

THE METROPOLITAN GOVERNMENT  
OF  
NASHVILLE AND DAVIDSON COUNTY, TENNESSEE

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2006

Prepared by  
DEPARTMENT OF FINANCE  
David L. Manning, Director of Finance  
Talia Lomax-O'dneal, Deputy Director  
Gene Nolan, Associate Director

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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October 31, 2006

To the Citizens of Nashville and Davidson County, Tennessee:

### **FORMAL TRANSMITTAL OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

We are pleased to submit the Comprehensive Annual Financial Report of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Government) for the fiscal year ended June 30, 2006. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Government. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the Government in accordance with generally accepted accounting principles (GAAP). All disclosures necessary to enable the reader to gain an understanding of the Government's financial activities have been included.

The Government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedules of federal and state financial assistance, findings and recommendations, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, are not included herein but are reported separately.

In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and Statement No. 39, Determining Whether Certain Organizations are Component Units, this report includes all funds of the primary government and all component units. For purposes of this report, the primary government includes all departments and agencies of the Government which are not separate legal entities, including the Department of Water and Sewerage Services and Metropolitan Nashville Public Schools. The component units include those separate legal entities whose relationships with the primary government meet the criteria for inclusion defined in GASB Statements No. 14 and No. 39.

The Comprehensive Annual Financial Report is presented in three main sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a description of the form of government, the Government's organizational chart, a list of principal officials and an organizational chart for the Government's Finance Department. The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, notes, required supplementary information, individual fund and component unit statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

As noted previously, the Government is required to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The Government's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

Metropolitan Nashville and Davidson County is located in middle Tennessee at the hub of many air, rail and highway transportation routes. The Government provides a full range of services. These services include education; police and fire protection; waste management; construction and maintenance of highways, streets and infrastructure; traffic regulation and control; parking; health and social services; public housing; recreational and cultural activities; public libraries; planning and zoning; water and sewerage services; administration of justice; and general administrative services.

## **FACTORS AFFECTING ECONOMIC AND FINANCIAL CONDITION**

The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing and service industries. The local mix of these industries roughly reflects the national economy, with no single industry being predominant in the region. Computer technology, automotive, medical, private prison management, insurance, banking, publishing, telecommunications and entertainment companies and private educational institutions all find a home in Nashville. With a rich economic, social and cultural environment, the city consistently scores high in national rankings of preferred business locations, best places to live and favorable environments for the creation and development of businesses.

The Nashville Metropolitan Statistical Area (MSA) economy has been slightly healthier than the national economy, with lower unemployment than the state and the nation.

The Government's two most significant locally generated revenue sources are sales and property taxes. The property tax base has shown moderate growth and Nashville continues to have the lowest effective property tax rate of the four major Tennessee cities. The Government has no income tax.

## **MAJOR INITIATIVES**

The Government continues to emphasize delivery of focused public services in a way that provides efficiency, effectiveness and value to the citizens of Nashville. The Government's major initiatives for fiscal year 2006, for fiscal year 2007 and for the future are discussed below.

FOR FISCAL YEAR 2006: Substitute budget ordinance BL-2005-663 appropriated a balanced budget of \$1,440,369,800 in the budgetary funds, an overall increase of 6.8% from the budget for fiscal year 2005. The budget included increases in both property taxes and motor vehicle license fees to generate additional revenues.

The FY2006 budget continued to make improvements in the community's priority areas:

- Public Education – The Metro Board of Public Education saw standardized test scores for the district increase substantially in 2005, an indication that the effort behind the MNPS Strategic Plan is yielding results. The budget for MNPS increased to \$542.2 million, an increase of approximately 6.2%. With this budget MNPS remains the best-funded urban school system in the State of Tennessee, with a per-pupil spending level that is in the top 10 percent in the Southeast. This budget provided for teacher and support staff salary increases, funds to open new schools, and increased pension costs, to name just a few improvements.

- **Public Safety** – This budget included funds for a variety of enhancements to Metro Nashville’s public safety. They include additional fire inspectors and training for firefighters; additional Police staff for technology and crime lab positions, as well as overtime for police officers working on special events; operational funds for a backup site for the E-911 call center; additional funds for inmate health care and for the forensic medical examiner; additional funds for the Sheriff’s community service program; and support for both the Mental Health Court and the Drug Court, as well as for traffic school instructors and an online traffic school option.
- **Neighborhood and Community Support** – The FY2006 budget continued to direct resources to those services that have a direct impact on the quality of life for all Nashvillians. The continuing implementation of the Parks Master Plan led to the opening of three new and improved community centers for FY06. This budget provided additional funds for the purchase of influenza vaccine, medication for the uninsured, the reopening of the Lentz Dental Clinic, and more resources for Animal Control. The budget also provided direct contributions to several community non-profits, including the Second Harvest Food Bank, the African-American History Museum, and Neighborhood Aftercare, among others.
- **Valuing Our Employees** – The budget provided funds for 3% overall pay increases, normal pay increments, and increased benefit costs, such as health insurance and pension costs.

FOR FISCAL YEAR 2007: Substitute budget ordinance BL-2006-1090 appropriated a balanced budget of \$1,507,433,800 in the budgetary funds, an overall increase of 4.7% from the budget for fiscal year 2006. The property tax rate remained the same.

The FY2007 budget continued to make improvements in the Nashville community’s priority areas:

- **Public Education** – The budget for Metro Nashville Public Schools (MNPS) increased to \$563.2 million, an increase of approximately 3.9%. With this budget MNPS remains among the best-funded urban school systems in the Southeast. This budget provided for teacher and support staff salary increases, funds to open new schools, increased pension costs, and a number of other improvements.
- **Public Safety** – This budget includes funds for a variety of enhancements to Metro Nashville’s public safety. They include additional overtime funding for firefighters, funds for fire prevention education, additional overtime for Police working on special events, additional funds for inmate health care, and additional funds for security for the Sheriff’s operations.
- **Neighborhood and Community Support** – The FY2006 budget continues to direct resources to those services that have a direct impact on the quality of life for all Nashvillians. The continuing implementation of the Parks Master Plan will lead to the opening of new and improved community centers for FY07. This budget provides additional funds for the operation of a mobile pediatric clinic. The budget also provides direct contributions to several community non-profits, including the Second Harvest Food Bank, United Way Family Resource Centers, and Neighborhood Aftercare, among others.
- **Valuing Our Employees** – The budget provides funds for 2% overall pay increases, normal pay increments, and increased benefit costs, such as health insurance and pension costs.

These initiatives have all been addressed while ensuring the Government meets its fundamental objectives of maintaining a balanced budget, keeping taxes low, and investing in Nashville’s future. Details of all improvements included in the fiscal year 2006 and 2007 budgets are described in the annual *Operating Budget* books published by the Department of Finance, Office of Management and Budget. They are also available on the GFOA-award-winning Citizen’s Guide to the Budget at the web site [www.nashville.gov/citizens\\_budget](http://www.nashville.gov/citizens_budget).

FOR THE FUTURE: The Metropolitan Government of Nashville and Davidson County will maintain as its primary focus:

- Supporting public education through the work of our schools by encouraging our community to devote its attention, time, and financial resources to the public school system.
- Improving public safety through the combined efforts of the Mayor's Office, the Police department, and other departments of the Government.
- Addressing issues underlying our quality of life, including economic and community development, parks, the arts, libraries, adequate public transportation and affordable housing.
- Striving for excellence in the management of the Government to ensure the most effective and efficient services are provided to its citizens.

These issues will be successfully addressed through the continued teamwork of business, government, citizen groups and other involved parties. The Government's budget continues to stress sound financial management and efficiency, effectiveness, and equity in public services. It remains committed to building a future in which all citizens of Davidson County can enjoy economic prosperity and a high quality lifestyle.

### FINANCIAL INFORMATION

CASH MANAGEMENT: Cash temporarily idle during the year was primarily invested in demand deposits, certificates of deposit, obligations of the U. S. Treasury, commercial paper and the State of Tennessee Local Government Investment Pool. Investments are made either directly or through the Metro Investment Pool. Investments in the pension trust funds also include common stocks, corporate bonds and other holdings.

The Government's investment policy is to preserve principal, minimize credit and market risks and maintain adequate liquidity while maximizing the rate of return on its portfolio. The investment policy encourages conservative, low risk investments and does not permit more risky methods to enhance investment returns. The majority of the cash deposits are held by financial institutions participating in the bank collateral pool administered by the State of Tennessee, thus ensuring that they are collateralized. Earnings continue to be realized as a result of the banking service agreement, which in part provides for the daily investment of demand deposit balances.

The primary government earned investment income of \$63.4 million for the year ended June 30, 2006.

RISK MANAGEMENT: The Government continued to operate a risk management program, which was initiated in 1978. As part of its comprehensive plan, resources are being accumulated in various internal service funds to meet potential losses. Accepted risk control techniques, including employee accident prevention training, have been implemented to minimize potential liability losses. In addition, the Government has elected to come under the Tennessee Tort Liability laws in order to limit its potential liability.

PENSION TRUST FUNDS: The pension system of the Government covers substantially all full-time employees. It consists of one pension plan that is open to new members and five pension plans that are closed to new members but are still used by some employees of the former City of Nashville, the former Davidson County and Metropolitan Nashville Public Schools.

After recognizing contributions from other funds, employees, and the State of Tennessee, the General Fund is responsible for amounts necessary to fund the Metropolitan Employees' Benefit Trust Fund (which includes Division A, the closed plan, and Division B, the open plan) and the following four closed plans:

The County Plan - Davidson County Employees' Retirement Fund  
The County Education Plan - Employees' Pension and Insurance Fund  
The City Plan - Closed City Plan Fund  
The City Education Plan - Teachers' Civil Service and Pension Fund

After recognizing contributions from employees and the State of Tennessee, Metropolitan Nashville Public Schools is responsible for funding the Metro Education plan – The Teachers' Retirement Plan Fund. The total assets of all pension (and other employee benefit) trust funds were \$2.0 billion at June 30, 2006.

**INTERNAL CONTROL STRUCTURE:** Management of the Government establishes and maintains an internal control structure designed to ensure that the assets of the Government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation 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: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

**BUDGETARY CONTROLS:** The Government maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Government's governing body, the Metropolitan Council. Activities of the General Fund, General Purpose School Fund and the General Purposes and School Purposes Debt Service Funds are included in the annual appropriated budget. The Government maintains an encumbrance accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse at June 30, encumbrances outstanding at June 30, 2006 are disclosed in the notes to the financial statements. Appropriations for fiscal year 2007 will provide authority to complete those transactions.

**SINGLE AUDIT:** As a recipient of federal and state financial assistance, the 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. As part of the Government's single audit, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Government has complied, in all material respects, with applicable laws and regulations. The results of the Government's single audit for fiscal year 2006, including any reported instances of weaknesses in the internal control structure or any violations of applicable laws and regulations, are reported separately.

**INDEPENDENT AUDIT:** Section 6.15 of the Metropolitan Charter requires an annual audit of accounts and other evidences of financial transactions of the Government and of its departments, offices and agencies by independent certified public accountants. The audit is performed by a firm chosen by a three-member audit board consisting of the Vice-Mayor, the Chair of the Budget and Finance Committee of the Metropolitan Council, and the Chair of the Metropolitan Nashville Public School Board. The Government has complied with this requirement. The independent auditors' report and the non-major governmental, non-major enterprise, internal service and fiduciary funds' statements and schedules are included in the financial section of this report.

## **AWARDS AND ACKNOWLEDGEMENTS**

**AWARDS:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Government for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This was the 23rd consecutive year that the Government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The GFOA presented a Distinguished Budget Presentation Award to the Government for its annual budget for the fiscal year beginning July 1, 2005. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. The award is valid for a period of one year only. It is the Government's 15th year to receive this award.

ACKNOWLEDGMENTS: Many individuals and organizations throughout the Government assisted in preparing this CAFR. To each of them we gratefully express our sincere appreciation for their dedicated contributions.

In conclusion, we acknowledge and express our appreciation for the strong support of the Metropolitan Council. The Council's support will continue to be vital as we work to further strengthen the financial management of the Metropolitan Government.

Sincerely,

Bill Purcell  
Mayor

David L. Manning  
Director of Finance

Certificate of Achievement

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

The Metropolitan Government  
of Nashville & Davidson County  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

The Metropolitan Government of Nashville and Davidson County was awarded the Certificate of Achievement by the Government Finance Officers Association of the United States and Canada for its Comprehensive Annual Financial Report for the year ended June 30, 2005.



A handwritten signature in black ink, appearing to read "Thomas J. ...".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

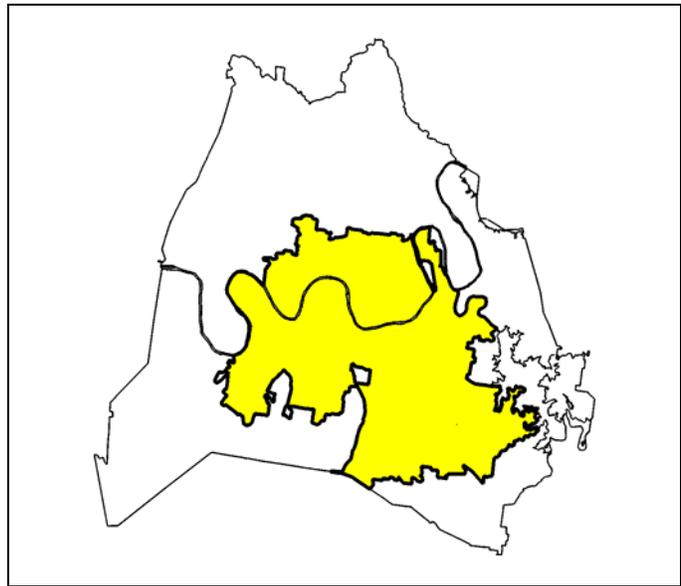
**THE METROPOLITAN GOVERNMENT OF NASHVILLE  
AND DAVIDSON COUNTY  
FORM OF GOVERNMENT**

On April 1, 1963 the governments of the City of Nashville and Davidson County were consolidated into a single "Metropolitan Government of Nashville and Davidson County", under which the boundaries of the City of Nashville and Davidson County are coextensive.

The executive and administrative powers are vested in the Mayor, who is elected at large for a four-year term. The Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions. A two-thirds vote of the legislative body, the Council, is required to override the Mayor's veto. The Charter also provides for a Vice-Mayor, who is elected at large for a four-year term and is the presiding officer of the Council. The Council is composed of 40 members who are elected for four-year terms.

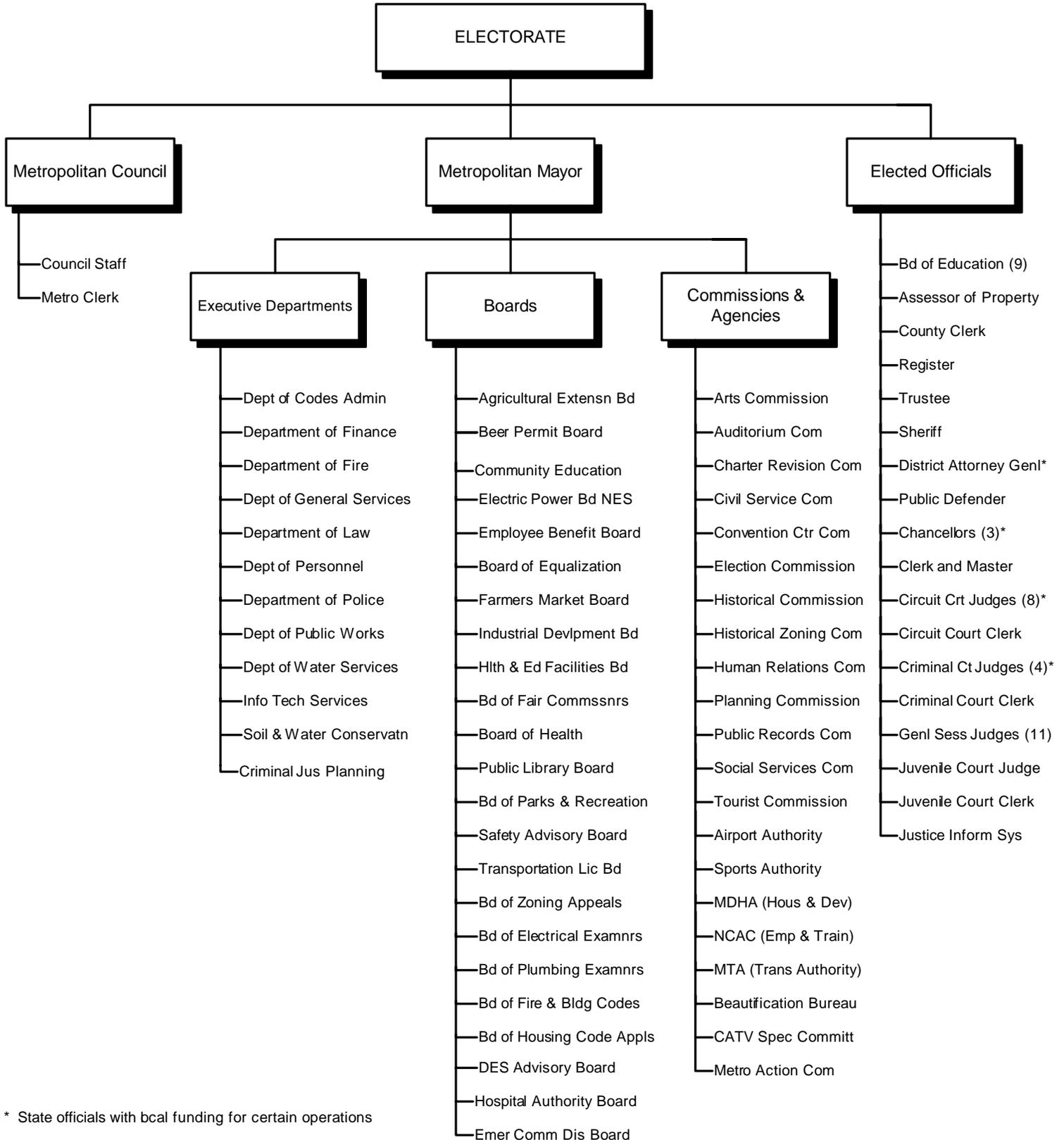
The Charter provides a framework for local government in Nashville to serve the needs of two service districts: (i) the General Services District (the GSD) and (ii) the Urban Services District (the USD). The GSD embraces the entire area of Davidson County and its residents are taxed to support those services, functions and debt obligations which are deemed properly chargeable to the whole population. Such services include general administration, police, fire protection, courts, jails, health, welfare, hospitals, streets and roads, traffic, schools, parks and recreation, airport facilities, auditoriums, public housing, urban renewal, planning and public libraries.

The original USD conformed to the corporate limits of the City of Nashville as they existed on April 1, 1963, the date of consolidation. USD residents are charged an additional tax to support those services, functions and debt obligations which benefit only the USD. Such services include additional police protection, storm sewers, street lighting and refuse collection. The Charter provides: "The area of the Urban Services District may be expanded and its territorial limits extended by annexation whenever particular areas of the General Services District come to need urban services, and The Metropolitan Government becomes able to provide such service within a reasonable period which shall be no greater than one year after ad valorem taxes in the annexed area become due." Since April 1, 1963 the area of the USD has been expanded from 72 square miles to 184 square miles.



The USD (shaded area) is a subset of the GSD

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 ORGANIZATION CHART



\* State officials with bcal funding for certain operations

**THE METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY**

**Elected Officials  
at June 30, 2006**

Bill Purcell, Mayor

**Finance Officials**

Jo Ann North  
Charles E. Cardwell  
Bill Covington

Assessor of Property  
Trustee  
County Clerk

**The County Council**

Howard Gentry, Jr.  
David Briley  
Buck Dozier  
Adam Dread  
Diane Neighbors  
Carolyn Baldwin Tucker

Vice Mayor  
Council Member-at-large  
Council Member-at-large  
Council Member-at-large  
Council Member-at-large  
Council Member-at-large

District No. 1 - Brenda Gilmore  
District No. 2 - Jamie Isabel  
District No. 3 - Chester Hughes\*  
District No. 4 - Michael Craddock  
District No. 5 - Pam Murray  
District No. 6 - Mike Jameson  
District No. 7 - Erik Cole  
District No. 8 - Jason Hart  
District No. 9 - Jim Forkum  
District No. 10 - Rip Ryman  
District No. 11 - Feller Brown  
District No. 12 - Jim Gotto  
District No. 13 - Carl Burch  
District No. 14 - Harold White  
District No. 15 - J.B. Loring  
District No. 16 - Amanda McClendon  
District No. 17 - Ronnie Greer  
District No. 18 - Ginger Hausser

District No. 19 - Ludye N. Wallace  
District No. 20 - Billy Walls  
District No. 21 - Edward Whitmore  
District No. 22 - Eric Crafton  
District No. 23 - Chris Whitson\*\*  
District No. 24 - John Summers  
District No. 25 - Jim Shulman  
District No. 26 - Greg Adkins  
District No. 27 - Randy Foster  
District No. 28 - Jason Alexander  
District No. 29 - Vivian Wilhoite  
District No. 30 - Michael Kerstetter\*\*\*  
District No. 31 - Parker Toler  
District No. 32 - Sam Coleman  
District No. 33 - Tommy Bradley\*\*\*\*  
District No. 34 - Lynn Williams  
District No. 35 - Charlie Tygard

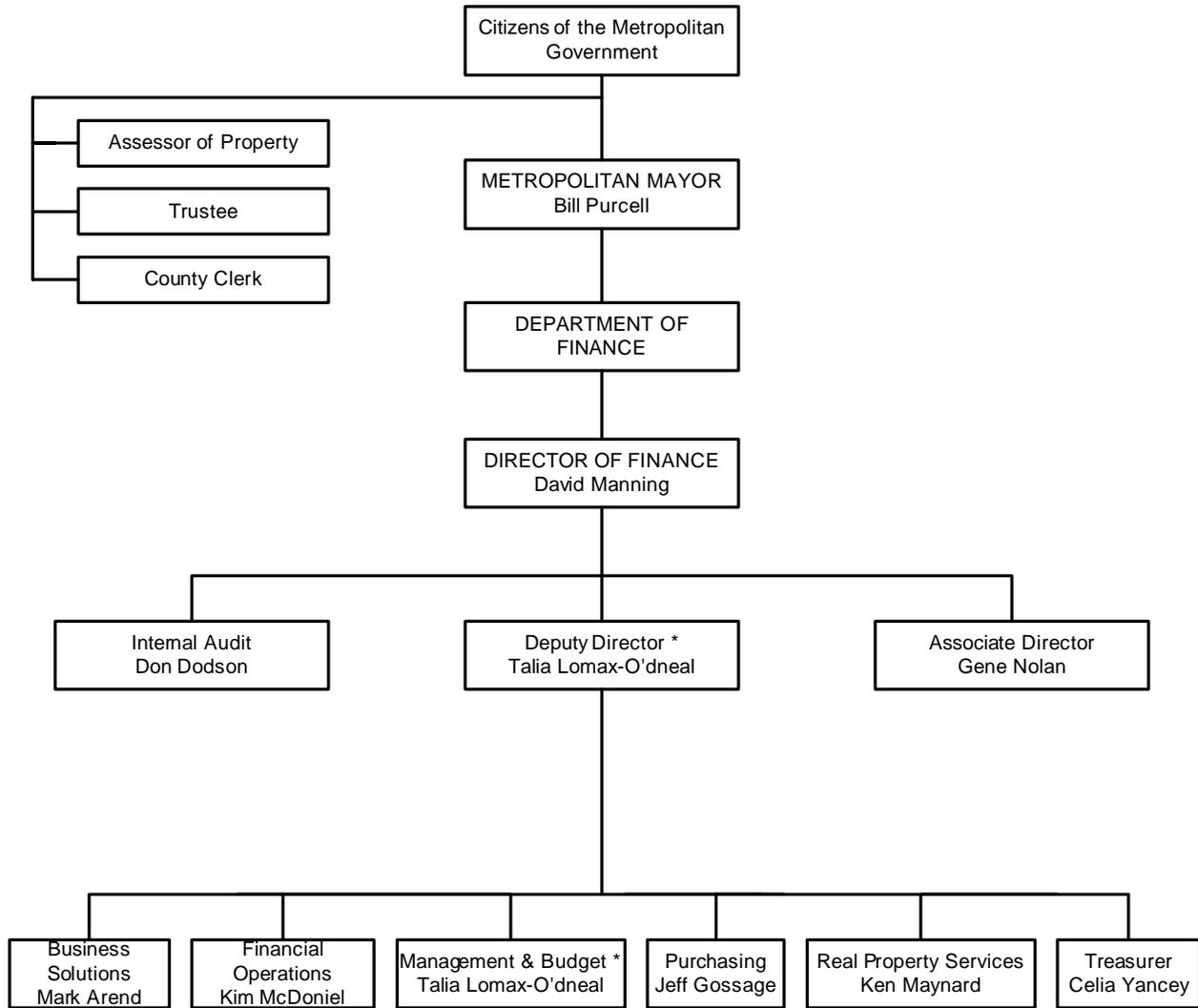
\* Deceased, served 2003-2004

\*\* Resigned 9/20/05

\*\*\* Resigned 4/5/06

\*\*\*\* Resigned 3/16/06

## ORGANIZATION OF THE DEPARTMENT OF FINANCE AND OTHER FINANCIAL OFFICES



\* Deputy Director also serves as Director of the Office of Management and Budget



**KPMG LLP**  
1900 Nashville City Center  
511 Union Street  
Nashville, TN 37219-1735

## **Independent Auditors' Report**

The Honorable Mayor and Members of Council  
The Metropolitan Government of Nashville and Davidson County, Tennessee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Government) as of and for the year ended June 30, 2006, which collectively comprise the Government's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the discretely presented component units of the Government, as of and for the year ended June 30, 2006 as displayed in the Government's basic financial statements, except as described in the last two sentences of this paragraph. We have also audited the financial statements of each of the Government's nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds, as well as the financial statements of the Sports Authority Fund, which are presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units: the Nashville District Management Corporation, the Metropolitan Development and Housing Agency, the Electric Power Board, the Metropolitan Transit Authority, the Metropolitan Nashville Airport Authority, the Emergency Communications District, and the Industrial Development Board, which reflect 80% of the total assets and 87% of the total revenues of the aggregate discretely presented component units of the Government. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Nashville and Davidson County, Tennessee as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in conformity with U.S. generally accepted accounting principles. 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 each of the discretely presented component units and each of the nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds, as well as the Sports Authority Fund, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements of the Hospital Authority (a component unit of the Government) have been prepared assuming that the Hospital Authority will continue as a going concern. As discussed in Note 12E in the accompanying financial statements, Metropolitan Nashville General Hospital (a fund of the Hospital Authority) has experienced recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. The Hospital Authority management's plans in regard to these matters are also described in Note 12E. The financial statements of the Hospital Authority do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006 on our consideration of the 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.

The management's discussion and analysis, the schedule of funding progress, the schedule of employer contributions, and the condition rating of the transportation network on pages A-1 through A-11, B-104 through B-107, B-108 through B-109, and B-102 through B-103, respectively are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 the Government's basic financial statements and on the financial statements of each of the discretely presented component units and each of the nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds, as well as Sports Authority Fund. The schedules on pages G-2 through G-35, C-13, C-14 and C-15, which are also the responsibility of the management of the Government, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Government. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical data sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Government. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**KPMG LLP**

October 31, 2006, except as to Metropolitan Nashville Airport Authority, which is as of November 7, 2006, and except as to Note 13, which is as of November 29, 2006, and except as to Metropolitan Nashville General Hospital and Sports Authority, which are as of December 4, 2006.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Metropolitan Government of Nashville and Davidson County (the Government), we offer readers of the Government's financial statements this narrative overview and analysis of the financial activities of the Government for the fiscal year ended June 30, 2006.

### FINANCIAL HIGHLIGHTS

- The assets of the Government exceeded its liabilities at the close of the most recent fiscal year by \$2.3 billion (*net assets*). Of this amount, \$166 million (*unrestricted net assets*) may be used to meet the Government's ongoing obligations to citizens and creditors.
- The Government's total net assets decreased by \$29 million (\$39 million decrease from governmental activities and \$10 million increase from business-type activities).
- As of the close of the current fiscal year, the Government's governmental funds reported combined ending fund balances of \$340 million, an increase of \$144 million in comparison with the prior year. Approximately 57.9% of this total amount, \$197 million, is available for spending at the Government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$43 million, or 6.0% of total general fund expenditures.
- The enterprise funds reported net assets at year-end of \$1.1 billion, an increase of \$13 million during the year.
- The Government's total general obligation and revenue bonds outstanding increased by \$311 million (16.9%) during the current fiscal year. New debt issues totaled \$478 million which were offset by principal payments, refundings and changes in deferred amounts of \$167 million.
- The Government borrows funds under a commercial paper program to provide interim or short-term financing of authorized capital projects. Total commercial paper outstanding at the close of the fiscal year was \$10 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Government's basic financial statements. The Government's basic financial statements are comprised of three components: 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 are designed to provide readers with a broad overview of the Government's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Government's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Government is improving or deteriorating.

The Statement of Activities presents information showing how the Government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Government include general government, fiscal administration, administration of justice, law enforcement and care of prisoners, fire prevention and control, regulation and inspection, conservation of natural resources, public welfare, public health and hospitals, public library system, public works, highways and streets, recreational and cultural, and education. The business-type activities of the Government include the Department of Water and Sewerage Services, District Energy System, Nashville Convention Center, Board of Fair Commissioners, Farmers Market, Police Secondary Employment, Surplus Property Auction, Municipal Auditorium, Police Impound and School Community Education.

The government-wide financial statements include not only the Government itself (known as the *primary government*), but also the Nashville District Management Corporation, Sports Authority, Hospital Authority, Metropolitan Development and Housing Agency, Electric Power Board, Metropolitan Transit Authority, Metropolitan Nashville Airport Authority, Emergency Communications District, and Industrial Development Board. These *component units* are legally separate organizations for which the Government is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages B-2 to B-5 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Government's near-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Government reports 26 individual governmental funds. Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the General Fund, General Purpose School Fund, GSD General Purposes Debt Service Fund, GSD School Purposes Debt Service Fund, USD General Purposes Debt Service Fund and GSD Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Government adopts an annual appropriated budget for each major governmental fund except the GSD Capital Projects Fund. Budgetary comparison statements have been provided in the Basic Financial Statements section for the General Fund and General Purpose School Fund and in the Nonmajor Governmental Funds section for each of the Debt Service Funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages B-6 to B-17 of this report.

**Proprietary funds** – The Government maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Government uses enterprise funds to account for the Department of Water and Sewerage Services, District Energy System, Nashville Convention Center, Board of Fair Commissioners, Farmers Market, Police Secondary Employment, Surplus Property Auction, Municipal Auditorium, Police Impound and School Community Education. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Government's various functions. The Government uses internal service funds to account for its fleet, information systems, radio equipment, insurance, school supply, postal, facilities planning, treasury management, human resources, financial and general services. Because these services predominantly benefit governmental rather than business-type functions, they have been primarily included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Department of Water and Sewerage Services and District Energy System which are considered to be major funds of the Government. Data from the other enterprise funds are combined into a single, aggregated presentation. Also, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages B-18 to B-23 of this report.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages B-24 to B-25 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages B-39 to B-101 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning certain infrastructure condition and maintenance data, found on pages B-102 to B-103, and concerning the Government's progress in funding its obligation to provide pension benefits to employees, found on pages B-104 to B-109.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator over time of a government's financial position. In the case of the Government, assets exceeded liabilities by \$2.3 billion at the close of the most recent fiscal year.

#### The Government's Net Assets in thousands of dollars (as of June 30,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 1,365,687	\$ 1,295,823	\$ 223,823	\$ 291,268	\$ 1,589,510	\$ 1,587,091
Capital assets	2,586,984	2,412,818	1,498,867	1,429,048	4,085,851	3,841,866
<b>Total assets</b>	<b>3,952,671</b>	<b>3,708,641</b>	<b>1,722,690</b>	<b>1,720,316</b>	<b>5,675,361</b>	<b>5,428,957</b>
Long-term liabilities	1,803,764	1,434,628	539,428	552,595	2,343,192	1,987,223
Other liabilities	908,955	995,510	78,044	71,977	986,999	1,067,487
<b>Total liabilities</b>	<b>2,712,719</b>	<b>2,430,138</b>	<b>617,472</b>	<b>624,572</b>	<b>3,330,191</b>	<b>3,054,710</b>
Net assets:						
Invested in capital assets, net of related debt	1,030,056	1,018,806	1,010,626	993,216	2,040,682	2,012,022
Restricted	67,840	97,629	70,023	69,305	137,863	166,934
Unrestricted	142,056	162,068	24,569	33,223	166,625	195,291
<b>Total net assets</b>	<b>\$ 1,239,952</b>	<b>\$ 1,278,503</b>	<b>\$ 1,105,218</b>	<b>\$ 1,095,744</b>	<b>\$ 2,345,170</b>	<b>\$ 2,374,247</b>

**Governmental activities** – Current and other assets for governmental activities increased by 5.4% due primarily to the effect of a June 2006 bond issue, which resulted in an increase in cash and investments of \$68 million. Capital assets increased by 7.2% due to construction of new schools and other government buildings and renovation of existing government buildings. Long-term liabilities increased by 25.7% due to the issuance of new debt in excess of principal payments and refunded debt and changes in deferred amounts. Other liabilities decreased by 8.7% primarily due to a decrease in commercial paper borrowings of \$140 million.

The largest portion of the Government's net assets for governmental activities (83.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related outstanding debt used to acquire those assets. The Government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Government's net assets for governmental activities (5.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets for governmental activities representing unrestricted net assets of \$142 million (11.4%) may be used to meet the Government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Government is able to report positive balances in all three categories of net assets for its total governmental activities.

**Business-type activities** – Current and other assets for business-type activities decreased by 23.2% due primarily to the continued spending of prior year borrowing proceeds on construction and other capital assets of the Department of Water and Sewerage Services, which resulted in a decrease in construction fund cash, cash equivalents and investments of \$60 million. Capital assets increased by 4.9% due to additions to the utility plants for both the Department of Water and Sewerage Services and the District Energy System. Long-term liabilities decreased by 2.4% due to principal payments on the revenue bonds of the Department of Water and Sewerage Services, which exceeded the amount of new borrowings for business-type activities. Other liabilities increased by 8.4% primarily due to an increase in restricted accounts payable related to construction activities.

The largest portion of the Government's net assets for business-type activities (91.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related outstanding debt used to acquire those assets. The Government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Government's net assets for business-type activities (6.4%) represents resources that are subject to external restrictions on how they may be used. The majority of the restrictions relate to debt retirement and construction. The remaining balance of net assets for business-type activities representing unrestricted net assets, \$25 million (2.2%), may be used to meet the Government's ongoing obligations to citizens and creditors.

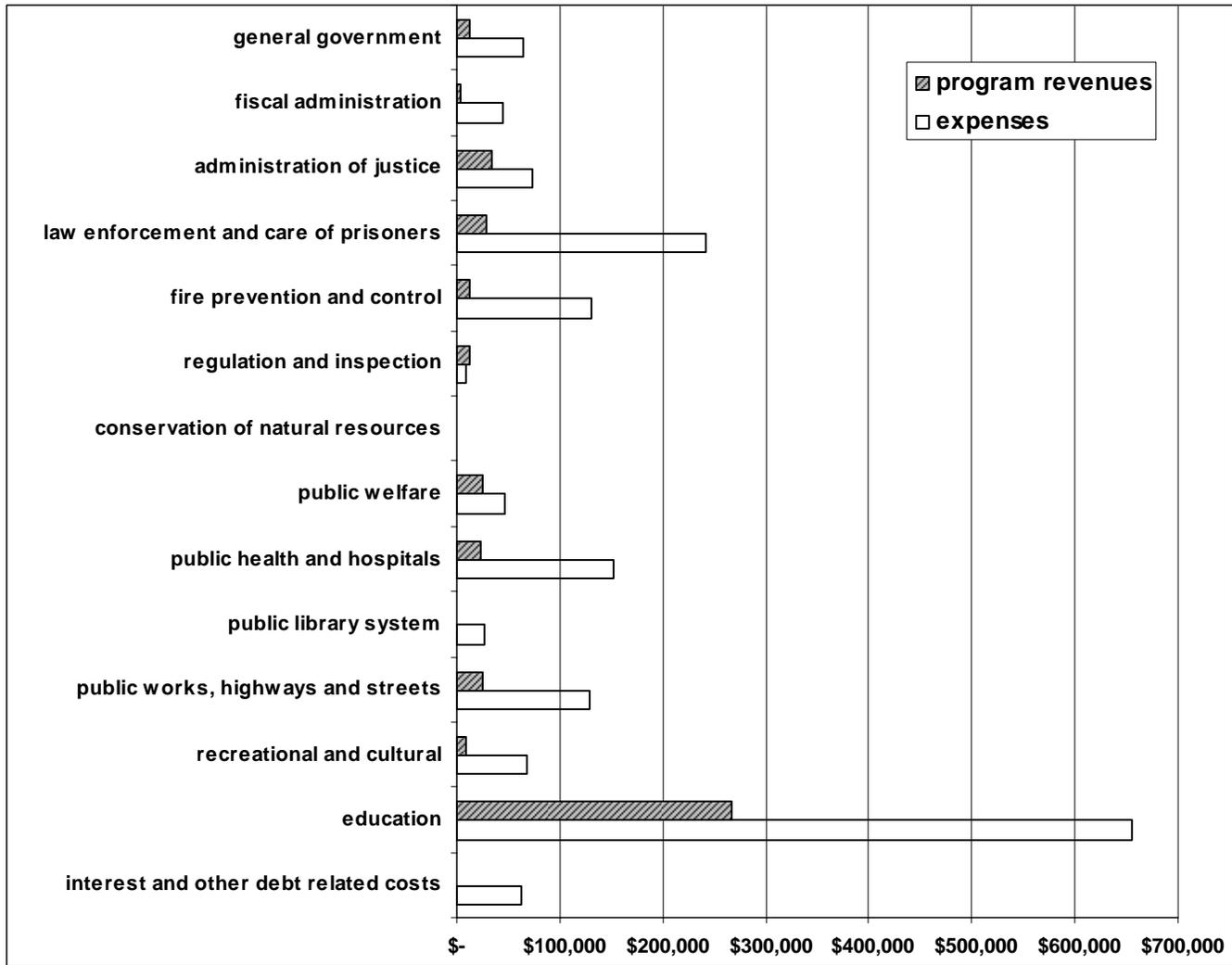
At the end of the current fiscal year, the Government is able to report positive balances in all three categories of net assets for its total business-type activities.

**The Government's Changes in Net Assets**  
in thousands of dollars  
*(for the year ended June 30,)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 138,980	\$ 140,775	\$ 187,495	\$ 180,772	\$ 326,475	\$ 321,547
Operating grants and contributions	299,203	291,220	-	-	299,203	291,220
Capital grants and contributions	16,268	25,954	25,610	22,155	41,878	48,109
General revenues:						
Property taxes	725,199	612,734	-	-	725,199	612,734
Local option sales tax	271,119	249,610	-	-	271,119	249,610
Other taxes	116,664	97,807	-	-	116,664	97,807
Revenues from the use of money or property	15,097	10,060	6,530	4,544	21,627	14,604
Revenues from other governmental agencies	60,220	54,542	-	-	60,220	54,542
Compensation for loss, sale or damage to property	3,476	1,297	281	133	3,757	1,430
<b>Total revenues</b>	<b>1,646,226</b>	<b>1,483,999</b>	<b>219,916</b>	<b>207,604</b>	<b>1,866,142</b>	<b>1,691,603</b>
Expenses:						
General government	64,844	80,425	-	-	64,844	80,425
Fiscal administration	44,110	31,182	-	-	44,110	31,182
Administration of justice	73,025	66,879	-	-	73,025	66,879
Law enforcement and care of prisoners	241,487	231,516	-	-	241,487	231,516
Fire prevention and control	130,416	120,679	-	-	130,416	120,679
Regulation and inspection	8,770	8,711	-	-	8,770	8,711
Conservation of natural resources	457	396	-	-	457	396
Public welfare	47,150	51,636	-	-	47,150	51,636
Public health and hospitals	151,706	76,115	-	-	151,706	76,115
Public library system	26,757	26,165	-	-	26,757	26,165
Public works, highways and streets	128,171	93,785	-	-	128,171	93,785
Recreational and cultural	67,284	51,336	-	-	67,284	51,336
Education	654,801	640,655	-	-	654,801	640,655
Interest and other debt related costs	62,460	57,819	-	-	62,460	57,819
Department of Water and Sewerage Services	-	-	155,647	150,091	155,647	150,091
District Energy System	-	-	19,253	18,565	19,253	18,565
Nashville Convention Center	-	-	7,068	7,131	7,068	7,131
Board of Fair Commissioners	-	-	4,110	3,580	4,110	3,580
Farmers Market	-	-	1,136	1,216	1,136	1,216
Police Secondary Employment	-	-	1,063	1,153	1,063	1,153
Surplus Property Auction	-	-	788	2,554	788	2,554
Municipal Auditorium	-	-	1,885	-	1,885	-
Police Impound	-	-	1,919	-	1,919	-
School Community Education	-	-	912	-	912	-
<b>Total expenses</b>	<b>1,701,438</b>	<b>1,537,299</b>	<b>193,781</b>	<b>184,290</b>	<b>1,895,219</b>	<b>1,721,589</b>
Increase in net assets before transfers	(55,212)	(53,300)	26,135	23,314	(29,077)	(29,986)
Transfers	16,661	18,862	(16,661)	(18,862)	-	-
Increase (decrease) in net assets	(38,551)	(34,438)	9,474	4,452	(29,077)	(29,986)
Net assets, beginning of year	1,278,503	1,312,941	1,095,744	1,091,292	2,374,247	2,404,233
Net assets, end of year	<b>\$ 1,239,952</b>	<b>\$ 1,278,503</b>	<b>\$ 1,105,218</b>	<b>\$ 1,095,744</b>	<b>\$ 2,345,170</b>	<b>\$ 2,374,247</b>

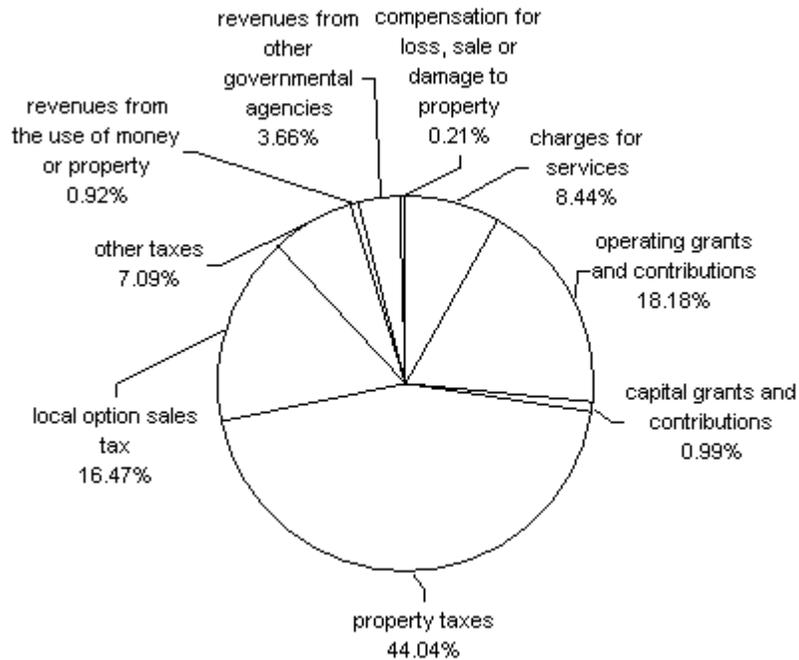
**Governmental activities** – Governmental activities decreased the Government’s net assets by \$39 million. The Metropolitan Council approved Substitute Bill Number BL 2005-664 which increased the combined property tax rate from \$4.58 to \$4.69 per each \$100 of assessed value for property taxes levied September 1, 2005, resulting in an increase in property tax revenues. Also, local option sales tax collections exceeded expectations. Other taxes increased as a result of increases in the fees for motor vehicle licenses. Costs were contained in most functional areas through aggressive cost containment practices as budgeted for the 2006 fiscal year. The decrease in general government and increase in public works, highways and streets are primarily due to a change in the reporting of the subsidy to Metropolitan Transit Authority, a component unit. The 2005 subsidy of \$12 million was included in general government expenses; the 2006 subsidy of \$16 million is included in public works, highways and streets expenses. Additional increases in public works, highways and streets are due to various expenses for capital projects that did not meet the Government’s criteria for capitalization. Expenses increased in public health and hospitals primarily due to a \$15 million budgeted increase in the operating subsidy to the Hospital Authority, a component unit, and a one-time \$50 million appropriation to the Hospital Authority to fund amounts Nashville General Hospital borrowed from the Government in prior years. Recreational and cultural expenses increased primarily due to a contribution to the Nashville Zoo of \$5 million and various expenses for capital projects that did not meet the Government’s criteria for capitalization. Expenses in education increased primarily due to increased personnel cost for salaries and benefits.

**Expenses and Program Revenues - Governmental Activities – For the Year Ended June 30, 2006**



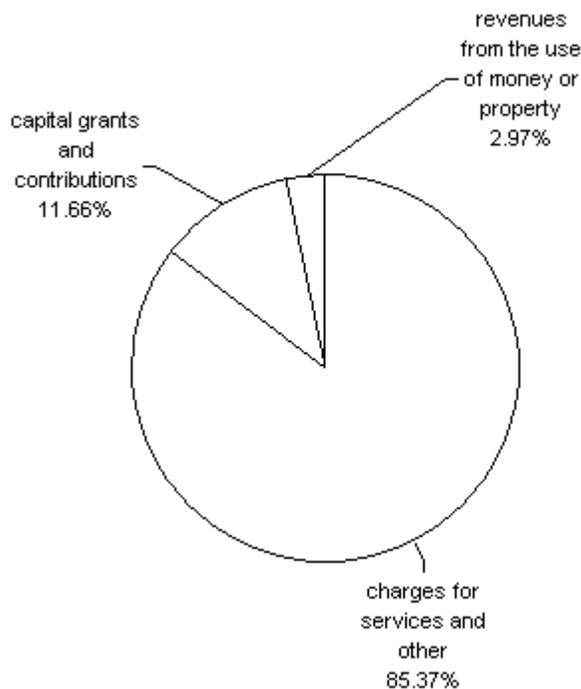
(in thousands)

**Revenues by Source - Governmental Activities – For the Year Ended June 30, 2006**



**Business-type activities** – Business-type activities increased the Government's net assets by \$9 million as compared to a \$4 million increase in the prior year. This change is attributable largely to an \$8 million increase in contributions of capital assets to the Department of Water and Sewerage Services.

**Revenues by Source – Business-type Activities – For the Year Ended June 30, 2006**



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the Government's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Government's governmental funds reported combined ending fund balances of \$340 million, an increase of \$144 million in comparison with the prior year. Approximately 57.9% of this total amount (\$197 million) constitutes unreserved fund balance, which is available for spending at the Government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for: 1) subsequent year budget appropriations (\$19 million), 2) the purchase of equipment (\$51 million), 3) future debt payments (\$66 million), and 4) other purposes (\$7 million).

The general fund is the chief operating fund of the Government. At the end of the current fiscal year, unreserved fund balance of the general fund was \$43 million, while total fund balance was \$47 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.0% of total general fund expenditures, while total fund balance represents 6.5% of total general fund expenditures.

The fund balance of the Government's general fund increased by \$10 million during the current fiscal year as a result of increased property taxes and cost containment through budgeted expenditure reductions.

The fund balance of the Government's general purpose school fund increased by \$20 million during the current fiscal year primarily due to increased property and sales taxes and through actual expenditures coming in significantly under budget, primarily in personal services.

