the following events is defined as and shall constitute an "Event of Default":

- a) Failure to pay any installment of interest on the Bonds or the Notes, as applicable, when the same shall become due and payable or within thirty (30) days thereafter (or within such period, shorter than thirty (30) days, if any, as may be permitted in the Bonds or the Notes, as applicable);
- b) Failure to pay the principal of, or premium, if any, on any Bond or any Note, as applicable, when due and payable, at maturity or on redemption; and
- c) Default by the Issuer in the due or punctual performance or observance of any other covenants, pledges, conditions, provisions or agreements of the Issuer contained in the Bond Ordinance, the Escrow Agreement or in the Bonds or the Notes or note related documents, as applicable, and the continuance thereof for a period of thirty (30) days; provided that if such default can be corrected but not within such thirty-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and diligently pursued until the default no longer exists.

**Enforcement of Remedies; Any Bondholder May Enforce and Compel Performance.** On the happening and continuance of any Event of Default, then and in every case any Bondholder, either at law or in equity, by suit, action, mandamus or other proceedings, may enforce and compel performance by the Issuer and its officers and agents of all duties imposed under the Act, under other applicable law, if

any, under the Bonds or the Notes, as applicable, and under the Bond Ordinance, including the levying and collection of sufficient taxes and the application thereof to the payment of principal of and interest (and premium, if any) on the Bonds or the Notes, as applicable, in accordance with the provisions of the Bond Ordinance and the Bonds or the Notes, as applicable.

**Notice of Default.** The Bond Registrar shall as promptly as practicable mail, to the Issuer and the Holders of Bonds or the Notes, as applicable, written notice of the occurrence of any Event of Default known to the Bond Registrar. The Bond Registrar shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by the Bond Ordinance.

**Delay or Omission.** No delay or omission of any holder of the Bonds or Notes, as applicable, to exercise any right or power arising on any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy afforded by the Bond Ordinance and every additional power and remedy, if any, afforded by the terms of the Bonds or the Notes, as applicable, to the Holders of the Bonds or the Notes, as applicable, may be exercised from time to time and as often as may be deemed expedient by the Bondholders.

**Waivers of Events of Default.** Any Bondholder, may on behalf of such Holder waive any past default under the Bond Ordinance or under the Bonds or the Notes, as applicable, and the consequences thereof; and in case of any such waiver, the Issuer, the Bond Registrar and such Bondholder shall be restored to their former positions and rights under the Bond Ordinance and under the Bonds or the Notes, as applicable, respectively, but no such waiver shall extend to any subsequent or other default, or impair any right consequent thereon.

**Termination of Proceedings.** If any Bondholder shall have proceeded to enforce any right due to any Event of Default and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bondholder, then and in every case the Issuer, the Bond Registrar and the Bondholder shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Bond Ordinance, and all rights of such Bondholder shall continue as if no such proceedings had been taken.

**Remedies Not Exclusive.** No remedy by the terms of the Bond Ordinance or the Bonds or the Notes, as applicable, conferred on or reserved to the Holders of the Bonds or the Notes, as applicable, is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Bond Ordinance as now or hereafter existing at law or in equity or by statute.

**Responsibilities of the Bond Registrar.** The Bond Registrar shall have no responsibility with respect to the validity of the Bonds or the Notes, as applicable, authorized or the legal sufficiency of the proceedings for their issuance. The Bond Registrar shall not have any obligation, except as otherwise provided in the Bond Ordinance, to assure that any duties imposed in the Bond Ordinance on the Issuer or covenants or agreements contained in the Bond Ordinance on behalf of said Issuer are performed. All compensation to the Bond Registrar for services leading up to and including authentication of the Bonds or the Notes, as applicable, may be paid from the proceeds of the applicable series of Bonds or Notes. Compensation for any service, cost or expense, including fees of its counsel, thereafter rendered or incurred by the Bond Registrar, in its capacity as Bond Registrar, shall be billed to and paid by the Issuer from time to time.

No implied covenants shall be read into the Bond Ordinance against the Bond Registrar. The Bond Registrar may in good faith buy, sell, own, hold and deal in any of the Bonds or Notes, with like effect as if it were not the Bond Registrar. The Bond Registrar may act as depository for, or permit



any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Notes, as applicable, or the Bond Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the applicable series of Bonds Notes outstanding.

The Bond Registrar shall be protected and shall incur no liability in acting in good faith on any ordinance, order, resolution, notice, telegram, request, consent, certificate, affidavit, voucher, bond or other paper or document which it shall believe to be genuine and to have been passed or signed by the proper board or persons. The Bond Registrar shall not be bound to recognize any person as a holder of any Bond or Notes, as applicable, or to take any action at such person's request unless such Bond or Notes, as applicable shall be submitted to the Bond Registrar for inspection, if required, and title thereto established to the satisfaction of the Bond Registrar, if disputed.

