

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

17. Landfill Closure and Post-closure Care Costs

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

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

Because all landfills were closed in prior years, 100% of landfill closure and post-closure care costs, estimated at \$1,747,462, were recorded as an expense and corresponding liability at June 30, 1995, in the Capital Cumulative Reserve Fund of the former City, which is now reported as Metro Government's Major Capital Projects Fund. Payments and changes in estimates have decreased this liability from prior years to \$42,000 at June 30, 2007. Future costs may vary from that amount because of inflation, changes in technology, or changes in regulations.

18. Pension Plans

A. County Employees' Retirement System

i. Plan Description

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

ii. Funding Policy

Plan members are required to contribute 5% (8% for participants in the Hazardous Duty Plan) of creditable compensation and Metro Government and the LWC are required to contribute at an actuarially determined rate. The rate as of June 30, 2007, is 13.19% (28.21% under the Hazardous Duty Plan) of participating employees' compensation. The contribution requirements of employers and plan members are established and may be amended by the CERS Board of Trustees.

Metro Government's contribution to the CERS for the years ending June 30, 2007, 2006, and 2005 were \$54,511,578, \$44,565,067, and \$37,470,844, respectively.

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

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

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

18. Pension Plans, continued

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

B. Fire and Police Pension Trust Funds

i. Plan Descriptions

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

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

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

Both Funds include death and disability benefits whereby the surviving spouse or disabled employee is entitled to receive certain benefits. Death benefits may reach 75% of base pay (at time of death) plus overtime and supplemental pay for firefighters and 75% of base pay for policemen. Disability payments may reach 75% of base pay (at time of disability) plus overtime and supplemental pay for firefighters and 75% of base pay for policemen. Under both Funds, the disabled employee is

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

18. Pension Plans, continued

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

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

	Firefighters' Pension <u>Fund</u>	Policemen's Retirement <u>Fund</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	258	217
Vested active plan participants	0	1

ii. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

iii. Contributions

The contribution requirements and benefit provisions for the Funds are established by state statute and Metro Government ordinance. Employees covered under the Firefighters' Pension Fund were required to pay 7.0% of their gross earnings to the Fund. The employee contribution rate is 6.5% for the Policemen's Retirement Fund. Metro Government contributed the required amount the Firefighters' Pension Fund and the Policemen's Retirement Fund for each of the past three fiscal years.

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

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

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

18. Pension Plans, continued

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

	<u>Firefighters’ Pension Fund</u>	<u>Policemen’s Retirement Fund</u>
Valuation date	January 1, 2007	January 1, 2007
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	15 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	N/A	7.5%
Projected inflation rate	N/A	N/A

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

18. Pension Plans, continued

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

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

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

June 30, 2007

18. Pension Plans, continued

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION & BENEFIT TRUST FUNDS**

For the Year Ended June 30, 2007

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

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