The fund balance of the Government's GSD general purposes, GSD school purposes and USD general purposes debt service funds decreased by \$54 million in the current fiscal year as expected due to principal and interest payments in excess of revenues and due to a one-time allocation of \$50 million of property tax revenues to the general fund that would have otherwise been allocated to the GSD general purposes debt service fund in order to appropriate the \$50 million to the Hospital Authority to fund prior years' borrowings from the Government.

The fund balance of the Government's other governmental funds increased by \$168 million primarily due to bond proceeds in excess of continued capital spending in the various capital projects funds. Capital projects spending is initially funded by short-term commercial paper borrowings and later funded by bond proceeds.

**Proprietary funds** – The Government's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of proprietary funds at the end of the year amounted to \$89 million. The total increase in net assets for these funds was \$7 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the Government's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### ***Original and Final Budgeted Amounts***

Differences in revenues and other financing sources between the original budget and final amended budget totaled to a \$50 million increase, primarily in budgeted property taxes. Property taxes previously allocated to the GSD debt service fund were allocated to the general fund to cover the \$50 million payment to the Hospital Authority as noted in the **Government funds** discussion above.

Differences in expenditures and other financing uses between the original budget and the final amended budget totaled to a \$54 million increase, primarily due to the \$50 million increase in the subsidy to Hospital Authority as noted in the **Governmental funds** discussion above. Other variances in the budget line items are primarily due to pay plan and fringe benefit increases being originally budgeted under miscellaneous expenditures, then reallocated to departmental budgets after the final budget is approved.

### ***Final Budgeted and Actual Amounts***

Actual revenues and other financing sources exceed final budgeted amounts by \$9 million primarily due to \$8 million related to commissions and fees of certain elected officials that are excluded from the budget but included in actual revenues to appropriately recognize these operations in the financial statements.

Actual expenditures and other financing uses were less than final budgeted amounts by \$4 million primarily due to savings totaling over \$12 million from most departments – including administration and internal support savings of \$5 million and employee benefit savings of \$2 million - offset by \$8 million of expenditures of certain elected officials excluded from the budget but included in actual expenditures to appropriately recognize these operations in the financial statements.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** – The Government's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$4.1 billion (net of accumulated depreciation). Depreciation charges for the fiscal year totaled \$100 million.

### The Government's Capital Assets in thousands of dollars (as of June 30,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Utility plant in service	\$ -	\$ -	\$ 1,836,900	\$ 1,776,644	\$ 1,836,900	\$ 1,776,644
Land	135,697	125,657	16,415	14,870	152,112	140,527
Buildings and improvements	1,011,674	915,020	119,267	109,657	1,130,941	1,024,677
Improvements other than buildings	-	-	41,524	40,967	41,524	40,967
Furniture, machinery and equipment	265,987	251,980	41,315	39,815	307,302	291,795
Property under capital lease	-	-	3,645	3,645	3,645	3,645
Infrastructure	1,457,900	1,444,873	-	-	1,457,900	1,444,873
Construction in progress	278,709	208,055	91,890	37,495	370,599	245,550
Less: Accumulated depreciation	(562,983)	(532,767)	(652,089)	(594,045)	(1,215,072)	(1,126,812)
<b>Total capital assets</b>	<b>\$ 2,586,984</b>	<b>\$ 2,412,818</b>	<b>\$ 1,498,867</b>	<b>\$ 1,429,048</b>	<b>\$ 4,085,851</b>	<b>\$ 3,841,866</b>

The total increase in the Government's investment in capital assets for the current fiscal year was 6.4% (a 7.2% increase for governmental activities and a 4.9% increase for business-type activities).

Construction of new schools and other government buildings and renovation of existing government buildings has continued in accordance with the Government's capital plan, including completing construction on the Justice A.A. Birch Building and renovation of the historic Nashville and Davidson County Courthouse. Finally, additions to the utility plants for both the Department of Water and Sewerage Services and the District Energy System totaled approximately \$60 million.

As allowed by GASB Statement No. 34, the Government has adopted the alternative to recording depreciation expense on selected infrastructure assets. Under this method, referred to as the modified approach, the Government expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under this approach include approximately 5,600 lane miles of streets and roads and 356 bridges and underpasses that the Government is responsible for maintaining. The Government's policy is to have at least 70% of roads and 75% of bridges in good or better condition. The most recent assessment indicated that 73% of roads and 95% of bridges are in good or better condition, as compared to 85% of roads in 2005 and 94% of bridges at the last evaluation in 2003. Beginning in 2006, the pavement condition measure was refined to include a measurement for raveling distress. Raveling is the loss of aggregate from the road surface. This distress is used to identify roads that would benefit from a new surface treatment process that extends the life of the road. The addition of raveling with the other existing distresses resulted in an overall road condition decrease for 2006.

The Government estimated a need of approximately \$12.8 million for the year ended June 30, 2006 for preservation and maintenance of roads and streets. This level of spending on an annual basis is considered adequate to maintain 70% of roads and streets in good or better condition. Actual costs for the year ended June 30, 2006 amounted to \$2.6 million. The actual amount spent on roadway paving and surface treatment was significantly lower than the needed amount due to the fact that capital funds were not available until November. This delayed the procurement, contracting and work related to road repairs and maintenance; however, the budgeted funds have all been encumbered.

The Government estimated a need of \$9.6 million for the year ended June 30, 2006 for preservation and maintenance of bridges and underpasses. Actual costs for the year ended June 30, 2006 amounted to \$2.6 million. The actual amount spent on bridge and underpass repair was significantly lower than the needed amount due to the fact that capital funds were not available until November. This delayed the procurement, contracting and work related to bridge and underpass repairs and maintenance; however, the needed funds have all been encumbered.

Additional information on the Government's capital assets can be found in Note 5 beginning on page B-56 of this report.

**Long-term debt** – At the end of the current fiscal year, the Government had total bonded debt outstanding of \$2.2 billion. Of this amount, \$1.6 billion comprises debt backed by the full faith and credit of the Government. The remaining \$509 million of the Government's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**The Government's Outstanding Debt**  
General Obligation and Revenue Bonds  
in thousands of dollars  
(as of June 30,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 1,600,695	\$ 1,279,935	\$ 7,695	\$ 7,695	\$ 1,608,390	\$ 1,287,630
Deferred amounts, net	34,965	16,269	509	536	35,474	16,805
<b>Total general obligation bonds outstanding</b>	<b>1,635,660</b>	<b>1,296,204</b>	<b>8,204</b>	<b>8,231</b>	<b>1,643,864</b>	<b>1,304,435</b>
Revenue bonds	10,575	12,080	502,060	529,200	512,635	541,280
Deferred amounts, net	(130)	(155)	(3,897)	(4,543)	(4,027)	(4,698)
<b>Total revenue bonds outstanding</b>	<b>10,445</b>	<b>11,925</b>	<b>498,163</b>	<b>524,657</b>	<b>508,608</b>	<b>536,582</b>
<b>Total general obligation and revenue bonds bonds outstanding</b>	<b>\$ 1,646,105</b>	<b>\$ 1,308,129</b>	<b>\$ 506,367</b>	<b>\$ 532,888</b>	<b>\$ 2,152,472</b>	<b>\$ 1,841,017</b>

The Government's total general obligation and revenue bonds outstanding increased by \$311 million (16.9%) during the current fiscal year. New debt of \$478 million was issued to provide funding to pay principal and interest of certain of the Government's maturing commercial paper notes and to refund the outstanding principal balances of various bonds. The increase from the new debt was offset by principal payments of \$126 million and the outstanding principal balances on the refunded debt of \$60 million. Deferred amounts related to the bond issues increased \$19 million.

Construction commitments at June 30, 2006 totaled \$82 million for the governmental activities of the Government and \$166 million for the Department of Water and Sewerage Services.

The Government maintains an 'AA' rating from Standard & Poor's, 'AA+' from Fitch, and 'Aa2' from Moody's for general obligation debt.

The ratio of general long-term debt (defined as gross debt less debt service monies available and less debt to be repaid from sources other than property taxes) to the actual value of property is 3.00%, and the amount of net debt per capita is \$2,629.24.

Additional information on the Government's long-term debt can be found in Note 6 beginning on page B-60 of this report.

**Commercial paper** – In August 2003, the Government instituted a general obligation commercial paper program to provide interim or short-term financing for various authorized capital projects. Commercial paper obligations of \$10 million outstanding at June 30, 2006 were subsequently rolled over into new commercial paper obligations and are considered short-term liabilities of the appropriate capital project funds.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The unemployment rate for the Nashville metropolitan area is currently 3.9%. The state's and nation's unemployment rates are 5.1% and 5.1%, respectively. The budget for the 2007 fiscal year reflects a balanced budget with no property tax rate increase. For more comprehensive information on the Metropolitan Government's approved budget for the 2007 fiscal year, the budget ordinance, the budget book as well as other documents are available at [www.nashville.gov](http://www.nashville.gov).

## **OTHER MATTERS**

In preparation for planning related to Governmental Accounting Standard Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), the Government had independent actuaries prepare a preliminary estimate of post retirement benefit liabilities and costs. The preliminary estimate of the present value of future benefits for general government employees is \$1.5 billion, and the preliminary estimate of the present value of future benefits for teachers is \$500 million. The preliminary estimate of the annual required contribution for general government employees and teachers is \$95 million and \$15 million, respectively. This preliminary estimate was based on a 30-year level percentage amortization of the unfunded actuarial liability and a 6% discount rate assumption. Detailed actuarial studies of these liabilities and costs are currently underway. Additionally, earlier this year the Mayor appointed a Task Force to review the Government's options for addressing this new accounting standard. The Task Force is evaluating various benefit and funding scenarios in its efforts to identify options for addressing this issue.

On November 7, 2006, voters approved a ballot initiative prohibiting the Metropolitan Council from raising real property tax rates from their current and future levels without the approval of the voters in a referendum. Prior to the adoption of the November 7 ballot proposal, the Metropolitan Council was authorized to set the real property tax rate without any requirement of voter approval. The Government's legal department has issued a memo stating that the approved initiative violates the Tennessee Constitution because it places the power to set property tax rates with voters, rather than with the Metropolitan Council, as prescribed by the Constitution. However, the Government cannot predict whether there will be a court challenge as to the constitutionality of the approved initiative. If there is a challenge, the Government cannot predict the timing or be certain of the outcome of any court challenge as to the constitutionality of the approved initiative.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Government's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be forwarded to the Department of Finance, Division of Accounts, at [cafr@nashville.gov](mailto:cafr@nashville.gov).

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 251,324,352	\$ 23,734,337	\$ 275,058,689	\$ 104,903,716
Investments	151,222,293	11,673,567	162,895,860	67,562,634
Sales tax receivable	46,370,694	-	46,370,694	-
Accounts receivable	99,484,772	18,905,406	118,390,178	157,499,937
Property taxes receivable	760,167,259	-	760,167,259	-
Allowance for doubtful accounts	(38,215,226)	(409,362)	(38,624,588)	(31,169,927)
Accrued interest receivable	1,256,511	324,664	1,581,175	1,965,611
Internal balances	14,229,231	(14,229,231)	-	-
Due from the primary government	-	-	-	47,109
Due from component units	31,623,203	-	31,623,203	-
Inventories of supplies	3,816,726	1,832,127	5,648,853	22,236,362
Other current assets	3,177,008	11,521	3,188,529	5,212,848
Restricted assets:				
Cash and cash equivalents	-	55,985,464	55,985,464	31,434,232
Investments	-	114,693,968	114,693,968	123,421,140
Accrued interest receivable	-	33,955	33,955	365,635
Accounts receivable	-	231,422	231,422	-
Due from the primary government	-	-	-	60,000
Due from other governmental agencies	-	4,201,159	4,201,159	14,972,536
Other restricted assets	-	-	-	1,529,407
Notes receivable	-	-	-	40,524,054
Capital assets:				
Utility plant in service	-	1,836,899,905	1,836,899,905	912,934,491
Land	135,696,996	16,414,407	152,111,403	205,040,211
Buildings and improvements	1,011,673,848	119,267,233	1,130,941,081	788,100,434
Improvement other than buildings	-	41,524,138	41,524,138	371,398,469
Furniture, machinery and equipment	265,987,229	41,315,223	307,302,452	193,641,946
Property under capital lease	-	3,645,000	3,645,000	-
Infrastructure	1,457,899,335	-	1,457,899,335	11,214,763
Construction in progress	278,709,216	91,889,741	370,598,957	140,698,320
Accumulated depreciation	(562,982,496)	(652,089,039)	(1,215,071,535)	(937,513,808)
Other non-current assets	41,229,592	6,834,198	48,063,790	24,895,072
<b>Total assets</b>	<b>3,952,670,543</b>	<b>1,722,689,803</b>	<b>5,675,360,346</b>	<b>2,250,975,192</b>
<u>LIABILITIES</u>				
Accounts payable	85,001,972	6,464,334	91,466,306	142,914,519
Accrued payroll	44,265,369	2,695,162	46,960,531	9,593,869
Accrued interest	20,499,594	-	20,499,594	4,057,201
Claims payable	19,257,945	-	19,257,945	-
Due to component units	106,876	233	107,109	-
Due to the primary government	-	-	-	27,470,219
Customer deposits	-	3,388,513	3,388,513	10,892,111
Deferred revenue	718,291,491	609,208	718,900,699	-
Commercial paper payable	10,000,000	-	10,000,000	-
Other current liabilities	11,532,216	3,162,504	14,694,720	11,770,118

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>LIABILITIES (CONTINUED)</u>				
Liabilities payable from restricted assets:				
Accrued interest	\$ -	\$ 13,492,538	\$ 13,492,538	\$ 5,331,867
Accounts payable	-	16,848,166	16,848,166	255,612
Other restricted liabilities	-	26,100	26,100	-
Funds held in trust	-	-	-	226,538
Current portion of long-term liabilities	-	31,357,116	31,357,116	34,028,109
Noncurrent liabilities:				
Due within one year	145,259,499	160,000	145,419,499	6,947,123
Due in more than one year	1,658,504,387	539,267,682	2,197,772,069	809,056,568
Total liabilities	<u>2,712,719,349</u>	<u>617,471,556</u>	<u>3,330,190,905</u>	<u>1,062,543,854</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,030,055,991	1,010,625,856	2,040,681,847	890,432,741
Restricted for debt retirement	66,433,550	67,421,576	133,855,126	79,453,625
Restricted for construction	-	2,602,116	2,602,116	-
Restricted for perpetual care:				
Expendable	191,671	-	191,671	-
Nonexpendable	187,214	-	187,214	-
Restricted for other purposes	1,026,875	-	1,026,875	42,265,745
Unrestricted	142,055,893	24,568,699	166,624,592	176,279,227
Total net assets	<u>\$ 1,239,951,194</u>	<u>\$ 1,105,218,247</u>	<u>\$ 2,345,169,441</u>	<u>\$ 1,188,431,338</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2006

Functions/ Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 64,844,451	\$ 7,367,281	\$ 4,362,726	\$ -
Fiscal administration	44,109,710	3,994,309	314,310	-
Administration of justice	73,024,889	30,664,001	3,804,948	-
Law enforcement and care of prisoners	241,486,773	26,571,606	1,979,454	-
Fire prevention and control	130,417,500	11,400,931	1,328,136	-
Regulation and inspection	8,769,996	11,933,505	-	-
Conservation of natural resources	456,236	-	-	-
Public welfare	47,149,590	1,256,699	24,259,617	-
Public health and hospitals	151,705,942	9,646,416	13,192,091	-
Public library system	26,757,058	705,181	762,520	150,000
Public works, highways and streets	128,171,440	7,716,709	1,293,239	16,117,873
Recreational and cultural	67,284,435	8,471,279	380,637	-
Education	654,800,966	19,252,757	247,526,206	-
Interest and other debt related costs	62,460,296	-	-	-
Total governmental activities	<u>1,701,439,282</u>	<u>138,980,674</u>	<u>299,203,884</u>	<u>16,267,873</u>
Business-type activities:				
Department of Water and Sewerage Services	155,646,649	155,826,854	-	25,609,986
District Energy System	19,252,816	17,298,092	-	-
Nashville Convention Center	7,068,219	4,551,347	-	-
Board of Fair Commissioners	4,110,296	3,727,539	-	-
Farmers Market	1,135,986	996,604	-	-
Police Secondary Employment	1,063,040	1,423,621	-	-
Surplus Property Auction	787,424	703,415	-	-
Municipal Auditorium	1,884,709	1,061,681	-	-
Police Impound	1,919,271	1,729,364	-	-
School Community Education	911,927	176,440	-	-
Total business-type activities	<u>193,780,337</u>	<u>187,494,957</u>	<u>-</u>	<u>25,609,986</u>
Total primary government	<u>\$ 1,895,219,619</u>	<u>\$ 326,475,631</u>	<u>\$ 299,203,884</u>	<u>\$ 41,877,859</u>
<b>Component units:</b>				
Nashville District Management Corporation	\$ 711,328	\$ 624,831	\$ -	\$ 49,609
Sports Authority	25,929,886	2,047,551	8,985,324	7,776,300
Hospital Authority	124,057,620	60,253,204	94,831,793	120,131
Metropolitan Development and Housing Agency	104,177,390	19,303,775	76,096,419	16,164,806
Electric Power Board	873,448,190	903,454,455	-	-
Metropolitan Transit Authority	39,828,093	8,965,559	20,280,184	17,298,905
Metropolitan Nashville Airport Authority	72,009,192	83,711,246	6,244,876	-
Emergency Communications District	5,376,516	5,534,601	10,000	-
Industrial Development Board	1,298,197	98,712	-	-
Total component units	<u>\$ 1,246,836,412</u>	<u>\$ 1,083,993,934</u>	<u>\$ 206,448,596</u>	<u>\$ 41,409,751</u>

General revenues:  
Property taxes  
Local option sales tax  
Other taxes  
Revenues from the use of money or property  
Revenues from other governmental agencies  
not restricted for specific programs/functions  
Compensation for loss, sale or damage to property  
Transfers  
Total general revenues and transfers  
Changes in net assets  
Net assets - beginning, as restated  
Net assets - ending

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATEMENT OF ACTIVITIES (CONTINUED)  
For the Year Ended June 30, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (53,114,444)	\$ -	\$ (53,114,444)	\$ -
(39,801,091)	-	(39,801,091)	-
(38,555,940)	-	(38,555,940)	-
(212,935,713)	-	(212,935,713)	-
(117,688,433)	-	(117,688,433)	-
3,163,509	-	3,163,509	-
(456,236)	-	(456,236)	-
(21,633,274)	-	(21,633,274)	-
(128,867,435)	-	(128,867,435)	-
(25,139,357)	-	(25,139,357)	-
(103,043,619)	-	(103,043,619)	-
(58,432,519)	-	(58,432,519)	-
(388,022,003)	-	(388,022,003)	-
(62,460,296)	-	(62,460,296)	-
<u>(1,246,986,851)</u>	<u>-</u>	<u>(1,246,986,851)</u>	<u>-</u>
-	25,790,191	25,790,191	-
-	(1,954,724)	(1,954,724)	-
-	(2,516,872)	(2,516,872)	-
-	(382,757)	(382,757)	-
-	(139,382)	(139,382)	-
-	360,581	360,581	-
-	(84,009)	(84,009)	-
-	(823,028)	(823,028)	-
-	(189,907)	(189,907)	-
-	(735,487)	(735,487)	-
<u>-</u>	<u>19,324,606</u>	<u>19,324,606</u>	<u>-</u>
<u>(1,246,986,851)</u>	<u>19,324,606</u>	<u>(1,227,662,245)</u>	<u>-</u>
-	-	-	(36,888)
-	-	-	(7,120,711)
-	-	-	31,147,508
-	-	-	7,387,610
-	-	-	30,006,265
-	-	-	6,716,555
-	-	-	17,946,930
-	-	-	168,085
-	-	-	(1,199,485)
<u>-</u>	<u>-</u>	<u>-</u>	<u>85,015,869</u>
725,198,959	-	725,198,959	-
271,118,643	-	271,118,643	-
116,664,175	-	116,664,175	-
15,096,723	6,529,992	21,626,715	8,579,480
60,219,603	-	60,219,603	-
3,475,627	280,912	3,756,539	623,840
16,660,898	(16,660,898)	-	-
<u>1,208,434,628</u>	<u>(9,849,994)</u>	<u>1,198,584,634</u>	<u>9,203,320</u>
(38,552,223)	9,474,612	(29,077,611)	94,219,189
1,278,503,417	1,095,743,635	2,374,247,052	1,094,212,149
<u>\$ 1,239,951,194</u>	<u>\$ 1,105,218,247</u>	<u>\$ 2,345,169,441</u>	<u>\$ 1,188,431,338</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	General	General Purpose School	GSD General Purposes Debt Service
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 20,899,091	\$ 17,913,264	\$ 554,887
Investments	11,955,277	11,523,584	355,958
Sales tax receivable	15,309,718	28,005,032	456,161
Accounts receivable	54,974,591	1,814,146	7,321,739
Accrued interest receivable	210,390	51,374	-
Property tax receivable	415,379,187	224,815,854	80,533,992
Allowance for doubtful accounts	(27,364,776)	(2,196,968)	(8,134,707)
Due from other funds of the primary government	4,799,931	2,848,450	3,996,030
Due from component units	18,069,877	-	-
Inventories of supplies	326,428	674,972	-
Other assets	1,117,395	45,358	20,000
Total assets	<u>\$ 515,677,109</u>	<u>\$ 285,495,066</u>	<u>\$ 85,104,060</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 12,806,841	\$ 7,957,438	\$ 85,255
Accrued payroll	22,532,105	15,379,822	-
Due to other funds of the primary government	14,397,271	2,814,026	1,981,596
Due to component units	36,691	-	-
Deferred revenue	410,336,450	220,911,997	78,531,054
Commercial paper payable	-	-	-
Other liabilities	8,633,673	-	-
Total liabilities	<u>468,743,031</u>	<u>247,063,283</u>	<u>80,597,905</u>
<b>FUND BALANCES:</b>			
Reserved for imprest cash and inventories	1,040,033	678,513	-
Reserved for specific programs	2,434,347	-	-
Reserved for subsequent year budgetary appropriations	-	-	-
Reserved for equipment acquisitions	-	-	-
Reserved for trust purposes	-	-	-
Reserved for debt service	-	-	4,506,155
Unreserved, reported in:			
General fund	43,459,698	-	-
Special revenue funds:			
Designated for specific projects	-	-	-
Undesignated	-	37,753,270	-
Capital projects funds:			
Designated for specific projects	-	-	-
Undesignated	-	-	-
Permanent funds:			
Undesignated	-	-	-
Total fund balances	<u>46,934,078</u>	<u>38,431,783</u>	<u>4,506,155</u>
Total liabilities and fund balances	<u>\$ 515,677,109</u>	<u>\$ 285,495,066</u>	<u>\$ 85,104,060</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
June 30, 2006

GSD School Purposes Debt Service	USD General Purposes Debt Service	GSD Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 37,916,481	\$ 7,620,775	\$ 48,814,431	\$ 69,363,901	\$ 203,082,830
24,323,310	4,888,705	31,302,026	36,049,524	120,398,384
2,599,783	-	-	-	46,370,694
-	-	1,871,572	30,808,625	96,790,673
160,239	32,610	265,871	304,274	1,024,758
28,915,646	10,522,580	-	-	760,167,259
(376,696)	(142,079)	-	-	(38,215,226)
778,852	381,440	5,866,910	12,399,290	31,070,903
-	-	-	13,546,707	31,616,584
-	-	-	922,831	1,924,231
-	-	-	351,483	1,534,236
<u>\$ 94,317,615</u>	<u>\$ 23,304,031</u>	<u>\$ 88,120,810</u>	<u>\$ 163,746,635</u>	<u>\$ 1,255,765,326</u>
\$ 12,596	\$ 53,860	\$ 20,277,268	\$ 28,397,293	\$ 69,590,551
-	-	-	1,670,331	39,582,258
28,986	7,548	3,629,330	12,647,907	35,506,664
-	-	70,185	-	106,876
28,183,237	10,246,012	-	1,195,992	749,404,742
-	-	5,804,000	4,196,000	10,000,000
-	-	-	2,898,543	11,532,216
<u>28,224,819</u>	<u>10,307,420</u>	<u>29,780,783</u>	<u>51,006,066</u>	<u>915,723,307</u>
-	-	-	3,042,728	4,761,274
-	-	-	-	2,434,347
10,035,900	8,547,900	-	-	18,583,800
-	-	-	50,703,554	50,703,554
-	-	-	187,214	187,214
56,056,896	4,448,711	-	1,421,788	66,433,550
-	-	-	-	43,459,698
-	-	-	64,030	64,030
-	-	-	59,746,777	97,500,047
-	-	58,340,027	563,580	58,903,607
-	-	-	(3,180,773)	(3,180,773)
-	-	-	191,671	191,671
<u>66,092,796</u>	<u>12,996,611</u>	<u>58,340,027</u>	<u>112,740,569</u>	<u>340,042,019</u>
<u>\$ 94,317,615</u>	<u>\$ 23,304,031</u>	<u>\$ 88,120,810</u>	<u>\$ 163,746,635</u>	<u>\$ 1,255,765,326</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS

June 30, 2006

Fund balances - total governmental funds	\$	340,042,019
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Amounts reported for governmental activities in the Statement of Net Assets are different from amounts reported for governmental funds in the Balance Sheet because:

Capital assets used in governmental activities are not financial resources and therefore not reported in governmental funds.

Capital assets		3,035,706,756
Less accumulated depreciation		(481,774,263)

Net pension assets are not financial resources and therefore not reported in governmental funds.		35,402,177
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Bonds payable		(1,611,270,000)
Qualified zone academy notes payable		(6,218,500)
Less deferred charge on refunding		26,786,281
Less deferred charge for issuance costs		5,827,415
Add bond premium/discount		(61,471,495)
Accrued interest payable		(20,499,594)
Unamortized swaption proceeds		(3,425,758)
Net pension obligation		(70,696,335)
Compensated absences		(67,893,884)
Claims and judgments		(3,663,400)
Landfill closure costs		(9,336,553)

Some deferred revenues reported in the governmental funds are recognized as revenues in the governmental activities.		34,539,009
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds less those allocated to business-type activities are included in governmental activities.		97,897,319
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Net assets - total governmental activities	\$	<u>1,239,951,194</u>
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The accompanying notes are an integral part of this financial statement.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General	General Purpose School	GSD General Purposes Debt Service
<b>REVENUES:</b>			
Property taxes	\$ 444,304,982	\$ 206,726,162	\$ 32,594,436
Local option sales tax	89,795,510	163,902,255	2,014,970
Other taxes, licenses and permits	99,976,969	3,914,403	-
Fines, forfeits and penalties	13,841,149	14,001	475,020
Revenues from the use of money or property	1,317,882	20,728	867,082
Revenues from other governmental agencies	79,624,370	168,735,604	4,368,870
Commissions and fees	21,261,179	-	-
Charges for current services	23,794,003	639,177	-
Compensation for loss, sale or damage to property	634,143	368,975	-
Contributions and gifts	543,390	726,143	-
Miscellaneous	1,186,236	73,347	-
Total revenues	776,279,813	545,120,795	40,320,378
<b>EXPENDITURES:</b>			
Current:			
General government	21,470,893	-	-
Fiscal administration	14,578,459	-	-
Administration of justice	58,621,082	-	-
Law enforcement and care of prisoners	193,586,575	-	-
Fire prevention and control	100,684,959	-	-
Regulation and inspection	7,879,011	-	-
Conservation of natural resources	421,822	-	-
Public welfare	8,134,531	-	-
Public health and hospitals	129,089,250	-	-
Public library system	20,379,979	-	-
Public works, highways and streets	31,099,675	-	-
Recreational and cultural	32,931,787	-	-
Employee benefits	56,369,642	-	-
Miscellaneous	46,968,961	-	-
Other funds:			
Personal services	-	448,832,539	-
Contractual services	-	38,990,685	936,234
Supplies and materials	-	21,127,599	-
Bond issue costs	-	-	-
Other costs	-	13,317,705	-
Capital outlay	-	122,027	-
Debt service:			
Principal retirement	-	-	52,907,052
Interest	-	-	36,970,656
Fiscal charges	-	-	787,741
Arbitrage rebate	-	-	85,598
Total expenditures	722,216,626	522,390,555	91,687,281
Excess (deficiency) of revenues over expenditures	54,063,187	22,730,240	(51,366,903)

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2006

GSD School Purposes Debt Service	USD General Purposes Debt Service	GSD Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 26,085,762	\$ 9,468,396	\$ -	\$ 640,723	\$ 719,820,461
15,598,700	-	-	-	271,311,435
-	-	-	22,935,460	126,826,832
-	-	-	5,403,580	19,733,750
2,330,741	553,450	1,099,614	3,281,321	9,470,818
-	-	63,084	138,242,417	391,034,345
-	-	-	-	21,261,179
-	-	-	22,963,089	47,396,269
-	-	2,195,250	292,059	3,490,427
-	-	700,515	8,930,586	10,900,634
-	-	314,160	170,312	1,744,055
<u>44,015,203</u>	<u>10,021,846</u>	<u>4,372,623</u>	<u>202,859,547</u>	<u>1,622,990,205</u>
-	-	-	-	21,470,893
-	-	-	-	14,578,459
-	-	-	-	58,621,082
-	-	-	-	193,586,575
-	-	-	-	100,684,959
-	-	-	-	7,879,011
-	-	-	-	421,822
-	-	-	-	8,134,531
-	-	-	-	129,089,250
-	-	-	-	20,379,979
-	-	-	-	31,099,675
-	-	-	-	32,931,787
-	-	-	-	56,369,642
-	-	-	-	46,968,961
-	-	-	98,095,376	546,927,915
457,973	140,174	48,729,636	81,895,086	171,149,788
-	-	6,019,387	51,665,165	78,812,151
-	-	958,537	900,814	1,859,351
-	-	14,600,329	3,202,851	31,120,885
-	-	118,191,041	90,330,614	208,643,682
30,604,768	13,983,180	-	1,505,000	99,000,000
22,381,331	5,743,059	-	526,850	65,621,896
105,740	79,994	-	-	973,475
167,435	18,990	-	-	272,023
<u>53,717,247</u>	<u>19,965,397</u>	<u>188,498,930</u>	<u>328,121,756</u>	<u>1,926,597,792</u>
<u>(9,702,044)</u>	<u>(9,943,551)</u>	<u>(184,126,307)</u>	<u>(125,262,209)</u>	<u>(303,607,587)</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	General	General Purpose School	GSD General Purposes Debt Service
OTHER FINANCING SOURCES (USES):			
Payments to refunded bond escrow agent	\$ -	\$ -	\$ (60,463,650)
Issuance of refunding bonds	-	-	60,805,000
Issuance of new bonds	-	-	-
Issuance of QZAB notes	-	-	-
Bond issue premium (discount)	-	-	-
Transfers in	16,501,209	2,719,716	15,657,127
Transfers out	(60,907,145)	(5,460,901)	(7,892,093)
Total other financing sources (uses)	(44,405,936)	(2,741,185)	8,106,384
Net change in fund balances	9,657,251	19,989,055	(43,260,519)
FUND BALANCES, beginning of year	37,276,827	18,442,728	47,766,674
FUND BALANCES, end of year	\$ 46,934,078	\$ 38,431,783	\$ 4,506,155

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2006

GSD School Purposes Debt Service	USD General Purposes Debt Service	GSD Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ (60,463,650)
-	-	-	-	60,805,000
-	-	296,768,321	120,546,679	417,315,000
-	-	-	6,218,500	6,218,500
-	-	15,074,518	5,235,529	20,310,047
1,360,747	8,865,639	48,694,893	101,668,168	195,467,499
<u>(896,717)</u>	<u>(18,208)</u>	<u>(36,848,411)</u>	<u>(79,937,157)</u>	<u>(191,960,632)</u>
<u>464,030</u>	<u>8,847,431</u>	<u>323,689,321</u>	<u>153,731,719</u>	<u>447,691,764</u>
(9,238,014)	(1,096,120)	139,563,014	28,469,510	144,084,177
<u>75,330,810</u>	<u>14,092,731</u>	<u>(81,222,987)</u>	<u>84,271,059</u>	<u>195,957,842</u>
<u>\$ 66,092,796</u>	<u>\$ 12,996,611</u>	<u>\$ 58,340,027</u>	<u>\$ 112,740,569</u>	<u>\$ 340,042,019</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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, 2006

Net change in fund balances - governmental funds \$ 144,084,177

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances, because:

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities.

Acquisition of capital assets	204,299,918
Depreciation expense	(37,168,532)

Donations of capital assets increase net assets for governmental activities, but do not appear in the governmental funds because they are not financial resources.	13,690,301
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Transfers of capital assets to proprietary funds decrease net assets for governmental activities, but do not appear in the governmental funds because they are not financial uses.	(2,526,401)
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The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold.	(2,940,104)
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Changes in net pension assets increase or decrease net assets for governmental activities, but do not appear in the governmental funds because they are not current financial resources.	2,768,048
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Bond proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of bond principal is an expenditure in the governmental funds but reduces long-term liabilities for governmental activities. Also, 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 for governmental activities.

Issuance of bonds	(478,120,000)
Issuance of qualified zone academy notes	(6,218,500)
Principal repayments	99,000,000
Principal refunded	59,865,000
Deferred charge on refunding	598,650
Amortization of deferred charge on refunding	(2,128,201)
Issuance costs	1,859,351
Amortization of issuance costs	(291,427)
Bond premium/discount	(20,310,047)
Amortization of premium/discount	3,268,414
Change in accrued interest	2,401,716

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2006

Swaption proceeds provide current financial resources to governmental funds, but the issuance of swaptions increases long-term liabilities for governmental activities. Also, these proceeds are amortized for governmental activities.

Amortization of swaptions	\$ 172,727
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Some expenses reported for governmental activities do not require the use of current financial resources and therefore not reported as expenditures for governmental funds.

Net pension obligation	(15,658,696)
Compensated absences	(8,923,573)
Claims and judgments	130,506
Interest arbitrage rebate	235,200
Landfill closure costs	(874,718)

Some revenues for governmental activities do not provide current financial resources and are not reported as revenues for governmental funds.	6,496,319
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Internal service funds are used by management to charge the costs of certain activities to individuals funds. The net revenue (expense) of the internal service funds less those allocated to business-type activities are included in governmental activities.	<u>(2,262,351)</u>
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Change in net assets - governmental activities	<u><u>\$ (38,552,223)</u></u>
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The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 394,829,100	\$ 444,829,100	\$ 444,304,982	\$ (524,118)
Local option sales tax	85,967,900	85,967,900	89,795,510	3,827,610
Other taxes, licenses and permits	89,728,600	89,728,600	99,976,969	10,248,369
Fines, forfeits and penalties	10,553,000	10,553,000	13,841,149	3,288,149
Revenues from the use of money or property	402,000	402,000	1,317,882	915,882
Revenues from other governmental agencies	75,595,500	80,269,033	79,624,370	(644,663)
Commissions and fees	18,977,200	18,977,200	21,261,179	2,283,979
Charges for current services	28,029,000	28,029,000	23,794,003	(4,234,997)
Compensation for loss, sale or damage to property	237,700	237,700	634,143	396,443
Contributions and gifts	561,000	561,050	543,390	(17,660)
Miscellaneous	658,500	658,500	1,186,236	527,736
<b>Total revenues</b>	<b>705,539,500</b>	<b>760,213,083</b>	<b>776,279,813</b>	<b>16,066,730</b>
<b>EXPENDITURES:</b>				
General government	19,900,900	20,471,700	21,470,893	(999,193)
Fiscal administration	14,836,600	15,241,900	14,578,459	663,441
Administration of justice	51,934,400	53,208,200	58,621,082	(5,412,882)
Law enforcement and care of prisoners	188,558,200	194,445,750	193,586,575	859,175
Fire prevention and control	98,538,300	100,941,300	100,684,959	256,341
Regulation and inspection	8,095,700	8,302,500	7,879,011	423,489
Conservation of natural resources	464,100	474,400	421,822	52,578
Public welfare	9,048,200	9,211,300	8,134,531	1,076,769
Public health and hospitals	76,795,900	129,121,800	129,089,250	32,550
Public library system	19,680,600	20,440,900	20,379,979	60,921
Public works, highways and streets	31,969,200	32,477,800	31,099,675	1,378,125
Recreational and cultural	33,485,300	33,566,800	32,931,787	635,013
Employee benefits	58,746,400	57,872,900	56,369,642	1,503,258
Miscellaneous	64,227,000	50,600,977	46,968,961	3,632,016
<b>Total expenditures</b>	<b>676,280,800</b>	<b>726,378,227</b>	<b>722,216,626</b>	<b>4,161,601</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>29,258,700</b>	<b>33,834,856</b>	<b>54,063,187</b>	<b>20,228,331</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	27,970,900	23,157,876	16,501,209	(6,656,667)
Transfers out	(57,229,600)	(60,943,000)	(60,907,145)	35,855
<b>Total other financing sources (uses)</b>	<b>(29,258,700)</b>	<b>(37,785,124)</b>	<b>(44,405,936)</b>	<b>(6,620,812)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(3,950,268)</b>	<b>9,657,251</b>	<b>13,607,519</b>
<b>FUND BALANCES, beginning of year</b>	<b>37,276,827</b>	<b>37,276,827</b>	<b>37,276,827</b>	<b>-</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 37,276,827</b>	<b>\$ 33,326,559</b>	<b>\$ 46,934,078</b>	<b>\$ 13,607,519</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL PURPOSE SCHOOL FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 211,355,300	\$ 211,355,300	\$ 206,726,162	\$ (4,629,138)
Local option sales tax	153,984,600	153,984,600	163,902,255	9,917,655
Other taxes, licenses and permits	2,791,500	2,791,500	3,914,403	1,122,903
Fines, forfeits and penalties	5,300	5,300	14,001	8,701
Revenues from the use of money or property	140,000	140,000	20,728	(119,272)
Revenues from other governmental agencies	170,433,600	170,435,400	168,735,604	(1,699,796)
Charges for current services	1,185,300	1,183,500	639,177	(544,323)
Compensation for loss, sale or damage to property	409,500	409,500	368,975	(40,525)
Contributions and gifts	665,000	665,000	726,143	61,143
Miscellaneous	5,200	5,200	73,347	68,147
Total revenues	540,975,300	540,975,300	545,120,795	4,145,495
EXPENDITURES:				
Personal services	462,500,400	462,500,400	448,832,539	13,667,861
Contractual services	39,525,900	39,525,900	38,990,685	535,215
Supplies and materials	22,728,600	22,728,600	21,127,599	1,601,001
Other costs	12,059,500	12,059,500	13,317,705	(1,258,205)
Capital outlay	83,000	83,000	122,027	(39,027)
Total expenditures	536,897,400	536,897,400	522,390,555	14,506,845
Excess (deficiency) of revenues over expenditures	4,077,900	4,077,900	22,730,240	18,652,340
OTHER FINANCING SOURCES (USES):				
Transfers in	1,275,200	1,275,200	2,719,716	1,444,516
Transfers out	(5,353,100)	(5,353,100)	(5,460,901)	(107,801)
Total other financing sources (uses)	(4,077,900)	(4,077,900)	(2,741,185)	1,336,715
Net change in fund balances	-	-	19,989,055	19,989,055
FUND BALANCES, beginning of year	18,442,728	18,442,728	18,442,728	-
FUND BALANCES, end of year	\$ 18,442,728	\$ 18,442,728	\$ 38,431,783	\$ 19,989,055

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Department of Water and Sewerage Services	District Energy System	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 13,772,909	\$ 4,896,501	\$ 5,064,927	\$ 23,734,337	\$ 48,241,522
Investments	8,472,591	-	3,200,976	11,673,567	30,823,909
Accounts receivable	15,628,603	2,478,188	798,615	18,905,406	55,208
Allowance for doubtful accounts	(319,737)	-	(89,625)	(409,362)	-
Accrued interest receivable	275,437	26,791	22,436	324,664	231,753
Due from other funds of the primary government	411,305	-	182,076	593,381	9,147,180
Due from component units	-	-	-	-	6,619
Inventories of supplies	1,832,127	-	-	1,832,127	1,892,495
Other current assets	1,136	-	10,385	11,521	1,642,772
Restricted assets:					
Debt service and reserve funds:					
Cash and cash equivalents	879,314	-	-	879,314	-
Investments	35,909,027	4,294,597	-	40,203,624	-
Accrued interest receivable	-	33,955	-	33,955	-
Construction funds:					
Cash and cash equivalents	15,043,801	638,944	-	15,682,745	-
Investments	-	926,889	-	926,889	-
Accounts receivable	231,422	-	-	231,422	-
Due from other governmental agencies	4,201,159	-	-	4,201,159	-
Total current assets	<u>96,339,094</u>	<u>13,295,865</u>	<u>9,189,790</u>	<u>118,824,749</u>	<u>92,041,458</u>
<b>CAPITAL AND OTHER NONCURRENT ASSETS:</b>					
Capital assets:					
Utility plant in service	1,790,613,494	46,286,411	-	1,836,899,905	-
Land	8,283,972	1,311,213	6,819,222	16,414,407	-
Buildings and improvements	30,043,251	22,249,491	66,974,491	119,267,233	363,851
Improvements other than buildings	37,731,961	273,754	3,518,423	41,524,138	-
Furniture, machinery and equipment	35,751,956	886,904	4,676,363	41,315,223	112,911,242
Property under capital lease	-	-	3,645,000	3,645,000	-
Construction work in progress	87,595,430	3,428,742	865,569	91,889,741	984,775
Less accumulated depreciation	(608,140,650)	(4,188,761)	(39,759,628)	(652,089,039)	(81,208,233)
Capital assets - net	<u>1,381,879,414</u>	<u>70,247,754</u>	<u>46,739,440</u>	<u>1,498,866,608</u>	<u>33,051,635</u>
Restricted assets:					
Debt service and reserve funds:					
Investments	39,797,221	-	-	39,797,221	-
Construction funds:					
Cash and cash equivalents	39,423,405	-	-	39,423,405	-
Investments	33,766,234	-	-	33,766,234	-
Other noncurrent assets	<u>5,352,728</u>	<u>1,481,470</u>	<u>-</u>	<u>6,834,198</u>	<u>-</u>
Total capital and other noncurrent assets	<u>1,500,219,002</u>	<u>71,729,224</u>	<u>46,739,440</u>	<u>1,618,687,666</u>	<u>33,051,635</u>
Total assets	<u>1,596,558,096</u>	<u>85,025,089</u>	<u>55,929,230</u>	<u>1,737,512,415</u>	<u>125,093,093</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS (CONTINUED)

June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Department of Water and Sewerage Services	District Energy System	Other Enterprise Funds	Total Enterprise Funds	
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 3,657,586	\$ 1,397,073	\$ 1,409,675	\$ 6,464,334	\$ 8,918,864
Accrued payroll	1,623,352	-	1,071,810	2,695,162	4,683,111
Claims payable	-	-	-	-	19,257,945
Due to other funds of the primary government	142,607	86,884	3,063,897	3,293,388	5,152,754
Due to component units	-	-	233	233	-
Customer deposits	3,313,514	-	74,999	3,388,513	-
Deferred revenue	-	-	609,208	609,208	-
Current portion of capital lease	-	-	160,000	160,000	-
Other current liabilities	3,148,300	-	14,204	3,162,504	-
Liabilities payable from restricted assets:					
Debt service and reserve funds:					
Accrued interest payable	12,517,221	975,317	-	13,492,538	-
Current portion of long term debt	27,280,000	1,475,000	-	28,755,000	-
Construction funds:					
Accounts payable	16,848,166	-	-	16,848,166	-
Current portion of state construction loans	2,602,116	-	-	2,602,116	-
Other restricted liabilities	26,100	-	-	26,100	-
Due to other funds of the primary government	712,324	-	-	712,324	-
Total current liabilities	<u>71,871,286</u>	<u>3,934,274</u>	<u>6,404,026</u>	<u>82,209,586</u>	<u>38,012,674</u>
<b>NONCURRENT LIABILITIES:</b>					
Revenue bonds payable	403,265,200	66,403,028	-	469,668,228	-
General obligation bonds payable	-	7,943,906	-	7,943,906	-
State construction loans	60,035,548	-	-	60,035,548	-
Capitalized lease obligations	-	-	1,620,000	1,620,000	-
Total noncurrent liabilities	<u>463,300,748</u>	<u>74,346,934</u>	<u>1,620,000</u>	<u>539,267,682</u>	<u>-</u>
Total liabilities	<u>535,172,034</u>	<u>78,281,208</u>	<u>8,024,026</u>	<u>621,477,268</u>	<u>38,012,674</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	967,238,916	(1,572,500)	44,959,440	1,010,625,856	33,051,635
Restricted for debt retirement	64,068,341	3,353,235	-	67,421,576	-
Restricted for construction	2,602,116	-	-	2,602,116	-
Unrestricted	27,476,689	4,963,146	2,945,764	35,385,599	54,028,784
Total net assets	<u>\$ 1,061,386,062</u>	<u>\$ 6,743,881</u>	<u>\$ 47,905,204</u>	<u>1,116,035,147</u>	<u>\$ 87,080,419</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(10,816,900)	
Net assets of business-type activities				<u>\$ 1,105,218,247</u>	

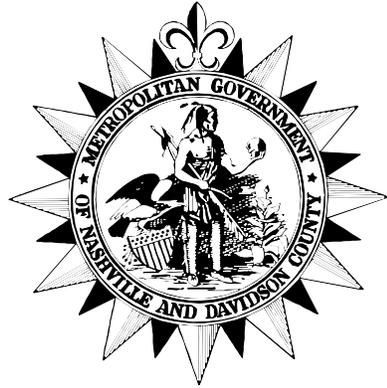
The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Department of Water and Sewerage Services	District Energy System	Other Enterprise Funds	Total Enterprise Funds	
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 155,055,509	\$ 17,298,092	\$ 14,364,184	\$ 186,717,785	\$ 182,336,484
Other	771,345	-	5,827	777,172	569,034
Total operating revenues	<u>155,826,854</u>	<u>17,298,092</u>	<u>14,370,011</u>	<u>187,494,957</u>	<u>182,905,518</u>
<b>OPERATING EXPENSES:</b>					
Personal services	36,303,470	57,907	8,104,556	44,465,933	33,548,626
Contractual services	30,671,986	13,485,183	7,448,896	51,606,065	31,803,086
Supplies and materials	6,895,700	108,258	467,608	7,471,566	12,883,706
Depreciation	47,204,986	1,858,022	1,977,261	51,040,269	11,970,202
Amortization	380,602	55,003	-	435,605	-
Compensation for damages to property	-	-	-	-	1,832,350
Medical and insurance benefits	-	-	-	-	111,582,397
Other	4,421,708	36,221	463,385	4,921,314	4,816,712
Total operating expenses	<u>125,878,452</u>	<u>15,600,594</u>	<u>18,461,706</u>	<u>159,940,752</u>	<u>208,437,079</u>
OPERATING INCOME (LOSS)	<u>29,948,402</u>	<u>1,697,498</u>	<u>(4,091,695)</u>	<u>27,554,205</u>	<u>(25,531,561)</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>					
Investment income	5,899,974	407,965	222,053	6,529,992	2,307,227
Interest expense	(26,812,319)	(3,595,401)	(158,790)	(30,566,510)	(74,115)
Gain (loss) on sale of property	280,948	-	(36)	280,912	336,754
Other	(1,234)	(56,931)	-	(58,165)	56,616
Total nonoperating revenue (expense)	<u>(20,632,631)</u>	<u>(3,244,367)</u>	<u>63,227</u>	<u>(23,813,771)</u>	<u>2,626,482</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	<u>9,315,771</u>	<u>(1,546,869)</u>	<u>(4,028,468)</u>	<u>3,740,434</u>	<u>(22,905,079)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	25,609,986	-	2,526,401	28,136,387	-
TRANSFERS IN	-	2,173,100	6,284,180	8,457,280	33,508,048
TRANSFERS OUT	<u>(24,122,260)</u>	<u>(91,161)</u>	<u>(3,253,517)</u>	<u>(27,466,938)</u>	<u>(16,029,335)</u>
CHANGE IN NET ASSETS	10,803,497	535,070	1,528,596	<u>12,867,163</u>	(5,426,366)
NET ASSETS, beginning of year, as restated (Note 3)	<u>1,050,582,565</u>	<u>6,208,811</u>	<u>46,376,608</u>		<u>92,506,785</u>
NET ASSETS, end of year	<u>\$ 1,061,386,062</u>	<u>\$ 6,743,881</u>	<u>\$ 47,905,204</u>		<u>\$ 87,080,419</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(3,392,551)</u>	
Change in net assets of business-type activities				<u>\$ 9,474,612</u>	

