

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

**9. Long-Term Debt**

**A. Primary Government**

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

There are \$249,111,000 of General Obligation Bonds outstanding at June 30, 2007. The primary collateral for the General Obligation Bonds are the occupational license tax and net profits license tax collected by the Revenue Commission. The Revenue Commission is the fiscal agent for general obligation bonded debt issued by the City of Louisville before January 6, 2003, and by Metro Government thereafter. Metro Government is the fiscal agent for general obligation bonded debt issued before January 6, 2003, by Jefferson County Fiscal Court. Metro Government's general fund is contingently liable as guarantor of the general obligation bonded debt.

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

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

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**9. Long-Term Debt, continued**

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

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

First Mortgage and Lease Revenue Bonds

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

Year ending June 30	Principal	Interest	Total
2008	\$ 21,062	\$ 11,449	\$ 32,511
2009	18,753	11,000	29,753
2010	19,279	10,428	29,707
2011	19,207	9,870	29,077
2012	18,682	9,316	27,998
2013-2017	69,018	33,142	102,160
2018-2022	46,650	10,902	57,552
2023-2027	24,435	2,027	26,462
Totals	<u>\$ 237,086</u>	<u>\$ 98,134</u>	<u>\$ 335,220</u>

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**9. Long-Term Debt, continued**

There are \$130,220,000 of First Mortgage and Lease Revenue Bonds outstanding at June 30, 2007. They are collateralized by mortgages on improvements to facilities acquired or constructed with debt proceeds. Annual debt service requirements are provided from the General Fund in amounts pursuant to contracts and lease arrangements.

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

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

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**9. Long-Term Debt, continued**

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

Year ending June 30	Principal	Interest	Total
2008	\$ 2,044	\$ 4,944	\$ 6,988
2009	5,092	6,763	11,855
2010	5,192	6,765	11,957
2011	5,286	6,715	12,001
2012	5,574	7,169	12,743
2013-2017	32,107	42,452	74,559
2018-2022	23,744	13,519	37,263
2023-2027	19,120	3,387	22,507
2028	4,140	181	4,321
Totals	<u>\$ 102,299</u>	<u>\$ 91,895</u>	<u>\$ 194,194</u>

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

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

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

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

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

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**9. Long-Term Debt, continued**

**B. Discretely Presented Component Units**

**i. Louisville Water Company**

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

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

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

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

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

PARC has \$19,820,000 of First Mortgage Revenue Refunding Bonds Series 1997, \$8,545,000 of First Mortgage Revenue Refunding Bonds Series 2001, and \$18,495,000 of First Mortgage Revenue Bonds Series 2002 outstanding at June 30, 2007, less \$2,398,357 of unamortized discount and loss on bond refunding, equaling \$44,461,643 of outstanding debt shown on the statement of net assets. The Series 2002 bonds were issued in December 2002, and the proceeds are being used for construction of a parking garage at the Muhammad Ali Center and completion of construction and improvements to other existing parking garages.

The Series 1997 bonds mature annually in amounts ranging from \$695,000 to \$2,140,000 from December 1, 2007 through December 1, 2020 and bear interest ranging from 4.5% to 5.0%. The Series 2001 bonds mature semi-annually in amounts ranging from \$425,000 to \$590,000 from December 1, 2007 through December 1, 2015 and bear interest ranging from 4.0% to 4.625%. The Series 2002 bonds mature

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

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

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

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

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

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

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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**9. Long-Term Debt, continued**

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

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

**iv. Metropolitan Sewer District**

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

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

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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June 30, 2007

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

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

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

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**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**  
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June 30, 2007

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

**C. Summary of Debt Transactions:**

Long-term liability activity for the year ended June 30, 2007 was as follows (in thousands):

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

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