The Bond Registrar may in relation to the Bond Ordinance act on the opinion or advice of any attorney, accountant or other expert, whether retained by the Issuer or by the Bond Registrar, and shall not be responsible for anything suffered or done by it in good faith in accordance with any such opinion or advice. On written request of the Issuer, the Bond Registrar, not less than annually, shall make a written report to the Issuer, which report shall list the then Outstanding Bonds or the Notes, as applicable, and shall report in detail as to any redemptions in respect of the Bonds or Notes, as applicable. If requested, said written reports shall be furnished not less than thirty (30) days prior to each July 1 so long as any Bonds or the Notes, as applicable remain outstanding. The Issuer in its discretion may request the Bond Registrar to furnish other reports.

The Bond Registrar shall be under no obligation to institute any suit, or to take any remedial proceeding under the Bond Ordinance, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under the Bond Ordinance, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Bond Registrar may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as Bond Registrar without indemnity, and in such case the Issuer shall reimburse the Bond Registrar from the Pledged Receipts for all costs and expenses, outlays and reasonable counsel fees and other reasonable disbursements properly incurred in connection therewith, as provided in the Bond Ordinance.

**No Obligation to Insure.** The Bond Registrar shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Issuer, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, if any, or to require any such payment to be made. The Bond Registrar shall have no responsibility in respect of the validity or sufficiency of the Bond Ordinance or the due execution or acknowledgement thereof, or in respect of the validity of the Bonds or the Notes, as applicable, or the due execution or issuance thereof. The Bond Registrar shall be under no obligation to see that any duties imposed in the Bond Ordinance on the Issuer or any party other than itself, or any covenants contained in the Bonds, or under the Bond Ordinance on the part of any party other than itself be done or performed, and the Bond Registrar shall be under no obligation for failure to see that any such duties or covenants are done or performed.

The Bond Registrar shall not be liable or responsible because of the failure of the Issuer or any of the employees or agents thereof to make any collections or deposits or to perform any act in the Bond Ordinance required of the Issuer or because of the loss of any moneys arising through the

insolvency or the act, default or omission of any other depository in which such moneys shall have been deposited under the provisions of the Bond Ordinance. The Bond Registrar shall not be responsible for the application of any of the proceeds of the Bonds or the Notes, as applicable, or any other moneys deposited with it and paid out, withdrawn or transferred under the Bond Ordinance, if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of the Bond Ordinance. The immunities and exemptions from liability of the Bond Registrar under the Bond Ordinance shall extend to its directors, officers, employees and agents.

**Resignation and Discharge of Bond Registrar; Successor Bond Registrars.** The Bond Registrar may resign and thereby become discharged from the duties created under the Bond Ordinance by notice in writing given to the Issuer and to all Holders of Bonds and Notes, by first class mail at least thirty (30) days prior to the effective date of such resignation, provided that such resignation shall take effect only on the appointment of a successor Bond Registrar, and, provided further, such resignation shall take effect immediately on the appointment of a new Bond Registrar if such new Bond Registrar be appointed and qualified before the time limit established by such notice. The Bond Registrar may be removed at any time at the written request of the Issuer or by an instrument in writing signed by the Holders of not less than a majority of the principal amount of the Bonds or the Notes, as applicable, then outstanding.

If at any time the Bond Registrar shall resign, be removed, be dissolved or otherwise become incapable of acting or the offices of the Bond Registrar shall be taken over by any governmental official or board, or if the position of Bond Registrar shall become vacant for any reason, a successor shall be appointed by the Issuer; and unless such appointment be made within thirty (30) days after the vacancy shall have occurred, the Holders of a majority in principal amount of the Bonds or the Notes, as applicable, then outstanding may make such appointment by an instrument in writing signed by any such Bondholders and filed with the Issuer, or the Bond Registrar may petition a court of competent jurisdiction for the appointment of a successor. The Issuer may be designated as Bond Registrar for the Bonds or Notes after a vacancy has occurred. With the exception of the Issuer, any Bond Registrar hereafter appointed shall [i] be a trust company or bank in good standing having trust powers and subject to examination by a federal or state authority and [ii] have a reported combined surplus and capital aggregating at least \$75,000,000. The Issuer shall provide notice as soon as practicable of any change in the Bond Registrar to all Holders of Bonds or the Notes, as applicable, in the same manner as required in the Bond Ordinance and Bonds or the Notes, as applicable, re-registered or re-issued thereafter shall be altered or shall contain a legend identifying such successor Bond Registrar.