The accompanying notes are an integral part of this financial statement.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Department of Water and Sewerage Services	District Energy System	Other Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:					
Receipts from customers and users	\$ 156,102,771	\$ 17,145,093	\$ 14,852,787	\$ 188,100,651	\$ 186,632,563
Payments to suppliers	(32,462,995)	(14,628,987)	(9,527,989)	(56,619,971)	(158,148,396)
Payments to employees	(36,159,727)	(57,907)	(7,975,923)	(44,193,557)	(32,804,023)
Other receipts (payments)	(8,094,690)	-	-	(8,094,690)	-
Net cash provided by (used in) operating activities	<u>79,385,359</u>	<u>2,458,199</u>	<u>(2,651,125)</u>	<u>79,192,433</u>	<u>(4,319,856)</u>
Cash flows from noncapital financing activities:					
Transfers in	-	2,173,100	6,284,180	8,457,280	33,508,048
Transfers out	(24,122,260)	(91,161)	(3,253,517)	(27,466,938)	(16,029,335)
Increase (decrease) in due to other funds of the primary government	-	-	1,945,457	1,945,457	(6,114,199)
Interest paid	-	-	(47,687)	(47,687)	(75,647)
Net cash provided by (used in) non-capital financing activities	<u>(24,122,260)</u>	<u>2,081,939</u>	<u>4,928,433</u>	<u>(17,111,888)</u>	<u>11,288,867</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(107,935,745)	(3,716,699)	(1,331,185)	(112,983,629)	(11,069,562)
Proceeds from the sale of capital assets	280,948	-	-	280,948	625,623
Proceeds from borrowings	17,721,161	-	-	17,721,161	-
Payments on borrowings	(28,447,323)	(1,180,000)	(382,366)	(30,009,689)	-
Interest paid	(28,233,020)	(3,410,987)	(111,606)	(31,755,613)	-
Capital contributions received	21,850,376	-	-	21,850,376	-
Other receipts (payments)	(1,234)	(56,931)	-	(58,165)	56,616
Net cash provided by (used in) capital and related financing activities	<u>(124,764,837)</u>	<u>(8,364,617)</u>	<u>(1,825,157)</u>	<u>(134,954,611)</u>	<u>(10,387,323)</u>
Cash flows from investing activities:					
Decrease (increase) in investments	79,658,889	3,318,587	818,614	83,796,090	12,032,384
Interest on investments	6,021,400	404,557	217,961	6,643,918	2,233,116
Net cash provided by (used in) investing activities	<u>85,680,289</u>	<u>3,723,144</u>	<u>1,036,575</u>	<u>90,440,008</u>	<u>14,265,500</u>
Net changes in cash and cash equivalents	16,178,551	(101,335)	1,488,726	17,565,942	10,847,188
Cash and cash equivalents at beginning of year	<u>52,940,878</u>	<u>5,636,780</u>	<u>3,576,201</u>	<u>62,153,859</u>	<u>37,394,334</u>
Cash and cash equivalents at end of year	<u>\$ 69,119,429</u>	<u>\$ 5,535,445</u>	<u>\$ 5,064,927</u>	<u>\$ 79,719,801</u>	<u>\$ 48,241,522</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Department of Water and Sewerage Services	District Energy System	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 29,948,402	\$ 1,697,498	\$ (4,091,695)	\$ 27,554,205	\$ (25,531,561)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	47,585,588	1,808,525	1,977,261	51,371,374	11,970,202
Provision for doubtful accounts	(7,000)	-	11,153	4,153	-
Changes in assets and liabilities:					
Accounts receivable	846,337	(48,499)	29,382	827,220	294,489
Due from funds of the primary government	(225,530)	-	442,031	216,501	3,393,482
Due from component units	-	-	-	-	68,829
Inventories of supplies	(43,215)	-	-	(43,215)	(303,680)
Other current assets	97,613	-	40,363	137,976	(107,022)
Due from other governmental agencies	(4,201,159)	-	-	(4,201,159)	-
Accounts payable	5,147,906	(1,067,327)	117,377	4,197,956	3,214,929
Accrued payroll	143,743	-	128,633	272,376	413,745
Claims payable	-	-	-	-	2,732,261
Due to other funds of the primary government	(147,147)	68,002	(1,256,359)	(1,335,504)	(385,757)
Due to component units	-	-	(6,858)	(6,858)	-
Customer deposits	207,925	-	17,733	225,658	-
Deferred revenue	-	-	(10,665)	(10,665)	-
Other current liabilities	31,896	-	(49,481)	(17,585)	(79,773)
Total adjustments	49,436,957	760,701	1,440,570	51,638,228	21,211,705
Net cash provided by (used in) operating activities	\$ 79,385,359	\$ 2,458,199	\$ (2,651,125)	\$ 79,192,433	\$ (4,319,856)
<u>Non-Cash Capital, Financing and Investing Activities:</u>					
Contributions of capital assets	\$ 3,522,834	\$ -	\$ -	\$ 3,522,834	\$ -
Transfer of capital assets from other funds	-	-	2,526,401	2,526,401	-
Increase (decrease) in fair value of investments	121,425	5,697	10,339	137,461	100,525

The accompanying notes are an integral part of this financial statement.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

For the Year Ended June 30, 2006

	Pension (and other Employee Benefit) Trust Funds
ADDITIONS:	
Investment income:	
Interest and dividend income	\$ 45,042,127
Net appreciation (depreciation) of investments	180,839,878
Miscellaneous	245,975
	<u>226,127,980</u>
Total investment income	226,127,980
Less investment expenses	<u>(6,880,636)</u>
Net investment income	<u>219,247,344</u>
Contributions:	
Employee contributions	2,057,279
Employer contributions	102,148,201
Transfers in	21,360
Contributions from the State of Tennessee	21,260,495
Miscellaneous	1,794,788
	<u>127,282,123</u>
Total contributions	<u>127,282,123</u>
Total additions	<u>346,529,467</u>
DEDUCTIONS:	
Pension and other employee benefits	143,859,977
Refunds of contributions	59,546
Administrative expenses	2,723,990
Transfers out	1,997,282
	<u>148,640,795</u>
Total deductions	<u>148,640,795</u>
Change in net assets	197,888,672
NET ASSETS, beginning of year	<u>1,709,994,580</u>
NET ASSETS, end of year	<u><u>\$ 1,907,883,252</u></u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS

June 30, 2006

	Nashville District Management Corporation	Sports Authority	Total Governmental Types
<u>ASSETS</u>			
Cash and cash equivalents	\$ 100,591	\$ 9,223,087	\$ 9,323,678
Investments	-	1,882,951	1,882,951
Accounts receivable	10,759	17,574	28,333
Allowance for doubtful accounts	-	-	-
Accrued interest receivable	-	13,359	13,359
Due from the primary government	-	21,400	21,400
Inventories of supplies	-	-	-
Other current assets	2,777	-	2,777
Restricted assets:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Accrued interest receivable	-	-	-
Due from the primary government	-	-	-
Due from other governmental agencies	-	-	-
Other restricted assets	-	-	-
Notes receivable	-	-	-
Capital assets:			
Utility plant in service	-	-	-
Land	-	61,892,387	61,892,387
Buildings and improvements	-	358,061,061	358,061,061
Improvements other than buildings	100,350	1,452,071	1,552,421
Furniture, machinery and equipment	64,690	1,468,566	1,533,256
Infrastructure	-	-	-
Construction work in progress	-	-	-
Less accumulated depreciation	(102,851)	(67,291,193)	(67,394,044)
Other noncurrent assets	-	675,497	675,497
	<u>176,316</u>	<u>367,416,760</u>	<u>367,593,076</u>
Total assets			

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS (CONTINUED)

June 30, 2006

Hospital Authority			Metropolitan Development and Housing Agency	Electric Power Board
General Hospital	Bordeaux Long Term Care	Total		
\$ 1,967,809	\$ 1,714,971	\$ 3,682,780	\$ 8,639,343	\$ 71,796,701
-	1,086,830	1,086,830	36,209,739	-
41,217,308	4,959,839	46,177,147	5,062,634	101,821,035
(29,220,000)	(987,437)	(30,207,437)	-	(695,000)
-	-	-	1,566,283	132,478
9,972	15,945	25,917	-	-
1,905,310	281,030	2,186,340	4,261,444	13,803,124
1,245,957	120,688	1,366,645	1,076,479	1,485,667
7,964	218,574	226,538	-	109,897
-	-	-	1,271,344	78,856,829
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	37,851,428	1,153,128
-	-	-	-	912,934,491
-	-	-	39,956,618	1,138,926
49,580,179	19,370,962	68,951,141	182,994,069	38,985,312
-	422,919	422,919	-	-
23,449,260	3,510,903	26,960,163	6,170,716	74,249,388
-	-	-	11,214,763	-
5,570,945	480,278	6,051,223	23,622,050	77,654,990
(30,398,435)	(12,133,974)	(42,532,409)	(102,286,923)	(401,200,381)
-	-	-	17,525	2,988,089
<u>65,336,269</u>	<u>19,061,528</u>	<u>84,397,797</u>	<u>257,627,512</u>	<u>975,214,674</u>

The accompanying notes are an integral part of this financial statement.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS (CONTINUED)

June 30, 2006

	Metropolitan Transit Authority	Metropolitan Nashville Airport Authority	Emergency Communications District
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,138,148	\$ 4,920,490	\$ 1,800,098
Investments	-	27,283,114	1,100,000
Accounts receivable	383,508	2,612,684	593,688
Allowance for doubtful accounts	(81,750)	(185,740)	-
Accrued interest receivable	-	253,491	-
Due from the primary government	-	-	-
Inventories of supplies	1,563,841	421,613	-
Other current assets	241,047	1,040,233	-
Restricted assets:			
Cash and cash equivalents	-	31,097,734	-
Investments	-	43,292,967	-
Accrued interest receivable	-	365,635	-
Due from the primary government	60,000	-	-
Due from other governmental agencies	14,744,325	228,211	-
Other restricted assets	-	1,529,407	-
Notes receivable	-	1,519,498	-
Capital assets:			
Utility plant in service	-	-	-
Land	2,691,315	99,360,965	-
Buildings and improvements	15,490,781	123,618,070	-
Improvements other than buildings	-	369,423,129	-
Furniture, machinery and equipment	52,315,334	29,163,887	3,248,077
Infrastructure	-	-	-
Construction work in progress	3,383,893	29,986,164	-
Less accumulated depreciation	(25,780,968)	(296,027,349)	(2,291,209)
Other noncurrent assets	1,730,884	19,483,077	-
	<u>67,880,358</u>	<u>489,387,280</u>	<u>4,450,654</u>
Total assets			

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS (CONTINUED)

June 30, 2006

Industrial Development Board	Total Proprietary Types	Total Component Units
\$ 3,602,478	\$ 95,580,038	\$ 104,903,716
-	65,679,683	67,562,634
820,700	157,471,396	157,499,729
-	(31,169,927)	(31,169,927)
-	1,952,252	1,965,611
-	25,917	47,317
-	22,236,362	22,236,362
-	5,210,071	5,212,848
63	31,434,232	31,434,232
-	123,421,140	123,421,140
-	365,635	365,635
-	60,000	60,000
-	14,972,536	14,972,536
-	1,529,407	1,529,407
-	40,524,054	40,524,054
-	912,934,491	912,934,491
-	143,147,824	205,040,211
-	430,039,373	788,100,434
-	369,846,048	371,398,469
1,125	192,108,690	193,641,946
-	11,214,763	11,214,763
-	140,698,320	140,698,320
(525)	(870,119,764)	(937,513,808)
-	24,219,575	24,895,072
<u>4,423,841</u>	<u>1,883,382,116</u>	<u>2,250,975,192</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS (CONTINUED)

June 30, 2006

	Nashville District Management Corporation	Sports Authority	Total Governmental Types
<u>LIABILITIES</u>			
Accounts payable	\$ 95,011	\$ 1,938,584	\$ 2,033,595
Accrued payroll	-	3,228	3,228
Due to the primary government	-	1,557,894	1,557,894
Customer deposits	-	-	-
Current portion of long-term liabilities	-	3,215,000	3,215,000
Current portion of capital lease	-	-	-
Accrued interest	-	1,891,273	1,891,273
Other current liabilities	-	-	-
Liabilities payable from restricted assets:			
Accounts payable	-	-	-
Accrued interest	-	-	-
Funds held in trust	-	-	-
Current portion of long-term liabilities	-	-	-
Revenue bonds payable	-	75,363,644	75,363,644
Capitalized lease obligations	-	-	-
TVA advances	-	-	-
Other long-term liabilities	-	-	-
	<u>95,011</u>	<u>83,969,623</u>	<u>84,064,634</u>
Total liabilities			
<u>NET ASSETS (DEFICIT)</u>			
Invested in capital assets, net of related debt	62,189	277,004,248	277,066,437
Restricted for debt retirement	-	-	-
Restricted for other purposes	-	-	-
Unrestricted	19,116	6,442,889	6,462,005
	<u>81,305</u>	<u>283,447,137</u>	<u>283,528,442</u>
Total net assets (deficit)			

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS (CONTINUED)

June 30, 2006

Hospital Authority			Metropolitan Development and Housing Agency	Electric Power Board
General Hospital	Bordeaux Long Term Care	Total		
\$ 5,558,108	\$ 955,498	\$ 6,513,606	\$ 10,858,187	\$ 108,661,392
3,298,437	2,148,718	5,447,155	761,436	-
18,365,727	40,589	18,406,316	1,105,187	-
-	1,600	1,600	247,181	10,643,330
-	-	-	2,357,120	-
1,045,998	-	1,045,998	-	-
-	-	-	-	2,146,669
893,227	-	893,227	2,415,124	1,110,227
-	-	-	-	-
-	-	-	-	-
7,964	218,574	226,538	-	-
-	-	-	-	12,703,109
-	-	-	5,215,294	441,339,621
38,846,916	-	38,846,916	-	-
-	-	-	-	1,153,183
7,324,546	-	7,324,546	4,259,911	2,838,532
<u>75,340,923</u>	<u>3,364,979</u>	<u>78,705,902</u>	<u>27,219,440</u>	<u>580,596,063</u>
984,489	11,606,609	12,591,098	151,703,172	284,013,078
-	-	-	-	44,026,323
-	-	-	1,166,148	-
(10,989,143)	4,089,940	(6,899,203)	77,538,752	66,579,210
<u>\$ (10,004,654)</u>	<u>\$ 15,696,549</u>	<u>\$ 5,691,895</u>	<u>\$ 230,408,072</u>	<u>\$ 394,618,611</u>

The accompanying notes are an integral part of this financial statement.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS (CONTINUED)

June 30, 2006

	Metropolitan Transit Authority	Metropolitan Nashville Airport Authority	Emergency Communications District
<u>LIABILITIES</u>			
Accounts payable	\$ 8,458,912	\$ 6,154,704	\$ 56,443
Accrued payroll	933,773	2,448,277	-
Due to the primary government	6,400,822	-	-
Customer deposits	-	-	-
Current portion of long-term liabilities	-	186,495	-
Current portion of capital lease	142,510	-	-
Accrued interest	-	19,259	-
Other current liabilities	3,355,979	-	-
Liabilities payable from restricted assets:			
Accounts payable	-	255,612	-
Accrued interest	-	5,331,867	-
Funds held in trust	-	-	-
Current portion of long-term liabilities	-	21,325,000	-
Revenue bonds payable	-	220,478,964	-
Capitalized lease obligations	311,276	-	-
TVA advances	-	-	-
Other long-term liabilities	-	11,924,681	-
	<u>19,603,272</u>	<u>268,124,859</u>	<u>56,443</u>
<u>NET ASSETS (DEFICIT)</u>			
Invested in capital assets, net of related debt	47,646,569	116,454,919	956,868
Restricted for debt retirement	-	35,427,302	-
Restricted for other purposes	-	40,849,597	-
Unrestricted	630,517	28,530,603	3,437,343
	<u>48,277,086</u>	<u>221,262,421</u>	<u>4,394,211</u>
Total net assets (deficit)	<u>\$ 48,277,086</u>	<u>\$ 221,262,421</u>	<u>\$ 4,394,211</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF NET ASSETS  
COMPONENT UNITS (CONTINUED)

June 30, 2006

Industrial Development Board	Total Proprietary Types	Total Component Units
\$ 177,680	\$ 140,880,924	\$ 142,914,519
-	9,590,641	9,593,869
-	25,912,325	27,470,219
-	10,892,111	10,892,111
-	2,543,615	5,758,615
-	1,188,508	1,188,508
-	2,165,928	4,057,201
3,995,561	11,770,118	11,770,118
-	255,612	255,612
-	5,331,867	5,331,867
-	226,538	226,538
-	34,028,109	34,028,109
-	667,033,879	742,397,523
-	39,158,192	39,158,192
-	1,153,183	1,153,183
-	26,347,670	26,347,670
<u>4,173,241</u>	<u>978,479,220</u>	<u>1,062,543,854</u>
600	613,366,304	890,432,741
-	79,453,625	79,453,625
250,000	42,265,745	42,265,745
-	169,817,222	176,279,227
<u>\$ 250,600</u>	<u>\$ 904,902,896</u>	<u>\$ 1,188,431,338</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF ACTIVITIES  
COMPONENT UNITS

For the Year Ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Nashville District Management Corporation	\$ 711,328	\$ 624,831	\$ -	\$ 49,609
Sports Authority	25,929,886	2,047,551	8,985,324	7,776,300
General Hospital	85,791,974	35,075,733	81,429,159	60,158
Bordeaux Long Term Care	38,265,646	25,177,471	13,402,634	59,973
Metropolitan Development and Housing Agency	104,177,390	19,303,775	76,096,419	16,164,806
Electric Power Board	873,448,190	903,454,455	-	-
Metropolitan Transit Authority	39,828,093	8,965,559	20,280,184	17,298,905
Metropolitan Nashville Airport Authority	72,009,192	83,711,246	6,244,876	-
Emergency Communications District	5,376,516	5,534,601	10,000	-
Industrial Development Board	1,298,197	98,712	-	-
<b>Total component units</b>	<b>\$ 1,246,836,412</b>	<b>\$ 1,083,993,934</b>	<b>\$ 206,448,596</b>	<b>\$ 41,409,751</b>

General revenues:

Revenues from the use of  
money or property  
Compensation for loss, sale or  
damage to property

Total general revenues

Changes in net assets

Net assets - beginning, as restated

Net assets - ending

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF ACTIVITIES  
COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2006

Net (Expense) Revenue and Changes in Net Assets					
Nashville District Management Corporation	Sports Authority	Total Governmental Types	Hospital Authority		
			General Hospital	Bordeaux Long Term Care	Total
\$ (36,888)	\$ -	\$ (36,888)	\$ -	\$ -	\$ -
-	(7,120,711)	(7,120,711)	-	-	-
-	-	-	30,773,076	-	30,773,076
-	-	-	-	374,432	374,432
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(36,888)</u>	<u>(7,120,711)</u>	<u>(7,157,599)</u>	<u>30,773,076</u>	<u>374,432</u>	<u>31,147,508</u>
4,348	276,357	280,705	-	128,017	128,017
-	623,142	623,142	-	-	-
<u>4,348</u>	<u>899,499</u>	<u>903,847</u>	<u>-</u>	<u>128,017</u>	<u>128,017</u>
(32,540)	(6,221,212)	(6,253,752)	30,773,076	502,449	31,275,525
113,845	289,668,349	289,782,194	(40,777,730)	15,194,100	(25,583,630)
<u>\$ 81,305</u>	<u>\$ 283,447,137</u>	<u>\$ 283,528,442</u>	<u>\$ (10,004,654)</u>	<u>\$ 15,696,549</u>	<u>\$ 5,691,895</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF ACTIVITIES  
COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2006

	Net (Expense) Revenue and Changes in Net Assets		
	Metropolitan Development and Housing Agency	Electric Power Board	Metropolitan Transit Authority
Nashville District Management Corporation	\$ -	\$ -	\$ -
Sports Authority	-	-	-
General Hospital	-	-	-
Bordeaux Long Term Care	-	-	-
Metropolitan Development and Housing Agency	7,387,610	-	-
Electric Power Board	-	30,006,265	-
Metropolitan Transit Authority	-	-	6,716,555
Metropolitan Nashville Airport Authority	-	-	-
Emergency Communications District	-	-	-
Industrial Development Board	-	-	-
<b>Total component units</b>	<b>7,387,610</b>	<b>30,006,265</b>	<b>6,716,555</b>
General revenues:			
Revenues from the use of money or property	1,165,638	4,321,638	117,486
Compensation for loss, sale or damage to property	-	-	698
<b>Total general revenues</b>	<b>1,165,638</b>	<b>4,321,638</b>	<b>118,184</b>
Changes in net assets	8,553,248	34,327,903	6,834,739
Net assets - beginning, as restated	221,854,824	360,290,708	41,442,347
Net assets - ending	<u>\$ 230,408,072</u>	<u>\$ 394,618,611</u>	<u>\$ 48,277,086</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENT OF ACTIVITIES  
COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2006

Net (Expense) Revenue and Changes in Net Assets				
Metropolitan Nashville Airport Authority	Emergency Communications District	Industrial Development Board	Total Proprietary Types	Total Component Units
\$ -	\$ -	\$ -	\$ -	\$ (36,888)
-	-	-	-	(7,120,711)
-	-	-	30,773,076	30,773,076
-	-	-	374,432	374,432
-	-	-	7,387,610	7,387,610
-	-	-	30,006,265	30,006,265
-	-	-	6,716,555	6,716,555
17,946,930	-	-	17,946,930	17,946,930
-	168,085	-	168,085	168,085
-	-	(1,199,485)	(1,199,485)	(1,199,485)
<u>17,946,930</u>	<u>168,085</u>	<u>(1,199,485)</u>	<u>92,173,468</u>	<u>85,015,869</u>
2,529,667	34,726	1,603	8,298,775	8,579,480
-	-	-	698	623,840
<u>2,529,667</u>	<u>34,726</u>	<u>1,603</u>	<u>8,299,473</u>	<u>9,203,320</u>
20,476,597	202,811	(1,197,882)	100,472,941	94,219,189
<u>200,785,824</u>	<u>4,191,400</u>	<u>1,448,482</u>	<u>804,429,955</u>	<u>1,094,212,149</u>
<u>\$ 221,262,421</u>	<u>\$ 4,394,211</u>	<u>\$ 250,600</u>	<u>\$ 904,902,896</u>	<u>\$ 1,188,431,338</u>

The accompanying notes are an integral part of this financial statement.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Metropolitan Government of Nashville and Davidson County (the Government) operates under a metropolitan form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, education, culture and recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of the Government conform to accounting principles generally accepted in the United States of America as applied to governmental units. The following is a summary of the most significant policies:

**A. Reporting Entity**

The financial statements of the Government present the primary government and its component units. The component units discussed below are included in the Government's reporting entity because of the significance of their operational or financial relationships with the Government. Each discretely presented component unit is reported separately in the basic financial statements to emphasize that it is legally separate from the Government.

The financial statements of the following component units have been discretely presented:

The **Nashville District Management Corporation** was established in 1998 to administer special assessment revenue collected by the Government for the benefit of the Central Business Improvement District. The Corporation's duties and responsibilities are defined in a memorandum of agreement with the Government and include, but are not limited to providing services for improvement and operation of the District through security enhancement, downtown marketing, and improving downtown beautification, sanitation and maintenance. The original agreement was one year, renewable annually by mutual notification by each party to the other. The agreement may be terminated by the Government upon thirty days notice. Complete financial statements of the Corporation can be obtained from its offices at Accounting Office, 211 Commerce Street, Suite 100, Nashville, TN 37201.

The **Sports Authority** was established in 1995 to act as the financing and building authority for both the Nashville Arena and NFL Stadium. The Sports Authority administers and manages these facilities and sports projects for the Government. The Government is responsible for the annual funding for both the Nashville Arena and NFL Stadium. The underlying credit for the Sports Authority Revenue bonds is a pledge on the non-tax revenues of the Government's General Fund, and the Government is required to approve debt issuances of the Sports Authority. The Sports Authority does not issue separate financial statements. A Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for its only fund are included in the Component Units section with reconciliations of those statements to the Statement of Net Assets – Component Units and Statement of Activities – Component Units included in the basic financial statements.

The **Hospital Authority** operates General Hospital (a full service medical facility) and Bordeaux Long Term Care (a long-term care facility) for the residents of Nashville and Davidson County. The Hospital Authority was created in March 1999 to operate both entities, which were previously accounted for as enterprise funds of the Government. Effective October 1, 2004, Bordeaux Long Term Care absorbed the operations of the J.B. Knowles Home for the Aged which was previously accounted for in the General Fund of the Government. Members of the Hospital Authority are appointed by the Government and can be removed by the Government. The Government approves and can modify the annual operating budget of each entity. Hospital Authority land and buildings and improvements are titled in the Government's name. Both entities are financially dependent on contributions from the Government's General Fund. Complete financial statements for each entity can be obtained by writing to the Hospital Authority at 1818 Albion Street, Nashville, TN 37208.

The **Metropolitan Development and Housing Agency** operates public housing facilities for the inhabitants of Nashville and Davidson County. The Agency is governed by a board of commissioners who are all appointed and confirmed by the Government. All board members can also be removed by the Government. The Agency receives incremental taxes that result from tax increment financing arrangements on numerous development projects. These property taxes paid to the Agency are considered financial support by the Government. Complete financial statements of the Agency can be obtained by writing P. O. Box 846, Nashville, TN 37202.

The **Electric Power Board** operates and regulates an electric power system for the purpose of supplying electricity for public property and for resale to consumers. The Board of Directors is appointed by the Mayor and confirmed by the Metropolitan Council. The Government is required to approve debt issuance of the Board. Complete financial statements of the Board can be obtained from its administrative offices at 1214 Church Street, Nashville, TN 37246.

## THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The **Metropolitan Transit Authority** operates and regulates the public mass transit system in Nashville and Davidson County. The Authority is governed by a board of directors who are all appointed and can be removed by the Government. The Authority must act on ordinances passed by the Government, and the Authority is financially dependent on the Government. Complete financial statements of the Authority can be obtained from its administrative offices at 130 Nestor Street, Nashville, TN 37210.

The **Metropolitan Nashville Airport Authority** operates the Nashville International and John C. Tune Airports. The Airport Authority is governed by a board of directors who are all appointed and can be removed by the Government. The Government believes the nature and significance of its relationship with the Airport Authority is such that exclusion would cause these financial statements to be misleading. Complete financial statements of the Airport Authority can be obtained from its administrative offices at One Terminal Drive, Nashville, TN 37214.

The **Emergency Communications District** is engaged to secure funding for efficient emergency services to the public. The District is governed by a board of directors who are appointed by the Government. The District also provides equipment for the Government's use in emergency services. Complete financial statements of the District can be obtained from its administrative offices at 700 2nd Avenue South, Nashville, TN 37210.

The **Industrial Development Board** (the IDB) assists private businesses within Davidson County to obtain public financing through the issuance of nontaxable bonds. The members of the IDB are appointed and can be removed by the Government. All debt of the IDB is considered conduit debt and is issued in the name of the Government. Complete financial statements of the IDB can be obtained from its administrative offices at 101 Shepherd Hills Drive, Madison, TN 37115.

All discretely presented component units have a June 30 fiscal year end with the exception of the Metropolitan Development and Housing Agency with a September 30 year end, the Nashville District Management Corporation with a December 31 year end and the Industrial Development Board with a March 31 year end.

The primary government includes \$31,623,203 due from component units in the Statement of Net Assets. The component units include \$27,470,219 as due to the primary government. The difference of \$4,152,984 is due to advances to the Metropolitan Development and Housing Agency made subsequent to the Agency's year end.

#### **B. Accounting Pronouncements**

The Government plans to adopt GASB Statement No. 43, Financial Reporting for Post employment Benefit Plans Other Than Pension Plans, required for fiscal periods beginning after December 15, 2005, in fiscal 2007. This Statement establishes financial reporting standards for the plans which administer other post employment benefits (OPEB) such as medical and life insurance. As this standard applies to OPEB trust funds included in the financial reports of plan sponsors or employers as well as to the stand-alone financial reports of OPEB plans for the public employee retirement systems or other third parties that administer them, it is not expected to impact the Government.

The Government plans to adopt GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This Statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other nonpension benefits. Preliminary independent actuarial estimates for the present value of future benefits are \$1.5 billion for the general government and \$500 million for teachers. Estimated annual required contributions over a 30 year period are \$95 million and \$45 million for the general government and teachers, respectively. Detailed actuarial studies of these liabilities and costs are currently underway.

The Government plans to adopt GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. This Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Management is in the process of determining the effect that the adoption of this Statement will have on the Government's financial statements.

#### **C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. Statement of Net Assets and Statement of Activities) report information on all of the non-fiduciary activities of the Government and its component units. All material interfund

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, 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 the 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 attributable to the acquisition, construction and improvement of those assets. The outstanding debt is offset by any unspent proceeds from such debt.

**Restricted net assets** result from restrictions placed on net assets 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; nonmajor funds are combined in a single column.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and pension (and other employee benefit) trust fund financial statements. 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 revenue in the year in which the levy is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or up to one year for grant revenues. Property taxes, sales tax, franchise taxes, licenses, interest and grant revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as receivables in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to sick pay, compensated absences and other long-term commitments and contingencies are recorded only when payment is due.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Government has elected not to apply any Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds. The Metropolitan Nashville Airport Authority, a component unit, has elected to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Amounts reported as **program revenues** include 1) charges to customers for goods, services or privileges provided and fines and forfeitures, 2) operating grants and contributions and 3) capital grants and contributions. Amounts reported as **general revenues** include 1) all taxes, 2) unrestricted revenues from the use of money or property, 3) unrestricted revenues from other governmental agencies and 4) compensation for loss, sale or damage of property.

Expenses reported by function include **direct expenses** that are specifically associated with a service or program and are clearly identifiable to a particular program. Some functions, such as general government and fiscal administration, include expenses that are in essence **indirect expenses** of other functions. The Government has elected not to charge these indirect expenses to other functions.

Proprietary funds distinguish **operating** revenues and expenses from **nonoperating** items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the fund's principal ongoing operations and consist primarily of charges to customers or departments, cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Government reports the following major governmental funds:

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

The **General Purpose School Fund** is used to account for the receipt and disbursement of federal, state and local funds for education purposes, except those required to be accounted for in another fund.

The **GSD General Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the General Services District general obligation debt.

The **GSD School Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the debt related to schools.

The **USD General Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the Urban Services District general obligation debt.

The **GSD Capital Projects Fund** is used to account for the use of bond proceeds for the construction and equipping of various public projects in the General Services District.

The Government reports the following major enterprise funds:

The **Department of Water and Sewerage Services** provides 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 **District Energy System** provides heating and cooling services to the Government and downtown businesses. The System is managed by a third party and is self-supporting by utilizing a rate structure designed to fund debt service requirements, pay for operating expenses and generate adequate working capital.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Additionally, the Government reports the following fund types:

**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. These services include fleet management, information systems, radio maintenance, insurance, central storeroom, postal services, facilities planning and construction, treasury management, human resources, finance, general services and printing.

**Pension (and other employee benefit) trust funds** are used to account for assets and liabilities held by the Government in a fiduciary capacity to provide retirement and disability benefits for employees and retirees.

**Agency funds** are used to account for assets held by elected officials and other departments as agents for individuals, governmental entities and others.

**E. Assets, Liabilities and Net Assets or Equity**

Cash and cash equivalents - Cash and cash equivalents include amounts in demand deposits and highly liquid short-term investments with maturity dates within three months of the date of acquisition. The cash and cash equivalents of various funds and component units of the Government are invested in pooled accounts. Funds or component units with negative cash and cash equivalents report the negative amount as due to other funds of the primary government or due to component units, and the funds or component units lending funds report an offsetting due from other funds of the primary government or due from component units. Investment income earned on funds invested in pooled accounts is allocated to the respective funds and component units on the basis of relative balances.

Investments - Investments, except in the pension funds, consist primarily of U.S. Government securities and are stated at fair value. Pension fund investments, which also include common stocks, bonds and U.S. Government and other domestic and foreign securities, are stated at quoted fair value at June 30, 2006. The Government and certain component units also invest in the Tennessee Local Government Investment Pool which is maintained and managed by the State of Tennessee. This Pool is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the Government's investments in the Pool have been determined based on the Pool's share price. Investment income consists of realized and unrealized appreciation or depreciation in the fair value of assets. Investment income of the capital projects funds is reported in those funds and is transferred to the debt service funds after arbitrage calculations, as applicable.

Annuities - Annuities are recorded at the estimated present value of future benefits, which approximates fair value at June 30, 2006.

Inventories - Inventories, principally materials, supplies and replacement parts, are valued at cost in governmental fund statements and at the lower of cost or market in the government-wide and proprietary fund statements, with cost determined using the first-in, first-out, moving weighted average or average cost method. Inventory items are recorded as expenditures when used under the consumption method.

Tennessee Valley Authority (TVA) Energy Conservation Program - The Electric Power Board is a fiscal intermediary for the TVA energy conservation programs whereby loans are made to the Board's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the Board's customers are funded and guaranteed by TVA. These loans are recorded as notes receivable.

Capital assets - Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are generally defined as assets with an individual cost in excess of \$5,000 and a useful life in excess of one year. Such assets are recorded at historical cost at the time of acquisition. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest cost incurred during the construction of facilities is capitalized as part of the cost of such facilities for business-type activities. Capitalized interest totaled \$1,826,061 for the year ended June 30, 2006.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

Utility plant in service	7	-	100	years
Buildings and improvements	3	-	50	years
Improvements other than buildings	20	-	100	years
Furniture, machinery and equipment	3	-	50	years
Stormwater infrastructure			50	years

The Government has elected to use the “modified approach” to account for certain infrastructure assets as provided by GASB Statement No. 34. Under this approach, depreciation expense is not recorded nor are amounts capitalized in connection with improvements to these assets unless they expand capacity. Utilization of this approach requires that the Government 1) have an up-to-date inventory of assets, 2) perform condition assessments and summarize the results using a measurement scale, 3) estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Government and 4) document that the assets are being preserved approximately at (or above) the condition level established and disclosed. Roads and bridges are accounted for using the modified approach.

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized using the straight-line method over the shorter of the economic useful life of the asset or the remaining lease term.

The Government maintains certain collections of art which have not been capitalized as they are 1) held for public exhibition, education, or research in furtherance of public service rather than financial gain, 2) protected, kept unencumbered, cared for and preserved and 3) subject to policy that requires the proceeds from any sales of collection items to be used to acquire other items for the collection.

Claims payable - Losses for claim liabilities are reported in the self-insurance funds for claims payable from those funds. Claims payable include reported claims and an estimated liability for claims incurred but not reported at June 30, 2006. The claims liabilities are based on the estimated cost of settling the claim, including nonincremental claim adjustments, using past experience and adjusting for current conditions. Losses for uninsured judgments against the Government payable from governmental funds not expected to be liquidated with expendable available resources are reported in the applicable governmental activities in the Statements of Net Assets and Activities.

Compensated absences - General policy of the Metropolitan Civil Service Commission permits the accumulation, within certain limitations, of unused vacation days and sick leave. Vacation days may accumulate to an amount equal to three times the current annual vacation accrual rate. Although sick pay may accumulate, no amounts are vested in the event of employee termination. Unused earned vacation pay that is due and payable, such as after employees' resignations or retirements, is reported in the governmental funds. Accumulated unpaid vacation pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Assets and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources. Accumulated unpaid vacation pay related to proprietary fund type operations is reported as a liability in the appropriate individual proprietary funds.

The policy of the Metropolitan Nashville Public Schools allows employees to accumulate sick leave without limitation. In addition, the Board allows vesting of accumulated sick leave depending on length of service beyond 15 years. Vested sick leave for Metropolitan Nashville Public Schools employees is reported in the applicable governmental activity in the Statements of Net Assets and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources. Accumulated unpaid vacation pay related to proprietary fund type operations is reported as a liability in the appropriate individual proprietary funds.

Arbitrage rebates – For the governmental funds, arbitrage rebates due to the federal government under the Internal Revenue Code of 1986, as amended, for excess earnings on invested proceeds of tax exempt securities are reported as a liability in the Statements of Net Assets and Activities and as a reservation of fund balance in the Balance Sheet - Governmental Funds. For proprietary funds (including component units) any such rebates are reflected as liabilities.

Landfills - State and federal laws and regulations require the Government to place a final cover on all its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near, or after, the date the landfill stops accepting waste, the Government is required to report a portion of these closure and postclosure care costs as an expense in the government-wide financial statements. This expense is based on landfill capacity used at the reporting date. The current year expenditures of the landfills are reported in the Solid Waste Operations

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fund, a nonmajor governmental fund, in the Governmental Funds section of this report. The long term liability and expense are reported in the Statements of Net Assets and Activities. The total liability for landfill purposes is \$9,336,553.

Bordeaux Sanitary Landfill – This landfill has stopped accepting solid waste, and closure procedures are 100% complete. Estimated postclosure costs of \$3,829,883 are included in the long-term liability.

Metro Thermal Ash Landfill – This landfill has stopped accepting solid waste. Most closing procedures have been completed. Total estimated remaining closure and postclosure costs for this landfill of \$2,282,918 are included in the long-term liability.

Due West Landfill – This landfill has stopped accepting waste, and closing procedures are 100% complete. Estimated postclosure costs of \$2,182,435 are included in the long-term liability.

Lebanon Road Landfill – This landfill has stopped accepting waste, and closing procedures are 100% complete. Estimated postclosure costs of \$1,041,317 are included in the long-term liability.

These estimates are based on an independent evaluation of the cost to perform all closure and care. Actual costs may be higher due to inflation, changes in technology or changes in regulations. Closure and care financial requirements are expected to be met by the operations of the Solid Waste Operations Fund. To the extent the Solid Waste Operations Fund operations create a deficit, the General Fund is required to fund its operations.

Bond premiums, discounts and issuance costs – In the governmental funds, bond premiums, discounts and issuance costs are treated as other financing sources or uses or expenditures in the year of issue. In the government-wide and proprietary fund statements, bond premiums, discounts and issuance costs are deferred and amortized over the term of the related bonds.

Swaptions – In the governmental funds, swaption proceeds are reported as other financing sources. In the government-wide statements, proceeds from swaptions are deferred and amortized over the term of the related bonds.

**F. Revenues, Expenditures and Expenses**

Grants - The Government receives grant revenues from various federal, state and non-profit agencies. The Government reports capital contributions, including capital grants, in the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds as a separate line item after non-operating revenues and expenses. In the Statement of Activities, capital grants and contributions are presented as program revenues.

Pass-through grant proceeds - Capital and operating grant amounts received on behalf of secondary recipients are reported in agency funds.

Passenger facility charges – On January 1, 1993, the airlines began collecting a Passenger Facility Charge (PFC) on qualifying enplaning passengers at Nashville International Airport on behalf of the Airport Authority. PFC's are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such a system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the Federal Aviation Administration (FAA). The fee can be set at \$1, \$2, or \$3 per enplaning passenger.

The Authority received approval to impose a \$3 PFC. The following cumulative project summary has been approved by the FAA:

Airfield development	\$ 155,674,060
Terminal development	26,027,200
Land acquisition	<u>41,873,429</u>
	<u>\$ 223,574,689</u>

Public agencies may qualify to charge PFC fees of \$4.00 or \$4.50 provided that the additional criterion for approval are met. PFC's are recorded as program revenues in the Statement of Activities.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Unbilled revenues and purchased power liability – Revenues from the Department of Water and Sewerage Services are recognized from meters read on a monthly cycle basis. At the end of each month, an estimate of service rendered from the latest date of each meter-reading cycle to month end is accrued and included in accounts receivable. Revenues of the Electric Power Board are recognized from meters read on a monthly cycle basis. At the end of each month, service rendered from the latest date of each meter-reading cycle to month end is accrued and included in accounts receivable. The Board purchases electric power from the TVA. The cost of purchased power is calculated based on retail billing units adjusted for estimated line losses. The Board accrues for unbilled purchased power based on retail billing units.

Property taxes - The Government's property taxes are levied for the current fiscal year each September 1 on the assessed value listed as of the prior January 1 for all real and personal property located in Nashville and Davidson County. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1 and as such an enforceable legal claim to the subsequent fiscal year levy exists at fiscal year end. In accordance with state law, the real property assessment includes supplemental assessments made through September 1 for improved, demolished or damaged property.

Assessed values are established by the State of Tennessee at the following percentages of assessed market value:

- Public utility property	55%	(Railroads and certain telecommunication services at 40%)
- Industrial and commercial property		
- Real	40%	
- Personal	30%	
- Farm and residential property	25%	

Taxes are levied at a rate of \$4.04 per \$100 of assessed value for the entire metropolitan area (General Services District) with an additional tax of \$.65 per \$100 of assessed value levied upon properties within the Urban Services District.

Payments are due by February 28 of the following year and are delinquent on March 1. Property taxes receivable have been included in the Balance Sheet - Governmental Funds with offsetting deferred revenue to reflect amounts not available at June 30, 2006. Amounts available at June 30, 2006 have been recorded as revenue in the governmental fund statements. Current tax collections of \$671,768,730 for the fiscal year ended June 30, 2006 were approximately 97% of the tax levy.

Of the \$760,167,259 property tax receivable, \$712,611,513 represents the 2006 property taxes which are not yet levied but recorded as required by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

**G. Estimates**

Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Compliance With Finance Related Legal and Contractual Provisions**

Management believes that the Government has no material violations of finance related legal and contractual provisions as of June 30, 2006.

**B. Budgets and Budgetary Accounting**

The Government's procedures in establishing the budget as reflected in the basic financial statements are as follows:

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. The Director of Finance annually obtains information from all officers, departments, boards, commissions and other agencies of the Government for which appropriations are made and/or revenues are collected and compiles the annual operating budget for the ensuing fiscal year beginning July 1. The compiled information, including various expenditure options and the means of financing them, is submitted to the Mayor for review.
2. The Mayor, with the assistance of the Department of Finance, determines the programs to be recommended to the Metropolitan Council, the expenditures proposed to operate those programs and the revenue changes needed to fund those expenditures. That information is compiled into a balanced operating budget which is submitted to the Metropolitan Council by May 25.
3. Copies of the Mayor's proposed budget and budget message are distributed to interested persons, and a summary of the budget is published in the area daily newspaper. The budget is a public record open for public inspection.
4. The Metropolitan Council's Budget and Finance Committee holds hearings with the officers, departments, boards, commissions and other agencies to explore the impact of the recommended operating budget and to explore other departmental budget options. In addition, advertised public hearings are held to obtain taxpayers' comments prior to final passage.
5. The budget is legally enacted effective July 1 through passage of an ordinance by the Metropolitan Council. In no event shall the total appropriations for any fund included in the budget exceed the estimated revenues and fund balance.
6. The amounts in the adopted operating budgets for each organizational unit, purpose or activity constitute the annual appropriation for such items, and no expenditure can be made which will result in the annual appropriation being exceeded unless an additional appropriation is made.
7. The Metropolitan Council may make appropriations in addition to those contained in the current operating budgets, but any such additional appropriations may be made only from an existing unappropriated surplus in the fund to which it applies.
8. The Mayor may transfer the available balance of any appropriation for any purpose to the appropriation for any other purpose within the same department or by resolution approved by the Metropolitan Council, the available balance of any appropriation may be transferred to another appropriation within the same section of the budget and within the same fund.
9. All available balances of appropriations in the current operating budget lapse into the fund balance of the fund or funds from which the appropriations were originally made at the end of the fiscal year. Encumbrances do not lapse at the end of the fiscal year. Appropriations for the subsequent year will provide authority to complete these transactions.

The Government is legally required to prepare, and the Metropolitan Council is required to approve, the annual budgets of the General Fund, the General Purpose School Fund, and the GSD General Purposes, GSD School Purposes and USD General Purposes Debt Service Funds. In preparing the budgets, the Government utilizes generally accepted accounting principles (GAAP) for all legally required budgeted funds.

In accordance with Article 6 of the Metropolitan Charter, the Annual Operating Budget of the Government for the fiscal year 2006-2007 was submitted to the Metropolitan Council and subsequently approved by Substitute Bill Number O06-1090. Unreserved and undesignated fund balance resources at June 30, 2006 have been appropriated to the 2006-2007 fiscal year operating budget as follows:

General Services District School Purposes Debt Service Fund	\$ 10,035,900
Urban Services District General Purposes Debt Service Fund	8,547,900

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Encumbrances – Information regarding encumbrances is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances, however, are not treated as expenditures in the basic financial statements. Outstanding encumbrances at June 30, 2006 were as follows:

	Outstanding Encumbrances
General Fund	\$ 2,708,652
Special Revenue Funds:	
General Purpose School	372,664
Metropolitan Action Commission	129,486
General Government Services	589,835
Recreational and Cultural Services	69,867
General Fund 4% Reserve	1,177,299
Law Enforcement and Justice Services	486,914
Solid Waste Operations	80,636
Stormwater Operations	9,987,238
Library Services	975
Health Services	79,189
Education Services	791,476
Infrastructure Services	62,688
Nashville Career Advancement Center	398,464
Public Works Services	27,638
Regulation and Inspection Services	40,010
Capital Projects Funds:	
GSD Capital Projects	62,333,563
Education Capital Projects	1,507,119
USD Capital Projects	17,670,554

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**C. Deficit Balances and Excess Expenditures**

The following funds have deficit balances at June 30, 2006:

	Undesignated Fund Balance/ Unrestricted Net Assets	Reserved/ Invested in Capital Assets, Net of Related Debt/ Restricted for Debt Retirement/ Held in Trust	Total Fund Balances/ Total Net Assets
Special Revenue Funds:			
Nashville Career Advancement Center	\$ (123,543)	\$ 400	\$ (123,143)
Regulation and Inspection Services	(224,752)	-	(224,752)
Capital Projects Funds:			
Education Capital Projects	(3,180,773)	-	(3,180,773)
Enterprise Funds:			
Surplus Property Auction	(149,975)	-	(149,975)
Municipal Auditorium	(47,547)	2,803,333	2,755,786
Police Impound	(2,593,579)	-	(2,593,579)
Internal Service Funds:			
Injured on Duty	(1,089,927)	-	(1,089,927)
Treasury Management	(7,764)	971	(6,793)
Finance Services	(232,771)	62,690	(170,081)
General Services	(2,734,106)	8,372	(2,725,734)
Fiduciary Funds			
Education Flexible Benefits Plan	-	(496)	(496)

The responsibility for funding the above deficit balances is as follows:

Funds with deficits

Special Revenue Funds  
Capital Projects Funds  
Enterprise Funds  
Internal Service Funds  
Fiduciary Funds

Funding responsibility

General Fund  
Future issuance of notes and bonds  
Future user charges  
Future user charges  
Future contributions

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

During the year ended June 30, 2006, the Government exceeded the budgeted level of expenditures at the department or significant line item level as follows:

Budgeted Unit	Budget	Actual	Variance
General Fund:			
General Services District:			
General Government:			
County Register of Deeds	\$ 454,600	\$ 2,410,257	\$ 1,955,657
Administration of Justice:			
Circuit Court Clerk	4,180,600	10,131,436	5,950,836
Miscellaneous:			
Subsidies	20,034,200	20,234,783	200,583
Transfers Out:			
GSD General Purpose Debt Service	3,317,700	3,364,515	46,815
Nonmajor Governmental Funds	14,128,100	14,601,532	473,432
Internal Service Funds	7,173,500	7,205,222	31,722
Fiduciary Funds	-	3,148	3,148
Urban Services District:			
Miscellaneous:			
Administration and Internal Support	(275,700)	1,360,176	1,635,876
Transfers Out:			
GSD General Fund	481,000	785,500	304,500
General Purpose School Fund:			
Other Costs	12,059,500	13,317,705	1,258,205
Capital Outlay	83,000	122,027	39,027
Transfers Out	5,353,100	5,460,901	107,801
GSD General Purposes Debt Service Fund:			
Contractual Services	793,500	936,234	142,734
Fiscal Charges	77,700	787,741	710,041
Arbitrage Rebate	-	85,598	85,598
Payments to Refunded Bond Escrow Agent	-	60,463,650	60,463,650
Transfers Out	7,784,000	7,892,093	108,093
GSD School Purposes Debt Service Fund:			
Contractual Services	349,500	457,973	108,473
Principal Retirement	30,120,900	30,604,768	483,868
Fiscal Charges	41,200	105,740	64,540
Arbitrage Rebate	-	167,435	167,435
Transfers Out	-	896,717	896,717
USD General Purposes Debt Service Fund:			
Contractual Services	125,400	140,174	14,774
Fiscal Charges	21,200	79,994	58,794
Arbitrage Rebate	-	18,990	18,990
Transfers Out	-	18,208	18,208

Certain operating expenditures and commission and fee revenues of the County Register of Deeds and the Circuit Court Clerk are not included in the General Fund budget but are included in General Fund revenues and expenditures to appropriately recognize the full operations of these elected officials in the financial statements.

Actual subsidies were in excess of budgeted amounts due to higher than anticipated property tax increment collections that were passed to the Metropolitan Development and Housing Agency, a component unit.

The Transfers Out to the GSD General Purposes Debt Service Fund included amounts transferred related to litigation tax collections that were higher than anticipated.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Transfers Out to Nonmajor Governmental Funds and Internal Service Funds included amounts initially budgeted in various departmental expenditure budgets. The related departments' budgeted expenditures and transfers out were under budget in total.

Transfers Out to Fiduciary Funds were due to an unanticipated reimbursement from the Department of Parks and Recreation.

The budget for the General Fund USD Administration and Internal Support line item included budget savings. These savings were realized over various expenditures, and General Fund USD expenditures are under budget as a whole. Transfers out included unbudgeted local cost allocation plan reimbursements to the General Fund GSD.

Overall expenditures for the General Purpose School Fund are under budget in total. Costs associated with pension contributions and group insurance for retirees were underestimated, resulting in Other Costs being over budget. Budgeted line items for health services, computer equipment and interest expense were also underestimated, resulting in Capital Outlay expenditures and operating Transfers Out being over budget.

Expenditures for the debt service funds are not controlled on a line item basis, and routine debt service expenditures for the GSD and USD General Purposes Debt Service Funds as a whole were under budget.

The GSD School Purposes Debt Service Fund principle retirement for new debt was higher than estimated for budgetary purposes, and the transfers out were not anticipated in the budget. Other routine School Purposes Debt Service expenditures were under budget as a whole.

**NOTE 3 – RESTATEMENT OF NET ASSETS FOR ACCOUNTING CHANGE**

During the year ending June 30, 2006, enterprise and internal service funds were created to account for certain activities previously reported in the General Fund, the General Purpose School Fund and the Education Services Special Revenue Fund for the purpose of capturing the full costs of each of these activities. As a result, the net assets of the enterprise and internal service funds at June 30, 2005 have been restated to record certain non-current obligations which were excluded from the General Fund, General Purpose School Fund and Education Services Special Revenue Fund in prior years because they were not expected to be liquidated with expendable available resources.

The Industrial Development Board (the IDB), a component unit, restated beginning net assets at March 31, 2005, to correct an error in liabilities payable from restricted assets.

	Business-type Activities - Other Enterprise Funds	Governmental Activities - Internal Service Funds	Component Units
Net assets, beginning of year, as previously reported	\$ 46,554,249	\$ 92,557,680	\$ 1,094,936,584
Net effect of restatement	(177,641)	(50,895)	(724,435)
Net assets, beginning of year, restated	<u>\$ 46,376,608</u>	<u>\$ 92,506,785</u>	<u>\$ 1,094,212,149</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**Primary Government**

The Government is authorized by policy to invest funds that are not immediately needed in: United States Treasury Bills, Bonds and Notes; The State of Tennessee Local Government Investment Pool; most bonds issued by U.S. Government Agencies; bonds of commercial entities and other investments such as repurchase agreements and commercial paper. The Government is authorized to invest in these instruments either directly or through the Metro Investment Pool (MIP). The Metropolitan Employees' Benefit Trust is authorized to invest funds in accordance with the Statement of Investment Objectives of the Investment Board of the Government, which states that the Investment Board may make investments it deems suitable for the trust fund. Investments of the Teachers

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Retirement Plan are administered by the Administrative Retirement Committee of the Metropolitan Nashville Public Schools.

**A. Deposits**

**Custodial credit risk** is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. As of June 30, 2006, all deposits were insured or collateralized.

**B. Investments**

The majority of the Government's investments are managed as a part of the Metro Investment Pool. However, certain business-type activities and elected officials have limited investments that are managed under Separate Portfolios. Both the Metro Investment Pool and Separate Portfolio investments are administered according to the Investment Policy of the Government. Investments related to the Metropolitan Employees' Benefit Trust and the Teachers' Retirement Plan are administered under separate investment policies.

As of June 30, 2006, the Government had the following investments:

Investment Type	Fair Value	Average Weighted Maturity (in Years)
Metro Investment Pool:		
U.S. Treasuries	\$ 86,520,181	0.80
Federal Home Loan Bank Obligations	38,664,615	0.95
Federal Home Loan Mortgage Corporation Obligations	33,857,133	0.63
Federal National Mortgage Association Obligations	40,038,227	1.26
Federal Farm Credit Bank	6,910,423	0.55
Tennessee Local Government Investment Pool	320,971,513	0.19
Total Metro Investment Pool	<u>\$ 526,962,092</u>	
Separate Portfolios:		
U.S. Treasuries	\$ 78,997,945	0.69
Federal Home Loan Bank Obligations	342,125	1.85
Federal Home Loan Mortgage Corporation Obligations	262,154	1.96
Federal National Mortgage Association Obligations	252,119	2.04
Federal Farm Credit Bank	96,718	1.22
Tennessee Local Government Investment Pool	7,259,781	0.19
Total Separate Portfolios	<u>\$ 87,210,842</u>	
Metropolitan Employees' Benefit Trust:		
U.S. Government Bonds	\$ 65,834,290	6.67
Foreign Government Bonds	4,837,632	0.15
U.S. Government Agencies	37,797,027	4.48
Foreign Government Agencies	173,124	1.78
Government Mortgage Backed Securities	150,100,176	2.47
Corporate Bonds and Notes	82,782,027	5.65
Common Stock	1,176,772,061	(a)
Preferred Stock	3,667,202	(a)
Commercial Mortgage Backed Securities	43,599,039	3.06
Collateralized Mortgage Obligations	49,802,698	1.11
Asset Backed Securities	30,385,801	0.35
Mortgages and Real Estate	116,452,359	(a)
Warrants and Options	1,898,648	(a)
Venture Capital and Partnerships	34,181,262	(a)
Total Metropolitan Employees' Benefit Trust	<u>\$ 1,798,283,346</u>	

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment Type	Fair Value	Average Weighted Maturity (in Years)
Teachers' Retirement Plan:		
U.S. Government Bonds	\$ 6,700,316	4.44
U.S. Government Agencies	6,517,809	2.38
Government Mortgage Backed Securities	239,796	0.11
Corporate Bonds and Notes	5,454,094	3.86
Common Stock	59,926,573	(a)
Preferred Stock	32,208	(a)
Convertible Equity	940,653	(a)
Asset Backed Securities	32,569	1.00
Total Teachers' Retirement Plan	<u>\$ 79,844,018</u>	

(a) The investment types are not subject to interest rate risk. Therefore, average weighted maturity is not applicable.

**Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its Investment Policy, the average maturity of the portfolios are monitored and managed so that the changing interest rates will cause only minimal deviations in the net asset value. As of June 30, 2006, the investments of the Government had average weighted maturities as noted on the table above.

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Government's Investment Policy limits its investments in corporate obligations to prime banker acceptances which are eligible for purchase by the federal reserve system and commercial paper which is rated at least A1 or the equivalent by at least two nationally recognized rating agencies. The investment policy for the Metropolitan Employee's Benefit Trust limits fixed income managers to investment grade debt but allows the Core Plus manager to invest up to 20% in low grade securities – The Core Plus fixed income portfolio accounts for less than 7% of plan assets and less than 25% of the fixed income allocation. The investment policy for the Teachers' Retirement Plan only allows investment grade debt. As of June, 30, 2006, the investments of the Government had credit ratings as follows:

Investment Type	Fair Value	Credit Ratings						
		AAA	AA	A	BBB	BB	B	Not Rated
Metropolitan Employees' Benefit Trust:								
Foreign Government Bonds	\$ 4,837,632	\$ 4,837,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign Government Agencies	173,124	173,124	-	-	-	-	-	-
Corporate Bonds and Notes	82,782,027	3,822,835	12,827,842	33,398,444	28,674,191	-	-	4,058,715
Commercial Mortgage Backed Securities	43,599,039	38,615,660	415,581	-	-	-	-	4,567,798
Collateralized Mortgage Obligations	49,802,698	44,948,659	-	-	-	-	-	4,854,039
Asset Backed Securities	30,385,801	26,736,781	-	2,693,388	422,385	-	-	533,247
Total Metropolitan Employees' Benefit Trust	<u>\$ 211,580,321</u>	<u>\$ 119,134,691</u>	<u>\$ 13,243,423</u>	<u>\$ 36,091,832</u>	<u>\$ 29,096,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,013,799</u>
Teachers' Retirement Plan:								
Corporate Bonds	\$ 5,454,094	\$ -	\$ 1,278,002	\$ 2,254,141	\$ 1,157,908	\$ 256,357	\$ -	\$ 507,686
Asset Backed Securities	32,569	-	32,569	-	-	-	-	-
Total Teachers' Retirement Plan	<u>\$ 5,486,663</u>	<u>\$ -</u>	<u>\$ 1,310,571</u>	<u>\$ 2,254,141</u>	<u>\$ 1,157,908</u>	<u>\$ 256,357</u>	<u>\$ -</u>	<u>\$ 507,686</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Concentration of credit risk** is the risk of loss attributed to the magnitude of the Government's investment in a single issuer. The Government's Investment Policy limits single issuer exposure to 10% except for the securities of the U.S. Government or its agencies. For the Metropolitan Employees' Benefit Trust and Teachers' Retirement Plan, the investment policies limit single issuer exposure for each investment manager to 5%.

**Custodial credit risk** is the risk that, in the event of a failure of the counterparty to a transaction, the Government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2006, all investments were insured or registered or the securities were held by the Government or its agent in the Government's name.

**Foreign currency risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2006, no Metro Investment Pool or Separate Portfolio investments were held in foreign currency. The investment policies for the Metropolitan Employees' Benefit Trust and Teachers' Retirement Plan limit investments in international markets to 15% of the portfolio. As of June 30, 2006, the Government's exposure to foreign currency risk is as follows:

Base Currency	Fair Value	Maturity
Metropolitan Employees' Benefit Trust:		
Foreign Government Bonds:		
Canadian dollar	\$ 1,621,594	6/1/2008
Euro	613,783	7/4/2006
Euro	589,407	9/15/2010
Pound sterling	1,738,251	3/7/2009
New Zealand dollar	274,597	9/8/2008
Total Foreign Government Bonds	4,837,632	
Foreign Government Agencies:		
New Zealand dollar	173,124	4/9/2008
Total Foreign Government Agencies	173,124	
Corporate Bonds and Notes:		
Swiss francs	423,428	4/10/2007
Pound sterling	528,124	12/7/2006
Pound sterling	378,484	12/15/2008
Yen	964,172	3/23/2010
Swedish krona	511,480	6/28/2010
Total Corporate Bonds and Notes	2,805,688	
Common Stock:		
Australian dollar	2,618,329	N/A
Baht	1,128,276	N/A
Canadian dollar	9,405,765	N/A
Danish krone	595,320	N/A
Egyptian pound	549,364	N/A
Euro	92,958,856	N/A
Forint	430,422	N/A
Hong Kong dollar	8,902,065	N/A
Malaysian dollar	1,748,078	N/A
Mexican peso	1,897,065	N/A
New zloty	949,242	N/A
Norwegian krone	7,304,098	N/A
Pound sterling	27,512,236	N/A

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Base Currency	Fair Value	Maturity
Common Stock: (Continued)		
Rand	\$ 5,473,065	N/A
Real	2,964,840	N/A
Republic of Korean won	7,485,808	N/A
Rupiah	3,913,890	N/A
Shekel	514,405	N/A
Singapore dollar	5,028,696	N/A
Swedish krona	6,967,197	N/A
Swiss franc	28,482,997	N/A
Yen	61,369,338	N/A
Total Common Stock	<u>278,199,352</u>	
Preferred Stock:		
Euro	<u>2,015,549</u>	N/A
Total Preferred Stock	<u>2,015,549</u>	
Rights/Warrants/Unit Trust:		
Euro	87,501	N/A
Australian dollar	<u>341,189</u>	N/A
Total Rights/Warrants/Unit Trust	<u>428,690</u>	
Total Metropolitan Employees' Benefit Trust	<u>\$ 288,460,035</u>	

**Component Units**

**A. Deposits**

All component units are subject to State of Tennessee statute which requires that deposits in financial institutions be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. The degrees of risk regarding deposits vary with each component unit as noted in their separately issued financial statements.

**B. Investments**

Each component unit manages its own investments and creates its own policies, except for the Sports Authority which participates in the Metro Investment Pool of the primary government. Certain component units are subject to the same investment risks as the primary government. The degrees of risk regarding investments and the policies addressing each type of risk vary with each component unit as noted in their separately issued financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

**Primary Government**

Governmental Activities:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 125,656,697	\$ 10,627,699	\$ (587,400)	\$ 135,696,996
Transportation infrastructure	1,360,531,248	7,341,288	-	1,367,872,536
Construction in progress	208,055,581	181,812,434	(111,158,799)	278,709,216
<b>Total capital assets, not being depreciated</b>	<b>1,694,243,526</b>	<b>199,781,421</b>	<b>(111,746,199)</b>	<b>1,782,278,748</b>
Capital assets, being depreciated:				
Buildings and improvements	915,020,696	106,495,369	(9,842,217)	1,011,673,848
Furniture, machinery and equipment	251,979,710	25,916,399	(11,908,880)	265,987,229
Stormwater infrastructure	84,341,748	5,685,051	-	90,026,799
<b>Total capital assets, being depreciated</b>	<b>1,251,342,154</b>	<b>138,096,819</b>	<b>(21,751,097)</b>	<b>1,367,687,876</b>
Less accumulated depreciation:				
Building and improvements	(350,511,567)	(22,603,114)	7,741,718	(365,372,963)
Furniture, machinery and equipment	(159,858,463)	(24,934,001)	11,274,387	(173,518,077)
Stormwater infrastructure	(22,397,195)	(1,694,261)	-	(24,091,456)
<b>Total accumulated depreciation</b>	<b>(532,767,225)</b>	<b>(49,231,376)</b>	<b>19,016,105</b>	<b>(562,982,496)</b>
<b>Total capital assets, being depreciated, net</b>	<b>718,574,929</b>	<b>88,865,443</b>	<b>(2,734,992)</b>	<b>804,705,380</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,412,818,455</b>	<b>\$ 288,646,864</b>	<b>\$ (114,481,191)</b>	<b>\$ 2,586,984,128</b>

Governmental activities include the capital assets of the internal service funds.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Business-Type Activities:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 14,870,147	\$ 1,544,260	\$ -	\$ 16,414,407
Construction in progress	37,495,057	112,574,908	(58,180,224)	91,889,741
Total capital assets, not being depreciated	<u>52,365,204</u>	<u>114,119,168</u>	<u>(58,180,224)</u>	<u>108,304,148</u>
Capital assets, being depreciated:				
Utility plant in service	1,776,644,103	60,255,802	-	1,836,899,905
Buildings and improvements	109,657,221	9,610,012	-	119,267,233
Improvements other than buildings	40,966,253	557,885	-	41,524,138
Furniture, machinery and equipment	39,815,760	1,530,638	(31,175)	41,315,223
Property under capital lease	3,645,000	-	-	3,645,000
Total capital assets, being depreciated	<u>1,970,728,337</u>	<u>71,954,337</u>	<u>(31,175)</u>	<u>2,042,651,499</u>
Less accumulated depreciation:				
Utility plant in service	(488,066,236)	(43,613,464)	-	(531,679,700)
Buildings and improvements	(45,281,158)	(10,420,582)	-	(55,701,740)
Improvements other than buildings	(27,204,140)	(1,720,282)	-	(28,924,422)
Furniture, machinery and equipment	(32,666,239)	(2,222,015)	23,796	(34,864,458)
Property under capital lease	(827,719)	(91,000)	-	(918,719)
Total accumulated depreciation	<u>(594,045,492)</u>	<u>(58,067,343)</u>	<u>23,796</u>	<u>(652,089,039)</u>
Total capital assets, being depreciated, net	<u>1,376,682,845</u>	<u>13,886,994</u>	<u>(7,379)</u>	<u>1,390,562,460</u>
Business-type activities capital assets, net	<u>\$ 1,429,048,049</u>	<u>\$ 128,006,162</u>	<u>\$ (58,187,603)</u>	<u>\$ 1,498,866,608</u>

Increases include capital assets transferred to Municipal Auditorium from the general government with a net book value of \$2,526,401.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,753,967
Fiscal administration	1,656,614
Administration of justice	699,049
Law enforcement and care of prisoners	2,793,248
Fire prevention and control	703,272
Education	18,292,292
Regulation and inspection	4,136
Public welfare	118,689
Public health and hospitals	708,310
Public library system	2,311,811
Public works, highways and streets, including depreciation of stormwater infrastructure	2,572,800
Recreational and cultural	2,554,374
Capital assets held by internal service funds are charged to the various functions based on each function's usage of the services provided by the funds	<u>11,970,202</u>
Total depreciation expense, governmental activities	<u>\$ 49,138,764</u>
Business-type activities:	
Department of Water and Sewerage Services	\$ 47,204,986
District Energy System	1,858,022
Nashville Convention Center	1,275,141
Board of Fair Commissioners	431,757
Farmers Market	144,851
Police Secondary Employment	11,000
Municipal Auditorium	<u>114,512</u>
Total depreciation expense, business-type activities	<u>\$ 51,040,269</u>

**Component Units**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 202,406,857	\$ 3,323,822	\$ (690,468)	\$ 205,040,211
Construction in progress	<u>84,604,108</u>	<u>66,995,430</u>	<u>(10,901,218)</u>	<u>140,698,320</u>
Total capital assets, not being depreciated	<u>287,010,965</u>	<u>70,319,252</u>	<u>(11,591,686)</u>	<u>345,738,531</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, being depreciated:				
Utility plant in service	\$ 884,883,531	\$ 33,142,866	\$ (5,091,906)	\$ 912,934,491
Buildings and improvements	797,367,654	7,566,184	(16,833,404)	788,100,434
Improvements other than buildings	371,617,536	4,459,466	(4,678,533)	371,398,469
Furniture, machinery and equipment	188,363,185	20,010,318	(14,731,557)	193,641,946
Infrastructure	<u>10,770,712</u>	<u>1,058,006</u>	<u>(613,955)</u>	<u>11,214,763</u>
Total capital assets, being depreciated	<u>2,253,002,618</u>	<u>66,236,840</u>	<u>(41,949,355)</u>	<u>2,277,290,103</u>
Less accumulated depreciation for:				
Utility plant in service	(328,626,003)	(29,008,000)	8,526,094	(349,107,909)
Buildings and improvements	(252,857,525)	(24,820,621)	13,426,899	(264,251,247)
Improvements other than buildings	(208,818,928)	(10,946,987)	4,354,307	(215,411,608)
Furniture, machinery and equipment	(96,466,067)	(18,194,600)	14,568,588	(100,092,079)
Infrastructure	<u>(9,019,862)</u>	<u>(245,058)</u>	<u>613,955</u>	<u>(8,650,965)</u>
Total accumulated depreciation	<u>(895,788,385)</u>	<u>(83,215,266)</u>	<u>41,489,843</u>	<u>(937,513,808)</u>
Total capital assets, being depreciated, net	<u>1,357,214,233</u>	<u>(16,978,426)</u>	<u>(459,512)</u>	<u>1,339,776,295</u>
Component units activities capital assets, net	<u>\$ 1,644,225,198</u>	<u>\$ 53,340,826</u>	<u>\$ (12,051,198)</u>	<u>\$ 1,685,514,826</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS**

**Primary Government**

**A. Transaction Summary**

Bonds, notes and other obligations activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds and notes payable:					
General Services District	\$ 689,503,390	\$ 357,573,321	\$ (112,772,052)	\$ 934,304,659	\$ 49,893,332
Schools	476,106,008	86,155,847	(30,604,768)	531,657,087	31,413,967
Urban Services District	114,325,602	34,390,832	(13,983,180)	134,733,254	12,537,701
Deferred charge/premium, net	<u>16,268,963</u>	<u>19,866,860</u>	<u>(1,170,519)</u>	<u>34,965,304</u>	<u>-</u>
Total general obligation bonds and notes payable	<u>1,296,203,963</u>	<u>497,986,860</u>	<u>(158,530,519)</u>	<u>1,635,660,304</u>	<u>93,845,000</u>
Limited obligation revenue bonds payable:					
Correctional Facility Revenue Bonds	12,080,000	-	(1,505,000)	10,575,000	1,570,000
Deferred charge/premium, net	<u>(154,934)</u>	<u>-</u>	<u>25,124</u>	<u>(129,810)</u>	<u>-</u>
Total limited obligation revenue bonds payable	<u>11,925,066</u>	<u>-</u>	<u>(1,479,876)</u>	<u>10,445,190</u>	<u>1,570,000</u>
Qualified zone academy notes payable:					
Qualified Zone Academy Notes	-	6,218,500	-	6,218,500	414,566
Deferred charge/premium, net	<u>-</u>	<u>(155,462)</u>	<u>5,182</u>	<u>(150,280)</u>	<u>-</u>
Total qualified zone academy notes payable	<u>-</u>	<u>6,063,038</u>	<u>5,182</u>	<u>6,068,220</u>	<u>414,566</u>
Other obligations payable:					
Net pension obligation	55,037,639	91,335,179	(75,676,483)	70,696,335	-
Compensated absences	58,970,311	56,766,551	(47,842,978)	67,893,884	41,918,721
Claims and judgments	3,793,906	109,197	(239,703)	3,663,400	3,663,400
Interest arbitrage rebate	235,200	36,823	(272,023)	-	-
Landfill closure costs	<u>8,461,835</u>	<u>4,257,808</u>	<u>(3,383,090)</u>	<u>9,336,553</u>	<u>3,847,812</u>
Total other obligations payable	<u>126,498,891</u>	<u>152,505,558</u>	<u>(127,414,277)</u>	<u>151,590,172</u>	<u>49,429,933</u>
Total governmental activities long-term liabilities	<u>\$ 1,434,627,920</u>	<u>\$ 656,555,456</u>	<u>\$ (287,419,490)</u>	<u>\$ 1,803,763,886</u>	<u>\$ 145,259,499</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
<b>Business-type activities:</b>					
Department of Water and Sewerage Services:					
Revenue bonds payable	\$ 462,500,000	\$ -	\$ (25,960,000)	\$ 436,540,000	\$ 27,280,000
Deferred charge/premium, net	(6,718,245)	-	723,445	(5,994,800)	-
State construction loans	<u>47,403,826</u>	<u>17,721,161</u>	<u>(2,487,323)</u>	<u>62,637,664</u>	<u>2,602,116</u>
Total Department of Water and Sewerage Services	<u>503,185,581</u>	<u>17,721,161</u>	<u>(27,723,878)</u>	<u>493,182,864</u>	<u>29,882,116</u>
District Energy System:					
Revenue bonds payable	66,700,000	-	(1,180,000)	65,520,000	1,215,000
Deferred charge/premium, net	2,175,020	-	(76,992)	2,098,028	-
General obligation bonds payable	7,695,000	-	-	7,695,000	260,000
Deferred charge/premium, net	<u>536,414</u>	<u>-</u>	<u>(27,508)</u>	<u>508,906</u>	<u>-</u>
Total District Energy System	<u>77,106,434</u>	<u>-</u>	<u>(1,284,500)</u>	<u>75,821,934</u>	<u>1,475,000</u>
Farmers Market:					
Capitalized lease obligations payable	<u>1,930,000</u>	<u>-</u>	<u>(150,000)</u>	<u>1,780,000</u>	<u>160,000</u>
Total business-type activities long-term liabilities	<u>\$ 582,222,015</u>	<u>\$ 17,721,161</u>	<u>\$ (29,158,378)</u>	<u>\$ 570,784,798</u>	<u>\$ 31,517,116</u>

**B. Description of Amounts Payable**

Amounts payable at June 30, 2006 are as follows:

	Interest Rate	Amount
<b>Governmental activities:</b>		
General obligation bonds and notes payable from ad valorem taxes:		
General Services District - General Purposes, due in varying amounts to November 15, 2029	2.00 - 6.00%	\$ 934,304,659
General Services District - School Purposes, due in varying amounts to November 15, 2027	3.00 - 5.50%	531,657,087
Urban Services District - General Purposes, due in varying amounts to January 1, 2026	3.00 - 6.00%	134,733,254
Deferred charge/premium, net		<u>34,965,304</u>
Total general obligation bonds and notes payable from ad valorem taxes		<u>1,635,660,304</u>
Limited obligation revenue bonds payable:		
Correctional Facility Revenue Bonds, due in varying amounts to September 1, 2011	4.00 - 5.00%	10,575,000
Deferred charge/premium, net		<u>(129,810)</u>
Total limited obligation revenue bonds payable		<u>10,445,190</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Interest Rate	Amount
<b>Governmental activities: (Continued)</b>		
Qualified zone academy notes payable:		
Qualified Zone Academy Notes, due in varying amounts to December 28, 2020	N/A	\$ 6,218,500
Deferred charge/premium, net		(150,280)
Total qualified zone academy notes payable		6,068,220
Other obligations payable:		
Net pension obligation		70,696,335
Compensated absences		67,893,884
Claims and judgments		3,663,400
Landfill closure		9,336,553
Total other obligations payable		151,590,172
Total governmental activities long-term liabilities		\$ 1,803,763,886
<b>Business-type activities:</b>		
Bonds payable:		
Department of Water and Sewerage Revenue Refunding Bonds of 1986, due in varying amounts to January 1, 2016	7.20 - 7.70%	\$ 135,615,000
Department of Water and Sewerage Revenue Bonds, Series 1993, due in varying amounts to January 1, 2016	5.10 - 6.50%	58,585,000
Department of Water and Sewerage Revenue Refunding Bonds of 1996, due in varying amounts to January 1, 2014	5.25 - 6.00%	38,025,000
Department of Water and Sewerage Revenue Refunding Bonds, Series 1998A, due in varying amounts to January 1, 2022	4.625 - 6.50%	145,330,000
Department of Water and Sewerage Revenue Bonds Series 1998B, due in varying amounts to January 1, 2014	4.45 - 5.25%	31,160,000
Department of Water and Sewerage Revenue Refunding Bonds Series 2002, due in varying amounts to January 1, 2016	5.125%	27,825,000
Deferred charge/premium, net		(5,994,800)
Total Department of Water and Sewerage Services		430,545,200
District Energy System Revenue Bonds, Series 2002A, due in varying amounts to October 1, 2033	3.00 - 5.00%	65,520,000
District Energy System G. O. Multi-purpose Bonds, Series 2005A, due in varying amounts to January 1, 2025	4.25 - 5.25%	7,695,000
Deferred charge/premium, net		2,606,934
Total District Energy System		75,821,934
Total bonds payable		506,367,134
Department of Water and Sewerage Services - state construction loans	4.28 - 5.52%	62,637,664
Farmers Market - capitalized lease obligations payable	7.50%	1,780,000
Total business-type activities long-term liabilities		\$ 570,784,798

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The bonds, notes and other obligations are classified in the Statement of Net Assets as follows:

<b>Governmental activities:</b>	
Noncurrent liabilities:	
Due within one year	\$ 145,259,499
Due in more than one year	<u>1,658,504,387</u>
Total governmental activities	<u>\$ 1,803,763,886</u>
 <b>Business-type activities:</b>	
Liabilities payable from restricted assets:	
Current portion of long-term liabilities	\$ 31,357,116
Noncurrent liabilities:	
Due within one year	160,000
Due in more than one year	<u>539,267,682</u>
Total business-type activities	<u>\$ 570,784,798</u>

The general obligation bonds and notes payable are direct obligations of the Government for which its full faith and credit are pledged. These obligations are payable from the assessment of ad valorem taxes. In addition, the Government has additional sources of funds which are utilized to meet the annual principal and interest payments of certain general obligation bonds and notes.

The Correctional Facility Revenue Bonds are special limited obligations of the Government payable solely from payments received from the State of Tennessee. Payments by the state for debt service on the bonds are considered reimbursements to the Government of reasonable allowable costs under the County Correctional Incentives Act of 1981, as amended, and regulations adopted by the State Department of Corrections. The obligation of the state to make payments under the contract is subject to, and dependent upon, annual appropriations by the State General Assembly and allotment by appropriate state officials and does not constitute a moral or general obligation or a debt of the state. The State General Assembly is not obligated to make appropriations to satisfy the state's obligation to make these payments, and there is no assurance that the State General Assembly will make any such appropriations. The bonds are not deemed to constitute a debt or liability of the Government for which there is recourse against the General Fund or a right to compel the exercise of the ad valorem taxing power of the Government. No right, title or interest in or to the DeBerry Correctional Facility financed by the bonds is pledged for the payment or security of the bonds.

For the governmental activities, the other obligations are generally liquidated from the following:

Net pension obligation	Fund incurring the related employees' compensation
Compensated absences	Fund incurring the related employees' compensation, primarily the General Fund and the General Purposes School Fund
Claims and judgments	Fund to which the claim or judgment relates
Interest arbitrage rebate	Debt Service funds
Landfill closure costs	Solid Waste Operations Fund

**C. Collateral for Obligations of the Proprietary Funds**

All bonds of the Department of Water and Sewerage Services and the District Energy System are collateralized by the revenues of those entities.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**D. Bond Covenants**

The various revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of a flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. As of June 30, 2006, the Government believes it was in compliance with all financial limitations and restrictions.

**E. Annual Debt Service Requirements**

The annual requirements to amortize all general obligation bonds and notes and revenue bonds outstanding as of June 30, 2006 are as follows:

Year Ending June 30	General Obligation Bonds and Notes		Limited Obligation Revenue Bonds		Revenue Bonds		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 93,845,000	\$ 74,443,424	\$ 1,570,000	\$ 465,350	\$ 28,495,000	\$ 28,161,808	\$ 123,910,000	\$ 103,070,582
2008	92,980,000	73,726,491	1,630,000	401,350	30,025,000	26,671,290	124,635,000	100,799,131
2009	83,770,000	69,143,490	1,710,000	326,000	32,420,000	25,009,978	117,900,000	94,479,468
2010	83,985,000	65,015,809	1,795,000	238,375	34,640,000	22,782,618	120,420,000	88,036,802
2011	84,740,000	60,884,008	1,885,000	146,375	36,995,000	20,406,377	123,620,000	81,436,760
2012-2016	414,850,000	245,791,344	1,985,000	49,625	199,680,000	65,283,844	616,515,000	311,124,813
2017-2021	362,970,000	146,506,368	-	-	81,920,000	26,278,396	444,890,000	172,784,764
2022-2026	347,840,000	55,582,770	-	-	28,840,000	9,503,282	376,680,000	65,086,052
2027-2031	43,410,000	2,916,040	-	-	17,165,000	5,086,525	60,575,000	8,002,565
2032-2035	-	-	-	-	11,880,000	910,250	11,880,000	910,250
Total	1,608,390,000	794,009,744	10,575,000	1,627,075	502,060,000	230,094,368	2,121,025,000	1,025,731,187
Deferred Charge/ Premium	35,474,210	-	(129,810)	-	(3,896,772)	-	31,447,628	-
Total	\$ 1,643,864,210	\$ 794,009,744	\$ 10,445,190	\$ 1,627,075	\$ 498,163,228	\$ 230,094,368	\$ 2,152,472,628	\$ 1,025,731,187

**F. Commercial Paper**

In August 2003, the Government instituted a general obligation commercial paper (bond anticipation note) program. Commercial paper notes are issued to provide interim or short-term financing of various authorized capital projects. The notes may be refunded with new notes (rollover notes) until the Government is prepared to issue long-term bonds and thereby provide permanent financing for the capital projects financed under the commercial paper program. The Government provides "self-liquidity" for the program, meaning if the commercial paper dealer is ever unable to market notes in the amount needed to pay the maturing notes, the Government will purchase the rollover notes, as an investment within the Metropolitan Government Investment Pool. The Government will continue to hold the notes until the commercial paper dealer is able to successfully market additional rollover notes and thereby pay the rollover notes held by the Government.

Commercial paper is issued as federally tax-exempt notes. The commercial paper is sold at par as interest-bearing obligations in minimum denominations of \$100,000 with interest payable at maturity. The commercial paper has varying maturities of not more than two years from the initial dates of issuance. Interest rates vary depending on the market. The amount of principal outstanding may not exceed \$200 million.

A commercial paper obligation of \$10,000,000 with an interest rate of 3.65% was outstanding at June 30, 2006. This obligation was refunded subsequent to year-end with rollover notes. The obligation is considered short-term debt at June 30, 2006 and is recorded as a liability in the Capital Project Funds of the Government.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Short-term debt activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
<b>Governmental activities:</b>				
Commercial paper payable	\$ 150,000,000	\$ 455,000,000	\$ (595,000,000)	\$ 10,000,000
Total governmental activities short-term debt	<u>\$ 150,000,000</u>	<u>\$ 455,000,000</u>	<u>\$ (595,000,000)</u>	<u>\$ 10,000,000</u>

**G. General Obligation Bonds**

On November 1, 2005, the Government issued \$214,000,000 General Obligation Bonds, Series 2005C, maturing on February 1, 2026, with interest rates ranging from 3.625% to 5.00%. These bonds provided funding to pay principal and interest on certain of the Government's maturing commercial paper notes and funding for other general capital improvements. The net proceeds of the bonds totaled \$224,954,058 (net of original issue premium, underwriting fees and other issuance costs); \$151,197,420 was deposited with the commercial paper paying agent, and \$73,756,638 was deposited with the Government.

On June 15, 2006, the Government issued \$203,315,000 General Obligation Bonds, Series 2006B, maturing on February 1, 2026, with interest rates ranging from 4.00% to 5.00%. These bonds provided funding to pay principal and interest on certain of the Government's maturing commercial paper notes and funding for other general capital improvements. The net proceeds of the bonds totaled \$210,967,100 (net of original issue premium, underwriting fees and other issuance costs); \$141,205,690 was deposited with the commercial paper paying agent, and \$69,761,410 was deposited with the Government.

**H. Advance and Current Refunding of Bonds**

On May 15, 2006, the Government issued variable rate debt in the form of \$60,805,000 General Obligation Refunding Bonds, Series 2006A (Series 2006A Bonds), maturing on May 15, 2026, with an initial interest rate of 3.60%. These bonds refunded the outstanding General Obligation Public Improvement Bonds of 1996 (1996 Bonds) in the amount of \$59,865,000, maturing May 15, 2006 through May 15, 2026. As a result, the 1996 Bonds are considered to be defeased. By issuing the new bonds, the Government obtained an estimated economic gain (difference between the present values of the debt service payments on the defeased and new debt) of \$520,384. The refunding will reduce the Government's debt service payments over the next 20 years by an estimated \$1,945,534.

The 1996 Bonds were refunded in connection with the exercise of a Swaption agreement (see Section L. below). Under the terms of the agreement, the Government pays a net fixed rate of 5.4% to the Counterparty to the Swaption. The Counterparty to the Swaption remits to the Government at the Bond Market Association (BMA rate). The Government then services the 2006A Bonds at the BMA rate. The BMA rate at June 30, 2006 was 3.97%. The estimated fair market value of this contract was \$5,923,969 at June 30, 2006.

The future interest payments reflected in the schedule of annual debt service requirements in Section E. above were calculated using the 5.4% net fixed rate.

In prior years, the Government has defeased certain other obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Government's financial statements. As of June 30, 2006, \$299,290,000 of general obligation bonds and \$47,035,000 of revenue bonds are considered defeased.

**I. Redemption Options**

Certain bonds are subject to redemption prior to maturity at the option of the Government. The stated payments of principal and interest on the Department of Water and Sewerage Services Series 1992, Series 1993, Series 1996, and Series 1998 Bonds are insured by municipal bond insurance policies which cannot be canceled.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**J. Qualified Zone Academy Notes**

Qualified Zone Academy Bonds (QZAB) are issued by the Tennessee State School Bond Authority (TSSBA) to finance improvement loans for qualifying primary and secondary schools in the State. The QZAB's are a part of a federal government program administered by the Tennessee Department of Education in which a federal tax credit is given to investors in lieu of interest on the bonds.

The Government entered a loan agreement with the TSSBA in December, 2005 where by the Government would receive an amount not to exceed \$6,350,000 of the proceeds from the TSSBA QZAB, Series 2005. Actual proceeds totaled \$6,218,500. Under the provisions of the agreement, the proceeds of the loan must be spent on specific authorized projects within a limited time period. The TSSBA will hold and invest the proceeds from the Series 2005 Bonds, and as allowable expenditures are incurred, the Government will request reimbursement. The Government is required to make annual principal payments to TSSBA. An investment credit applied to the Government's portion of the bond proceeds will be used to reduce future payments.

QZAB note principal maturities at June 30, 2006 are summarized below:

Year Ending June 30	Principal	Investment Credit (1)
2007	\$ 414,566	\$ 97,031
2008	414,566	97,031
2009	414,566	97,031
2010	414,566	97,031
2011	414,566	97,031
2012-2016	2,072,835	485,156
2017-2020	2,072,835	485,156
Total qualified zone academy notes payable	<u>\$ 6,218,500</u>	<u>\$ 1,455,467</u>

(1) The investment credit is estimated and subject to adjustment based on investment earnings and other factors.

**K. The Department of Water and Sewerage Services - State Construction Loans**

As of June 30, 2006, the Department has entered into 16 loan agreements with the Tennessee Department of Conservation and the Tennessee Local Development Authority under the State of Tennessee's Revolving Fund Loan Program to provide financing for all or a portion of certain wastewater facility projects. Interest on the loans begins to accrue upon the first receipt of the loan proceeds and is computed at the rate established by the Authority (between 2.82% and 5.52% at June 30, 2006). The loans mature in monthly installments, as stipulated in the agreed-upon payment schedule, and are secured by the Government's unobligated state-shared taxes in an amount equal to the maximum annual debt service requirements under the agreements. In addition, the Government has pledged user fees and charges to be paid from the Department's Extension and Replacement Fund and/or from ad valorem taxes.

As of June 30, 2006, 15 of the project loans have been fully funded and the Department has begun repaying the loans in accordance with the specified payment schedules. Principal on eight of the loans has been fully paid, and the remaining seven loans, which total \$41,023,869 at June 30, 2006, call for monthly payments of principal and interest of approximately \$367,000.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

State construction loan principal maturities as of June 30, 2006 are summarized below:

Year Ending June 30	Principal	Interest
2007	\$ 2,602,116	\$ 1,810,464
2008	2,722,176	1,690,404
2009	2,847,828	1,564,740
2010	2,979,276	1,433,304
2011	3,116,832	1,295,736
2012-2016	17,636,853	4,187,019
2017-2019	<u>9,118,788</u>	<u>741,402</u>
Active and complete loans	<u>41,023,869</u>	<u>12,723,069</u>
Active but incomplete loans (1)	<u>21,613,795</u>	<u>-</u>
Total state construction loans	<u>\$ 62,637,664</u>	<u>\$ 12,723,069</u>

(1) This loan is active but formalization of a final payment schedule is incomplete. This loan is expected to be paid back over 20 years at an interest rate of 2.82% beginning in the year ending June 30, 2008.

**L. Swaption**

In connection with the anticipated future issuance of variable rate bonds to synthetically advance refund its outstanding General Obligation Public Improvement Bonds, Series 1996, on May 4, 2004 the Government competitively bid the sale of a pay-fixed, receive-variable Bond Market Association (BMA) swaption (Swaption). This transaction generated debt service savings in the form of an upfront payment of \$3,800,000. The Swaption was sold on a BMA floating to fixed interest rate swap and, when it was exercised by the winning bidder (Counterparty), the Government was placed into a variable to fixed interest rate swap. The fixed swap rate (5.4%) was set at a rate that, when added to estimated remarketing and liquidity costs, will approximate the coupons of the refunded bonds.

The Counterparty exercised the agreement on March 13, 2006, and the swap commenced on May 15, 2006. The Government issued General Obligation Refunding Bonds, Series 2006A, with an initial variable interest rate of 3.60%, as previously discussed in Section H.

**M. Unissued Bonds or Notes**

At June 30, 2006, authorized but unissued general obligation bonds totaled \$348,757,861. Commercial paper borrowings are used to fund capital spending prior to the issuance of bonds.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Component Units**

**A. Transaction Summary**

Bonds, notes and other liabilities activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
<b>Governmental types:</b>					
Revenue bonds payable:					
Sports Authority	\$ 81,462,576	\$ -	\$ (2,883,932)	\$ 78,578,644	\$ 3,215,000
Total revenue bonds payable - governmental types	<u>81,462,576</u>	<u>-</u>	<u>(2,883,932)</u>	<u>78,578,644</u>	<u>3,215,000</u>
Notes payable:					
Nashville District Management Corporation, Inc.	6,935	-	(6,935)	-	-
Total notes payable - governmental types	<u>6,935</u>	<u>-</u>	<u>(6,935)</u>	<u>-</u>	<u>-</u>
<b>Proprietary types:</b>					
Revenue bonds payable:					
Metropolitan Development and Housing Agency	7,683,562	81,732	(1,250,000)	6,515,294	1,300,000
Electric Power Board	466,792,984	189,336	(12,939,590)	454,042,730	12,703,109
Metropolitan Nashville Airport Authority	259,667,690	2,411,274	(20,275,000)	241,803,964	21,325,000
Total revenue bonds payable - proprietary types	<u>734,144,236</u>	<u>2,682,342</u>	<u>(34,464,590)</u>	<u>702,361,988</u>	<u>35,328,109</u>
Notes payable:					
Metropolitan Development and Housing Agency:					
Notes payable	2,791,069	996,592	(334,834)	3,452,827	1,057,120
Metropolitan Nashville Airport Authority:					
Subordinate Revenue Note, Series 1999	771,227	-	(175,179)	596,048	186,495
Total notes payable - proprietary types	<u>3,562,296</u>	<u>996,592</u>	<u>(510,013)</u>	<u>4,048,875</u>	<u>1,243,615</u>
Total revenue bonds and notes payable	<u>819,176,043</u>	<u>3,678,934</u>	<u>(37,865,470)</u>	<u>784,989,507</u>	<u>39,786,724</u>
Other liabilities payable:					
Hospital Authority:					
Capitalized lease obligation	40,863,620	-	(970,706)	39,892,914	1,045,998
Other liabilities	1,458,238	5,866,308	-	7,324,546	-
Metropolitan Development and Housing Agency:					
Other liabilities	1,835,126	1,864,204	(1,835,126)	1,864,204	-
Electric Power Board:					
TVA Advances and Other	2,759,532	3,385,289	(2,153,106)	3,991,715	-
Metropolitan Transit Authority:					
Capitalized lease obligation	556,717	12,139	(115,070)	453,786	142,510

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
<b>Proprietary types: (Continued)</b>					
Other liabilities payable: (Continued)					
Metropolitan Nashville Airport Authority:					
Synthetic Advance Refunding, Series 2001	\$ 5,810,846	\$ -	\$ (878,214)	\$ 4,932,632	\$ -
Fair value of derivative financial instruments	2,860,621	-	(2,009,247)	851,374	-
Deferred interest income	4,178,166	-	(437,336)	3,740,830	-
Other liabilities	1,995,006	30,190	(34,904)	1,990,292	-
Emergency Communications District:					
Capitalized lease obligation	155,439	-	(155,439)	-	-
Total other liabilities payable - proprietary types	<u>62,473,311</u>	<u>11,158,130</u>	<u>(8,589,148)</u>	<u>65,042,293</u>	<u>1,188,508</u>
Total revenue bonds, notes and other liabilities payable - component units	<u>\$ 881,649,354</u>	<u>\$ 14,837,064</u>	<u>\$ (46,454,618)</u>	<u>\$ 850,031,800</u>	<u>\$ 40,975,232</u>

**B. Description of Amounts Payable**

Amounts payable at June 30, 2006 are as follows:

	Interest Rates	Amount
<b>Governmental types:</b>		
Revenue bonds payable:		
Public Improvement Revenue Bonds (Stadium Project), Series 1996, due in varying amounts to July 1, 2026	4.70 - 5.875%	\$ 1,735,000
Public Improvement Revenue Bonds (Stadium Project), Series 2004 due in varying amounts to July 1, 2027	5.375 - 5.875%	64,275,000
Taxable Public Facility Revenue Bonds, Series 1998, due in varying amount to July 1, 2018	5.87 - 6.60%	16,190,000
Deferred charge/premium, net		<u>(3,621,356)</u>
Total revenue bonds payable - governmental types		<u>78,578,644</u>
<b>Proprietary types:</b>		
Revenue bonds payable:		
Metropolitan Development and Housing Agency, Revenue Bonds, 2003 Series, due June 11, 2009	1.61 - 2.80%	6,515,294
Electric Power Board Electric System Revenue Bonds, 1996 Series A, due in varying amounts to May 15, 2013	5.50 - 6.00%	69,674,060
Electric Power Board Electric System Revenue Bonds, 1998 Series A, due in varying amounts to May 15, 2023	5.125 - 5.40%	92,302,788
Electric Power Board Electric System Revenue Bonds, 1998 Series B, due in varying amounts to May 15, 2017	3.80 - 5.50%	53,799,584
Electric Power Board Electric System Revenue Bonds, 2001 Series A, due in varying amounts to May 15, 2017	4.50 - 5.00%	110,302,760
Electric Power Board Electric System Revenue Bonds, 2001 Series B, due in varying amounts to May 15, 2014	5.50%	18,597,041
Electric Power Board Electric System Revenue Bonds, 2004 Series A, due in varying amounts to May 15, 2029	4.50 - 5.00%	109,366,497

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Interest Rates	Amount
<b>Proprietary types: (Continued)</b>		
Revenue bonds payable: (Continued)		
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1993, due in varying amounts to July 1, 2019	Adjustable	\$ 48,500,000
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1995, due in varying amounts to July 1, 2015	4.45 - 5.00%	53,990,000
Airport Improvement Revenue Bonds, Series 1998, due in varying amounts to July 1, 2016	4.50 - 5.375%	34,480,000
Airport Improvement Revenue Bonds, Series 2001A, due in varying amounts to July 1, 2015	6.25 - 6.60%	73,355,000
Passenger Facility Charge and Airport Revenue Bonds, Series 2003, due in varying amounts to July 1, 2012	Adjustable	25,525,000
Airport Improvement Revenue Bonds, Series 2003 B, due in varying amounts to July 1, 2033	1.94 - 5.94%	18,590,000
Metropolitan Nashville Airport Authority: Unamortized deferred amount on refunding		(12,636,036)
Total revenue bonds payable - proprietary types		702,361,988
Notes payable:		
Metropolitan Development and Housing Agency: Notes payable and line of credit		3,452,827
Metropolitan Nashville Airport Authority: Subordinate Revenue Note, Series 1999		596,048
Total notes payable - proprietary types		4,048,875
Total revenue bonds and notes payable		784,989,507
Other liabilities payable:		
Hospital Authority: Capitalized lease obligation		39,892,914
Other liabilities		7,324,546
Metropolitan Development and Housing Agency: Other liabilities		1,864,204
Electric Power Board: TVA Advances		1,153,183
Other		2,838,532
Metropolitan Transit Authority: Capitalized lease obligation		453,786
Metropolitan Nashville Airport Authority: Synthetic Advance Refunding, Series 2001		4,932,632
Fair value of derivative financial instruments		851,374
Deferred interest income		3,740,830
Other liabilities		1,990,292
Total other liabilities payable - proprietary types		65,042,293
Total bonds, notes and other liabilities payable - component units		\$ 850,031,800

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The bonds, notes and other liabilities of the component units are classified in the Statement of Net Assets as follows:

Current portion of long-term liabilities	\$	34,028,109
Due within one year		6,947,123
Due in more than one year		<u>809,056,568</u>
	\$	<u>850,031,800</u>

**C. Collateral for Obligations of the Component Units**

Sports Authority

The Public Improvement Bonds (Stadium Project), Series 1996, Taxable Public Facility Revenue Bonds, Series 1998, and Public Improvement Revenue Refunding Bonds, Series 2004, are limited obligations of the Sports Authority payable solely from the revenues and receipts pledged to the payment of these bonds and secured by the non-tax revenues of the General Fund of the Government. Neither the faith and credit of the Sports Authority nor the faith and credit or the taxing power of the Government is pledged to the payment of the principal or interest on the bonds.