Every successor Bond Registrar appointed under the Bond Ordinance shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment under the Bond Ordinance, and thereon such successor Bond Registrar, without any further act shall become fully vested with all the rights, immunities, powers, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver any instrument transferring to such successor Bond Registrar all the rights, powers and duties of such predecessor under the Bond Ordinance, and every predecessor Bond Registrar shall deliver all securities, moneys, documents and records held by it to its successor; provided, however, that before any such delivery is required or made, all fees and expenses of such predecessor shall be paid in full. Should any instrument in writing from the Issuer be required by any successor Bond Registrar for more fully and certainly vesting in such Bond Registrar the rights, powers and duties vested or intended to be vested in the predecessor Bond Registrar, any such instrument in writing shall and will on request be executed, acknowledged and delivered by the Issuer.

**Bond Ordinance is a Contract; Amendment Procedure.** In consideration of the purchase and acceptance of the Bonds or the Notes, as applicable, by those who shall purchase and hold

the same from time to time after the sale thereof, the provisions of the Bond Ordinance shall constitute a contract between the Issuer and the Holders from time to time of the Bonds or the Notes, as applicable, and such provisions are covenants and agreements with such Holders which the Issuer determines to be necessary and desirable for the security and payment thereof. After the issuance of the Bonds or the Notes, as applicable, no change, variation or alteration of any kind in the provisions of this Bond Ordinance shall be made in any manner except as provided in the Bond Ordinance until such time as all of the Bonds or the Notes, as applicable, and the interest thereon have been paid in full. The provisions, covenants and agreements set forth in the Bond Ordinance to be performed on behalf of the Issuer shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds or the Notes, as applicable, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or the Notes, as applicable, over any other thereof. No Bonds or Notes may be issued under the provisions of the Bond Ordinance except in accordance with provisions thereof.

If it shall appear desirable and to the advantage of both the Issuer and the Holders of the Bonds or the Notes, as applicable, the Issuer shall adopt an ordinance (a "Supplemental Ordinance") altering or amending the Bond Ordinance, but providing therein that the Supplemental Ordinance shall not become effective unless and until it has received the approval of the Holders of the Bonds or the Notes, as applicable, as set out in the Bond Ordinance. Immediately on adoption of a Supplemental Ordinance a copy of the Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the Issuer) together with a request to Bondholders for their consent thereto in form satisfactory to the Issuer, shall be mailed by the Bond Registrar to Bondholders promptly after adoption. A Supplemental Ordinance shall not be effective unless and until there shall have been filed with the Bond Registrar the written consents of the Holders of sixty-six and two-thirds percent (66-2/3%) of the principal amount of the Bonds and the Notes, as applicable, then Outstanding. Any such consent shall be binding on the Holder of the Bonds or the Notes, as applicable, after giving such consent and on any subsequent Holder of such Bonds or the Notes, as applicable, and of any Bonds or the Notes, as applicable, issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds or the Notes, as applicable, giving such consent or a subsequent Holder thereof by filing with the Bond Registrar, prior to the time when the written statement of the Bond Registrar to the Issuer provided in the Bond Ordinance is filed, such revocation. At any time after the Holders of the required percentages of Bonds or the Notes, as applicable, shall have filed their consent to a Supplemental Ordinance, the Bond Registrar shall make and file with the Issuer a written statement that the Holders of such required percentages of Bonds or the Notes, as applicable, have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Ordinance (which may be referred to as a Supplemental Ordinance adopted by the Issuer on a stated date, a copy of which is on file with the Bond Registrar) has been consented to by the Holders of the required percentages of the principal amount of the Outstanding Bonds or the Notes, as applicable, and will be effective as provided in the Bond Ordinance, shall be given to Bondholders by the Issuer by mailing such notice, not more than ninety (90) days after the Holders of the required percentages of Bonds or Note, as applicable, shall have filed their consents to the Supplemental Ordinance and the written statement of the Bond Registrar provided for is filed. The Issuer shall file with the Bond Registrar proof of the mailing of such notice. A transcript, consisting of the papers required or permitted by the Bond Ordinance to be filed with the Bond Registrar, shall be proof of the matters therein stated.

Notwithstanding the foregoing, no such modifications, alterations or amendments shall be made which will (a) permit an extension of the time of payment at maturity of the principal or payment of the interest on any Bond or Note, as applicable, or a reduction in the amount of principal or the rate of interest thereon without the written consent of the Holder thereof or (b) reduce the percentage of Holders

of Bonds or the Notes, as applicable, required by the provisions of the Bond Ordinance for the taking of any action under the Bond Ordinance.