Electric Power Board

All bond issues are secured by a pledge and lien on the net revenues of the Board.

Metropolitan Nashville Airport Authority

All bond issues are secured by the rights, title and interest of the Nashville International Airport to the rents and other monies payable under the terms of the airline lease agreements and by all airport revenue as defined in the trust indenture pertaining to the bonds.

**D. Advance and Current Refundings of Bonds**

Sports Authority

On October 27, 2004, the Sports Authority issued \$64,910,000 Public Improvement Revenue Refunding Bonds, Series 2004, maturing on July 1, 2024, to provide funds sufficient to pay all principal and interest on a portion of the outstanding Public Improvement Revenue Bonds (Stadium Project), Series 1996 (Series 1996 Bonds), maturing July 1, 2007 through July 1, 2026. As a result, that portion of the Series 1996 Bonds is considered to be defeased; therefore, the related balance of \$64,845,000 still outstanding at June 30, 2006 does not appear as a liability on the Sports Authority's Statement of Net Assets.

Electric Power Board

In March, 2001, the Electric Power Board issued \$18,400,000 in Electric System Revenue Refunding Bonds, 2001 Series B Bonds, to provide funds sufficient to pay all principal and interest on a portion of the 1996 Series A Bonds at their respective maturity date. As a result of this advance refunding, the 1996 Series A Bonds are considered defeased.

Metropolitan Nashville Airport Authority

In prior years, various Bonds have been defeased through advance refundings; therefore, the related balances outstanding at June 30, 2006, do not appear as a liability on the Airport Authority's Statement of Net Assets.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**E. Conduit Debt Obligations**

Metropolitan Development and Housing Agency

Tax increment financing is a method of funding certain public investments for redevelopment by recapturing, for a time, all or a portion of the increased tax revenue that may result if private investment can be stimulated to occur. Tax increment can only be generated by the increased taxes resulting from private development on land in a redevelopment district that has been acquired and re-sold or leased by the Agency. The tax increment, due to the difference in the tax basis, is then diverted to the redevelopment agency which may use those funds to finance public purpose expenditures or to repay bonds or notes that were floated to finance those expenditures. These loans are special limited obligations of the Agency, payable solely from and secured by a pledge of the tax increment revenues designated for the payment of the loan. Because the borrowers are external developers, the loans do not constitute a debt or pledge of the faith and credit of the Agency or the Government and, accordingly, are not reported in the Agency's financial statements. At September 30, 2005, the tax increment financing loans, including related accrued interest payable, aggregated approximately \$42.9 million.

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) Program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities and large scale physical development projects. The Government has borrowed funds under this program and guaranteed repayment of the loan by pledging present and future community development block grants. The Agency is the agent designated by the Government to administer the CDBG program; therefore, the outstanding loan does not constitute a debt of the Agency and is not reported in the Agency's financial statements. At September 30, 2005, the Section 108 loans outstanding aggregated approximately \$4.69 million.

Industrial Development Board

From time to time, the Government, through the Industrial Development Board, a component unit, has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entities served by the bond issuances. Neither the Government nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The aggregate principal amount as of March 31, 2006 for the Industrial Revenue Bonds issued after April 1, 1996 was \$516,512,894. The aggregate principal amount payable for the Industrial Revenue Bonds issued prior to April 1, 1996 could not be determined; however, their original issue amount totaled \$1,414,846,369.

Health and Educational Facilities Board

The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee, (The Board) is a public, non-profit corporation and instrumentality of the Government organized in 1974 pursuant to Chapter 101, Part 3, Title 48 of the TCA as amended (the Act). The Board is not considered to be part of the Government's reporting entity. The Act empowers the Board, among other things, to acquire and furnish property suitable for use by educational institutions, hospital institutions, or multifamily housing facilities in connection with their operations, and to loan to such entities the proceeds from the sale of its bonds to finance such security for the payment of the principal and interest on bonds issued. The Government is not liable for the payment of the principal or any interest on any of the revenue bonds of the Board. Accordingly, the revenue bonds of the Board are not reported as liabilities of the Government.

The aggregate principal amount of revenue bonds issued by the Board on or after April 1, 1996 totals approximately \$2,825,934,280. The aggregate principal amount of revenue bonds which were issued by the Board and are still outstanding as of April 1, 1996 could not be determined; however, the total aggregate principal amount of revenue bonds issued by the Board prior to April 1, 1996 was \$1,367,025,500.

**F. Other Matters**

Electric Power Board

The Electric Power Board is a fiscal intermediary for the TVA energy conservation programs whereby loans are made to the Board's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the Board's customers are funded and guaranteed by TVA.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Electric Power Board has a \$25,000,000 unsecured line of credit to be used for general operating purposes at a negotiated interest rate. There were no borrowings under this line of credit at June 30, 2006.

Metropolitan Transit Authority

The Authority has a \$7,000,000 revolving credit line agreement with the Metropolitan Government for the purpose of funding operational activities. Interest on the outstanding principal balance is calculated at the same rate of interest as is earned on the Metropolitan Government's idle funds in its Metro Investment Pool. The Authority is not required to make monthly interest payments; the amount of any unpaid interest accrued each month is added to the amount of principal outstanding. The total outstanding balance as of June 30, 2006 is \$6,400,822. The amount is reported as due to the primary government.

Metropolitan Nashville Airport Authority

**1993 Interest Rate Swap Agreement:** In connection with the issuance of the Series 1993 bonds, so as to manage its exposure to market risks from fluctuations on interest rates, the Airport Authority entered into an interest rate swap agreement dated November 1, 1993 (the 1993 Swap Agreement) with a bank (the 1993 Swap Provider), which, in general, provides that the Authority will pay a fixed rate of 4.49% to the 1993 Swap Provider on a notional amount equal to the principal amount of the Series 1993 bonds outstanding and the 1993 Swap Provider will pay interest at the rate borne by the Series 1993 bonds on such notional amount on a net basis. The 1993 Swap Agreement has a term equal to the term of the Series 1993 bonds. Arrangements made in the 1993 Swap Agreement do not alter the Airport Authority's obligation to pay the principal of, premium, if any, and interest on the Series 1993 bonds. Since the counterparty to the 1993 Swap Agreement is a major bank, the Airport Authority does not anticipate credit related losses from nonperformance by such counterparty. The Airport Authority has recorded the fair value of the 1993 Swap Agreement as of June 30, 2006 (a liability of \$851,374) in the Statement of Net Assets. The fair value of this financial instrument at June 30, 2006 represents the amount the Airport Authority would pay to terminate the agreement, taking into consideration current interest rates, and has been recorded as an unrealized loss (reported in expenses) in the Statement of Activities for the year ended June 30, 2006.

**Special Facility Revenue Bonds, Series 2005:** During April 2005, the Airport Authority issued \$9,500,000 of Special Facility Revenue Bonds, Series 2005, on behalf of Embraer Aircraft Maintenance Services, Inc. The bonds were issued to finance the development and construction of an aircraft maintenance facility at Nashville International Airport. On April 1, 2006, Embraer redeemed \$195,000 of these bonds. The outstanding balance at June 30, 2006 was \$9,305,000. The outstanding Special Facility Revenue Bonds, Series 2005, are special obligations of the Airport Authority and the debt service thereon shall be payable solely from revenues provided by Embraer pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. Since these bonds do not represent a claim on the Airport Authority's assets or require the Airport Authority to incur future obligations, they have not been recorded in the Airport Authority's financial statements.

**Special Facility Revenue Bonds, Series 2006:** During July 2006, the Airport Authority approved an amendment to the ground lease with Aero Nashville, LLC whereby the Airport Authority agreed to issue \$6,515,000 of Special Facility Revenue Bonds, Series 2006, on behalf of Aero Nashville. Aero Nashville is an affiliate of AeroTerm US, Inc., the firm selected by Federal Express Corporation to be the developer of a 69,000 square foot cargo and support facility on approximately 15 acres of land at Nashville International Airport in 2005. The outstanding Special Facility Revenue Bonds, Series 2006, are special obligations of the Airport Authority and the debt service thereon shall be payable solely from revenues provided by Aero Nashville pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. Since these bonds do not represent a claim on the Airport Authority's assets or require the Airport Authority to incur future obligations, they have not been recorded in the Airport Authority's financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**G. Annual Debt Service Requirements**

The annual principal maturities of all bonds and notes payable as of June 30, 2006 for the component units are as follows:

Year Ending June 30	Revenue Bonds and Notes Payable	
	Principal	Interest
2007	\$ 39,587,484	\$ 41,135,133
2008	40,863,637	40,112,215
2009	41,401,891	39,098,139
2010	42,792,255	37,779,347
2011	41,382,008	37,065,972
2012-2016	253,676,882	96,601,913
2017-2021	145,858,361	87,281,819
2022-2026	141,700,281	34,421,459
2027-2031	50,653,806	6,238,772
2032-2034	3,630,000	331,749
Total	801,546,605	420,066,518
Deferred Charges	(16,557,098)	-
Total	\$ 784,989,507	\$ 420,066,518

Deferred amounts for the Electric Power Board are netted with principal. Interest amounts are excluded for the Metropolitan Development and Housing Agency.

**NOTE 7 - PENSION PLANS**

All plans of the primary government were established or continue under the authority of the Metropolitan Charter, Article XIII, effective April 1, 1963. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also requires that all pension plans be actuarially sound. Administrative costs of the plans are financed through plan assets. The plans are managed and administered by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. No separate financial reports are issued for these plans.

The Government has the following single-employer pension plans:

<u>Name</u>	<u>Type</u>	<u>Status</u>	<u>Administering Fund</u>
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**Primary Government**

Fiduciary Fund Types:

County	Defined Benefit	Closed 1963	Davidson County Employees' Retirement
Metro - Division A	Defined Benefit	Closed 1995	Metropolitan Employees Benefit Trust
Metro - Division B	Defined Benefit	Open	Metropolitan Employees Benefit Trust
County Education	Defined Benefit	Closed 1963	Employees' Pension and Insurance
Metro Education	Defined Benefit	Closed 1969	Teachers' Retirement Plan
City	Defined Benefit	Closed 1963	Closed City Plan
City Education	Defined Benefit	Closed 1963	Teachers' Civil Service and Pension

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Component Units**

Sports Authority and Hospital Authority	Included in primary government plans		
Metropolitan Development and Housing Agency	Defined Contribution	Open	N/A
Electric Power Board	Defined Benefit	Open	N/A
Metropolitan Transit Authority	Defined Benefit	Open	N/A
Metropolitan Nashville Airport Authority	Defined Benefit	Closed	N/A

The Metropolitan Transit Authority guarantees the plan sponsored by the Davidson Transit Organization (DTO), which provides Metropolitan Transit Authority labor. For comparative purposes, the DTO pension plan information, where presented, is disclosed as the Metropolitan Transit Authority plan.

The City, County, Metro Education, City Education, and County Education plans are participants in the Guaranteed Payment Program (GPP), an umbrella program created by the Metropolitan Council to ensure actuarially sound funding for the five closed plans. Under the GPP, unfunded liabilities of the aggregate program are amortized over a period of no more than thirty years. Contributions on behalf of the five individual plans move to a payment account from which distributions are paid to the constituent plans of the GPP as necessary to satisfy current benefit needs and to satisfy long-term funding objectives of the GPP.

**A. Summary of Significant Accounting Policies**

The pension funds are reported using the accrual basis of accounting. Employer and employee contributions are recognized in the period due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. The net pension asset and obligation are reported in the applicable governmental activities in the Statements of Net Assets and Activities. All plans with a net pension obligation are governmental in nature.

Investments are reported at fair value. Common stocks, bonds and U.S. Government and other domestic and foreign securities are stated at quoted market prices as of June 30, 2006. Accounts receivable consists of amounts due from investment brokers for pending trades.

**B. Plan Descriptions**

**Primary Government**

The Primary Government plans are administered by the Government, and the authority under which the obligations to contribute to the plan were created, and the authority under which either may be amended, are granted by the Metropolitan Charter.

**Metro Plan**

Division A

This plan (The Metropolitan Employees' Benefit Trust Fund) was established at the inception of the Government on April 1, 1963 and implemented on November 4, 1964. At that time, all employees of the former city and county governments were given the option of continuing as participants of the pension plans of those organizations or transferring to the Metro Plan. Division A of the Metro Plan was closed to new members on July 1, 1995.

Normal retirement for employees other than police officers and fire fighters occurs at age 65 and entitles employees to a lifetime monthly benefit of 1/12 of the sum of 1% of average base earnings, as defined by the Social Security Administration, plus 1.75% of average excess earnings as defined in the Plan, multiplied by the years of credited service, plus cost-of-living adjustments. Average earnings is the average earnings for the last 60 consecutive months in which earnings were highest. Benefits fully vest on completing 10 years of service.

Normal retirement for police officers and fire fighters occurs upon reaching age 55 and completing 20 years of service. The lifetime monthly benefit is calculated as 1/12 of the sum of 2% of average earnings up to 25 years of credited service plus 1.75% of average earnings for all years of credited service in excess of 25, reduced by the amount of primary social security benefits at age 65 and increased by cost-of-living adjustments. In no event shall police and fire pensions be less than that due employees who are not policemen or firemen. Benefits fully vest on completing 10 years of service.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Any employee who terminates after the completion of at least 10 years of service and before eligibility for normal retirement shall be eligible to receive a monthly deferred pension which shall commence on the first day of the month following the attainment of age 65, computed and payable in accordance with the Metro Plan.

Division B

As of July 1, 1995, Division B of the Metro Plan was established. All employees with an effective hire date of July 1, 1995 or later are only eligible to participate in Division B of the Metro Plan. Also, Government employees as of June 30, 1995 who were qualified members of Division A were given the option to transfer to Division B as of January 1, 1996, subject to written application approved by the Benefit Board. Substantially all employees transferred to Division B of the Metro Plan.

Normal retirement for employees other than police officers and fire fighters occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited employee service equals 85, but not before age 60; and (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75% of average earnings based upon the previous 60 consecutive months of credited service which produce the highest earnings. Benefits fully vest on completing 5 years of service.

Normal retirement for police officers and fire fighters occurs any time after attaining the unreduced retirement age which is the date when the employee's age plus the completed years of credited police and fire service equals 75, but not before age 53 nor after age 60. The lifetime monthly benefit is 1/12 of the sum of 2% of average earnings for each year of credited fire and police service not in excess of 25 years; plus 1.75% of average earnings for each year that the credited police or fire service exceeds 25 years. Benefits fully vest on completing 5 years of service.

An early retirement pension is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 (45 for police and fire) and after the completion of 5 years of credited employee service. Such shall be payable as either a monthly deferred early employee service pension beginning the month after the attainment of the normal retirement age or an immediate monthly early employee service pension beginning on the first day of the month following termination. The lifetime monthly benefit for the immediate monthly early employee service pension is reduced by 4% for each of the first 5 years by which the retirement date precedes the normal retirement age, and by 8% for each additional year by which the retirement date precedes the normal retirement age; provided, however, that the immediate monthly benefit shall not be less than the actuarial equivalent of the deferred pension provided by the Metro Plan.

Any employee who terminates after the completion of at least 5 years of service and before eligibility for normal retirement or early retirement shall be eligible to receive a monthly deferred pension which shall commence on the first day of the month following the attainment of unreduced retirement age, computed and payable in accordance with the Metro Plan.

Any employee with unused sick leave time at service retirement shall receive 100% credit for the time, subject to an affirmative election at the time of retirement.

Any employee who terminates and is rehired is eligible to reconnect prior service after being regularly employed continuously for one year.

Dependent children of vested employees are eligible for a survivor benefit if the employee should die leaving no surviving spouse.

All assets of the Metropolitan Employees' Benefit Trust Fund may legally be used to pay benefits to any plan members or beneficiaries, regardless of whether the members participate in Division A or Division B of the Metro Plan.

City Plan

This plan (the Closed City Plan Fund) covers certain employees of the former city of Nashville who have elected to remain under this plan and not transfer to the Metro Plan. This plan was closed to new members on April 1, 1963. Normal retirement for police officers and fire fighters occurs upon completing 25 years of service; for other participants, age 60 must be reached in addition to completing 25 years of service. The monthly lifetime benefit of all participants is 50% of the final monthly salary. All participants in the City Plan are fully vested.

## THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### County Plan

This plan (the Davidson County Employees' Retirement Fund) covers employees of the former government of Davidson County who have elected to remain under this plan and not transfer to the Metro Plan. This plan was closed to new members on April 1, 1963.

Participants elected coverage under Division A or B. Normal retirement under Division A occurs at age 65; lifetime monthly benefits are the years of credited service multiplied by 0.75% of defined average base earnings per month plus 1.5% of average excess earnings as defined in the Plan per month. Average earnings is the average earnings for the 10 full consecutive calendar years in which earnings were highest. Normal retirement under Division B occurs after 30 years of service or after 24 years of service and reaching age 60; lifetime monthly benefits are 1/12 of 50% of the highest calendar year earnings. All participants in the County Plan are fully vested.

#### Metro Education Plan

This plan (the Teachers' Retirement Plan Fund) covers participants who elected to transfer from the City Education Plan and County Education Plan and professional employees of Metropolitan Nashville Public Schools hired between April 1, 1963 and July 1, 1969. Normal retirement occurs upon reaching age 60 with 20 years of service, completing 25 years of service, or reaching age 65. The lifetime monthly benefit is determined as 1/12 of 2% of the highest average earnings multiplied by the years of service, plus cost-of-living adjustments. Highest average earnings is the average earnings for the 36 consecutive months in which earnings were highest. All participants in the Metro Education Plan are fully vested.

After July 1, 1969 professional employees hired became members of the State Employees, Teachers, and Higher Education Employees Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS) that provides retirement, death, and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. A financial report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243.

#### City Education Plan

This plan (the Teachers' Civil Service and Pension Fund) covers employees who were teachers of the former City of Nashville who elected to remain under this plan and not transfer to the Metro Education Plan. This plan was closed to new members on April 1, 1963.

Normal retirement occurs upon reaching age 60 and completing 15 years of service, or completing 25 years of service before reaching age 60. With 15 years of service, the lifetime monthly benefit is 1/12 of 2.5% of the highest annual salary multiplied by the years of service up to 24. With 25 years of service, the lifetime monthly benefit is 1/12 of 2% of the highest annual salary multiplied by the years of service up to 30. Benefits are adjusted for cost-of-living increases. All participants in the City Education Plan are fully vested.

#### County Education Plan

This plan (the Employees' Pension and Insurance Fund) covers teachers and classified employees of the former Davidson County Board of Education who have elected to remain under this plan and not transfer to the Metro Education Plan. This plan was closed to new members on April 1, 1963.

Normal retirement occurs upon reaching age 60 and completing 15 years of service, or completing 25 years of service before reaching age 60. With 15 years of service, the lifetime monthly benefit is 1/12 of 2.5% of the highest annual salary multiplied by the years of service up to 24. With 25 years of service, the lifetime monthly benefit is 1/12 of 2% of the highest annual salary multiplied by the years of service up to 30. Benefits are adjusted for cost-of-living increases. All participants in the County Education Plan are fully vested.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Component Units**

**Metropolitan Development and Housing Agency**

The Agency's retirement plan is a 401(a) plan administered by the Vanguard Group. The plan, which is principally a defined contribution plan, also provides certain minimum defined benefits for employees who were participants in the Agency's Retirement Fund as of September 30, 2000. Employees are eligible to participate beginning the first day of the month following the date of hire. There are no required contributions by the participants; however, participants may make voluntary contributions from 0.5% to 10% of their basic compensation and the Agency contributes 13% of participants' basic compensation. Contributions are invested in any of twelve funds as elected by the participant. Investment options and voluntary contributions may be changed daily.

Participants are immediately vested in their voluntary contributions plus actual earnings. Participants are also immediately vested in 5.5% out of the 13% of the Agency's contributions. For each year of participation in the plan, participants vest at the rate of 20% of the remaining balance and become fully vested after five years.

Benefits are paid in the form of a cash distribution or various other annuity options at normal retirement date, age 65, death or disability. Participants may also elect to roll the vested portion of their retirement savings into another qualifying plan or an IRA or leave the amount in the plan. Early retirement may be elected by employees at age 55 who have at least ten years of service.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metropolitan Development and Housing Agency at P. O. Box 846, Nashville, TN 37202.

**Electric Power Board**

The plan is a single-employer defined benefit pension plan which provides retirement and survivors' benefits to members and their beneficiaries. Cost of living adjustments are provided to members and their beneficiaries at the discretion of the Electric Power Board. The Metropolitan Charter assigns the authority to establish and amend benefit provisions to the Electric Power Board. The plan is administered by the Electric Power Board.

All full-time regular employees under age 65 are eligible to participate in the Plan. The vesting provision of the Plan provides for five-year cliff vesting. Board employees who retire at or after age 65 are entitled to annual retirement benefits payable monthly for life in an amount equal to 2% of final average compensation multiplied by years in the Plan not in excess of 35 years. Final average compensation is the average compensation in the 36 consecutive months in which compensation is highest. Unused sick leave may be used to increase credited service and benefit percentage under certain circumstances. Early retirement is an option beginning at age 55 with 15 years of credited service or at age 50 with 30 years of credited service with an actuarially reduced monthly benefit.

At April 1, 2006 (the latest date available), the actuarial value of assets was \$245,465,000, the actuarial accrued liability was \$305,564,000, and the unfunded actuarial accrued liability was \$60,099,000. Covered payroll was \$55,061,000.

The plan does not issue a separate financial report, however, complete financial statements of the Electric Power Board can be obtained from its administrative offices at 1214 Church Street, Nashville, TN 37246.

In 1994 the Electric Power Board established a nonqualified supplemental executive retirement plan (SERP) limited to certain employees. Benefits accrue at the rate of 5% of salary for each year of credited service not to exceed 12 years and vests at the rate of 20% for each year of service, reduced by the percentage accrued and vested under the Electric Power Board's qualified plan. Effective April 1, 2005 the Board merged the SERP with the Electric Power Board's Retirement Annuity and Survivor's Benefit Plan. Adding the SERP benefits to the Plan increased the funding requirements for the Plan, but the amounts that had accumulated in the SERP Trust were transferred to the Plan in order to offset those increased costs. Future payments that would have been made into the SERP Trust will be directed into the Plan. At the time of conversion, no benefits had been paid from the SERP. Any change in funding requirements is reflected above.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Metropolitan Transit Authority

The Disability and Retirement Plan of Davidson Transit Organization (the Plan) is a single-employer defined benefit pension plan which covers substantially all employees of the Metropolitan Transit Authority and Local 1235 of the Amalgamated Transit Union (the Union) providing retirement, disability and death benefits to members and their beneficiaries. Articles XII and XIII of the plan document establish the benefits. In accordance with Article XII, monthly benefits increased 3.0% effective July 1, 2005. The plan is guaranteed by the Metropolitan Transit Authority which contracts with McDonald Transit Associates to provide management advisory services. That contract stipulates that McDonald Transit Associates is charged with oversight of the employment unit, Davidson Transit Organization.

At July 1, 2005 (the latest date available), the actuarial value of assets was \$19,800,000; the actuarial accrued liability was \$26,700,000. There is an unfunded actuarial accrued liability of \$6,900,000. Covered payroll was \$16,200,000.

The plan issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metropolitan Transit Authority, 130 Nestor Street, Nashville TN, 37210, or by calling (615) 862-5969.

Metropolitan Nashville Airport Authority

Effective September 1989, the Airport Authority adopted a new single-employer public employee retirement system (PERS) for its employees whereby the net assets available for benefits relative to the Airport Authority's employees were transferred from the Metropolitan Government's pension system to the Metropolitan Nashville Airport Authority Retirement Plan for Employees (Plan). Certain Airport Authority employees participate in the pension system of the Government, a cost sharing multiple employer PERS. Employees participate in either "Fund B" (pension benefits for credited service other than credited Fire and Police service) or "Fund C" (pension benefits for credited Fire and Police service) of the Metropolitan Employees' Benefit Trust Fund (Fund). New employees of the Airport Authority and those previously selecting the new Airport Authority's single-employer PERS are not eligible for participation in the Government's pension system. As a result of the relatively few number of employee participants, additional post employment benefits information in regard to the Fund has not been presented. The plan is a non-contributory defined benefit pension plan administered by the Airport Authority. The plan provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Airport Authority. Benefit provisions are established and may be amended by the Airport Authority. Effective June 27, 2003, the plan was closed to new participants. Employees hired after June 27, 2003 are not eligible to participate in the plan.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, TN 37214, or by calling (615) 275-1600.

**C. Contributions**

**Primary Government**

Metro Plan

The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All other funding is provided by the Government with an actuarially recommended employer contribution rate of 13.857% for the employees of Metropolitan Nashville Public Schools and all other Metro employers.

City Plan

Funding is on a pay-as-you-go basis whereby contributions are made in amounts sufficient to cover benefits paid during the year.

County Plan

Funding is on a pay-as-you-go basis whereby contributions are made in amounts sufficient to cover benefits paid during the year.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Metro Education Plan

The Metro Education Plan is financed by contributions from Metropolitan Nashville Public Schools, participating employees and the State of Tennessee. Employees contribute a specified percentage of their earnings, the State of Tennessee contributes an amount to reimburse current benefits paid equivalent to the benefits which would have been earned under the Tennessee Consolidated Retirement System (TCRS) and Metropolitan Nashville Public Schools contributes an additional amount to provide for periodic contributions as actuarially determined to accumulate sufficient assets to pay benefits when due.

The TCRS plan is financed by contributions from teachers, most of whom are required by state statute to contribute 5% of their salary, and by Metropolitan Nashville Public Schools, which contributes at an actuarially determined rate (5.5% of covered payroll for the fiscal year ending June 30, 2006). The contribution requirement is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2006, 2005, and 2004 were \$15,422,903, \$15,124,737 and \$9,212,622 respectively, and were equal to the required contributions for each year.

City Education Plan

The plan is financed by contributions from the Government, participating employees and the State of Tennessee. Employees contribute a specified percentage of their earnings, the State of Tennessee contributes an amount to reimburse current benefits paid equivalent to the benefits which would have been earned under the TCRS and the Government contributes an additional amount to cover current benefits (pay-as-you-go).

County Education Plan

The plan is financed by contributions from the Government, participating employees and the State of Tennessee. Employees contribute a specified percentage of their earnings, the State of Tennessee contributes an amount to reimburse current benefits paid equivalent to the benefits which would have been earned under the TCRS and the Government contributes an additional amount to cover current benefits (pay-as-you-go).

**Component Units**

Metropolitan Development and Housing Agency

The Agency's contributions for the year ended September 30, 2005 amounted to \$2,069,267, which equaled the amount of the annual required contribution. Employee contributions were \$143,336. The Agency's payroll for employees covered by this plan was \$15,786,993, and total payroll amounted to \$17,477,716 during the fiscal year ended September 30, 2005.

Electric Power Board

The contribution requirements of the Board are established and may be amended by the Board. The Plan is currently non-contributory. The Board's policy is to fund at least the minimum contribution for a thirty-year funding level. The current rate is 27.13% of annual covered payroll. The Board contributed 100% of the required contribution for the Plan years 2006, 2005, and 2004. For the year ended June 30, 2006, the required and actual amount contributed was \$13,165,000.

Metropolitan Transit Authority

Plan members are required to contribute 4.5% of their covered payroll. The Metropolitan Transit Authority is required to contribute at an actuarially determined rate of 8.59% in 2006. Contribution requirements of members and the Metropolitan Transit Authority are established per Article VII of the plan document. Administrative costs of the plan are paid out of plan assets. For the year ended June 30, 2006, the annual pension costs were \$1,378,000, the annual required contribution \$1,368,000 and the actual amount contributed was \$1,368,000. The entry age normal method has been used to compute the annual contribution requirement.

Metropolitan Nashville Airport Authority

Contribution requirements are established and may be amended by the Airport Authority. For the year ended June 30, 2006, the Airport Authority's annual pension cost of \$964,150 was equal to the annual required contribution of \$785,382 less interest of \$1,363,490 on the net pension asset plus the annual required contribution adjustment of \$1,542,258. There was no actual contribution made to the Plan because a contribution of \$19,000,000 was made in 2004 through the issuance of Airport Improvement Revenue Bonds, Series 2003B. The annual required

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contribution for the current year was determined as part of the July 1, 2005 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 4%. Neither (a) nor (b) included an inflation adjustment. The assumptions did not include postretirement benefit increases which are funded by the Airport Authority when granted. The actuarial value of Plan assets was calculated based on the three-year weighted average of asset gains and losses.

**D. Selected Pension Information**

**Primary Government**

The following is a summary of the total net pension obligation and asset by plan for the beginning and end of the year:

	<u>Beginning of Year</u>	<u>End of Year</u>
Net pension obligation:		
Metro	\$ 39,228	\$ 10,312,015
Metro Education	<u>54,998,411</u>	<u>60,384,320</u>
 Total net pension obligation	 <u>55,037,639</u>	 <u>70,696,335</u>
 Net pension assets:		
County	(9,827,001)	(9,617,233)
County Education	(1,282,315)	(2,910,544)
City	(14,743,183)	(15,395,166)
City Education	<u>(6,781,630)</u>	<u>(7,479,234)</u>
 Total net pension assets	 <u>(32,634,129)</u>	 <u>(35,402,177)</u>
 Total net pension obligation (assets)	 <u>\$ 22,403,510</u>	 <u>\$ 35,294,158</u>

Additional information regarding annual pension cost and net pension obligation (asset), trend information and participant information for the plans of the primary government is summarized on the following schedules. The net pension benefit obligations for the plans of Metropolitan Nashville Public Schools are calculated net of expected reimbursements from the State of Tennessee. Information for the plans of the component units is omitted due to the inavailability of the information in separately issued reports in a consistent manner.

The significant actuarial assumptions underlying the plans of the primary government are summarized on the following schedules. The assumptions used to calculate the actuarially determined contribution requirements are the same as those used to compute the net pension obligation except where indicated. Information for the plans of the component units is omitted due to the inavailability of the information in separately issued reports in a consistent manner.

**E. Required Supplementary Information**

A Schedule of Funding Progress (Unaudited) and a Schedule of Employer Contributions (Unaudited) as required by GASB Statement No. 25 are included as Required Supplementary Information following the notes to the financial statements.

**F. Other**

The only plan having an individual investment which exceeds 5% of plan assets at June 30, 2006 is the Metro Plan (Northern Trust Daily Common S&P 500 Fund totaling \$399,232,842). The categorization of pension investments by asset type is included in Note 4 – Deposits and Investments.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SELECTED PENSION INFORMATION

	<u>County</u>	<u>Metro</u>	<u>County Education</u>
<b>ANNUAL PENSION COST AND NET PENSION OBLIGATION (ASSET) - FISCAL 2006</b>			
Annual required contribution	\$ 2,226,235	\$ 78,948,767	\$ 5,894,471
Interest on net pension obligation	(786,160)	3,138	(102,585)
Adjustment to annual required contribution	<u>1,303,997</u>	<u>(4,963)</u>	<u>170,157</u>
Annual pension cost	2,744,072	78,946,942	5,962,043
Contributions made	<u>(2,534,304)</u>	<u>(68,674,155)</u>	<u>(7,590,272)</u>
Increase (decrease) in net pension obligation	209,768	10,272,787	(1,628,229)
Net pension obligation (asset) beginning of year	<u>(9,827,001)</u>	<u>39,228</u>	<u>(1,282,315)</u>
Net pension obligation (asset) end of year	<u><u>\$ (9,617,233)</u></u>	<u><u>\$ 10,312,015</u></u>	<u><u>\$ (2,910,544)</u></u>
<b>THREE-YEAR TREND INFORMATION</b>			
<b>2006</b>			
Annual pension cost (APC)	\$ 2,744,072	\$ 78,946,942	\$ 5,962,043
Percentage of APC contributed	92.36%	86.99%	127.31%
Net pension obligation (asset)	\$ (9,617,233)	\$ 10,312,015	\$ (2,910,544)
<b>2005</b>			
Annual pension cost (APC)	\$ 4,443,964	\$ 67,111,108	\$ 8,740,499
Percentage of APC contributed	58.87%	87.76%	86.06%
Net pension obligation (asset)	\$ (9,827,001)	\$ 39,228	\$ (1,282,315)
<b>2004</b>			
Annual pension cost (APC)	\$ 1,829,359	\$ 57,584,932	\$ 4,473,775
Percentage of APC contributed	130.56%	77.98%	148.37%
Net pension obligation (asset)	\$ (11,655,005)	\$ (8,177,445)	\$ (2,501,059)
<b>PARTICIPANTS - Latest Actuarial Valuation Date</b>			
<b>Active:</b>			
Fully vested	-	8,224	1
Non-vested and partially vested	-	4,265	-
Total active	<u>-</u>	<u>12,489</u>	<u>1</u>
Retirees and beneficiaries receiving benefits	174	5,726	351
Terminated vested	-	1,397	-
Total	<u><u>174</u></u>	<u><u>19,612</u></u>	<u><u>352</u></u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SELECTED PENSION INFORMATION

<u>Metro Education</u>	<u>City</u>	<u>City Education</u>	<u>Total Primary Government</u>
\$ 13,140,571	\$ 10,198,923	\$ 3,664,376	\$ 114,073,343
4,399,873	(1,179,455)	(542,530)	1,792,281
<u>(5,152,207)</u>	<u>1,956,351</u>	<u>899,890</u>	<u>(826,775)</u>
12,388,237	10,975,819	4,021,736	115,038,849
<u>(7,002,328)</u>	<u>(11,627,802)</u>	<u>(4,719,340)</u>	<u>(102,148,201)</u>
5,385,909	(651,983)	(697,604)	12,890,648
<u>54,998,411</u>	<u>(14,743,183)</u>	<u>(6,781,630)</u>	<u>22,403,510</u>
<u>\$ 60,384,320</u>	<u>\$ (15,395,166)</u>	<u>\$ (7,479,234)</u>	<u>\$ 35,294,158</u>
\$ 12,388,237	\$ 10,975,819	\$ 4,021,736	\$ 115,038,849
56.52%	105.94%	117.35%	88.79%
\$ 60,384,320	\$ (15,395,166)	\$ (7,479,234)	\$ 35,294,158
\$ 11,300,253	\$ 17,056,239	\$ 5,993,104	\$ 114,645,167
60.67%	70.41%	75.35%	80.61%
\$ 54,998,411	\$ (14,743,183)	\$ (6,781,630)	\$ 22,403,510
\$ 11,258,637	\$ 7,942,221	\$ 2,889,486	\$ 85,978,410
87.50%	135.23%	137.05%	91.28%
\$ 50,553,753	\$ (19,789,447)	\$ (8,258,921)	\$ 171,876
13	-	-	8,238
-	-	-	4,265
<u>13</u>	<u>-</u>	<u>-</u>	<u>12,503</u>
1,263	733	246	8,493
12	-	-	1,409
<u>1,288</u>	<u>733</u>	<u>246</u>	<u>22,405</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SELECTED PENSION INFORMATION

	<u>County (a)</u>	<u>Metro</u>	<u>County Education (a)</u>	<u>Metro Education</u>
ACTUARIAL VALUATION INFORMATION				
Valuation date	July 1, 2005	July 1, 2005	July 1, 2005	July 1, 2005
Actuarial cost method	entry age normal	entry age normal	entry age normal	entry age normal
Amortization method	level dollar open	level dollar closed	level dollar open	level dollar open
Amortization period	15 years (11 remaining)	40 years (13 remaining)	15 years (11 remaining)	30 years (25 remaining)
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:				
Investment rate of return*	8.00%	8.00%	8.00%	8.00%
Projected salary increases*	4.00%	4.00%	5.00%	5.00%
Postretirement benefit increase adjustments	2.75%	2.75%	3.00%	3.00%
* Includes inflation at	None	None	3.00%	2.75%

(a) These plans are closed and funded on a "pay-as-you-go" basis. Contributions are not made based on actuarial computation.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SELECTED PENSION INFORMATION

<u>City (a)</u>	<u>City Education (a)</u>
July 1, 2005	July 1, 2005
entry age normal	entry age normal
level dollar open	level dollar open
15 years (11 remaining)	15 years (11 remaining)
5 year smoothed market	5 year smoothed market
8.00%	8.00%
4.00%	5.00%
2.75%	3.00%
None	2.75%

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**G. Post - Employment Benefits**

**Primary Government**

Metropolitan Government

For any retiree in the Metro, City or County Plans who elects to participate in the Metro hospitalization insurance program, the Government contributes 75% of all premium payments, and the retiree contributes 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. Benefits paid by the Government for the fiscal year ended June 30, 2006 totaled \$23,917,953.

The Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. Benefits paid by the Government for dental and life insurance totaled \$1,812,111 and \$913,663, respectively, for the fiscal year ended June 30, 2006.

The post-retirement benefits for the Metro plans were authorized by the Government's charter and code. During the year ended June 30, 2006, 6,639 participants were eligible to receive post-retirement benefits.

Metropolitan Nashville Public Schools

For any retiree in the Metro, City or County Education Plans who elects to participate in the medical and dental insurance plans of Metropolitan Nashville Public Schools, Schools contributes 75% of all premium payments with the retiree contributing the remaining 25%. Funding is on a pay-as-you go basis under which payments are made in amounts sufficient to cover benefits paid. Benefits paid by Metropolitan Nashville Public Schools for the fiscal year ended June 30, 2006 totaled \$11,898,980. During the year ended June 30, 2006, 2,786 participants were eligible to receive post-retirement benefits. The post-retirement benefits for teachers of Metropolitan Nashville Public Schools were authorized by the Government's charter and code.

**Component Units**

Electric Power Board

The Electric Power Board provides post-retirement health care benefits to all employees who retire under the provisions of the qualified pension plan and supplemental executive retirement plan. Currently, 501 retirees meet those eligibility requirements. Expenditures for post-retirement health care benefits are recognized as retirees report claims. Expenditures of \$5,700,000 for the year ended June 30, 2006 were recognized for post-retirement health care. The post-retirement benefits for the Electric Power Board employees were authorized by the Government's charter.

Metropolitan Transit Authority

Medical, dental, vision and prescription card insurance benefits are available to all employees retiring from the Metropolitan Transit Authority through its self-insurance plan. Participants contribute to the cost of these benefits based on age and type of coverage. The portion funded by the Metropolitan Transit Authority is expensed as the coverage is provided. During the year ended June 30, 2006, total medical benefit claims expense incurred amounted to \$1,209,641. Future claims cannot be estimated. At June 30, 2006, approximately 150 retirees were covered under this plan.

Life insurance benefits for retirees and their spouses are also self-insured. Life insurance coverage is \$10,000 on each retired employee and \$2,500 on the spouse of the retired employee, except for two former Class I employees who are entitled to an \$11,250 benefit. During the year ended June 30, 2006, the Metropolitan Transit Authority recognized an expense for death benefit claims totaling \$105,000. Future such claims cannot be estimated, however, at June 30, 2006, approximately 150 retirees were covered under this plan.

Metropolitan Nashville Airport Authority

Under the Airport Authority's PERS, the Airport Authority pays 75% of the medical coverage cost, with the retirees paying the remaining 25%. The Airport Authority also pays 100% of the premium cost of a \$7,500 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of dental, vision and supplemental life insurance coverage. Currently, 69 retirees are receiving benefits under this PERS. During the year ended June 30, 2006, payments of \$539,353 were made by the Authority for post-retirement benefits under this PERS.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

New employees of the Airport Authority and those previously selecting the new Airport Authority plan are not eligible for participation in the Government's pension plan. However, certain other Airport Authority employees do participate in the Metro Plan. The Airport Authority pays the same percentage as stated above for the medical, dental and life premiums. Currently, 22 retirees are receiving benefits from the Metro Plan. During the year ended June 30, 2006, payments of \$35,849 were made to the Government for post-retirement benefits under this PERS.

Payments for these post-retirement benefits are expensed as they are incurred. During the year ended June 30, 2006, \$575,202 of post-retirement benefits were recognized as expense.

**NOTE 8 - DEFERRED COMPENSATION AND PROFIT SHARING PLANS**

**Primary Government**

Metro Plan

The Government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral of a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Because the assets are not held in a trustee capacity by the Government, they are not included in the Government's financial statements.

**Component Units**

Metropolitan Development and Housing Agency

The Agency sponsors a deferred compensation plan, available to all employees, created in accordance with Internal Revenue Code Section 457. The plan permits all employees 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. No contributions are made to this plan by the Agency.

Electric Power Board

The Electric Power Board has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits employees to defer a portion of their salary until future years with the Board providing a matching contribution at up to 3% of compensation. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the Statement of Net Assets. Employee and Board contributions to the plan were \$2,900,000 and \$1,500,000, respectively, during the year ended June 30, 2006.

Metropolitan Transit Authority

The Davidson Transit Organization provides a Section 403(b) Plan for substantially all Metropolitan Transit Authority employees, up to a 3% match for access-ride employees only, who are not covered by the defined benefit pension plan. Beginning in November 2003, access-ride employees are no longer eligible to receive matching funds.

Metropolitan Nashville Airport Authority

The Metropolitan Nashville Airport Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Airport Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the Airport Authority's Statement of Net Assets. Beginning January 1, 2001, the Authority's matching contributions are made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). The contribution by the Authority to this plan was \$488,949 for the year ended June 30, 2006.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**NOTE 9 - LEASES**

**Primary Government**

The Government entered a lease agreement commencing November, 2005, for additional office space. The terms of the agreement call for a base annual rent of \$600,191 before a 50% credit for tenant improvements through December, 2009. Thereafter, rent will be adjusted upward based on either the consumer price index or 3.5% annually, whichever is less. The lease agreement expires December, 2014. However, the Government may exercise up to six renewal options for five additional years each. Rent expense for the year ended June 30, 2006 was \$200,064.

The Government leases certain other facilities from various lessors under operating lease agreements. Total rental expenditures under these leases are nominal for the year ended June 30, 2006.

The Government leases certain warehouse and office space and various other places for periodic use to various lessees. Such leases are accounted for as operating leases and range in duration from less than one year to five years. The lease agreements provide for fixed rental payments. Annual rental income under these operating leases is nominal.

The Government entered into a capital lease agreement with the State of Tennessee for the construction of a Farmers Market. Under the terms of the agreement, the Government will lease the building for 20 years at a cost of \$3,645,000. Lease payments began in June 1996 with an initial payment of \$645,000. The remaining lease payments will be made over the initial term of the lease in annual rental payments. At June 30, 2006, the leased building is carried in the enterprise funds at \$3,645,000, less accumulated depreciation of \$918,719. A summary of future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 2006 is as follows:

<u>Year Ending June 30,</u>		
2007	\$	259,665
2008		256,105
2009		257,113
2010		257,487
2011		257,220
2012-2015		<u>1,031,975</u>
Total future minimum lease payments		2,319,565
Less:		
Amount representing interest imputed at 7.5%		539,565
Current portion of capital lease		<u>160,000</u>
Long-term capitalized lease obligation	\$	<u><u>1,620,000</u></u>

**Component Units**

**Nashville District Management Corporation**

The Corporation leases office space under a noncancelable operating lease which expires May 2007. The space is paid for and used by Nashville Downtown Partnership, Inc., a related nonprofit organization. In connection with the lease, the lessor provided reduced rent totaling \$42,109 for the year ended December 31, 2005 that has been reflected in the financial statements as contributions with an offsetting charge to expense. The lease provides for additional rent to be payable in the event property taxes and/or building operating costs increase for base year amounts. Rent expense totaled \$77,810 for the year ended December 31, 2005. Future minimum lease payments at December 31, 2005 totaled \$51,000.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

General Hospital

The Government, on behalf of General Hospital, entered into a capital lease agreement with Meharry Medical College for the use of the Hubbard Hospital site on the Meharry campus. Under the terms of the agreement, the Government will lease the building for 30 years at a cost of \$4 million per year. Lease payments began in December 1994 after Meharry Medical College and the Board of Hospitals agreed on a program of renovations by Meharry Medical College on Hubbard Hospital. This lease has been subleased to the Hospital Authority. At June 30, 2006, the leased building is carried in the proprietary type component units at the present value of minimum future lease payments of \$48,000,000, less accumulated depreciation of \$13,729,315.

A summary of future minimum lease payments required under the agreement as of June 30, 2006 follows:

<u>Year Ending June 30, 2006</u>	
2007	\$ 4,000,000
2008	4,000,000
2009	4,000,000
2010	4,000,000
2011-2015	20,000,000
2016-2020	20,000,000
2021-2025	<u>17,666,667</u>
Total future minimum lease payments	73,666,667
Less:	
Amount representing interest	33,773,753
Current portion of capital lease	<u>1,045,998</u>
Long-term capitalized lease obligation	<u>\$ 38,846,916</u>

Metropolitan Development and Housing Agency

The Metropolitan Development and Housing Agency leases certain office space and equipment accounted for as operating leases. Total lease expenditures for the year ended September 30, 2005 were \$54,290 and future minimum rental commitments are insignificant.

The Metropolitan Development and Housing Agency receives rental income under a building lease accounted for as an operating lease. The lease has an initial term of thirty years and provides for an option to renew for seven successive ten-year periods. The lessee is committed to pay base rents totaling \$500,000 annually through 2016, with future minimum lease payments of \$5,625,000 at September 30, 2005. In addition, rental income, other than rent directly related to low-income housing units, is received under various other short-term land and building operating leases. These leases are all either cancelable or the future minimum rentals are insignificant. Rental income from these leases amounted to \$107,978 for the year ended September 30, 2005.

Electric Power Board

The Electric Power Board's rent expense, consisting primarily of payments for pole attachment leases, facilities rental and leasing arrangements for software licensing, amounted to \$898,000 for the year ended June 30, 2006. These arrangements, which are all accounted for as operating leases, are all cancelable; therefore, future minimum rentals under these leases are not significant. Rental income is received under pole attachment leases, which are accounted for as operating leases. These leases are cancelable; therefore, future minimum rentals under these leases are not significant. Rental income from this source totaled \$1,900,000 for the year ended June 30, 2006.

Metropolitan Transit Authority

During fiscal 2000, the Metropolitan Transit Authority entered into a capital lease obligation for new buses with a capitalized cost of \$990,591. Also, during fiscal years 2004, 2005 and 2006, the Authority entered into a capital lease agreement with the Government for certain computer equipment with a total cost of \$130,084. The assets

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

under capital lease are included in capital assets. The future minimum lease payments required under the capital leases as of June 30, 2006, are as follows:

<u>Year Ending June 30, 2006</u>	
2007	\$ 159,744
2008	147,774
2009	136,153
2010	<u>63,612</u>
Total future minimum lease payments	507,283
Less:	
Amount representing interest imputed at 5.05%	53,497
Current portion of capital lease	<u>142,510</u>
Long-term capitalized lease obligation	<u>\$ 311,276</u>

Metropolitan Nashville Airport Authority

The Airport Authority leases or has entered into options to lease several tracts of land to developers. The leases expire in 2058. The Airport Authority has received advance payments in the amount of \$2,533,613 (\$1,987,327 unamortized at June 30, 2006) which are being amortized into income over the terms of the leases. The buildings and any other improvements constructed on the land become the property of the Airport Authority upon the expiration or termination of the leases.

During the year ended June 30, 1975, the Airport Authority entered into long-term lease agreements with certain of the airlines serving Nashville for use of the facilities at Nashville International Airport. Rentals and fees due under terms of the leases are based upon the Airport Authority's projected cost of providing the facilities to the airlines. These long-term agreements have been amended and restated to extend through September 14, 2017, which is 30 years from the occupancy date of the new terminal. Costs recovered through rentals and fees include expenses of operating and maintaining the airport plus 110% of debt service on all bonds outstanding. The notes receivable from tenants of \$1,519,498 at June 30, 2006 represent expenditures made by the Airport Authority on behalf of certain tenants for improvements at the terminal. The signatory tenant notes accrue interest at 7% while the nonsignatory tenant notes accrue interest at 9%. The notes are to be repaid on a monthly basis through 2015.

Emergency Communications District

The Emergency Communications District acquired certain hardware and software to upgrade its computer aided dispatch systems that are financed under agreements accounted for as capital leases. The lease commitments were paid off during the year ended June 30, 2006.

Industrial Development Board

Certain bond issues of the Industrial Development Board in prior years provide for lease agreements between the Board and the companies receiving public financing for the construction or improvement of their facilities. The leases require the companies to pay rent during the original period of the lease in an amount at least sufficient to pay the principal and interest due on the bonds. These leases are automatically renewable for up to four additional five-year terms at specified rental amounts. The current rent associated with these leases was \$13,800 for the year ended March 31, 2006.

Certain lease agreements of the Industrial Development Board provide for the purchase of the leased facilities when all amounts due on the related bonds issued have been repaid and all the renewal term rents due have been received. The purchase option amounts are fixed by the respective lease agreements. During the fiscal year ending March 31, 2005, no lease options were exercised. Lease agreements with purchase options that have not been exercised and remain in effect total \$150,000 at March 31, 2006.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Industrial Development Board is obligated under a lease agreement dated April 6, 1961, with the Airport Authority to pay ground rent in the amount of \$12,000 annually for the property on which the facilities occupied by Genesco, Inc. are located. The lease term runs concurrently with the Genesco, Inc. ground rent lease which expires on April 25, 2007. During the year ended March 31, 2006, rent under the long-term lease obligation was \$12,000. Future obligations over the term of the lease are as follows:

<u>Year Ending March 31, 2006</u>	<u>Amount</u>
2007	\$ 12,000
2008	<u>1,000</u>
Total future lease payments	<u>\$ 13,000</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at June 30, 2006 are attributable to unsettled balances at year-end primarily for internal service billings and transfers between funds.

Balances at June 30, 2006 are as follows:

SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES

For the Year Ended June 30, 2006

Due From	Due To					
	General Fund	General Purpose School Fund	GSD General Purposes Debt Service Fund	GSD School Purposes Debt Service Fund	USD General Purposes Debt Service Fund	GSD Capital Projects Fund
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,118
General Purpose School	355,039	-	-	-	-	-
GSD General Purposes Debt Service Fund	343,229	-	-	-	-	964,238
GSD School Purposes Debt Service Fund	-	-	358,142	-	-	-
USD General Purposes Debt Service Fund	-	-	-	3,144	-	-
GSD Capital Projects Fund	2,535,111	-	1,583,900	-	-	-
Nonmajor Governmental Funds Department of Water and Sewerage Services	3,815,707	404,234	-	-	2,046	823,255
Nonmajor Enterprise Funds	11,427	-	-	-	-	-
Internal Service Funds	4,845	58,613	-	-	-	51,003
Fiduciary Funds	1,291,955	1,906,223	39,554	25,842	5,502	1,759,716
	6,039,958	444,956	-	-	-	-
	<u>\$ 14,397,271</u>	<u>\$ 2,814,026</u>	<u>\$ 1,981,596</u>	<u>\$ 28,986</u>	<u>\$ 7,548</u>	<u>\$ 3,629,330</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

For the Year Ended June 30, 2006

Due To						
Nonmajor Governmental Funds	Department of Water and Sewerage Services	District Energy System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
\$ 3,608,586	\$ 422,022	\$ 4,545	\$ 296,165	\$ 392,575	\$ 44,920	\$ 4,799,931
2,152,921	-	-	-	334,005	6,485	2,848,450
46,663	-	-	-	2,641,900	-	3,996,030
420,710	-	-	-	-	-	778,852
378,296	-	-	-	-	-	381,440
1,615,368	-	81,528	51,003	-	-	5,866,910
3,313,443	-	-	2,496,914	1,543,691	-	12,399,290
389,267	-	-	6,418	4,193	-	411,305
1,000	-	-	66,551	64	-	182,076
720,934	432,909	811	139,922	236,326	2,587,486	9,147,180
719	-	-	6,924	-	-	6,492,557
<u>\$ 12,647,907</u>	<u>\$ 854,931</u>	<u>\$ 86,884</u>	<u>\$ 3,063,897</u>	<u>\$ 5,152,754</u>	<u>\$ 2,638,891</u>	<u>\$ 47,304,021</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE 11 - INTERFUND TRANSFERS**

Interfund transfers are attributable to the budgeted allocation of resources from one fund to another primarily for debt service requirements, operating subsidies and the funding of capital items.

Transfers from fiduciary funds represent employee contributions to flexible benefit plans which reverted to the Government for no utilization and transfers from pension funds to the General Fund to cover administrative costs.

Interfund transfers for the year ended June 30, 2006 consist of the following:

SCHEDULE OF INTERFUND TRANSFERS

For the Year Ended June 30, 2006

Transferred From	Transferred To					
	General Fund	General Purpose School Fund	GSD General Purposes Debt Service Fund	GSD School Purposes Debt Service Fund	USD General Purposes Debt Service Fund	GSD Capital Projects Fund
General Fund	\$ 785,500	\$ 725	\$ 3,364,515	\$ -	\$ -	\$ 28,071
General Purpose School Fund	136,450	-	-	-	-	-
GSD General Purposes Debt Service Fund	16,998	-	-	-	7,784,000	91,095
GSD Schools Purposes Debt Service Fund	11,819	-	-	-	-	-
USD General Purposes Debt Service Fund	2,516	-	-	-	-	-
GSD Capital Projects Fund	30,000	-	3,596,812	-	-	-
Nonmajor Governmental Funds	7,802,480	2,718,991	6,053,900	1,360,747	1,081,639	48,484,735
Department of Water and Sewerage						
Services	4,084,655	-	-	-	-	-
District Energy System	9,633	-	-	-	-	81,528
Nonmajor Enterprise Funds	1,185,110	-	-	-	-	-
Internal Service Funds	2,436,048	-	2,641,900	-	-	9,464
Fiduciary Funds	-	-	-	-	-	-
	<u>\$ 16,501,209</u>	<u>\$ 2,719,716</u>	<u>\$ 15,657,127</u>	<u>\$ 1,360,747</u>	<u>\$ 8,865,639</u>	<u>\$ 48,694,893</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SCHEDULE OF INTERFUND TRANSFERS (CONTINUED)

For the Year Ended June 30, 2006

Transferred To					
Nonmajor Governmental Funds	District Energy System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
\$ 44,944,664	\$ 2,173,100	\$ 1,450,200	\$ 8,157,222	\$ 3,148	\$ 60,907,145
4,257,630	-	215,000	850,755	1,066	5,460,901
-	-	-	-	-	7,892,093
884,898	-	-	-	-	896,717
15,692	-	-	-	-	18,208
32,547,761	-	135,300	538,538	-	36,848,411
899,424	-	2,436,498	9,098,743	-	79,937,157
18,096,260	-	-	1,941,345	-	24,122,260
-	-	-	-	-	91,161
-	-	2,047,182	4,079	17,146	3,253,517
21,839	-	-	10,920,084	-	16,029,335
-	-	-	1,997,282	-	1,997,282
<u>\$ 101,668,168</u>	<u>\$ 2,173,100</u>	<u>\$ 6,284,180</u>	<u>\$ 33,508,048</u>	<u>\$ 21,360</u>	<u>\$ 237,454,187</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The Metropolitan Department of Law estimated a potential liability for claims, suits and judgments filed for damages to persons and property and for other alleged claims arising out of matters incidental to the operation of the Government. The estimated liability is not expected to be liquidated with expendable available resources and is recorded in the applicable governmental activities in the Statements of Net Assets and Activities. Any estimated liabilities attributable to proprietary funds and component units are recorded in those funds and units.

**B. Insurance and Benefits**

The Government and its component units are subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to employees; and natural disasters.

**Primary Government**

The Government is self-insured with respect to liability claims. Liabilities for all accidents are generally limited under the Governmental Tort Liability Act of the Tennessee Code as follows:

	<u>Accidents</u>	
Bodily injury	\$ 250,000	per person
	600,000	per accident
Property damage	85,000	per accident

The Government is also self-insured with respect to casualty losses on real and personal property for the first \$3,000,000 of loss in any one year. Claims above this amount are covered by commercial insurance provided by independent insurers subject to a \$10,000 deductible. Settled claims have not exceeded the self insured retention in any of the past three fiscal years. The Government is also self-insured with respect to medical benefits and employee blanket bond coverage. Estimated losses for all self-insured risks of \$19,257,945 are recorded as liabilities in internal service funds.

The following summarizes the changes in the estimated claims payable in the respective internal service funds for the years ended June 30, 2005 and 2006:

	<u>School Self Insurance</u>	<u>General Government Self Insurance</u>	<u>School Professional Employees' Insurance</u>	<u>Employees' Medical Benefit</u>	<u>Injured on Duty</u>	<u>Total Internal Service Fund Types</u>
Claims payable June 30, 2004	\$ 510,379	\$ 5,268,278	\$ 3,250,000	\$ 4,268,000	\$ 708,356	\$ 14,005,013
Add: Provision for events of the current fiscal year	1,547,806	2,064,189	48,561,857	39,791,928	9,546,666	101,512,446
Deduct: Payments on claims during the fiscal year	<u>373,063</u>	<u>1,626,118</u>	<u>47,885,651</u>	<u>39,640,928</u>	<u>9,466,015</u>	<u>98,991,775</u>
Claims payable June 30, 2005	1,685,122	5,706,349	3,926,206	4,419,000	789,007	16,525,684
Add: Provision for events of the current fiscal year	(28,203)	1,832,650	54,473,414	46,680,250	10,428,733	113,386,844
Deduct: Payments on claims during the fiscal year	<u>521,550</u>	<u>893,328</u>	<u>53,948,414</u>	<u>47,315,250</u>	<u>7,975,741</u>	<u>110,654,583</u>
Claims payable June 30, 2006	<u>\$ 1,135,369</u>	<u>\$ 6,645,371</u>	<u>\$ 4,451,206</u>	<u>\$ 3,784,000</u>	<u>\$ 3,241,999</u>	<u>\$ 19,257,945</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Component Units**

The Metropolitan Development and Housing Agency maintains commercial insurance coverage to cover the various risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Agency. Settled claims have not exceeded this commercial coverage in the past.

The Hospital Authority participates in the Government's insurance and benefits programs.

The Electric Power Board is covered under the same Tort Liability Act as the primary government and is self-insured under the Act. The Board is a participant with the primary government in the General Government Self-Insurance Fund for coverage of all property losses. The Board is self-insured for employee dental claims and self-insured up to \$100,000 for employee medical claims. The Board continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

The Metropolitan Transit Authority is self-insured for all losses relating to the operation of any vehicle up to \$100,000 per occurrence. Non-vehicle accident losses are fully covered under a self-insurance program. A provision has been made for all such known losses incurred through June 30, 2006. Accident losses exceeding \$100,000 are covered under an insurance program subject to certain limits.

The Metropolitan Transit Authority has purchased reinsurance which provides for reimbursement of paid medical claims in excess of \$145,000 per covered participant per agreement year, (\$130,000 prior to March 1, 2006). The policy also provides a specified maximum of \$1,000,000 during the lifetime of a covered participant, and an aggregate maximum for total claims paid per agreement year. The aggregate maximum each year fluctuates based on the number of employees under single or family coverage contracts. The maximum amount that the reinsurance carrier will pay out in a plan year is \$1,000,000. Total claims paid in 2006 did not exceed the aggregate maximum.

As required by a collective bargaining labor agreement, the Davidson Transit Organization Employee Benefit Trust was established to pay all medical claims for Metropolitan Transit Authority employees. The accrued medical claims and re-insurance amounts are recorded by the Trust. The Metropolitan Transit Authority funds the Trust on a break-even basis. At June 30, 2006, the Metropolitan Transit Authority owed the Trust \$1,140,333.

The Airport Authority accrues self-insured employee medical benefit claims. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is grouped with accrued payroll and related items in the financial statements. This liability does not include non-incremental claims adjustment expenses. The Airport Authority carries commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Emergency Communications District is exposed to various risks of loss related to the theft, damage and destruction of assets. All equipment is covered by warranty and service agreements. The District carries fidelity bond insurance in the amount of \$183,000 for each staff and Board member and has had no claims or settled claims in the past three fiscal years.

The Industrial Development Board is self-insured for all losses to which it is exposed. The Board limits its risk by issuing no more than 85% of project values in bonds and by requiring companies receiving bond issuances to sign personal indemnities in case of default.

**C. Federal and State Financial Assistance**

The Government has received federal and state financial assistance for specific purposes that is subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the programs, the Government believes that any required reimbursements would not be material to the basic financial and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

## THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The full faith and credit of the Government is pledged for possible deficiencies in the collection of required state sewer user fees established in connection with certain grants received from the State Funding Board (TCA 68-221-202 through 68-221-214). The Department of Water and Sewerage Services acts as a conduit with respect to sewer user fees imposed by the state. These user fees are set at an amount sufficient to recover the project costs, including related interest expense. As of June 30, 2006, no deficiencies existed. The amount to be repaid from user fees is \$61,430,980 at June 30, 2006 and is recorded as capital grants and contributions by the Department of Water and Sewerage Services.

#### **D. Construction Commitments**

##### **Primary Government**

At June 30, 2006, the governmental activities of the Government had commitments of \$81,511,236 for construction contracts.

At June 30, 2006, the Department of Water and Sewerage Services had commitments of \$165,574,642 for construction contracts.

The State of Tennessee Department of Environment and Conservation issued an order in 1990 to the Department of Water and Sewerage Services to correct certain deficiencies in the Department's wastewater system. The order specifies certain conditions and capital improvements which must be made by given deadlines. The future related capital expenditures are expected to total approximately \$100,000,000 through the year 2011. The Department has identified various sources to fund these mandated improvements. In addition, the Department is currently investigating various options to raise funds for wastewater system capital improvements mandated by the State of Tennessee Department of Health and Environment. Failure to comply with the mandate and meet established deadlines could result in penalties up to \$500,000 per year. No such penalty has been assessed through June 30, 2006. Proposed plans to fund capital expenditures for the next few years include internally generated cash and Tennessee Local Development Authority Loans.

##### **Component Units**

As of September 30, 2005, the Metropolitan Development Housing Agency had outstanding construction commitments of approximately \$15.7 million. Of this amount, \$15.5 million will be paid by grants committed to the Agency by HUD, and the remaining \$200,000 will be paid by funds committed to the Agency by Metropolitan Government of Nashville and Davidson County.

The Metropolitan Nashville Airport Authority estimates the cost of completion of various construction projects at June 30, 2006 to be \$79,206,303, of which \$9,440,249 is expected to be reimbursed by other governmental agencies under existing government contracts.

The Metropolitan Transit Authority commenced phase one of the multi-phase "Music City Central" transit center project. Included in the construction in progress amount at June 30, 2006 is \$2,333,935 for project management consulting and site selection costs relating to the project. Music City Central is projected to cost approximately \$48,350,000 and is expected to be completed in fiscal year 2008. At June 30, 2006, MTA had not yet entered into any formal commitments for construction. The cost of Music City Central will be reimbursed through a series of federal, state and local grants.

#### **E. Liquidity**

##### **Component Units**

The Government has only budgeted and legally approved approximately \$49.8 million to the Hospital Authority, \$33.1 million of which has been allocated as revenue to General Hospital by the Hospital Authority, for the year ended June 30, 2007. The Government has also not committed to defer payment on amounts due to the Metropolitan Government or provide additional funding to General Hospital should such funding become necessary. The financial statements of General Hospital have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As reflected in General Hospital's financial statements, General Hospital had a net deficit of approximately \$10.0 million through the year ended June 30, 2006. General Hospital's financial activities resulted in net cash used in operating activities of approximately \$29.9 million for the year ended June 30, 2006, which was funded primarily by the Metropolitan Government in the form of revenue or capital contributions and advances reflected as liabilities in General Hospital's financial statements.

## THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accordingly, these factors among others indicate that General Hospital may be unable to continue as a going concern for a reasonable period of time. General Hospital's financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should General Hospital be unable to continue as a going concern. General Hospital's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain a level in which operating revenues and revenue from the Metropolitan Government exceed operating expenses. General Hospital has implemented several strategic initiatives to increase cash flow including: contracting with a vendor to work outstanding accounts and aged patient accounts receivable, implementing electronic medical recordkeeping, reviewing the chargemaster to ensure that charges are processed properly, and renegotiating managed care contracts to improve reimbursement from payors.

At June 30, 2006, General Hospital had total amounts due to the Metropolitan Government of approximately \$18.2 million, which accrued interest at rates determined by the Metropolitan Government (2.69% at June 30, 2006). General Hospital is and will be dependent on the Metropolitan Government to subsidize current and future operations.

#### **F. Other Commitments**

##### **Primary Government**

In May 1999, the Government entered into a memorandum of understanding with Dell Computer Corporation (Dell), whereby Dell agreed to locate a manufacturing and assembly plant in Davidson County, and the Government agreed to provide property, site improvements and other economic incentives. One incentive program is a 40-year grant to Dell, where the Government will pay Dell, through the Industrial Development Board, \$500 per employee, based on the average number of full-time equivalent employees. Dell is expected to employ approximately 1,500 employees, and grant payments began with the 2000 fiscal year. The amount payable to Dell totaled \$950,000 for the year ended June 30, 2006.

##### **Component Units**

On July 31, 2002, the Hospital Authority entered into an Amended and Restated Management Services Agreement (Agreement) with Vanderbilt University whereby the Vanderbilt University Medical Center (VUMC) manages the Hospital Authority providing the services of certain management personnel at General Hospital and Bordeaux Long Term Care. As compensation for management services, General Hospital and Bordeaux Long Term Care paid VUMC a management fee of \$624,699 and \$351,393, respectively, for the year ended June 30, 2006. The outstanding management fees payable to VUMC for General Hospital and Bordeaux Long Term Care are \$104,116 and \$29,293, respectively, at June 30, 2006. The Agreement provides that 50% of any annual operating surpluses of General Hospital, as defined by the Agreement, will be paid to VUMC to be used to benefit General Hospital. Additionally, the Agreement also stipulates that the Government will provide an operating supplement for the payment of costs of the operations of General Hospital and Bordeaux Long Term Care. The total supplement to the Hospital Authority was \$44,322,600 for fiscal year ending June 30, 2006. The total supplement to the Hospital Authority approved for the fiscal year ending June 30, 2007 was \$49,797,100.

In August 1996, Congress approved the Health Insurance Portability and Accountability Act of 1996 (Act). Under the Act, the federal government was given substantial resources and authority for the completion of fraud and abuse investigations and the Act has established substantial fines and penalties for offenders. Management of the Hospital Authority continues to implement policies, procedures, and a compliance overview organizational structure to enforce and monitor compliance with this Act and other government statutes and regulations. The Hospital Authority's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time. While the outcome cannot be determined at this time, management is of the opinion that liability, if any, from such reviews will not have a material effect on the Hospital Authority's financial position and results of operations.

The Metropolitan Development and Housing Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Agency. Accordingly, no provision for loss, if any, related to these matters has been made in the financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Metropolitan Development and Housing Agency has designated Affordable Housing Resources (AHR), an Agency sub-recipient and non-profit developer, as the Developer of the Row 8.9 Condominiums. AHR has received a loan of \$150,000 with 5% interest from Home Investment Partnership Program funds for which the Agency has agreed to guarantee the repayment.

The Electric Power Board has an agreement with an outside firm, whereby the firm provides computer hardware services operation for the Board's mainframe information system. The agreement will expire in November 2007. The contract is for three years and may be renewed for two additional one-year periods. The Board also has an agreement with an outside firm, whereby the firm provides professional services for the management, operation, and support of the Board's information and data processing system. The agreement will expire in October 2007. The contract is for three years and may be renewed for two additional one-year periods. The minimum commitments remaining under these agreements are: \$4.9 million (2007) and \$1.5 million (2008).

The Electric Power Board is party to various litigation filed against it in the normal course of business. Management does not believe that damages, if any, arising from outstanding litigation, will have a material effect on the financial position of the Board.

The Metropolitan Transit Authority has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantor.

The Airport Authority is a defendant in certain lawsuits filed by area residents who allege property value damage as a result of increased air traffic and other legal proceedings incidental to its operations. The Authority intends to vigorously defend itself in these actions. Management cannot predict the extent to which similar actions may be taken by other parties. In the opinion of management and the Authority's legal counsel, while the ultimate outcome of these matters, including an estimate of potential loss, cannot presently be determined, any losses sustained would be recoverable through the Authority's leases with certain airlines.

In August 1997, the Emergency Communication District's board of directors approved an Interlocal Agreement with the Government to assist in the financing of an 800 MHz radio system. The total cost of this equipment is estimated to be \$28 million, of which the District will be responsible for \$2.8 million per year, payable in semi-annual installments, over a ten-year period. To fund its portion of the acquisition, the District increased the monthly emergency telephone service subscriber fees.

The Nashville District Management Corporation has an agreement with the Government to provide program administration of the Nashville Central Business Improvement District in accordance with Tennessee law. The Corporation's duties and responsibilities under the agreement include but are not limited to providing services for improvement and operation of the District through security enhancement, downtown marketing, improving downtown beautification and sanitation and maintenance. The original term of the agreement is one year, renewable annually by the mutual notification by each party to the other. The agreement may be terminated by the Government upon thirty days notice.

The Nashville District Management Corporation has entered into an agreement with Nashville Downtown Partnership, a related nonprofit organization, to perform all the duties and responsibilities for day-to-day management and implementation of services and improvements for the Nashville Central Business Improvement District (CBID), as defined in the Memorandum of Agreement with Metro, in exchange for substantially all revenues received from CBID assessments. During the year ended December 31, 2005, the Corporation recognized expense of \$581,721 related to the agreement. The agreement will expire December 31, 2007.

**NOTE 13 – SUBSEQUENT EVENTS**

**Primary Government**

On October 18, 2006, the Government completed a draw of \$40,000,000 of commercial paper notes. These notes carry an interest rate of 3.58% and mature on January 12, 2007 (\$20,000,000) and January 18, 2007 (\$20,000,000). On November 14, 2006, the Government completed a draw of \$10,000,000 of commercial paper notes. These notes carry an interest rate of 3.60% and mature on February 12, 2007. On November 29, 2006, the Government completed a draw of \$20,000,000 of commercial paper notes. These notes carry an interest rate of 3.60% and mature on February 13, 2007. At maturity, the notes will be rolled over into new commercial paper notes or bonds will be issued. The proceeds from the notes will be used to fund various capital projects.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

On November 7, 2006, voters approved a ballot initiative prohibiting the Metropolitan Council from raising real property tax rates from their current and future levels without the approval of the voters in a referendum. Prior to the adoption of the November 7 ballot proposal, the Metropolitan Council was authorized to set the real property tax rate without any requirement of voter approval. The Government's legal department has issued a memo stating that the approved initiative violates the Tennessee Constitution because it places the power to set property tax rates with voters, rather than with the Metropolitan Council, as prescribed by the Constitution. However, the Government cannot predict whether there will be a court challenge as to the constitutionality of the approved initiative. If there is a challenge, the Government cannot predict the timing or be certain of the outcome of any court challenge as to the constitutionality of the approved initiative.

On November 7, 2006, voters also approved a Charter amendment requiring the Mayor to submit the annual operating budget to the Metropolitan Council on March 25, rather than on May 25, of each year.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CONDITION RATING OF TRANSPORTATION NETWORK

Unaudited – See Accompanying Accountants' Report

The transportation network of the Government is segregated into two subsystems: roads and streets, and bridges and underpasses. Information regarding condition and needed and actual maintenance costs is presented below.

**ROADS AND STREETS**

Percentage of Lane Miles in Good or Better Condition

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
73.0 %	85.0 %	85.0 %	85.5 %	85.4 %	83.4 %

The condition of road and street pavement is measured using the Cartegraph Pavement View Plus pavement management system. The condition is determined based on data collected by the laser road surface test (surface condition) and the dynaflect test (pavement deflection data) along with other road and street information such as traffic, surface type, street length, street width, area and location. Beginning in 2006, the pavement condition measure was refined to include a measurement for raveling distress. Raveling is the loss of aggregate from the road surface. This distress is used to identify roads that would benefit from a new surface treatment process that extends the life of the road. The addition of raveling with the other existing distresses resulted in an overall road condition decrease for 2006. The system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads and streets as excellent (85-100), good (70-84), fair (60-69) and poor (less than 60). Condition assessments are determined on an annual basis. It is the policy of the Government to maintain at least 70 percent of its road and street system at a good or better condition.

There are currently approximately 5,600 lane miles of roads and streets in the transportation network.

Comparison of Needed to Actual Maintenance

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Needed	\$ 12,839,000	\$ 9,200,000	\$ 9,000,000	\$ 9,200,000	\$ 9,200,000
Actual	2,535,548	5,114,944	9,534,328	6,126,750	2,237,282
Difference	<u>\$ (10,303,452)</u>	<u>\$ (4,085,056)</u>	<u>\$ 534,328</u>	<u>\$ (3,073,250)</u>	<u>\$ (6,962,718)</u>

Information regarding needed and actual maintenance and preservation costs is not available prior to fiscal year ended June 30, 2002.

The actual amount spent on roadway paving and surface treatment was significantly lower than the needed amount due to the fact that capital funds were not available until November. This delayed the procurement, contracting and work related to road repairs and maintenance; however, the budgeted funds have all been encumbered.

**BRIDGES AND UNDERPASSES**

Percentage of Deck Area in Non-Deficient Condition

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
95.3 %	(a)	(a)	94.2 %	(a)	89.0 %

(a) Condition assessments are determined by the State every two years. Results are released by the State late in the calendar year. Due to this timing, condition assessments will now be reported every even year beginning in 2006. Thus, the assessment results provided late calendar year 2005 are reported in fiscal 2006.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CONDITION RATING OF TRANSPORTATION NETWORK (CONTINUED)

Unaudited – See Accompanying Accountants' Report

The condition of bridges and underpasses is measured using the Federal Aid Bridge Inspection System supervised by the Tennessee Department of Transportation, which is based on a two-year cycle of inspections of structures designated in two categories: Non-Federal Aid and Federal Aid Urban. The inspection system uses a measurement that classifies the condition as good, fair, poor or critical. The Public Works Department of the Government reviews all findings on all inspections. It is the policy of the Government to maintain at least 75 percent of its bridges and underpasses in fair or better condition. The conversion of the Shelby Street Bridge from a vehicle to pedestrian use bridge during fiscal year 2003 was a major contributor to the improved condition rating of 94.2 percent in 2003.

There were 230 Non-Federal Aid and 126 Federal Aid Urban bridges and underpasses in the transportation network as of the 2002 inspection. One additional Federal Aid Urban bridge, the Gateway Bridge, was completed during fiscal year 2004.

Comparison of Needed to Actual Maintenance

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Needed	\$ 9,613,000	\$ 1,800,000	\$ 800,000	\$ 800,000	\$ 830,000
Actual	<u>2,517,717</u>	<u>1,848,895</u>	<u>231,054</u>	<u>555,057</u>	<u>637,019</u>
Difference	<u>\$ (7,095,283)</u>	<u>\$ 48,895</u>	<u>\$ (568,946)</u>	<u>\$ (244,943)</u>	<u>\$ (192,981)</u>

The actual amount spent on bridge and underpass repair was significantly lower than the needed amount due to the fact that capital funds were not available until November. This delayed the procurement, contracting and work related to bridge and underpass repairs and maintenance; however, the needed funds have all been encumbered.

Information regarding needed and actual maintenance and preservation costs is not available prior to fiscal year ended June 30, 2002.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS (b)

Unaudited - See Accompanying Accountants' Report

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio
County Plan (a)				
July 1, 2000	\$ -	\$ 21,487,993	\$ 21,487,993	- %
July 1, 2001	-	24,162,977	24,162,977	-
July 1, 2002	-	25,088,621	25,088,621	-
July 1, 2003	-	19,331,288	19,331,288	-
July 1, 2004	-	18,159,599	18,159,599	-
July 1, 2005	348,492	17,422,321	17,073,829	2.00
Metro Plan				
July 1, 2000	1,419,820,507	1,522,468,982	102,648,475	93.26
July 1, 2001	1,532,338,623	1,628,956,808	96,618,185	94.07
July 1, 2002	1,569,455,257	1,668,629,134	99,173,877	94.06
July 1, 2003	1,569,047,675	1,688,192,909	119,145,234	92.94
July 1, 2004	1,592,671,213	1,708,318,774	115,647,561	93.23
July 1, 2005	1,602,285,363	1,818,206,856	215,921,493	88.12
County Education Plan (a)				
July 1, 2000	-	62,341,205	62,341,205	-
July 1, 2001	-	60,545,071	60,545,071	-
July 1, 2002	-	57,824,587	57,854,587	-
July 1, 2003	-	50,759,348	50,759,348	-
July 1, 2004	-	48,496,408	48,496,408	-
July 1, 2005	930,671	46,129,614	45,198,943	2.02
Metro Education Plan				
July 1, 2000	105,021,868	230,608,033	125,586,165	45.54
July 1, 2001	108,873,419	236,573,475	127,700,056	46.02
July 1, 2002	107,937,347	235,616,521	127,679,174	45.81
July 1, 2003	101,996,664	236,236,129	134,239,465	43.18
July 1, 2004	99,291,833	233,243,203	133,951,370	42.57
July 1, 2005	90,047,496	233,143,995	143,096,499	38.62

(a) Plan is closed and funded on a "pay-as-you-go" basis.

(b) There are no factors that significantly affect the identification of trends in the amounts reported. See assumptions used in the preparation of the Schedule disclosed in Note 7 to the financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS (CONTINUED) (b)

Unaudited - See Accompanying Accountants' Report

Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
\$ -	- %
-	-
-	-
-	-
-	-
-	-
384,283,394	26.71
398,426,904	24.25
434,699,880	22.81
466,820,160	25.52
481,881,171	24.00
474,531,741	45.50
480,448	-
446,414	-
283,145	-
241,202	-
114,132	-
69,331	65,192.98
8,071,426	1,555.94
6,471,686	1,973.21
4,752,700	2,686.46
3,216,887	4,172.96
1,175,623	11,394.08
806,833	17,735.58

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS (b)

Unaudited - See Accompanying Accountants' Report

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio
City Plan (a)				
July 1, 2000	\$ -	\$ 91,006,918	\$ 91,006,918	-
July 1, 2001	-	103,406,732	103,406,732	-
July 1, 2002	-	106,725,860	106,725,860	-
July 1, 2003	-	87,981,174	87,981,174	-
July 1, 2004	-	85,325,799	85,325,799	-
July 1, 2005	1,637,445	79,815,871	78,178,426	2.05
City Education Plan (a)				
July 1, 2000	-	37,658,538	37,658,538	-
July 1, 2001	-	36,291,065	36,291,065	-
July 1, 2002	-	33,511,657	33,511,657	-
July 1, 2003	-	31,877,857	31,877,857	-
July 1, 2004	-	29,562,402	29,562,402	-
July 1, 2005	567,317	28,677,079	28,109,762	1.98

(a) Plan is closed and funded on a "pay-as-you-go" basis.

(b) There are no factors that significantly affect the identification of trends in the amounts reported. See assumptions used in the preparation of the Schedule disclosed in Note 7 to the financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS (CONTINUED) (b)

Unaudited - See Accompanying Accountants' Report

	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
\$	-	- %
	-	-
	-	-
	-	-
	-	-
	-	-
	168,000	-
	101,311	-
	104,405	-
	127,441	-
	132,349	-
	-	-

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS (a)

Unaudited - See Accompanying Accountants' Report

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
County Plan		
2001	\$ 1,838,038	148.70 %
2002	2,085,246	130.12
2003	2,186,158	115.17
2004	1,702,332	140.30
2005	2,212,493	118.24
2006	2,226,235	113.84
Metro Plan		
2001	21,918,101	130.59
2002	26,339,414	100.53
2003	40,274,352	74.80
2004	56,816,644	79.03
2005	66,773,405	88.20
2006	78,948,767	86.99
County Education Plan		
2001	5,332,537	127.70
2002	5,224,991	136.24
2003	5,038,687	127.85
2004	4,469,917	148.50
2005	5,908,608	127.30
2006	5,894,471	128.77
Metro Education Plan		
2001	10,742,379	55.67
2002	11,020,413	51.92
2003	11,125,636	87.01
2004	11,821,256	83.33
2005	11,932,549	57.45
2006	13,140,571	53.29

(a) See assumptions used in the preparation of the Schedule disclosed in Note 7 to the financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS (CONTINUED) (a)

Unaudited - See Accompanying Accountants' Report

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
City Plan		
2001	\$ 7,784,542	146.61 %
2002	8,923,918	128.44
2003	9,299,818	119.06
2004	7,747,707	138.63
2005	10,395,754	115.53
2006	10,198,923	114.01
City Education Plan		
2001	3,221,233	137.13
2002	3,131,890	145.42
2003	2,920	132.46
2004	2,807,195	141.07
2005	3,601,764	125.38
2006	3,664,376	128.79

(a) See assumptions used in the preparation of the Schedule disclosed in Note 7 to the financial statements.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2006

	Special Revenue Funds			
	Metropolitan Action Commission	General Government Services	Recreational and Cultural Services	General Fund 4% Reserve
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 127,090	\$ 1,494,181	\$ 330,054	\$ 21,631,089
Investments	69,572	535,423	207,247	13,885,131
Accounts receivable	776,516	4,465,363	222,553	2,129
Accrued interest receivable	1,526	7,613	1,667	161,284
Due from other funds of the primary government	1,048,030	5,409	14,596	8,308,678
Due from component units	-	-	-	13,546,707
Inventories of supplies	-	-	210,567	-
Other assets	443	350,000	-	-
<b>Total assets</b>	<b>\$ 2,023,177</b>	<b>\$ 6,857,989</b>	<b>\$ 986,684</b>	<b>\$ 57,535,018</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 339,168	\$ 681,874	\$ 90,871	\$ 1,227,066
Accrued payroll	478,504	19,872	35,425	-
Due to other funds of the primary government	952,831	2,675,693	212,074	2,055,462
Deferred revenue	-	-	-	-
Commercial paper payable	-	-	-	-
Other liabilities	6,676	-	-	-
<b>Total liabilities</b>	<b>1,777,179</b>	<b>3,377,439</b>	<b>338,370</b>	<b>3,282,528</b>
<b>FUND BALANCES:</b>				
Reserved for imprest cash and inventories	1,750	-	210,567	-
Reserved for equipment acquisitions	-	-	-	50,703,554
Reserved for trust purposes	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated for specific projects	-	64,030	-	-
Undesignated	244,248	3,416,520	437,747	3,548,936
<b>Total fund balances (deficits)</b>	<b>245,998</b>	<b>3,480,550</b>	<b>648,314</b>	<b>54,252,490</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 2,023,177</b>	<b>\$ 6,857,989</b>	<b>\$ 986,684</b>	<b>\$ 57,535,018</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2006

Special Revenue Funds

Law Enforcement and Justice Services	Solid Waste Operations	Stormwater Operations	Library Services	Health Services	Public Welfare Services
\$ 8,494,303	\$ 3,894,257	\$ 7,449,284	\$ 738,408	\$ -	\$ -
5,157,053	2,496,843	4,778,565	473,686	-	-
4,760,384	945,752	3,067,839	-	2,341,195	685,994
32,736	19,188	32,035	3,093	794	74
570,895	-	-	8,804	310,071	-
-	-	-	-	-	-
-	-	-	-	-	-
607	-	-	-	-	-
<u>\$ 19,015,978</u>	<u>\$ 7,356,040</u>	<u>\$ 15,327,723</u>	<u>\$ 1,223,991</u>	<u>\$ 2,652,060</u>	<u>\$ 686,068</u>
\$ 2,505,073	\$ 1,646,156	\$ 1,343,429	\$ 192,645	\$ 254,036	\$ 2,044
203,348	172,249	162,783	9,740	447,932	-
242,171	135,488	133,417	4,678	1,248,902	549,024
-	-	-	347,518	-	-
-	-	-	-	-	-
2,668,117	-	-	-	-	-
<u>5,618,709</u>	<u>1,953,893</u>	<u>1,639,629</u>	<u>554,581</u>	<u>1,950,870</u>	<u>551,068</u>
453,500	400	100	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,943,769	5,401,747	13,687,994	669,410	701,190	135,000
<u>13,397,269</u>	<u>5,402,147</u>	<u>13,688,094</u>	<u>669,410</u>	<u>701,190</u>	<u>135,000</u>
<u>\$ 19,015,978</u>	<u>\$ 7,356,040</u>	<u>\$ 15,327,723</u>	<u>\$ 1,223,991</u>	<u>\$ 2,652,060</u>	<u>\$ 686,068</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2006

	Special Revenue Funds		
	Education Services	Infrastructure Services	Nashville Career Advancement Center
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 7,178,658	\$ 1,842,211	\$ 400
Investments	1,478,000	1,181,773	-
Accounts receivable	12,918,980	-	395,639
Accrued interest receivable	25,832	7,571	-
Due from other funds of the primary government	475,472	32,177	730,018
Due from component units	-	-	-
Inventories of supplies	712,264	-	-
Other assets	-	-	433
<b>Total assets</b>	<b>\$ 22,789,206</b>	<b>\$ 3,063,732</b>	<b>\$ 1,126,490</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 2,032,211	\$ 9,604	\$ 619,093
Accrued payroll	-	28,368	112,110
Due to other funds of the primary government	2,432,709	11,210	518,430
Deferred revenue	848,474	-	-
Commercial paper payable	-	-	-
Other liabilities	-	-	-
<b>Total liabilities</b>	<b>5,313,394</b>	<b>49,182</b>	<b>1,249,633</b>
<b>FUND BALANCES:</b>			
Reserved for imprest cash and inventories	2,376,011	-	400
Reserved for equipment acquisitions	-	-	-
Reserved for trust purposes	-	-	-
Reserved for debt service	-	-	-
Unreserved:			
Designated for specific projects	-	-	-
Undesignated	15,099,801	3,014,550	(123,543)
<b>Total fund balances (deficits)</b>	<b>17,475,812</b>	<b>3,014,550</b>	<b>(123,143)</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 22,789,206</b>	<b>\$ 3,063,732</b>	<b>\$ 1,126,490</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2006

Special Revenue Funds		Debt Service Fund	Capital Projects Funds	
Public Works Services	Regulation and Inspection Services	Correctional Facility Revenue Bonds	Education Capital Projects	USD Capital Projects
\$ 390,858	\$ -	\$ 1,647,138	\$ 11,078,749	\$ 2,835,870
250,734	-	-	3,217,563	2,169,523
160,681	-	-	65,600	-
1,679	-	-	8,172	17
-	-	-	696,380	198,630
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>803,952</u>	<u>-</u>	<u>1,647,138</u>	<u>15,066,464</u>	<u>5,204,040</u>
\$ 9,792	\$ 15,957	\$ -	\$ 14,258,892	\$ 3,167,382
-	-	-	-	-
-	208,795	1,600	678,345	587,078
-	-	-	-	-
-	-	-	3,310,000	886,000
-	-	223,750	-	-
<u>9,792</u>	<u>224,752</u>	<u>225,350</u>	<u>18,247,237</u>	<u>4,640,460</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,421,788	-	-
-	-	-	-	563,580
<u>794,160</u>	<u>(224,752)</u>	<u>-</u>	<u>(3,180,773)</u>	<u>-</u>
<u>794,160</u>	<u>(224,752)</u>	<u>1,421,788</u>	<u>(3,180,773)</u>	<u>563,580</u>
<u>\$ 803,952</u>	<u>\$ -</u>	<u>\$ 1,647,138</u>	<u>\$ 15,066,464</u>	<u>\$ 5,204,040</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2006

	Permanent Funds		Total Nonmajor Governmental Funds
	General Government	Education	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 113,197	\$ 118,154	\$ 69,363,901
Investments	72,616	75,795	36,049,524
Accounts receivable	-	-	30,808,625
Accrued interest receivable	486	507	304,274
Due from other funds of the primary government	-	130	12,399,290
Due from component units	-	-	13,546,707
Inventories of supplies	-	-	922,831
Other assets	-	-	351,483
Total assets	\$ 186,299	\$ 194,586	\$ 163,746,635
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 2,000	\$ 28,397,293
Accrued payroll	-	-	1,670,331
Due to other funds of the primary government	-	-	12,647,907
Deferred revenue	-	-	1,195,992
Commercial paper payable	-	-	4,196,000
Other liabilities	-	-	2,898,543
Total liabilities	-	2,000	51,006,066
<b>FUND BALANCES:</b>			
Reserved for imprest cash and inventories	-	-	3,042,728
Reserved for equipment acquisitions	-	-	50,703,554
Reserved for trust purposes	105,994	81,220	187,214
Reserved for debt service	-	-	1,421,788
Unreserved:			
Designated for specific projects	-	-	627,610
Undesignated	80,305	111,366	56,757,675
Total fund balances (deficits)	186,299	192,586	112,740,569
Total liabilities and fund balances (deficits)	\$ 186,299	\$ 194,586	\$ 163,746,635

The accompanying notes are an integral part of this financial statement.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	Special Revenue Funds			
	Metropolitan Action Commission	General Government Services	Recreational and Cultural Services	General Fund 4% Reserve
<b>REVENUES:</b>				
Property taxes	\$ -	\$ 640,723	\$ -	\$ -
Other taxes, licenses and permits	-	22,909,594	-	-
Fines, forfeits and penalties	-	-	-	-
Revenues from the use of money or property	23,858	90,607	15,437	1,704,542
Revenues from other governmental agencies	16,396,720	5,048,782	131,916	38,200
Charges for current services	111,838	244,149	1,526,236	-
Compensation for loss, sale or damage to property	8,935	-	-	-
Contributions and gifts	39,373	904,381	271,727	-
Miscellaneous	130	-	-	-
Total revenues	<u>16,580,854</u>	<u>29,838,236</u>	<u>1,945,316</u>	<u>1,742,742</u>
<b>EXPENDITURES:</b>				
Current:				
Personal services	12,160,196	1,506,724	940,350	-
Contractual services	6,062,709	11,888,196	85,454	1,071,233
Supplies and materials	1,121,018	1,544,320	643,790	4,349,610
Bond issue costs	-	-	134,756	-
Other costs	200,047	1,417,722	-	50,028
Capital outlay	66,480	401,319	-	3,007,580
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>19,610,450</u>	<u>16,758,281</u>	<u>1,804,350</u>	<u>8,478,451</u>
Excess (deficiency) of revenues over expenditures	<u>(3,029,596)</u>	<u>13,079,955</u>	<u>140,966</u>	<u>(6,735,709)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of new bonds	-	-	-	-
Issuance of QZAB notes	-	-	-	-
Bond issue premium (discount)	-	-	-	-
Transfers in	3,377,400	858,939	504,493	21,218,801
Transfers out	(557,691)	(13,485,498)	(493,977)	(18,404,033)
Total other financing sources (uses)	<u>2,819,709</u>	<u>(12,626,559)</u>	<u>10,516</u>	<u>2,814,768</u>
Net change in fund balances (deficits)	(209,887)	453,396	151,482	(3,920,941)
FUND BALANCES (DEFICITS), beginning of year	<u>455,885</u>	<u>3,027,154</u>	<u>496,832</u>	<u>58,173,431</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ 245,998</u>	<u>\$ 3,480,550</u>	<u>\$ 648,314</u>	<u>\$ 54,252,490</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Special Revenue Funds