In addition to the foregoing, the Issuer may, without regard to the provisions hereinabove set forth, make any amendment or change in the Bond Ordinance (i) to evidence the succession of an institution as Bond Registrar or paying agent, (ii) to cure any ambiguity or to cure, correct or supplement any defective or inconsistent proceedings contained in the Bond Ordinance or in any ordinance or other proceedings pertaining thereto, (iii) to grant to or confer on the Bond Registrar for the benefit of the Holders of the Bonds or the Notes, as applicable, any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Bond Ordinance as theretofore in effect, (iv) to permit the Bond Registrar to comply with any obligations imposed on it by law, (v) to achieve compliance of the Bond Ordinance with any federal tax law, (vi) to maintain or improve any rating on the Bonds or the Notes, as applicable, or (vii) for any other purpose not inconsistent with the terms of the Bond Ordinance which shall not impair the security of the Bondholders or otherwise materially adversely affect the rights of the Bondholders. The Issuer may adopt Supplemental Ordinances to accomplish the foregoing.

**Discharge of Bond Ordinance.** If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds or the Notes, as applicable, the total principal and interest due or to become due thereon, including premium, if applicable, at the times and in the manner stipulated therein and in the Bond Ordinance, then the pledge of the Bond Ordinance, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereon cease, terminate and become void and be discharged and satisfied.

Whenever there shall be held in the Bond Fund or an escrow fund established for such purpose, either (a) moneys in an amount which shall be sufficient or (b) Defeasance Obligations (as defined below) the principal of and interest on which when due (without consideration of reinvestment income) will provide moneys which, together with other moneys, if any, then on deposit in the Bond Fund or such escrow fund, shall be sufficient to pay when due the principal of, interest and redemption premium, if applicable, on the Bonds or the Notes, as applicable, or any part thereof to and including the date on which the Bonds or the Notes, as applicable, or any of them will be redeemed in accordance with the Bond Ordinance, or the maturity date or dates thereof, as the case may be, then and in any of said events all such Bonds or the Notes, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed above in the Bond Ordinance, and the Bond Registrar shall and is hereby irrevocably instructed to publish notice thereof, such notice to contain a statement that the cash and obligations as provided above are held in the Bond Fund or such escrow fund, that such Bonds or the Notes, as applicable, are deemed to have been paid in accordance with the Bond Ordinance, and a statement of the maturities or redemption date or dates on which the moneys are or will become available for the payment of the amounts due. Thereafter the Bondholders shall be entitled only to payment out of the cash and obligations deposited as aforesaid.

Neither such obligations or the moneys held in the Bond Fund pursuant to the Bond Ordinance, nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, interest and redemption premium, if applicable, on the Bonds or the Notes, as applicable; provided that any cash received from such principal or interest payment on such investments if not then needed for such purpose, shall, to the extent practicable, be reinvested in the same manner, in investments maturing at times and in amounts sufficient to pay when due the principal, interest and redemption premium, if applicable, on the Bonds or the Notes, as applicable, to and including such redemption date or maturity date thereof, as the case may be.

For purposes of the Bond Ordinance, "Defeasance Obligations" means the following:

[1] direct obligations of (including obligations issued or held in book entry form) the United States of America; and

[2] pre-funded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (1) which are rated, based on the escrow, in the highest rating category of Standard and Poor's Ratings Services and Moody's Investors Service or any successors thereto; or (2) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

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**APPENDIX E**

**Continuing Disclosure Certificate**

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Louisville/Jefferson County Metro Government  
\$[ ] General Obligation Bonds, Series 2010B  
\$[ ] Taxable General Obligation Bonds (Qualified Energy Conservation Bonds –  
Direct Payment to Issuer), Series 2010C

CONTINUING DISCLOSURE CERTIFICATE

The Louisville/Jefferson County Metro Government (the “Issuer”) hereby delivers this Continuing Disclosure Certificate to the underwriters of the above-captioned Issuer’s General Obligation Bonds, Series 2010B and Taxable General Obligation Bonds (Qualified Energy Conservation Bonds – Direct Payment to Issuer), Series 2010C, each dated on original issuance as of September \_\_, 2010 (the “Bonds”), which are being issued on and as of the date hereof, in order to assist the underwriters in complying with the requirements of subsection (5) of section (b) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission. This Certificate is also delivered for the benefit of the holders from time to time of the Bonds.