Law Enforcement and Justice Services	Solid Waste Operations	Stormwater Operations	Library Services	Health Services	Public Welfare Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25,866	-	-	-	-	-
5,359,958	-	43,622	-	-	-
359,624	209,733	324,613	39,764	8,851	745
20,269,586	579,734	1,933,524	279,493	12,103,475	84,668
147	3,963,453	7,485	-	-	-
-	-	-	-	-	-
19,644	-	-	482,272	31,853	500
169,807	-	-	-	-	375
<u>26,204,632</u>	<u>4,752,920</u>	<u>2,309,244</u>	<u>801,529</u>	<u>12,144,179</u>	<u>86,288</u>
6,606,514	4,886,129	4,236,495	173,276	11,652,563	333
16,552,577	15,413,926	2,577,465	137,974	1,205,632	225
1,100,105	863,464	338,911	948,351	462,937	-
-	-	-	-	-	-
222,076	134,439	81,277	5,374	132,765	21,608
1,165,368	-	8,333,133	110,013	77,453	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>25,646,640</u>	<u>21,297,958</u>	<u>15,567,281</u>	<u>1,374,988</u>	<u>13,531,350</u>	<u>22,166</u>
<u>557,992</u>	<u>(16,545,038)</u>	<u>(13,258,037)</u>	<u>(573,459)</u>	<u>(1,387,171)</u>	<u>64,122</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
691,444	19,079,500	18,096,259	-	3,342,170	6
(342,415)	(1,705,934)	(6,024)	-	(1,221,417)	(1,870)
<u>349,029</u>	<u>17,373,566</u>	<u>18,090,235</u>	<u>-</u>	<u>2,120,753</u>	<u>(1,864)</u>
907,021	828,528	4,832,198	(573,459)	733,582	62,258
<u>12,490,248</u>	<u>4,573,619</u>	<u>8,855,896</u>	<u>1,242,869</u>	<u>(32,392)</u>	<u>72,742</u>
<u>\$ 13,397,269</u>	<u>\$ 5,402,147</u>	<u>\$ 13,688,094</u>	<u>\$ 669,410</u>	<u>\$ 701,190</u>	<u>\$ 135,000</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Special Revenue Funds		
	Education Services	Infrastructure Services	Nashville Career Advancement Center
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes, licenses and permits	-	-	-
Fines, forfeits and penalties	-	-	-
Revenues from the use of money or property	277,370	55,046	2,130
Revenues from other governmental agencies	72,628,988	220,533	6,764,780
Charges for current services	16,662,769	-	-
Compensation for loss, sale or damage to property	9,625	-	-
Contributions and gifts	6,849,208	162,561	114,567
Miscellaneous	-	-	-
Total revenues	<u>96,427,960</u>	<u>438,140</u>	<u>6,881,477</u>
EXPENDITURES:			
Current:			
Personal services	52,361,417	707,134	2,710,565
Contractual services	6,511,466	251,012	3,701,340
Supplies and materials	35,597,347	19,166	145,754
Bond issue costs	-	-	-
Other costs	470,425	4,222	405,015
Capital outlay	481,133	75,718	13,088
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Total expenditures	<u>95,421,788</u>	<u>1,057,252</u>	<u>6,975,762</u>
Excess (deficiency) of revenues over expenditures	<u>1,006,172</u>	<u>(619,112)</u>	<u>(94,285)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of new bonds	-	-	-
Issuance of QZAB notes	-	-	-
Bond issue premium (discount)	-	-	-
Transfers in	2,150,321	2,080,823	106,100
Transfers out	(2,938,275)	(114,946)	(2,659)
Total other financing sources (uses)	<u>(787,954)</u>	<u>1,965,877</u>	<u>103,441</u>
Net change in fund balances (deficits)	218,218	1,346,765	9,156
FUND BALANCES (DEFICITS), beginning of year	<u>17,257,594</u>	<u>1,667,785</u>	<u>(132,299)</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ 17,475,812</u>	<u>\$ 3,014,550</u>	<u>\$ (123,143)</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Special Revenue Funds		Debt Service Fund	Capital Projects Funds	
Public Works Services	Regulation and Inspection Services	Correctional Facility Revenue Bonds	Education Capital Projects	USD Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
14,200	-	51,611	89,637	2,814
-	-	1,762,018	-	-
372,062	74,950	-	-	-
-	-	-	273,499	-
-	-	-	54,500	-
-	-	-	-	-
<u>386,262</u>	<u>74,950</u>	<u>1,813,629</u>	<u>417,636</u>	<u>2,814</u>
-	-	-	153,680	-
-	84,185	-	2,687,105	13,664,587
-	-	-	1,704,881	2,825,511
-	-	-	561,896	204,162
-	8,217	1,600	26,678	18,229
20,800	-	-	70,498,901	6,079,628
-	-	1,505,000	-	-
-	-	526,850	-	-
<u>20,800</u>	<u>92,402</u>	<u>2,033,450</u>	<u>75,633,141</u>	<u>22,792,117</u>
<u>365,462</u>	<u>(17,452)</u>	<u>(219,821)</u>	<u>(75,215,505)</u>	<u>(22,789,303)</u>
-	-	-	86,155,847	34,390,832
-	-	-	6,218,500	-
-	-	-	3,715,591	1,519,938
-	30,000	-	21,325,550	8,806,362
-	-	-	(24,123,337)	(16,539,081)
<u>-</u>	<u>30,000</u>	<u>-</u>	<u>93,292,151</u>	<u>28,178,051</u>
365,462	12,548	(219,821)	18,076,646	5,388,748
<u>428,698</u>	<u>(237,300)</u>	<u>1,641,609</u>	<u>(21,257,419)</u>	<u>(4,825,168)</u>
<u>\$ 794,160</u>	<u>\$ (224,752)</u>	<u>\$ 1,421,788</u>	<u>\$ (3,180,773)</u>	<u>\$ 563,580</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Permanent Funds		Total Nonmajor Governmental Funds
	General Government	Education	
REVENUES:			
Property taxes	\$ -	\$ -	\$ 640,723
Other taxes, licenses and permits	-	-	22,935,460
Fines, forfeits and penalties	-	-	5,403,580
Revenues from the use of money or property	5,250	5,489	3,281,321
Revenues from other governmental agencies	-	-	138,242,417
Charges for current services	-	-	22,963,089
Compensation for loss, sale or damage to property	-	-	292,059
Contributions and gifts	-	-	8,930,586
Miscellaneous	-	-	170,312
Total revenues	<u>5,250</u>	<u>5,489</u>	<u>202,859,547</u>
EXPENDITURES:			
Current:			
Personal services	-	-	98,095,376
Contractual services	-	-	81,895,086
Supplies and materials	-	-	51,665,165
Bond issue costs	-	-	900,814
Other costs	-	3,129	3,202,851
Capital outlay	-	-	90,330,614
Debt service:			
Principal retirement	-	-	1,505,000
Interest	-	-	526,850
Total expenditures	<u>-</u>	<u>3,129</u>	<u>328,121,756</u>
Excess (deficiency) of revenues over expenditures	<u>5,250</u>	<u>2,360</u>	<u>(125,262,209)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of new bonds	-	-	120,546,679
Issuance of QZAB notes	-	-	6,218,500
Bond issue premium (discount)	-	-	5,235,529
Transfers in	-	-	101,668,168
Transfers out	-	-	(79,937,157)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>153,731,719</u>
Net change in fund balances (deficits)	5,250	2,360	28,469,510
FUND BALANCES (DEFICITS), beginning of year	<u>181,049</u>	<u>190,226</u>	<u>84,271,059</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ 186,299</u>	<u>\$ 192,586</u>	<u>\$ 112,740,569</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GSD GENERAL PURPOSES DEBT SERVICE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 82,208,900	\$ 32,208,900	\$ 32,594,436	\$ 385,536
Local option sales tax	2,355,400	2,355,400	2,014,970	(340,430)
Fines, forfeits and penalties	1,110,200	1,110,200	475,020	(635,180)
Revenues from the use of money or property	442,700	442,700	867,082	424,382
Revenues from other governmental agencies	3,550,000	3,577,000	4,368,870	791,870
<b>Total revenues</b>	<b>89,667,200</b>	<b>39,694,200</b>	<b>40,320,378</b>	<b>626,178</b>
<b>EXPENDITURES:</b>				
Contractual services	793,500	793,500	936,234	(142,734)
Principal retirement	52,954,200	52,954,200	52,907,052	47,148
Interest	38,080,400	38,080,400	36,970,656	1,109,744
Fiscal charges	77,700	77,700	787,741	(710,041)
Arbitrage rebate	-	-	85,598	(85,598)
<b>Total expenditures</b>	<b>91,905,800</b>	<b>91,905,800</b>	<b>91,687,281</b>	<b>218,519</b>
Excess (deficiency) of revenues over expenditures	(2,238,600)	(52,211,600)	(51,366,903)	844,697
<b>OTHER FINANCING SOURCES (USES):</b>				
Payments to refunded bond escrow agent	-	-	(60,463,650)	(60,463,650)
Issuance of refunding bonds	-	-	60,805,000	60,805,000
Transfers in	9,410,000	9,383,000	15,657,127	6,274,127
Transfers out	(7,784,000)	(7,784,000)	(7,892,093)	(108,093)
<b>Total other financing sources (uses)</b>	<b>1,626,000</b>	<b>1,599,000</b>	<b>8,106,384</b>	<b>6,507,384</b>
<b>Net change in fund balances</b>	<b>(612,600)</b>	<b>(50,612,600)</b>	<b>(43,260,519)</b>	<b>7,352,081</b>
FUND BALANCES, beginning of year	47,766,674	47,766,674	47,766,674	-
<b>FUND BALANCES, end of year</b>	<b>\$ 47,154,074</b>	<b>\$ (2,845,926)</b>	<b>\$ 4,506,155</b>	<b>\$ 7,352,081</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GSD SCHOOL PURPOSES DEBT SERVICE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 27,052,800	\$ 27,052,800	\$ 26,085,762	\$ (967,038)
Local option sales tax	15,598,700	15,598,700	15,598,700	-
Revenues from the use of money or property	697,200	697,200	2,330,741	1,633,541
<b>Total revenues</b>	<b>43,348,700</b>	<b>43,348,700</b>	<b>44,015,203</b>	<b>666,503</b>
<b>EXPENDITURES:</b>				
Contractual services	349,500	349,500	457,973	(108,473)
Principal retirement	30,120,900	30,120,900	30,604,768	(483,868)
Interest	23,108,400	23,108,400	22,381,331	727,069
Fiscal charges	41,200	41,200	105,740	(64,540)
Arbitrage rebate	-	-	167,435	(167,435)
<b>Total expenditures</b>	<b>53,620,000</b>	<b>53,620,000</b>	<b>53,717,247</b>	<b>(97,247)</b>
Excess (deficiency) of revenues over expenditures	(10,271,300)	(10,271,300)	(9,702,044)	569,256
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	1,360,747	1,360,747
Transfers out	-	-	(896,717)	(896,717)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>464,030</b>	<b>464,030</b>
<b>Net change in fund balances</b>	<b>(10,271,300)</b>	<b>(10,271,300)</b>	<b>(9,238,014)</b>	<b>1,033,286</b>
<b>FUND BALANCE, beginning of year</b>	<b>75,330,810</b>	<b>75,330,810</b>	<b>75,330,810</b>	<b>-</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 65,059,510</b>	<b>\$ 65,059,510</b>	<b>\$ 66,092,796</b>	<b>\$ 1,033,286</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
USD GENERAL PURPOSES DEBT SERVICE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 9,115,900	\$ 9,115,900	\$ 9,468,396	\$ 352,496
Revenues from the use of money or property	44,400	44,400	553,450	509,050
<b>Total revenues</b>	<b>9,160,300</b>	<b>9,160,300</b>	<b>10,021,846</b>	<b>861,546</b>
<b>EXPENDITURES:</b>				
Contractual services	125,400	125,400	140,174	(14,774)
Principal retirement	14,379,900	14,379,900	13,983,180	396,720
Interest	6,369,100	6,369,100	5,743,059	626,041
Fiscal charges	21,200	21,200	79,994	(58,794)
Arbitrage rebate	-	-	18,990	(18,990)
<b>Total expenditures</b>	<b>20,895,600</b>	<b>20,895,600</b>	<b>19,965,397</b>	<b>930,203</b>
Excess (deficiency) of revenues over expenditures	(11,735,300)	(11,735,300)	(9,943,551)	1,791,749
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	7,784,000	7,784,000	8,865,639	1,081,639
Transfers out	-	-	(18,208)	(18,208)
<b>Total other financing sources (uses)</b>	<b>7,784,000</b>	<b>7,784,000</b>	<b>8,847,431</b>	<b>1,063,431</b>
Net change in fund balances	(3,951,300)	(3,951,300)	(1,096,120)	2,855,180
FUND BALANCES, beginning of year	14,092,731	14,092,731	14,092,731	-
FUND BALANCES, end of year	<u>\$ 10,141,431</u>	<u>\$ 10,141,431</u>	<u>\$ 12,996,611</u>	<u>\$ 2,855,180</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

**SPECIAL REVENUE FUNDS**

METROPOLITAN ACTION COMMISSION FUND

The Metropolitan Action Commission Fund accounts for the various programs of the Commission which provide education, social skills, meals and before and after care assistance to low-income and disadvantaged children and energy assistance to low-income individuals.

GENERAL GOVERNMENT SERVICES FUND

The General Government Services Fund accounts for funds which support various general government activities such as hotel occupancy taxes and federal, state and private grants and contributions.

RECREATIONAL AND CULTURAL SERVICES FUND

The Recreational and Cultural Services Fund accounts for funds from the general public and the Tennessee Commission on National and Community Service used for specific purposes and the purchase and sale of souvenir and concession items within the parks and recreation system of the Government.

GENERAL FUND 4% RESERVE FUND

The General Fund 4% Reserve Fund accounts for 4% of locally generated revenues deposited in the GSD General Fund. Expenditures from this fund are for capital items and are authorized by resolutions of the Metropolitan Council.

LAW ENFORCEMENT AND JUSTICE SERVICES FUND

The Law Enforcement and Justice Services Fund accounts for federal and state funds, fines, fees, donations and proceeds from the sale of seized property, which are used to support various law enforcement programs.

SOLID WASTE OPERATIONS FUND

The Solid Waste Operations Fund accounts for activities of the Department of Public Works involving refuse collection, recycling, chipper service and other miscellaneous activities as well as federal and state funds for enhancing solid waste management in local communities and solid waste special projects approved by the Metropolitan Council.

STORMWATER OPERATIONS FUND

The Stormwater Operations Fund is under the administrative responsibility of the Department of Water and Sewerage Services and is used to account for the activities surrounding the maintenance of the Government's stormwater drainage system.

LIBRARY SERVICES FUND

The Library Services Fund accounts for federal and state programs - primarily from the U.S. Department of Education, Library Services and the State of Tennessee Libraries and Archives - aimed at providing library services to all facets of the community. It also accounts for funds received from private donations given on behalf of the Metropolitan Public Library and funds contributed by the general public for the purchase of equipment for blind and handicapped individuals.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

HEALTH SERVICES FUND

The Health Services Fund accounts for Title V Clean Air fees and expenditures, various federal and state grant programs and donations by the public designated to provide adequate shelter and humane treatment of animals.

PUBLIC WELFARE SERVICES FUND

The Public Welfare Services Fund accounts for various activities promoting human relations and social services provided to the general public.

EDUCATION SERVICES FUND

The Education Services Fund accounts for a variety of programs supporting educational activities including various state and federal grant programs, funds reserved for unemployment compensation claims of Metropolitan Nashville Public Schools employees, food service operations of the school system, and fund raising activities of individual schools.

INFRASTRUCTURE SERVICES FUND

The Infrastructure Services Fund accounts for funds supporting the infrastructure of the Government, including the development of sidewalks in multi-family and non-residential development and supporting accessibility of all programs, services, activities, facilities and rights-of-way as mandated by the Americans with Disabilities Act of 1990 and Section 504 of the Rehabilitation Act of 1973.

NASHVILLE CAREER ADVANCEMENT CENTER FUND

The Nashville Career Advancement Center Fund accounts for funds received under the Federal Workforce Investment Act and the National Council of Aging Citizens Act (Title IV). These funds are utilized to provide employment and training opportunities for senior citizens and economically disadvantaged, unemployed or underemployed individuals.

PUBLIC WORKS SERVICES FUND

The Public Works Services Fund is under the administrative responsibility of the Department of Public Works and was established to account for funds received from downtown parking operations which are managed by an outside party. Surplus funds are allocated between the Government and the outside party for projects or activities to improve the downtown area.

REGULATION AND INSPECTION SERVICES FUND

The Regulation and Inspection Services Fund is under the administrative responsibility of the Department of Codes Administration and was established to account for funds supporting demolition projects.

**DEBT SERVICE FUND**

CORRECTIONAL FACILITY REVENUE BONDS FUND

The Correctional Facility Revenue Bonds Fund is used to account for the accumulation of resources and the payment of principal and interest for the Correctional Facility Revenue Bonds, Series 2002.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

**CAPITAL PROJECTS FUNDS**

EDUCATION CAPITAL PROJECTS FUND

The Education Capital Projects Fund is used to account for the use of bond proceeds for the construction and equipping of various school facilities.

USD CAPITAL PROJECTS FUND

The USD Capital Projects Fund is used to account for the use of bond proceeds for the construction and equipping of various public projects in the Urban Services District.

**PERMANENT FUNDS**

GENERAL GOVERNMENT FUND

The General Government Fund is used to account for restricted trusts under the administrative responsibility of various departments of the general government.

EDUCATION FUND

The Education Fund is used to account for restricted trusts under the administrative responsibility of the Metropolitan Board of Education.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS

June 30, 2006

<u>ASSETS</u>	<u>Nashville Convention Center</u>	<u>Board of Fair Commissioners</u>	<u>Farmers Market</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 1,416,868	\$ 3,012,598	\$ 281,488
Investments	907,313	1,892,399	180,381
Accounts receivable	343,268	42,590	-
Allowance for doubtful accounts	(45,792)	-	-
Accrued interest receivable	6,160	12,498	1,799
Due from other funds of the primary government	-	-	-
Other current assets	-	10,385	-
<b>Total current assets</b>	<b>2,627,817</b>	<b>4,970,470</b>	<b>463,668</b>
<b>CAPITAL ASSETS:</b>			
Land	6,056,529	175,293	-
Buildings and improvements	50,012,877	7,554,537	638,030
Improvements other than buildings	50,220	3,307,254	160,949
Furniture, machinery and equipment	3,593,000	551,125	275,210
Property under capital lease	-	-	3,645,000
Construction work in progress	446,375	-	27,750
Accumulated depreciation	(24,000,810)	(6,971,603)	(1,585,629)
<b>Capital assets - net</b>	<b>36,158,191</b>	<b>4,616,606</b>	<b>3,161,310</b>
<b>Total assets</b>	<b>38,786,008</b>	<b>9,587,076</b>	<b>3,624,978</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2006

<u>Police Secondary Employment</u>	<u>Surplus Property Auction</u>	<u>Municipal Auditorium</u>	<u>Police Impound</u>	<u>School Community Education</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 36,100	\$ 7,249	\$ 116,685	\$ 2,400	\$ 191,539	\$ 5,064,927
23,158	-	74,853	-	122,872	3,200,976
295,761	111,790	4,661	545	-	798,615
(43,833)	-	-	-	-	(89,625)
-	503	668	-	808	22,436
-	58,137	51,152	66,553	6,234	182,076
-	-	-	-	-	10,385
<u>311,186</u>	<u>177,679</u>	<u>248,019</u>	<u>69,498</u>	<u>321,453</u>	<u>9,189,790</u>
-	-	587,400	-	-	6,819,222
-	-	8,769,047	-	-	66,974,491
-	-	-	-	-	3,518,423
60,000	-	197,028	-	-	4,676,363
-	-	-	-	-	3,645,000
-	-	391,444	-	-	865,569
<u>(60,000)</u>	<u>-</u>	<u>(7,141,586)</u>	<u>-</u>	<u>-</u>	<u>(39,759,628)</u>
-	-	2,803,333	-	-	46,739,440
<u>311,186</u>	<u>177,679</u>	<u>3,051,352</u>	<u>69,498</u>	<u>321,453</u>	<u>55,929,230</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2006

	Nashville Convention Center	Board of Fair Commissioners	Farmers Market
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 1,080,204	\$ 97,157	\$ 31,559
Accrued payroll	368,523	126,002	59,723
Due to other funds of the primary government	206,016	18,540	4,277
Due to component units	-	-	-
Customer deposits	-	63,501	11,498
Deferred revenue	533,260	69,948	-
Current portion of capital lease	-	-	160,000
Other current liabilities	-	-	-
	<u>2,188,003</u>	<u>375,148</u>	<u>267,057</u>
NONCURRENT LIABILITIES:			
Capitalized lease obligations	-	-	1,620,000
	<u>-</u>	<u>-</u>	<u>1,620,000</u>
Total liabilities	<u>2,188,003</u>	<u>375,148</u>	<u>1,887,057</u>
NET ASSETS:			
Invested in capital assets, net of related debt	36,158,191	4,616,606	1,381,310
Unrestricted	439,814	4,595,322	356,611
	<u>36,598,005</u>	<u>9,211,928</u>	<u>1,737,921</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2006

Police Secondary Employment	Surplus Property Auction	Municipal Auditorium	Police Impound	School Community Education	Total Nonmajor Enterprise Funds
\$ 344	\$ 28,589	\$ 79,513	\$ 86,096	\$ 6,213	\$ 1,409,675
19,826	78,279	140,847	189,069	89,541	1,071,810
154,533	220,553	69,206	2,387,912	2,860	3,063,897
-	233	-	-	-	233
-	-	-	-	-	74,999
-	-	6,000	-	-	609,208
-	-	-	-	-	160,000
14,204	-	-	-	-	14,204
<u>188,907</u>	<u>327,654</u>	<u>295,566</u>	<u>2,663,077</u>	<u>98,614</u>	<u>6,404,026</u>
-	-	-	-	-	1,620,000
-	-	-	-	-	1,620,000
<u>188,907</u>	<u>327,654</u>	<u>295,566</u>	<u>2,663,077</u>	<u>98,614</u>	<u>8,024,026</u>
-	-	2,803,333	-	-	44,959,440
122,279	(149,975)	(47,547)	(2,593,579)	222,839	2,945,764
<u>\$ 122,279</u>	<u>\$ (149,975)</u>	<u>\$ 2,755,786</u>	<u>\$ (2,593,579)</u>	<u>\$ 222,839</u>	<u>\$ 47,905,204</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2006

	Nashville Convention Center	Board of Fair Commissioners	Farmers Market
OPERATING REVENUES:			
Charges for services	\$ 4,551,347	\$ 3,727,539	\$ 996,604
Other	-	-	-
Total operating revenues	<u>4,551,347</u>	<u>3,727,539</u>	<u>996,604</u>
OPERATING EXPENSES:			
Personal services	2,465,774	1,272,078	385,717
Contractual services	2,949,762	1,767,144	447,422
Supplies and materials	170,590	188,304	34,062
Depreciation	1,275,141	431,757	144,851
Other	109,525	339,717	6,657
Total operating expenses	<u>6,970,792</u>	<u>3,999,000</u>	<u>1,018,709</u>
OPERATING INCOME (LOSS)	<u>(2,419,445)</u>	<u>(271,461)</u>	<u>(22,105)</u>
NONOPERATING REVENUE (EXPENSE):			
Investment income	50,766	141,762	19,183
Interest expense	(4,066)	-	(107,540)
Gain (loss) on sale of property	-	-	(36)
Total nonoperating revenue (expense)	<u>46,700</u>	<u>141,762</u>	<u>(88,393)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(2,372,745)</u>	<u>(129,699)</u>	<u>(110,498)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	-	-	-
TRANSFERS IN	2,021,667	-	27,750
TRANSFERS OUT	<u>(76,393)</u>	<u>(122,444)</u>	<u>(31,273)</u>
CHANGE IN NET ASSETS	(427,471)	(252,143)	(114,021)
NET ASSETS, beginning of year, restated	<u>37,025,476</u>	<u>9,464,071</u>	<u>1,851,942</u>
NET ASSETS, end of year	<u>\$ 36,598,005</u>	<u>\$ 9,211,928</u>	<u>\$ 1,737,921</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Police Secondary Employment	Surplus Property Auction	Municipal Auditorium	Police Impound	School Community Education	Total Nonmajor Enterprise Funds
\$ 1,423,621	\$ 703,415	\$ 1,061,681	\$ 1,728,741	\$ 171,236	\$ 14,364,184
-	-	-	623	5,204	5,827
<u>1,423,621</u>	<u>703,415</u>	<u>1,061,681</u>	<u>1,729,364</u>	<u>176,440</u>	<u>14,370,011</u>
1,025,521	400,033	732,567	1,053,218	769,648	8,104,556
22,499	348,224	1,004,614	792,392	116,839	7,448,896
882	10,852	30,787	7,153	24,978	467,608
11,000	-	114,512	-	-	1,977,261
-	1,872	2,229	2,923	462	463,385
<u>1,059,902</u>	<u>760,981</u>	<u>1,884,709</u>	<u>1,855,686</u>	<u>911,927</u>	<u>18,461,706</u>
<u>363,719</u>	<u>(57,566)</u>	<u>(823,028)</u>	<u>(126,322)</u>	<u>(735,487)</u>	<u>(4,091,695)</u>
342	-	1,250	-	8,750	222,053
(389)	(4,193)	-	(42,602)	-	(158,790)
-	-	-	-	-	(36)
<u>(47)</u>	<u>(4,193)</u>	<u>1,250</u>	<u>(42,602)</u>	<u>8,750</u>	<u>63,227</u>
<u>363,672</u>	<u>(61,759)</u>	<u>(821,778)</u>	<u>(168,924)</u>	<u>(726,737)</u>	<u>(4,028,468)</u>
-	-	2,526,401	-	-	2,526,401
-	2,047,182	1,176,133	-	1,011,448	6,284,180
<u>(366,883)</u>	<u>(222,668)</u>	<u>(6,432)</u>	<u>(2,424,655)</u>	<u>(2,769)</u>	<u>(3,253,517)</u>
(3,211)	1,762,755	2,874,324	(2,593,579)	281,942	1,528,596
<u>125,490</u>	<u>(1,912,730)</u>	<u>(118,538)</u>	<u>-</u>	<u>(59,103)</u>	<u>46,376,608</u>
<u>\$ 122,279</u>	<u>\$ (149,975)</u>	<u>\$ 2,755,786</u>	<u>\$ (2,593,579)</u>	<u>\$ 222,839</u>	<u>\$ 47,905,204</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2006

	Nashville Convention Center	Board of Fair Commissioners	Farmers Market
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,055,325	\$ 3,813,576	\$ 991,040
Payments to suppliers	(3,511,303)	(2,290,920)	(491,545)
Payments to employees	(2,422,486)	(1,254,238)	(388,266)
Net cash provided by (used in) operating activities	<u>(878,464)</u>	<u>268,418</u>	<u>111,229</u>
Cash flows from noncapital financing activities:			
Transfers in	2,021,667	-	27,750
Transfers out	(76,393)	(122,444)	(31,273)
Increase (decrease) in due to other funds of the primary government	-	-	-
Interest paid	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>1,945,274</u>	<u>(122,444)</u>	<u>(3,523)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(369,228)	(542,763)	(27,750)
Payments on borrowings	(232,366)	-	(150,000)
Interest paid	(4,066)	-	(107,540)
Net cash provided by (used in) capital and related financing activities	<u>(605,660)</u>	<u>(542,763)</u>	<u>(285,290)</u>
Cash flows from investing activities:			
Decrease (increase) in investments	60,824	827,335	151,338
Interest on investments	49,075	141,251	18,653
Net cash provided by (used in) investing activities	<u>109,899</u>	<u>968,586</u>	<u>169,991</u>
Net changes in cash and cash equivalents	571,049	571,797	(7,593)
Cash and cash equivalents at beginning of year	<u>845,819</u>	<u>2,440,801</u>	<u>289,081</u>
Cash and cash equivalents at end of year	<u>\$ 1,416,868</u>	<u>\$ 3,012,598</u>	<u>\$ 281,488</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Police Secondary Employment	Surplus Property Auction	Municipal Auditorium	Police Impound	School Community Education	Total Nonmajor Enterprise Funds
\$ 1,589,823	\$ 558,683	\$ 1,011,868	\$ 1,662,266	\$ 170,206	\$ 14,852,787
(53,296)	(1,451,634)	(888,911)	(707,174)	(133,206)	(9,527,989)
(1,024,585)	(572,731)	(710,258)	(864,149)	(739,210)	(7,975,923)
<u>511,942</u>	<u>(1,465,682)</u>	<u>(587,301)</u>	<u>90,943</u>	<u>(702,210)</u>	<u>(2,651,125)</u>
-	2,047,182	1,176,133	-	1,011,448	6,284,180
(366,883)	(222,668)	(6,432)	(2,424,655)	(2,769)	(3,253,517)
(85,870)	(347,387)	-	2,378,714	-	1,945,457
(389)	(4,696)	-	(42,602)	-	(47,687)
<u>(453,142)</u>	<u>1,472,431</u>	<u>1,169,701</u>	<u>(88,543)</u>	<u>1,008,679</u>	<u>4,928,433</u>
-	-	(391,444)	-	-	(1,331,185)
-	-	-	-	-	(382,366)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,606)</u>
-	-	(391,444)	-	-	(1,825,157)
(23,158)	-	(74,853)	-	(122,872)	818,614
458	-	582	-	7,942	217,961
<u>(22,700)</u>	<u>-</u>	<u>(74,271)</u>	<u>-</u>	<u>(114,930)</u>	<u>1,036,575</u>
36,100	6,749	116,685	2,400	191,539	1,488,726
-	500	-	-	-	3,576,201
<u>\$ 36,100</u>	<u>\$ 7,249</u>	<u>\$ 116,685</u>	<u>\$ 2,400</u>	<u>\$ 191,539</u>	<u>\$ 5,064,927</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Nashville Convention Center	Board of Fair Commissioners	Farmers Market
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (2,419,445)	\$ (271,461)	\$ (22,105)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,275,141	431,757	144,851
Provision for doubtful accounts	-	-	-
Changes in assets and liabilities:			
Accounts receivable	(113,980)	79,210	-
Due from other funds of the primary government	617,108	407	638
Due from component units	-	-	-
Other current assets	-	40,363	-
Accounts payable	28,436	(11,892)	(4,694)
Accrued payroll	43,288	17,840	(2,549)
Due to other funds of the primary government	(246,742)	(24,226)	1,290
Due to component units	-	-	-
Customer deposits	-	23,935	(6,202)
Deferred revenue	850	(17,515)	-
Other current liabilities	(63,120)	-	-
Total adjustments	1,540,981	539,879	133,334
Net cash provided by (used in) operating activities	\$ (878,464)	\$ 268,418	\$ 111,229
<u>Non-Cash Capital, Financing and Investing Activities:</u>			
Transfer of capital assets from other funds	\$ -	\$ -	\$ -
Increase (decrease) in fair value of investments	2,371	6,755	900

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOW  
NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Police Secondary Employment	Surplus Property Auction	Municipal Auditorium	Police Impound	School Community Education	Total Nonmajor Enterprise Funds
<u>\$ 363,719</u>	<u>\$ (57,566)</u>	<u>\$ (823,028)</u>	<u>\$ (126,322)</u>	<u>\$ (735,487)</u>	<u>\$ (4,091,695)</u>
11,000	-	114,512	-	-	1,977,261
11,153	-	-	-	-	11,153
149,636	(80,278)	(4,661)	(545)	-	29,382
5,413	(57,596)	(51,152)	(66,553)	(6,234)	442,031
-	-	-	-	-	-
-	-	-	-	-	40,363
167	(66,462)	79,513	86,096	6,213	117,377
936	(172,698)	22,309	189,069	30,438	128,633
(43,721)	(1,024,224)	69,206	9,198	2,860	(1,256,359)
-	(6,858)	-	-	-	(6,858)
-	-	-	-	-	17,733
-	-	6,000	-	-	(10,665)
<u>13,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,481)</u>
<u>148,223</u>	<u>(1,408,116)</u>	<u>235,727</u>	<u>217,265</u>	<u>33,277</u>	<u>1,440,570</u>
<u>\$ 511,942</u>	<u>\$ (1,465,682)</u>	<u>\$ (587,301)</u>	<u>\$ 90,943</u>	<u>\$ (702,210)</u>	<u>\$ (2,651,125)</u>
\$ -	\$ -	\$ 2,526,401	\$ -	\$ -	\$ 2,526,401
-	4	190	-	119	10,339

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

June 30, 2006

<u>ASSETS</u>	<u>Central Printing</u>	<u>Office of Fleet Management</u>	<u>Information Systems</u>	<u>Radio Shop</u>
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ 1,865,759	\$ 2,029,173	\$ 4,011,916
Investments	-	1,196,879	1,297,825	2,532,706
Accounts receivable	-	12,178	12,011	20,149
Accrued interest receivable	-	9,793	10,589	18,093
Due from other funds of the primary government	-	344,943	1,763,181	346,736
Due from component units	-	-	5,669	-
Inventories of supplies	-	1,283,276	-	183,376
Other current assets	-	-	27,130	-
<b>Total current assets</b>	<b>-</b>	<b>4,712,828</b>	<b>5,145,578</b>	<b>7,112,976</b>
<b>CAPITAL ASSETS:</b>				
Buildings and improvements	-	65,041	172,167	126,643
Furniture, machinery and equipment	-	105,242,845	6,134,506	1,209,625
Construction work in progress	-	-	-	984,775
Less accumulated depreciation	-	(74,552,015)	(5,976,324)	(427,752)
<b>Capital assets - net</b>	<b>-</b>	<b>30,755,871</b>	<b>330,349</b>	<b>1,893,291</b>
<b>Total assets</b>	<b>-</b>	<b>35,468,699</b>	<b>5,475,927</b>	<b>9,006,267</b>
<u>LIABILITIES AND NET ASSETS</u>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	-	1,441,518	718,738	256,451
Accrued payroll	-	704,679	1,357,228	133,610
Claims payable	-	-	-	-
Due to other funds of the primary government	-	7,824	2,642,218	2,616
<b>Total current liabilities</b>	<b>-</b>	<b>2,154,021</b>	<b>4,718,184</b>	<b>392,677</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	-	30,755,871	330,349	1,893,291
Unrestricted	-	2,558,807	427,394	6,720,299
<b>Total net assets</b>	<b>\$ -</b>	<b>\$ 33,314,678</b>	<b>\$ 757,743</b>	<b>\$ 8,613,590</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 2006

<u>School Self Insurance</u>	<u>General Government Self Insurance</u>	<u>School Professional Employees' Insurance</u>	<u>Employees' Medical Benefit</u>	<u>Injured on Duty</u>	<u>School Central Storeroom</u>	<u>Metro Postal Service</u>
\$ 2,117,152	\$ 14,866,572	\$ 12,579,254	\$ 7,736,317	\$ 1,990,429	\$ -	\$ 203,953
1,358,147	9,534,617	8,054,371	4,956,832	1,223,252	-	130,835
-	-	-	8,358	-	-	166
9,118	63,885	55,758	56,098	-	-	847
-	201,893	1,348,528	1,998,679	-	468,193	76,790
-	-	-	-	-	-	699
-	-	-	-	-	425,593	-
-	-	1,446,987	-	-	-	69,962
<u>3,484,417</u>	<u>24,666,967</u>	<u>23,484,898</u>	<u>14,756,284</u>	<u>3,213,681</u>	<u>893,786</u>	<u>483,252</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,484,417</u>	<u>24,666,967</u>	<u>23,484,898</u>	<u>14,756,284</u>	<u>3,213,681</u>	<u>893,786</u>	<u>483,252</u>
7,787	96,366	1,475,717	2,089,999	910,766	15,262	54,677
-	-	-	-	-	141,921	33,369
1,135,369	6,645,371	4,451,206	3,784,000	3,241,999	-	-
-	10,665	1,174	193,437	150,843	340,266	64
<u>1,143,156</u>	<u>6,752,402</u>	<u>5,928,097</u>	<u>6,067,436</u>	<u>4,303,608</u>	<u>497,449</u>	<u>88,110</u>
-	-	-	-	-	-	-
<u>2,341,261</u>	<u>17,914,565</u>	<u>17,556,801</u>	<u>8,688,848</u>	<u>(1,089,927)</u>	<u>396,337</u>	<u>395,142</u>
<u>\$ 2,341,261</u>	<u>\$ 17,914,565</u>	<u>\$ 17,556,801</u>	<u>\$ 8,688,848</u>	<u>\$ (1,089,927)</u>	<u>\$ 396,337</u>	<u>\$ 395,142</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 2006

<u>ASSETS</u>	<u>Real Property Services</u>	<u>Treasury Management</u>	<u>Technology Revolving</u>	<u>Human Resources</u>
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 140,747	\$ 278,491
Investments	-	-	90,289	178,625
Accounts receivable	-	-	-	-
Accrued interest receivable	112	-	713	2,332
Due from other funds of the primary government	932,958	428,006	291,029	737,406
Due from component units	-	-	-	-
Inventories of supplies	-	-	-	-
Other current assets	-	96,896	-	1,797
<b>Total current assets</b>	<b>933,070</b>	<b>524,902</b>	<b>522,778</b>	<b>1,198,651</b>
<b>CAPITAL ASSETS:</b>				
Buildings and improvements	-	-	-	-
Furniture, machinery and equipment	5,350	17,195	5,519	14,103
Construction work in progress	-	-	-	-
Less accumulated depreciation	(5,259)	(16,224)	(5,519)	(14,103)
Capital assets - net	91	971	-	-
<b>Total assets</b>	<b>933,161</b>	<b>525,873</b>	<b>522,778</b>	<b>1,198,651</b>
<u>LIABILITIES AND NET ASSETS</u>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	6,740	12,702	306,028	499,086
Accrued payroll	109,533	68,915	-	544,820
Claims payable	-	-	-	-
Due to other funds of the primary government	48,013	451,049	26,456	25,805
<b>Total current liabilities</b>	<b>164,286</b>	<b>532,666</b>	<b>332,484</b>	<b>1,069,711</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	91	971	-	-
Unrestricted	768,784	(7,764)	190,294	128,940
<b>Total net assets</b>	<b>\$ 768,875</b>	<b>\$ (6,793)</b>	<b>\$ 190,294</b>	<b>\$ 128,940</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 2006

Finance Services	General Services	School Print Shop	Total Internal Service Funds
\$ 415,281	\$ 250	\$ 6,228	\$ 48,241,522
265,535	-	3,996	30,823,909
-	2,346	-	55,208
2,533	1,865	17	231,753
4,790	141,410	62,638	9,147,180
251	-	-	6,619
-	250	-	1,892,495
-	-	-	1,642,772
688,390	146,121	72,879	92,041,458
-	-	-	363,851
216,153	65,946	-	112,911,242
-	-	-	984,775
(153,463)	(57,574)	-	(81,208,233)
62,690	8,372	-	33,051,635
751,080	154,493	72,879	125,093,093
7,210	1,013,521	6,296	8,918,864
891,376	643,890	53,770	4,683,111
-	-	-	19,257,945
22,575	1,222,816	6,933	5,152,754
921,161	2,880,227	66,999	38,012,674
62,690	8,372	-	33,051,635
(232,771)	(2,734,106)	5,880	54,028,784
\$ (170,081)	\$ (2,725,734)	\$ 5,880	\$ 87,080,419

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2006

	Central Printing	Office of Fleet Management	Information Systems	Radio Shop
<b>OPERATING REVENUES:</b>				
Charges for services	\$ -	\$ 14,130,337	\$ 17,537,366	\$ 4,530,517
Other	-	-	-	-
Total operating revenues	<u>-</u>	<u>14,130,337</u>	<u>17,537,366</u>	<u>4,530,517</u>
<b>OPERATING EXPENSES:</b>				
Personal services	-	5,066,458	8,807,360	893,140
Contractual services	-	2,634,902	3,797,281	1,681,879
Supplies and materials	-	8,921,122	53,689	484,051
Depreciation	-	11,245,429	574,498	90,881
Compensation for damages to property	-	-	-	-
Medical and insurance benefits	-	-	-	-
Other	-	70,089	1,475,912	26,570
Total operating expenses	<u>-</u>	<u>27,938,000</u>	<u>14,708,740</u>	<u>3,176,521</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>(13,807,663)</u>	<u>2,828,626</u>	<u>1,353,996</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>				
Investment income	-	88,063	31,290	195,494
Interest expense	-	-	-	-
Gain (loss) on sale of property	-	350,840	-	-
Other	-	300	-	-
Total nonoperating revenue (expense)	<u>-</u>	<u>439,203</u>	<u>31,290</u>	<u>195,494</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>-</u>	<u>(13,368,460)</u>	<u>2,859,916</u>	<u>1,549,490</u>
TRANSFERS IN	-	8,926,668	600,080	-
TRANSFERS OUT	<u>-</u>	<u>(106,923)</u>	<u>(2,707,701)</u>	<u>(25,745)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>(4,548,715)</u>	<u>752,295</u>	<u>1,523,745</u>
NET ASSETS, beginning of year	<u>-</u>	<u>37,863,393</u>	<u>5,448</u>	<u>7,089,845</u>
NET ASSETS, end of year	<u>\$ -</u>	<u>\$ 33,314,678</u>	<u>\$ 757,743</u>	<u>\$ 8,613,590</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

School Self Insurance	General Government Self Insurance	School Professional Employees' Insurance	Employees' Medical Benefit	Injured On Duty	School Central Storeroom	Metro Postal Service
\$ -	\$ 5,152,486	\$ 58,243,358	\$ 47,345,711	\$ -	\$ 1,380,035	\$ 909,057
28,203	16,241	-	515,038	-	-	-
<u>28,203</u>	<u>5,168,727</u>	<u>58,243,358</u>	<u>47,860,749</u>	<u>-</u>	<u>1,380,035</u>	<u>909,057</u>
60,714	263,170	6,974	-	-	1,003,869	256,002
47,015	968,278	2,602,583	2,700,759	2,040,851	129,868	534,059
-	5,642	-	-	-	647,596	4,574
-	-	-	-	-	-	3,503
-	1,832,350	-	-	-	-	-
-	-	54,473,414	46,680,250	10,428,733	-	-
4,354	1,508,502	-	-	147,676	2,177	3,688
<u>112,083</u>	<u>4,577,942</u>	<u>57,082,971</u>	<u>49,381,009</u>	<u>12,617,260</u>	<u>1,783,510</u>	<u>801,826</u>
<u>(83,880)</u>	<u>590,785</u>	<u>1,160,387</u>	<u>(1,520,260)</u>	<u>(12,617,260)</u>	<u>(403,475)</u>	<u>107,231</u>
101,011	716,345	473,578	657,553	-	-	6,445
-	-	-	-	-	(4,743)	-
-	-	-	-	-	-	(12,462)
31,909	24,407	-	-	-	-	-
<u>132,920</u>	<u>740,752</u>	<u>473,578</u>	<u>657,553</u>	<u>-</u>	<u>(4,743)</u>	<u>(6,017)</u>
49,040	1,331,537	1,633,965	(862,707)	(12,617,260)	(408,218)	101,214
500,000	224,083	-	1,997,283	18,045,500	350,755	-
<u>(20,004)</u>	<u>(1,670,198)</u>	<u>-</u>	<u>(10,300,000)</u>	<u>-</u>	<u>-</u>	<u>(4,316)</u>
529,036	(114,578)	1,633,965	(9,165,424)	5,428,240	(57,463)	96,898
<u>1,812,225</u>	<u>18,029,143</u>	<u>15,922,836</u>	<u>17,854,272</u>	<u>(6,518,167)</u>	<u>453,800</u>	<u>298,244</u>
<u>\$ 2,341,261</u>	<u>\$ 17,914,565</u>	<u>\$ 17,556,801</u>	<u>\$ 8,688,848</u>	<u>\$ (1,089,927)</u>	<u>\$ 396,337</u>	<u>\$ 395,142</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Real Property Services	Treasury Management	Technology Revolving	Human Resources
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,841,405	\$ 1,197,101	\$ 975,086	\$ 6,237,952
Other	-	-	-	8,392
Total operating revenues	<u>1,841,405</u>	<u>1,197,101</u>	<u>975,086</u>	<u>6,246,344</u>
<b>OPERATING EXPENSES:</b>				
Personal services	1,297,011	839,311	-	4,031,962
Contractual services	170,044	325,495	-	2,297,510
Supplies and materials	24,963	10,122	1,930,805	58,220
Depreciation	1,068	5,716	279	-
Compensation for damages to property	-	-	-	-
Medical and insurance benefits	-	-	-	-
Other	49	4,771	1,401,415	10,589
Total operating expenses	<u>1,493,135</u>	<u>1,185,415</u>	<u>3,332,499</u>	<u>6,398,281</u>
OPERATING INCOME (LOSS)	<u>348,270</u>	<u>11,686</u>	<u>(2,357,413)</u>	<u>(151,937)</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>				
Investment income	15,833	-	646	800
Interest expense	-	(4,684)	-	-
Gain (loss) on sale of property	-	-	-	-
Other	-	-	-	-
Total nonoperating revenue (expense)	<u>15,833</u>	<u>(4,684)</u>	<u>646</u>	<u>800</u>
INCOME (LOSS) BEFORE TRANSFERS	364,103	7,002	(2,356,767)	(151,137)
TRANSFERS IN	-	-	2,638,479	-
TRANSFERS OUT	<u>(392,695)</u>	<u>(10,507)</u>	<u>(600,080)</u>	<u>(73,441)</u>
CHANGE IN NET ASSETS	(28,592)	(3,505)	(318,368)	(224,578)
NET ASSETS, beginning of year	<u>797,467</u>	<u>(3,288)</u>	<u>508,662</u>	<u>353,518</u>
NET ASSETS, end of year	<u>\$ 768,875</u>	<u>\$ (6,793)</u>	<u>\$ 190,294</u>	<u>\$ 128,940</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Finance Services	General Services	School Print Shop	Total Internal Service Funds
\$ 8,123,212	\$ 13,931,942	\$ 800,919	\$ 182,336,484
-	1,160	-	569,034
<u>8,123,212</u>	<u>13,933,102</u>	<u>800,919</u>	<u>182,905,518</u>
6,459,512	4,136,582	426,561	33,548,626
1,271,634	10,553,887	47,041	31,803,086
88,896	452,898	201,128	12,883,706
47,870	958	-	11,970,202
-	-	-	1,832,350
-	-	-	111,582,397
31,645	57,916	71,359	4,816,712
<u>7,899,557</u>	<u>15,202,241</u>	<u>746,089</u>	<u>208,437,079</u>
<u>223,655</u>	<u>(1,269,139)</u>	<u>54,830</u>	<u>(25,531,561)</u>
5,804	12,420	1,945	2,307,227
-	(64,688)	-	(74,115)
(1,624)	-	-	336,754
-	-	-	56,616
<u>4,180</u>	<u>(52,268)</u>	<u>1,945</u>	<u>2,626,482</u>
227,835	(1,321,407)	56,775	(22,905,079)
-	225,200	-	33,508,048
<u>(66,805)</u>	<u>(50,920)</u>	<u>-</u>	<u>(16,029,335)</u>
161,030	(1,147,127)	56,775	(5,426,366)
<u>(331,111)</u>	<u>(1,578,607)</u>	<u>(50,895)</u>	<u>92,506,785</u>
<u>\$ (170,081)</u>	<u>\$ (2,725,734)</u>	<u>\$ 5,880</u>	<u>\$ 87,080,419</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2006

	Central Printing	Office of Fleet Management	Information Systems	Radio Shop
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ 17,894,782	\$ 16,888,939	\$ 4,669,893
Payments to suppliers	(94,852)	(13,325,338)	(3,194,298)	(2,279,982)
Payments to employees	-	(5,061,264)	(8,754,097)	(891,561)
Net cash provided by (used in) operating activities	<u>(94,852)</u>	<u>(491,820)</u>	<u>4,940,544</u>	<u>1,498,350</u>
Cash flows from noncapital financing activities:				
Transfers in	-	8,926,668	600,080	-
Transfers out	-	(106,923)	(2,707,701)	(25,745)
Increase (decrease) in due to other funds of the primary government	-	-	-	-
Interest paid	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>8,819,745</u>	<u>(2,107,621)</u>	<u>(25,745)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(9,339,881)	(7,342)	(1,715,169)
Proceeds from the sale of capital assets	-	625,623	-	-
Other receipts (payments)	-	300	-	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(8,713,958)</u>	<u>(7,342)</u>	<u>(1,715,169)</u>
Cash flows from investing activities:				
Decrease (increase) in investments	50,599	600,197	(1,045,249)	994,025
Interest on investments	203	87,137	21,862	190,233
Net cash provided by (used in) investing activities	<u>50,802</u>	<u>687,334</u>	<u>(1,023,387)</u>	<u>1,184,258</u>
Net changes in cash and cash equivalents	(44,050)	301,301	1,802,194	941,694
Cash and cash equivalents at beginning of year	<u>44,050</u>	<u>1,564,458</u>	<u>226,979</u>	<u>3,070,222</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 1,865,759</u>	<u>\$ 2,029,173</u>	<u>\$ 4,011,916</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

School Self Insurance	General Government Self Insurance	School Professional Employees' Insurance	Employees' Medical Benefit	Injured On Duty	School Central Storeroom	Metro Postal Service
\$ - (638,839)	\$ 5,167,861 (3,714,050)	\$ 57,584,186 (55,085,270)	\$ 47,342,454 (48,968,437)	\$ - (9,759,247)	\$ 911,842 (760,361)	\$ 901,753 (529,923)
-	-	-	-	-	(909,634)	(250,588)
(638,839)	1,453,811	2,498,916	(1,625,983)	(9,759,247)	(758,153)	121,242
500,000 (20,004)	224,083 (1,670,198)	-	1,997,283 (10,300,000)	18,045,500	350,755	-
-	-	-	-	-	-	(4,316)
-	-	-	-	(5,072,572)	325,106	-
-	-	-	-	-	(4,743)	-
479,996	(1,446,115)	-	(8,302,717)	12,972,928	671,118	(4,316)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
31,909	24,407	-	-	-	-	-
31,909	24,407	-	-	-	-	-
514,814 98,751	3,117,322 699,407	1,386,602 453,462	6,790,249 642,440	(1,223,252)	21,036	(17,607)
-	-	-	-	-	-	6,062
613,565	3,816,729	1,840,064	7,432,689	(1,223,252)	21,036	(11,545)
486,631	3,848,832	4,338,980	(2,496,011)	1,990,429	(65,999)	105,381
1,630,521	11,017,740	8,240,274	10,232,328	-	65,999	98,572
\$ 2,117,152	\$ 14,866,572	\$ 12,579,254	\$ 7,736,317	\$ 1,990,429	\$ -	\$ 203,953