1. The Issuer hereby undertakes to provide:

A. To each Repository, annual financial information for the Issuer with respect to the fiscal year of the Issuer ending June 30, 2010, and each fiscal year thereafter;

B. If not submitted as part of the annual financial information, then when and if available, to each Repository, audited financial statements for the Issuer with respect to the fiscal year of the Issuer ending June 30, 2010, and each fiscal year thereafter (provided the Issuer undertakes to provide unaudited financial statements as part of the annual financial information, to the extent audited financial statements are unavailable at the time the annual financial information is provided pursuant to A above);

C. In a timely manner, to each Repository, notice of any of the following events with respect to the Bonds, if material:

- [1] Principal and interest payment delinquencies;
- [2] Non-payment related defaults;
- [3] Unscheduled draws on debt service reserves reflecting financial difficulties;
- [4] Unscheduled draws on credit enhancements reflecting financial difficulties;
- [5] Substitution of credit or liquidity providers, or their failure to perform;
- [6] Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

- [7] Modifications to rights of holders of the Bonds;
- [8] Bond calls;
- [9] Defeasances;
- [10] Releases, substitutions or sales of property securing repayment of the Bonds; and
- [11] Rating changes; and

D. In a timely manner, to each Repository, notice of a failure of the Issuer to provide required annual financial information, on or before the applicable date, if any, specified below in this Continuing Disclosure Certificate.

2. Annual financial information and notices of material events will be provided under this Continuing Disclosure Certificate only for the Issuer.

3. Below is a description, in reasonable detail, of the type of financial information and operating data to be provided as part of the annual financial information: (All references to headings and appendices below are to the final Official Statement dated September \_\_, 2010, for the Bonds (“Official Statement”), except where otherwise noted.) The information and data described in Appendix B entitled “Comprehensive Annual Financial Report of Louisville/Jefferson County (Kentucky) Metro Government for the Fiscal Year Ended June 30, 2009 (Including Statistical, Demographic and Economic Information).”

4. Below is a description, in reasonable detail, of the accounting principles pursuant to which financial statements of the Issuer will be prepared, and whether the financial statements will be audited. As described in the notes to the financial statements which are included in the Official Statement, the financial statements of the Issuer have been prepared in conformity with generally accepted accounting principles as applied to governmental units, and the Issuer intends that its financial statements will continue to be so prepared. The Issuer has adopted, and intends to continue to utilize, Statement No. 20 of the Governmental Accounting Standards Board (“GASB”), “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.” The Issuer has elected to apply, and intends to continue to apply, all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

5. The date on which the annual financial information for the preceding fiscal year will be provided is each January 1 (including the actual audit). The annual financial information will be provided to each Repository, to the extent, if any, described above.

6. Notwithstanding the foregoing provisions, the obligations of the Issuer described above in this Continuing Disclosure Certificate will be terminated, effective immediately if and when the Issuer no longer remains an “obligated person” (within the meaning of the Rule) with respect to the Bonds.

7. Any right to enforce this Continuing Disclosure Certificate shall be limited to obtaining specific enforcement of the Issuer's obligations hereunder. Failure by the Issuer to comply with this Continuing Disclosure Certificate shall not be an event of default under the Bonds or the Bond Ordinance (as defined in the Bonds).

8. The Issuer from time to time may elect (but is not contractually bound) to provide other periodic reports or financial information, or notice of the occurrence of other events, in addition to those described in this Continuing Disclosure Certificate.

The following definitions shall apply to this Continuing Disclosure Certificate:

"National Repository" means the Municipal Securities Rulemaking Board (<http://emma.msrb.org>). The National Repositories approved from time to time by the Commission are set forth on the Commission's website (<http://www.sec.gov/info/municipal/nrnsir.htm>).

"Repository" means National Repository and each State Repository.

"State Repository" shall mean any public or private repository or entity designated by the Commonwealth of Kentucky as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date hereof, there is no State Repository.

IN WITNESS WHEREOF, the Louisville/Jefferson County Metro Government has caused this Continuing Disclosure Certificate to be executed and delivered this day on its behalf by its Mayor and Director, Office of Management and Budget, each being duly authorized thereunto.

DATED this \_\_\_<sup>nd</sup> day of September, 2010.

LOUISVILLE/JEFFERSON COUNTY METRO  
GOVERNMENT

By \_\_\_\_\_  
Jerry E. Abramson, Mayor

By \_\_\_\_\_  
Jane Driskell Sistrunk  
Director, Office of Management and Budget

**APPROVED AS TO FORM AND LEGALITY:**

Mike O'Connell  
Jefferson County Attorney

By: \_\_\_\_\_  
James T. Carey, Assistant County Attorney

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