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Real Property Services	Treasury Management	Technology Revolving	Human Resources
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,222,154	\$ 1,177,424	\$ 1,548,497	\$ 5,948,084
Payments to suppliers	(565,952)	(651,260)	(3,972,025)	(2,127,370)
Payments to employees	(1,291,227)	(831,490)	-	(4,024,160)
Net cash provided by (used in) operating activities	<u>(635,025)</u>	<u>(305,326)</u>	<u>(2,423,528)</u>	<u>(203,446)</u>
Cash flows from noncapital financing activities:				
Transfers in	-	-	2,638,479	-
Transfers out	(392,695)	(10,507)	(600,080)	(73,441)
Increase (decrease) in due to other funds of the primary government	46,738	272,159	-	-
Interest paid	-	(4,684)	-	(1,532)
Net cash provided by (used in) noncapital financing activities	<u>(345,957)</u>	<u>256,968</u>	<u>2,038,399</u>	<u>(74,973)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other receipts (payments)	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Decrease (increase) in investments	514,965	25,852	239,094	214,592
Interest on investments	17,711	-	36	-
Net cash provided by (used in) investing activities	<u>532,676</u>	<u>25,852</u>	<u>239,130</u>	<u>214,592</u>
Net changes in cash and cash equivalents	(448,306)	(22,506)	(145,999)	(63,827)
Cash and cash equivalents at beginning of year	448,306	22,506	286,746	342,318
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,747</u>	<u>\$ 278,491</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Finance Services	General Services	School Print Shop	Total Internal Service Funds
\$ 8,375,060	\$ 16,261,353	\$ 738,281	\$ 186,632,563
(1,505,568)	(10,669,325)	(306,299)	(158,148,396)
(6,347,133)	(4,019,183)	(423,686)	(32,804,023)
<u>522,359</u>	<u>1,572,845</u>	<u>8,296</u>	<u>(4,319,856)</u>
-	225,200	-	33,508,048
(66,805)	(50,920)	-	(16,029,335)
-	(1,685,630)	-	(6,114,199)
-	(64,688)	-	(75,647)
<u>(66,805)</u>	<u>(1,576,038)</u>	<u>-</u>	<u>11,288,867</u>
-	(7,170)	-	(11,069,562)
-	-	-	625,623
-	-	-	56,616
<u>-</u>	<u>(7,170)</u>	<u>-</u>	<u>(10,387,323)</u>
(146,859)	-	(3,996)	12,032,384
3,271	10,613	1,928	2,233,116
<u>(143,588)</u>	<u>10,613</u>	<u>(2,068)</u>	<u>14,265,500</u>
311,966	250	6,228	10,847,188
103,315	-	-	37,394,334
<u>\$ 415,281</u>	<u>\$ 250</u>	<u>\$ 6,228</u>	<u>\$ 48,241,522</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Central Printing	Office of Fleet Management	Information Systems	Radio Shop
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ -	\$ (13,807,663)	\$ 2,828,626	\$ 1,353,996
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	11,245,429	574,498	90,881
Changes in assets and liabilities:				
Accounts receivable	-	(3,864)	34,050	46,261
Due from other funds of the primary government	-	3,765,492	(747,461)	92,457
Due from component units	-	2,817	64,984	658
Inventories of supplies	-	(366,628)	-	26,639
Other current assets	-	-	(18)	-
Accounts payable	-	(213,826)	538,835	194,181
Accrued payroll	-	5,194	53,263	1,579
Claims payable	-	-	-	-
Due to other funds of the primary government	(94,852)	(1,118,771)	1,593,767	(308,302)
Other current liabilities	-	-	-	-
Total adjustments	(94,852)	13,315,843	2,111,918	144,354
Net cash provided by (used in) operating activities	\$ (94,852)	\$ (491,820)	\$ 4,940,544	\$ 1,498,350
<u>Non-Cash Capital, Financing and Investing Activities:</u>				
Increase (decrease) in fair value of investments	\$ -	\$ 5,326	\$ (32)	\$ 9,689

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOW  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

School Self Insurance	General Government Self Insurance	School Professional Employees' Insurance	Employees' Medical Benefit	Injured On Duty	School Central Storeroom	Metro Postal Service
\$ (83,880)	\$ 590,785	\$ 1,160,387	\$ (1,520,260)	\$ (12,617,260)	\$ (403,475)	\$ 107,231
-	-	-	-	-	-	3,503
-	-	108,820	18,803	1,552	-	-
-	(866)	(767,992)	(537,098)	-	(468,193)	(7,594)
-	-	-	-	-	-	290
-	-	-	-	-	36,144	-
-	-	-	-	-	-	(8,311)
(4,637)	4,751	1,471,527	854,135	252,626	3,847	54,129
-	-	-	-	-	94,235	5,414
(549,753)	939,022	525,000	(635,000)	2,452,992	-	-
(569)	(79,881)	1,174	193,437	150,843	(20,711)	(33,420)
-	-	-	-	-	-	-
(554,959)	863,026	1,338,529	(105,723)	2,858,013	(354,678)	14,011
\$ (638,839)	\$ 1,453,811	\$ 2,498,916	\$ (1,625,983)	\$ (9,759,247)	\$ (758,153)	\$ 121,242
\$ 4,734	\$ 33,308	\$ 15,678	\$ 29,667	\$ -	\$ 2	\$ 338

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Real Property Services	Treasury Management	Technology Revolving	Human Resources
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 348,270	\$ 11,686	\$ (2,357,413)	\$ (151,937)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,068	5,716	279	-
Changes in assets and liabilities:				
Accounts receivable	9,262	72,376	8,393	-
Due from other funds of the primary government	(628,513)	(92,053)	565,018	(298,260)
Due from component units	-	-	-	-
Inventories of supplies	-	-	-	-
Other current assets	-	(96,896)	-	(1,797)
Accounts payable	(3,275)	12,402	(664,906)	298,843
Accrued payroll	5,784	7,821	-	7,802
Claims payable	-	-	-	-
Due to other funds of the primary government	(367,621)	(146,605)	25,101	(58,097)
Other current liabilities	-	(79,773)	-	-
Total adjustments	(983,295)	(317,012)	(66,115)	(51,509)
Net cash provided by (used in) operating activities	\$ (635,025)	\$ (305,326)	\$ (2,423,528)	\$ (203,446)

Non-Cash Capital, Financing and Investing Activities:

Increase (decrease) in fair value of investments	\$ 1,171	\$ -	\$ (165)	\$ 178
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The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Finance Services	General Services	School Print Shop	Total Internal Service Funds
<u>\$ 223,655</u>	<u>\$ (1,269,139)</u>	<u>\$ 54,830</u>	<u>\$ (25,531,561)</u>
47,870	958	-	11,970,202
-	(1,164)	-	294,489
251,938	2,329,245	(62,638)	3,393,482
(90)	170	-	68,829
-	165	-	(303,680)
-	-	-	(107,022)
(21,492)	431,493	6,296	3,214,929
112,379	117,399	2,875	413,745
-	-	-	2,732,261
(91,901)	(36,282)	6,933	(385,757)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,773)</u>
<u>298,704</u>	<u>2,841,984</u>	<u>(46,534)</u>	<u>21,211,705</u>
<u>\$ 522,359</u>	<u>\$ 1,572,845</u>	<u>\$ 8,296</u>	<u>\$ (4,319,856)</u>
\$ 230	\$ 367	\$ 34	\$ 100,525

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DESCRIPTION OF PROPRIETARY FUNDS

**NONMAJOR ENTERPRISE FUNDS**

NASHVILLE CONVENTION CENTER

The Nashville Convention Center was created for the purpose of providing meeting and exhibit space for conventions, trade shows and business, on a user charge basis. The operations of the Nashville Convention Center are supported in part by allocations from hotel occupancy tax collections.

BOARD OF FAIR COMMISSIONERS

The Board of Fair Commissioners performs administrative and fiscal duties relative to the Tennessee State Fair and fairgrounds. Revenues are derived primarily from the annual State Fair, monthly flea markets and the Nashville Speedway.

FARMERS MARKET

The Farmers Market provides farmers with a setting in which to sell their agricultural products to the general public. Revenues are derived from fees collected from farmers for display space and from other private vendors for flea market space.

POLICE SECONDARY EMPLOYMENT

The Police Secondary Employment Unit coordinates the scheduling of off duty police officers to provide security as requested by Metropolitan Government agencies and private entities when the presence of an officer and police vehicle during certain events and activities would help protect the safety of the public. Revenues are collected from the requesting agency or private entity to cover the cost of these services.

SURPLUS PROPERTY AUCTION

The Surplus Property Auction was created to sell used capital assets, excess inventory and confiscated property of the Government. Revenues are derived from the proceeds received from individuals and entities that purchase the items through an on-line auction.

MUNICIPAL AUDITORIUM

The Municipal Auditorium provides space primarily for entertainment and sports events on a user charge basis. Prior to the year ended June 30, 2006, the operations of Municipal Auditorium were accounted for in the General Fund.

POLICE IMPOUND

Police Impound provides storage for impounded vehicles. Revenues are derived from user fees paid for vehicle retrieval. Prior to the year ended June 30, 2006, the operations of Police Impound were accounted for in the Surplus Property Auction fund.

SCHOOL COMMUNITY EDUCATION

School Community Education provides classes and other educational services to the citizens of the Nashville community, on a user fee basis. The operations of School Community Education are supported in part by transfers from the General Fund and from the General Purpose School Fund. Prior to the year ended June 30, 2006, the operations of the School Community Education program were accounted for in the Education Services special revenue fund.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DESCRIPTION OF PROPRIETARY FUNDS

**INTERNAL SERVICE FUNDS**

CENTRAL PRINTING FUND

The Central Printing Fund was under the administrative responsibility of the Department of General Services. The fund derived its revenue from internal charges to various departments of the Government for printing services. The Government has ceased operating an internal printing shop and this fund has been closed.

OFFICE OF FLEET MANAGEMENT FUND

The Office of Fleet Management Fund is under the administrative responsibility of the Department of General Services. Fleet Management acts as the central service agency with regard to the acquisition, use, maintenance and replacement of vehicles and rolling equipment owned by the Government.

INFORMATION SYSTEMS FUND

The Information Systems Fund is under the administrative responsibility of the Information Technology Services Department. Revenues are derived from internal charges to various departments for voice and data communication services and for the use of computer equipment.

RADIO SHOP FUND

The Radio Shop Fund is under the administrative responsibility of the Department of General Services. The Radio Shop acts as the central service agency with regard to the acquisition, use, maintenance and replacement of radio equipment owned by the Government.

SCHOOL SELF INSURANCE FUND

The School Self Insurance Fund is used to pay for general liability claims, vehicular liability claims and administrative claims that relate to schools. Premiums are paid from the schools' operating budget to this fund in lieu of paying insurance premiums to private insurance carriers.

GENERAL GOVERNMENT SELF INSURANCE FUND

The General Government Self Insurance Fund is used to pay claims from a pooling of funds, including claims for bodily injury and property damage. Premiums are paid from various departments to this fund in lieu of paying insurance premiums to private insurance carriers.

SCHOOL PROFESSIONAL EMPLOYEES' INSURANCE FUND

The School Professional Employees' Insurance Fund is under the administrative responsibility of the Metropolitan Nashville Public Schools and is used for the accumulation of assets for the payment of self insured medical claims.

EMPLOYEES' MEDICAL BENEFIT FUND

The Employees' Medical Benefit Fund is under the administrative responsibility of the Employee Benefit Board and is used for the accumulation of assets for the payment of self insured medical claims.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
DESCRIPTION OF PROPRIETARY FUNDS (CONTINUED)

INJURED ON DUTY FUND

The Injured on Duty Fund is under the administrative responsibility of the Department of Human Resources and is used for the accumulation of assets for the payment of self insured injured on duty claims.

SCHOOL CENTRAL STOREROOM FUND

The School Central Storeroom Fund is under the administrative responsibility of the Metropolitan Nashville Public Schools. It is used to account for the operations of the central storeroom and derives its revenues from internal charges to schools for supplies.

METRO POSTAL SERVICE FUND

The Metro Postal Service Fund is under the administrative responsibility of the Department of General Services. It is used to account for the self-supporting Metro Postal Service, which derives its revenue from internal charges to various departments for postal charges.

REAL PROPERTY SERVICES FUND

The Real Property Services Fund is under the administrative responsibility of the Department of Finance. The responsibilities of Real Property Services include planning and design for the effective and consistent use of facilities; management of all Metro facility related construction projects; and the acquisition and disposal of real property assets.

TREASURY MANAGEMENT FUND

The Treasury Management Fund is under the administrative responsibility of the Department of Finance. Treasury Management is the central service agency responsible for the management of cash, pension investments and debt. Revenue to cover the fund's activity is from the Metro Investment Pool, Pension Trust Fund and Debt Service Funds.

TECHNOLOGY REVOLVING FUND

The Technology Revolving Fund is under the administrative responsibility of the Information Technology Services Department and is used to account for the replacement of computer equipment and software. Revenues are derived from internal charges to various departments based on equipment usage.

HUMAN RESOURCES FUND

The Human Resources Fund is under the administrative responsibility of the Department of Human Resources and is used to account for its various programs such as the management of compensation and benefits, recruitment and employee training. Revenues are derived from internal charges to various departments using bases such as numbers of employees and services provided.

FINANCE SERVICES FUND

The Finance Services Fund is under the administrative responsibility of the Department of Finance and is used to account for various Finance programs including accounting, payroll, budgets, purchasing and internal audit. Revenues are derived from internal charges to various departments using bases such as numbers of transactions and departmental expenditures.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DESCRIPTION OF PROPRIETARY FUNDS (CONTINUED)

GENERAL SERVICES FUND

The General Services Fund is under the administrative responsibility of the Department of General Services and is used to account for various programs such as shared business office, payment services, facilities maintenance and security and a customer call center. Revenues are derived from internal charges to various departments using bases such as numbers of transactions and square footage.

SCHOOL PRINT SHOP FUND

The School Print Shop Fund is under the administrative responsibility of the Metropolitan Nashville Public Schools. It is used to account for the operations of printing services and derives its revenues from internal service charges to schools for printing services.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

June 30, 2006

	Davidson County Employees' Retirement	Metropolitan Employees' Benefit Trust	Employees' Pension and Insurance	Teachers' Retirement Plan
<b>ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ 63,584,067	\$ 155,378	\$ 3,442,327
Investments, at fair value:				
U.S. Treasury and agency securities	-	8,917,814	99,676	1,838,750
Commercial mortgage backed securities	-	43,599,039	-	-
Government mortgage backed securities	-	150,100,176	-	239,796
Government bonds	-	70,671,922	-	6,700,316
Government agencies	-	37,970,151	-	6,517,809
Corporate bonds and notes	-	82,782,027	-	5,454,094
Warrants and options	-	1,898,648	-	-
Common stock	375,153	1,173,017,695	1,004,082	59,926,573
Preferred stock	-	3,667,202	-	32,208
Mortgages and real estate	-	116,452,359	-	-
Collateralized mortgage obligations	-	49,802,698	-	-
Venture capital and partnerships	-	34,181,262	-	-
Asset backed securities	-	30,385,801	-	32,569
Convertible equity	-	-	-	940,653
Annuities	-	395,667	-	-
Accounts receivable	-	15,424,982	258,221	1,569,383
Accrued interest receivable	-	4,321,674	1,110	303,068
Due from other funds of the primary government	336,555	438,932	890,950	2,717,327
<b>Total assets</b>	<b>711,708</b>	<b>1,887,612,116</b>	<b>2,409,417</b>	<b>89,714,873</b>
<b>LIABILITIES:</b>				
Accounts payable	43	1,205,097	-	545,633
Due to brokers	-	75,477,707	-	-
Due to other funds of the primary government	-	593,895	-	41,226
Due to component units	-	208	-	-
Other liabilities	-	152,404	-	-
<b>Total liabilities</b>	<b>43</b>	<b>77,429,311</b>	<b>-</b>	<b>586,859</b>
<b>NET ASSETS:</b>				
Held in trust for pension benefits and other employee benefit purposes (A Schedule of Funding Progress for each pension plan is presented as Required Supplementary Information.)	711,665	1,810,182,805	2,409,417	89,128,014
<b>Total net assets</b>	<b>\$ 711,665</b>	<b>\$ 1,810,182,805</b>	<b>\$ 2,409,417</b>	<b>\$ 89,128,014</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (CONTINUED)

June 30, 2006

Closed City Plan	Teachers' Civil Service and Pension	Metropolitan Employees' Flexible Benefits Plan	Education Flexible Benefits Plan	Total Pension (and Other Employee Benefit) Trust Funds
\$ -	\$ 118,934	\$ 1,585,226	\$ -	\$ 68,885,932
-	76,296	1,016,918	-	11,949,454
-	-	-	-	43,599,039
-	-	-	-	150,339,972
-	-	-	-	77,372,238
-	-	-	-	44,487,960
-	-	-	-	88,236,121
-	-	-	-	1,898,648
1,762,843	612,288	-	-	1,236,698,634
-	-	-	-	3,699,410
-	-	-	-	116,452,359
-	-	-	-	49,802,698
-	-	-	-	34,181,262
-	-	-	-	30,418,370
-	-	-	-	940,653
-	-	-	-	395,667
-	182,636	-	-	17,435,222
-	832	6,574	53	4,633,311
1,541,033	554,093	-	13,667	6,492,557
<u>3,303,876</u>	<u>1,545,079</u>	<u>2,608,718</u>	<u>13,720</u>	<u>1,987,919,507</u>
185	-	8,356	7,731	1,767,045
-	-	-	-	75,477,707
-	-	1,997,285	6,485	2,638,891
-	-	-	-	208
-	-	-	-	152,404
<u>185</u>	<u>-</u>	<u>2,005,641</u>	<u>14,216</u>	<u>80,036,255</u>
<u>3,303,691</u>	<u>1,545,079</u>	<u>603,077</u>	<u>(496)</u>	<u>1,907,883,252</u>
<u>\$ 3,303,691</u>	<u>\$ 1,545,079</u>	<u>\$ 603,077</u>	<u>\$ (496)</u>	<u>\$ 1,907,883,252</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 AGENCY FUNDS

June 30, 2006

	Richard R. Rooker, Circuit Court Clerk	Cristi Scott, Clerk and Master	Bill Covington, County Clerk	David Torrence, Criminal Court Clerk	Bill Garrett, County Register
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 19,952,524	\$ 9,166,619	\$ -	\$ 9,026,482	\$ 3,894,835
Investments	-	14,797	-	675,618	-
Accounts receivable	-	-	-	-	-
Other assets	10,228	-	-	-	63,952
<b>Total assets</b>	<b>\$ 19,962,752</b>	<b>\$ 9,181,416</b>	<b>\$ -</b>	<b>\$ 9,702,100</b>	<b>\$ 3,958,787</b>
<b>LIABILITIES:</b>					
Due to component units	\$ -	\$ -	\$ -	\$ -	\$ -
Funds held in trust	15,410,772	9,174,523	-	8,509,960	-
Other liabilities	4,551,980	6,893	-	1,192,140	3,958,787
<b>Total liabilities</b>	<b>\$ 19,962,752</b>	<b>\$ 9,181,416</b>	<b>\$ -</b>	<b>\$ 9,702,100</b>	<b>\$ 3,958,787</b>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 AGENCY FUNDS (CONTINUED)

June 30, 2006

Vic Lineweaver, Juvenile Court Clerk	Transit Authority Revenue	Joseph B. Knowles Residents	Sheriff Work Release and Inmate Trust	Total Agency Funds
\$ 2,341,655	\$ 3,763	\$ -	\$ 645,455	\$ 45,031,333
-	2,414	-	-	692,829
-	372,529	-	-	372,529
2,046	-	-	-	76,226
<u>\$ 2,343,701</u>	<u>\$ 378,706</u>	<u>\$ -</u>	<u>\$ 645,455</u>	<u>\$ 46,172,917</u>
\$ -	\$ 378,706	\$ -	\$ -	\$ 378,706
1,949,537	-	-	645,455	35,690,247
394,164	-	-	-	10,103,964
<u>\$ 2,343,701</u>	<u>\$ 378,706</u>	<u>\$ -</u>	<u>\$ 645,455</u>	<u>\$ 46,172,917</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS - PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

For the Year Ended June 30, 2006

	Davidson County Employees' Retirement	Metropolitan Employees' Benefit Trust	Employees' Pension and Insurance	Teachers' Retirement Plan
<b>ADDITIONS:</b>				
Investment income:				
Interest and dividend income	\$ 4,245	\$ 42,257,592	\$ 21,561	\$ 2,661,273
Net appreciation (depreciation) of investments	23,252	177,316,393	62,175	3,290,893
Miscellaneous	-	241,830	-	4,145
Total investment income (loss)	27,497	219,815,815	83,736	5,956,311
Less investment expenses	-	(6,178,455)	-	(701,807)
Net investment income (loss)	27,497	213,637,360	83,736	5,254,504
Contributions:				
Employee contributions	-	90,852	-	20,873
Employer contributions	2,534,304	68,674,155	7,590,272	7,002,328
Transfers in	-	21,360	-	-
Contributions from the State of Tennessee	-	-	3,067,444	15,969,388
Miscellaneous	-	-	-	-
Total contributions	2,534,304	68,786,367	10,657,716	22,992,589
Total additions	2,561,801	282,423,727	10,741,452	28,247,093
<b>DEDUCTIONS:</b>				
Pension and other employee benefits	2,197,749	77,920,262	9,508,546	35,759,271
Refunds of contributions	-	59,546	-	-
Administrative expenses	-	2,627,115	-	96,875
Transfers out	-	-	-	-
Total deductions	2,197,749	80,606,923	9,508,546	35,856,146
Change in net assets	364,052	201,816,804	1,232,906	(7,609,053)
NET ASSETS, beginning of year	347,613	1,608,366,001	1,176,511	96,737,067
NET ASSETS, end of year	\$ 711,665	\$ 1,810,182,805	\$ 2,409,417	\$ 89,128,014

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS - PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (CONTINUED)

For the Year Ended June 30, 2006

Closed City Plan	Teachers' Civil Service and Pension	Metropolitan Employees' Flexible Benefits Plan	Education Flexible Benefits Plan	Total Pension (and Other Employee Benefit) Trust Funds
\$ 20,102	\$ 14,518	\$ 62,836	\$ -	\$ 45,042,127
109,251	37,914	-	-	180,839,878
-	-	-	-	245,975
129,353	52,432	62,836	-	226,127,980
-	-	-	(374)	(6,880,636)
129,353	52,432	62,836	(374)	219,247,344
-	-	1,247,011	698,543	2,057,279
11,627,802	4,719,340	-	-	102,148,201
-	-	-	-	21,360
-	2,223,663	-	-	21,260,495
-	-	1,794,788	-	1,794,788
11,627,802	6,943,003	3,041,799	698,543	127,282,123
11,757,155	6,995,435	3,104,635	698,169	346,529,467
10,086,769	6,206,274	1,506,892	674,214	143,859,977
-	-	-	-	59,546
-	-	-	-	2,723,990
-	-	1,997,282	-	1,997,282
10,086,769	6,206,274	3,504,174	674,214	148,640,795
1,670,386	789,161	(399,539)	23,955	197,888,672
1,633,305	755,918	1,002,616	(24,451)	1,709,994,580
\$ 3,303,691	\$ 1,545,079	\$ 603,077	\$ (496)	\$ 1,907,883,252

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Richard R. Rooker, Circuit Court Clerk</u>				
ASSETS:				
Cash and cash equivalents	\$ 19,947,561	\$ 54,275,491	\$ 54,270,528	\$ 19,952,524
Other assets	10,228	-	-	10,228
Total assets	<u>\$ 19,957,789</u>	<u>\$ 54,275,491</u>	<u>\$ 54,270,528</u>	<u>\$ 19,962,752</u>
LIABILITIES:				
Funds held in trust	\$ 17,294,407	\$ 21,081,029	\$ 22,964,664	\$ 15,410,772
Other liabilities	2,663,382	33,194,462	31,305,864	4,551,980
Total liabilities	<u>\$ 19,957,789</u>	<u>\$ 54,275,491</u>	<u>\$ 54,270,528</u>	<u>\$ 19,962,752</u>
 <u>Cristi Scott, Clerk and Master</u>				
ASSETS:				
Cash and cash equivalents	\$ 7,720,192	\$ 21,912,672	\$ 20,466,245	\$ 9,166,619
Investments	14,797	-	-	14,797
Total assets	<u>\$ 7,734,989</u>	<u>\$ 21,912,672</u>	<u>\$ 20,466,245</u>	<u>\$ 9,181,416</u>
LIABILITIES:				
Funds held in trust	\$ 7,732,181	\$ 21,877,360	\$ 20,435,018	\$ 9,174,523
Other liabilities	2,808	35,312	31,227	6,893
Total liabilities	<u>\$ 7,734,989</u>	<u>\$ 21,912,672</u>	<u>\$ 20,466,245</u>	<u>\$ 9,181,416</u>
 <u>Bill Covington, County Clerk</u>				
ASSETS:				
Cash and cash equivalents	\$ -	\$ 137,756,524	\$ 137,756,524	\$ -
LIABILITIES:				
Due to other funds of the primary government	\$ -	\$ 137,756,524	\$ 137,756,524	\$ -
 <u>David Torrence, Criminal Court Clerk</u>				
ASSETS:				
Cash and cash equivalents	\$ 8,368,184	\$ 10,704,073	\$ 10,045,775	\$ 9,026,482
Investments	441,483	234,135	-	675,618
Total assets	<u>\$ 8,809,667</u>	<u>\$ 10,938,208</u>	<u>\$ 10,045,775</u>	<u>\$ 9,702,100</u>
LIABILITIES:				
Funds held in trust	\$ 7,832,138	\$ 677,822	\$ -	\$ 8,509,960
Other liabilities	977,529	10,260,386	10,045,775	1,192,140
Total liabilities	<u>\$ 8,809,667</u>	<u>\$ 10,938,208</u>	<u>\$ 10,045,775</u>	<u>\$ 9,702,100</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Bill Garrett, County Register</u>				
ASSETS:				
Cash and cash equivalents	\$ 2,999,530	\$ 37,998,985	\$ 37,103,680	\$ 3,894,835
Other assets	22,532	41,420	-	63,952
Total assets	<u>\$ 3,022,062</u>	<u>\$ 38,040,405</u>	<u>\$ 37,103,680</u>	<u>\$ 3,958,787</u>
LIABILITIES:				
Due to other funds of the primary government	\$ -	\$ 6,339,188	\$ 6,339,188	\$ -
Other liabilities	3,022,062	31,701,217	30,764,492	3,958,787
Total liabilities	<u>\$ 3,022,062</u>	<u>\$ 38,040,405</u>	<u>\$ 37,103,680</u>	<u>\$ 3,958,787</u>
 <u>Vic Lineweaver, Juvenile Court Clerk</u>				
ASSETS:				
Cash and cash equivalents	\$ 2,304,009	\$ 7,135,339	\$ 7,097,693	\$ 2,341,655
Other assets	2,046	-	-	2,046
Total assets	<u>\$ 2,306,055</u>	<u>\$ 7,135,339</u>	<u>\$ 7,097,693</u>	<u>\$ 2,343,701</u>
LIABILITIES:				
Funds held in trust	\$ 1,862,100	\$ 263,014	\$ 175,577	\$ 1,949,537
Other liabilities	443,955	6,872,325	6,922,116	394,164
Total liabilities	<u>\$ 2,306,055</u>	<u>\$ 7,135,339</u>	<u>\$ 7,097,693</u>	<u>\$ 2,343,701</u>
 <u>Transit Authority Revenue</u>				
ASSETS:				
Cash and cash equivalents	\$ 695	\$ 3,763	\$ 695	\$ 3,763
Investments	798	5,482,026	5,480,410	2,414
Accounts receivable	3,008,140	4,106	2,639,717	372,529
Total assets	<u>\$ 3,009,633</u>	<u>\$ 5,489,895</u>	<u>\$ 8,120,822</u>	<u>\$ 378,706</u>
LIABILITIES:				
Accounts payable	\$ 2,636,130	\$ -	\$ 2,636,130	\$ -
Due to component units	373,503	7,401,428	7,396,225	378,706
Total liabilities	<u>\$ 3,009,633</u>	<u>\$ 7,401,428</u>	<u>\$ 10,032,355</u>	<u>\$ 378,706</u>
 <u>Joseph B. Knowles Residents</u>				
ASSETS:				
Cash and cash equivalents	\$ 25,396	\$ -	\$ 25,396	\$ -
LIABILITIES:				
Funds held in trust	\$ 25,396	\$ -	\$ 25,396	\$ -

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS (CONTINUED)

For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Sheriff Work Release and Inmate Trust</u>				
ASSETS:				
Cash and cash equivalents	\$ 555,399	\$ 2,575,299	\$ 2,485,243	\$ 645,455
LIABILITIES:				
Funds held in trust	\$ 555,399	\$ 2,575,299	\$ 2,485,243	\$ 645,455
 <u>Totals - All Agency Funds</u>				
ASSETS:				
Cash and cash equivalents	\$ 41,920,966	\$ 272,362,146	\$ 269,251,779	\$ 45,031,333
Investments	457,078	5,716,161	5,480,410	692,829
Accounts receivable	3,008,140	4,106	2,639,717	372,529
Other assets	34,806	41,420	-	76,226
Total assets	<u>\$ 45,420,990</u>	<u>\$ 278,123,833</u>	<u>\$ 277,371,906</u>	<u>\$ 46,172,917</u>
LIABILITIES:				
Accounts payable	\$ 2,636,130	\$ -	\$ 2,636,130	\$ -
Due to other funds of the primary government	-	6,339,188	6,339,188	-
Due to component units	373,503	7,401,428	7,396,225	378,706
Funds held in trust	35,301,621	46,474,524	46,085,898	35,690,247
Other liabilities	7,109,736	82,063,702	79,069,474	10,103,964
Total liabilities	<u>\$ 45,420,990</u>	<u>\$ 142,278,842</u>	<u>\$ 141,526,915</u>	<u>\$ 46,172,917</u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
DESCRIPTION OF FIDUCIARY FUNDS

**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**

DAVIDSON COUNTY EMPLOYEES' RETIREMENT FUND

The Davidson County Employees' Retirement Fund covers certain employees of the former Davidson County and was closed to new members in 1963. Benefits are funded by contributions from the Government.

METROPOLITAN EMPLOYEES' BENEFIT TRUST FUND

Established in 1963, the Metropolitan Employees' Benefit Trust Fund covers substantially all employees who are not members of any other plan and is used to account for Division A & B of the Metro Plan. Division B of the Metro Plan is the only plan open to new members. This fund receives contributions from both employees and from the Government. Under the administrative responsibility of the Employee Benefit Board, this fund provides for the accumulation of assets for the payment of disability and retirement benefits for employees covered under this plan.

EMPLOYEES' PENSION AND INSURANCE FUND

The Employees' Pension and Insurance Fund covers teachers and classified employees of the Metropolitan Nashville Public Schools of the former Davidson County. The plan is closed to new members and is funded by contributions from the Government, employees and the State of Tennessee.

TEACHERS' RETIREMENT PLAN FUND

The Teachers' Retirement Plan Fund is funded by contributions from the Metropolitan Nashville Public Schools, employees and the State of Tennessee. The plan was closed to new members on July 1, 1969.

CLOSED CITY PLAN FUND

The Civil Service Employees' Pension Fund covers certain employees of the former City of Nashville and was closed to new members in 1963. Benefits are funded by contributions from the Government.

The Police and Fireman Pension Fund cover certain employees of the former City of Nashville and were closed to new members in 1963. Benefits are funded by contributions from the Government.

TEACHERS' CIVIL SERVICE AND PENSION FUND

The Teachers' Civil Service and Pension Fund covers eligible employees who were teachers of the former City of Nashville. Benefits are funded by contributions from the Government and the State of Tennessee.

METROPOLITAN EMPLOYEES' FLEXIBLE BENEFITS PLAN FUND

The Metropolitan Employees' Flexible Benefits Plan Fund was established to account for the pre-tax deductions withheld from compensation to employees of the Government for medical and dependent care reimbursement.

EDUCATION FLEXIBLE BENEFITS PLAN FUND

The Education Flexible Benefits Plan Fund was established to account for the pre-tax deductions withheld from compensation to employees of the Metropolitan Nashville Public School System for medical and dependent care reimbursement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
DESCRIPTION OF FIDUCIARY FUNDS (CONTINUED)

**AGENCY FUNDS**

ELECTED OFFICIALS

The following agency funds are used to account for assets held by the Elected Officials as agents for individuals, governmental entities and others. These include:

Richard R. Rooker, Circuit Court Clerk  
Cristi Scott, Clerk and Master  
Bill Covington, County Clerk  
David Torrence, Criminal Court Clerk  
Bill Garrett, County Register  
Vic Lineweaver, Juvenile Court Clerk

TRANSIT AUTHORITY REVENUE FUND

The Transit Authority Revenue Fund accounts for federal funds passed through to the Metropolitan Transit Authority, which is responsible for the administration of these funds.

JOSEPH B. KNOWLES RESIDENTS FUND

The Joseph B. Knowles Residents Fund administers and accounts for the receipt and usage of individual residents' personal funds. The Joseph B. Knowles Residents Home is under the administrative responsibility of Bordeaux Long Term Care, a component unit, and the residents' personal funds are reported as restricted assets and liabilities in the Statement of Net Assets Component Units.

SHERIFF WORK RELEASE AND INMATE TRUST FUND

The Sheriff Work Release and Inmate Trust Fund administers and accounts for the receipt and usage of individual inmates' personal funds through the Commissary and Work Release accounts.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BALANCE SHEET  
SPORTS AUTHORITY FUND

June 30, 2006

ASSETS:

Cash and cash equivalents	\$	9,223,087
Investments		1,882,951
Accounts receivable		17,574
Accrued interest receivable		13,359
Due from the primary government		<u>21,400</u>
Total assets	\$	<u><u>11,158,371</u></u>

LIABILITIES:

Accounts payable	\$	1,938,584
Accrued salaries and wages		3,228
Due to the primary government		<u>1,557,894</u>
Total liabilities		<u>3,499,706</u>

FUND BALANCES:

Undesignated		<u>7,658,665</u>
Total fund balances		<u>7,658,665</u>
Total liabilities and fund balances	\$	<u><u>11,158,371</u></u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SPORTS AUTHORITY

June 30, 2006

Fund balances	\$	7,658,665
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Amounts reported in the Statement of Net Assets are different because:

Capital assets of governmental component units are not financial resources and therefore not reported in the Balance Sheet. However, they are reported in the Statement of Net Assets.

This amount represents the net book value of capital assets at year-end.		355,582,892
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Long-term liabilities, including revenue bonds payable, are not due and payable in the current period and therefore are not reported by governmental component units in the Balance Sheet. However, they are reported in the Statement of Net Assets. Additionally, related interest is accrued when incurred in the Statement of Net Assets.

Revenue bonds payable		(82,200,000)
Less deferred charge on refunding		4,916,120
Less deferred charge for issuance costs		675,497
Add bond premium		(1,294,764)
Accrued interest payable		(1,891,273)
		(1,891,273)

Net assets	\$	283,447,137
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The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPORTS AUTHORITY FUND

For the Year Ended June 30, 2006

REVENUES:	
Revenues from the use of money or property	\$ 276,357
Revenues from other governmental agencies	16,761,624
Charges for current services	2,047,551
Compensation for loss, sale or damage to property	<u>623,142</u>
Total revenues	<u>19,708,674</u>
EXPENDITURES:	
Personal services	150,210
Contractual services	12,511,258
Supplies and materials	64,574
Other costs	90,983
Capital outlay	1,550,745
Debt service:	
Principal retirement	3,065,000
Interest	<u>3,854,629</u>
Total expenditures	<u>21,287,399</u>
Net change in fund balances	(1,578,725)
FUND BALANCES, beginning of year	<u>9,237,390</u>
FUND BALANCES, end of year	<u><u>\$ 7,658,665</u></u>

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 SPORTS AUTHORITY

For the Year Ended June 30, 2006

Net change in fund balances	\$	(1,578,725)
<p>Amounts reported in the Statement of Activities are different because:</p>		
<p>Governmental component units report capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.</p>		
Acquisition of capital assets		1,550,745
Depreciation expense		(9,115,471)
<p>Governmental component units report the repayment of bond principal and the payment of interest as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. However, principal repayments reduce liabilities and interest expense is accrued when incurred in the Statement of Net Assets. Also, governmental component units report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized for the Statement of Activities.</p>		
Principal repayments		3,065,000
Amortization of deferred charge on refunding		(245,806)
Amortization of issuance costs		(33,775)
Amortization of premium		64,738
Change in accrued interest		72,082
		72,082
Change in net assets	\$	(6,221,212)

The accompanying notes are an integral part of this financial statement.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF COMBINING BALANCE SHEETS  
GENERAL FUND

June 30, 2006

	General Services District	Urban Services District	Total General Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 13,958,581	\$ 6,940,510	\$ 20,899,091
Investments	7,712,474	4,242,803	11,955,277
Sales tax receivable	15,118,717	191,001	15,309,718
Accounts receivable	43,866,247	11,108,344	54,974,591
Accrued interest receivable	165,470	44,920	210,390
Property taxes receivable	340,348,548	75,030,639	415,379,187
Allowance for doubtful accounts	(26,288,352)	(1,076,424)	(27,364,776)
Due from other funds of the primary government	115,381	4,684,550	4,799,931
Due from component units	18,069,877	-	18,069,877
Inventories of supplies	326,428	-	326,428
Other assets	1,117,395	-	1,117,395
	<u>\$ 414,510,766</u>	<u>\$ 101,166,343</u>	<u>\$ 515,677,109</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 12,391,407	\$ 415,434	\$ 12,806,841
Accrued payroll	20,203,282	2,328,823	22,532,105
Due to other funds of the primary government	5,020,941	9,376,330	14,397,271
Due to component units	36,691	-	36,691
Deferred revenue	333,537,354	76,799,096	410,336,450
Other liabilities	8,633,673	-	8,633,673
	<u>379,823,348</u>	<u>88,919,683</u>	<u>468,743,031</u>
FUND BALANCES:			
Reserved for imprest cash and inventories	1,037,033	3,000	1,040,033
Reserved for specific programs	2,434,347	-	2,434,347
Unreserved:			
Undesignated	31,216,038	12,243,660	43,459,698
	<u>34,687,418</u>	<u>12,246,660</u>	<u>46,934,078</u>
Total fund balances	<u>\$ 414,510,766</u>	<u>\$ 101,166,343</u>	<u>\$ 515,677,109</u>
Total liabilities and fund balances	<u>\$ 414,510,766</u>	<u>\$ 101,166,343</u>	<u>\$ 515,677,109</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GENERAL FUND

For the Year Ended June 30, 2006

	General Services District	Urban Services District	Total General Fund
<b>REVENUES:</b>			
Property taxes	\$ 366,989,991	\$ 77,314,991	\$ 444,304,982
Local option sales tax	88,675,255	1,120,255	89,795,510
Other taxes, licenses and permits	85,546,790	14,430,179	99,976,969
Fines, forfeits and penalties	13,841,149	-	13,841,149
Revenues from the use of money or property	1,185,472	132,410	1,317,882
Revenues from other governmental agencies	68,354,263	11,270,107	79,624,370
Commissions and fees	21,261,179	-	21,261,179
Charges for current services	22,908,249	885,754	23,794,003
Compensation for loss, sale or damage to property	634,143	-	634,143
Contributions and gifts	543,390	-	543,390
Miscellaneous	1,186,236	-	1,186,236
Total revenues	671,126,117	105,153,696	776,279,813
<b>EXPENDITURES:</b>			
General government	21,470,893	-	21,470,893
Fiscal administration	14,578,459	-	14,578,459
Administration of justice	58,621,082	-	58,621,082
Law enforcement and care of prisoners	193,586,575	-	193,586,575
Fire prevention and control	40,512,974	60,171,985	100,684,959
Regulation and inspection	7,879,011	-	7,879,011
Conservation of natural resources	421,822	-	421,822
Public welfare	8,134,531	-	8,134,531
Public health and hospitals	129,089,250	-	129,089,250
Public library system	20,379,979	-	20,379,979
Public works, highways and streets	23,791,094	7,308,581	31,099,675
Recreational and cultural	32,931,787	-	32,931,787
Employee benefits	35,328,548	21,041,094	56,369,642
Miscellaneous	45,608,785	1,360,176	46,968,961
Total expenditures	632,334,790	89,881,836	722,216,626
Excess of revenues over expenditures	38,791,327	15,271,860	54,063,187
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	16,501,209	-	16,501,209
Transfers out	(49,108,645)	(11,798,500)	(60,907,145)
Total other financing sources (uses)	(32,607,436)	(11,798,500)	(44,405,936)
Net change in fund balances	6,183,891	3,473,360	9,657,251
FUND BALANCES, beginning of year	28,503,527	8,773,300	37,276,827
FUND BALANCES, end of year	\$ 34,687,418	\$ 12,246,660	\$ 46,934,078

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended June 30, 2006

	General Services District		
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Property taxes	\$ 369,195,500	\$ 366,989,991	\$ (2,205,509)
Local option sales tax	84,895,500	88,675,255	3,779,755
Other taxes, licenses and permits	77,904,400	85,546,790	7,642,390
Fines, forfeits and penalties	10,553,000	13,841,149	3,288,149
Revenues from the use of money or property	402,000	1,185,472	783,472
Revenues from other governmental agencies	72,507,033	68,354,263	(4,152,770)
Commissions and fees	18,977,200	21,261,179	2,283,979
Charges for current services	27,322,200	22,908,249	(4,413,951)
Compensation for loss, sale or damage to property	237,700	634,143	396,443
Contributions and gifts	561,050	543,390	(17,660)
Miscellaneous	658,500	1,186,236	527,736
Total revenues	<u>663,214,083</u>	<u>671,126,117</u>	<u>7,912,034</u>
<b>EXPENDITURES:</b>			
General government	20,471,700	21,470,893	(999,193)
Fiscal administration	15,241,900	14,578,459	663,441
Administration of justice	53,208,200	58,621,082	(5,412,882)
Law enforcement and care of prisoners	194,445,750	193,586,575	859,175
Fire prevention and control	40,513,000	40,512,974	26
Regulation and inspection	8,302,500	7,879,011	423,489
Conservation of natural resources	474,400	421,822	52,578
Public welfare	9,211,300	8,134,531	1,076,769
Public health and hospitals	129,121,800	129,089,250	32,550
Public library system	20,440,900	20,379,979	60,921
Public works, highways and streets	24,997,300	23,791,094	1,206,206
Recreational and cultural	33,566,800	32,931,787	635,013
Employee benefits	35,328,600	35,328,548	52
Miscellaneous	50,876,677	45,608,785	5,267,892
Total expenditures	<u>636,200,827</u>	<u>632,334,790</u>	<u>3,866,037</u>
Excess (deficiency) of revenues over expenditures	<u>27,013,256</u>	<u>38,791,327</u>	<u>11,778,071</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	18,485,476	16,501,209	(1,984,267)
Transfers out	(49,449,000)	(49,108,645)	340,355
Total other financing sources (uses)	<u>(30,963,524)</u>	<u>(32,607,436)</u>	<u>(1,643,912)</u>
Net change in fund balances	(3,950,268)	6,183,891	10,134,159
FUND BALANCES, beginning of year	<u>28,503,527</u>	<u>28,503,527</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 24,553,259</u>	<u>\$ 34,687,418</u>	<u>\$ 10,134,159</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 (CONTINUED)  
 For the Year Ended June 30, 2006

Urban Services District			Total General Fund		
Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 75,633,600	\$ 77,314,991	\$ 1,681,391	\$ 444,829,100	\$ 444,304,982	\$ (524,118)
1,072,400	1,120,255	47,855	85,967,900	89,795,510	3,827,610
11,824,200	14,430,179	2,605,979	89,728,600	99,976,969	10,248,369
-	-	-	10,553,000	13,841,149	3,288,149
-	132,410	132,410	402,000	1,317,882	915,882
7,762,000	11,270,107	3,508,107	80,269,033	79,624,370	(644,663)
-	-	-	18,977,200	21,261,179	2,283,979
706,800	885,754	178,954	28,029,000	23,794,003	(4,234,997)
-	-	-	237,700	634,143	396,443
-	-	-	561,050	543,390	(17,660)
-	-	-	658,500	1,186,236	527,736
<u>96,999,000</u>	<u>105,153,696</u>	<u>8,154,696</u>	<u>760,213,083</u>	<u>776,279,813</u>	<u>16,066,730</u>
-	-	-	20,471,700	21,470,893	(999,193)
-	-	-	15,241,900	14,578,459	663,441
-	-	-	53,208,200	58,621,082	(5,412,882)
-	-	-	194,445,750	193,586,575	859,175
60,428,300	60,171,985	256,315	100,941,300	100,684,959	256,341
-	-	-	8,302,500	7,879,011	423,489
-	-	-	474,400	421,822	52,578
-	-	-	9,211,300	8,134,531	1,076,769
-	-	-	129,121,800	129,089,250	32,550
-	-	-	20,440,900	20,379,979	60,921
7,480,500	7,308,581	171,919	32,477,800	31,099,675	1,378,125
-	-	-	33,566,800	32,931,787	635,013
22,544,300	21,041,094	1,503,206	57,872,900	56,369,642	1,503,258
(275,700)	1,360,176	(1,635,876)	50,600,977	46,968,961	3,632,016
<u>90,177,400</u>	<u>89,881,836</u>	<u>295,564</u>	<u>726,378,227</u>	<u>722,216,626</u>	<u>4,161,601</u>
<u>6,821,600</u>	<u>15,271,860</u>	<u>8,450,260</u>	<u>33,834,856</u>	<u>54,063,187</u>	<u>20,228,331</u>
4,672,400	-	(4,672,400)	23,157,876	16,501,209	(6,656,667)
(11,494,000)	(11,798,500)	(304,500)	(60,943,000)	(60,907,145)	35,855
<u>(6,821,600)</u>	<u>(11,798,500)</u>	<u>(4,976,900)</u>	<u>(37,785,124)</u>	<u>(44,405,936)</u>	<u>(6,620,812)</u>
-	3,473,360	3,473,360	(3,950,268)	9,657,251	13,607,519
<u>8,773,300</u>	<u>8,773,300</u>	<u>-</u>	<u>37,276,827</u>	<u>37,276,827</u>	<u>-</u>
<u>\$ 8,773,300</u>	<u>\$ 12,246,660</u>	<u>\$ 3,473,360</u>	<u>\$ 33,326,559</u>	<u>\$ 46,934,078</u>	<u>\$ 13,607,519</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL  
GENERAL FUND - GENERAL SERVICES DISTRICT

For the Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<u>GENERAL GOVERNMENT:</u>			
Legislative (Office of Clerk and Council)	\$ 2,987,600	\$ 2,828,405	\$ 159,195
Executive (Office of the Mayor)	4,115,700	3,756,099	359,601
Election Commission	2,582,300	2,211,511	370,789
Department of Law	4,988,100	4,988,086	14
Planning Commission	4,073,700	4,073,095	605
County Register of Deeds	454,600	2,410,257	(1,955,657)
Historical Commission	653,200	588,421	64,779
Telecommunications	616,500	615,019	1,481
	<hr/>	<hr/>	<hr/>
Total General Government	20,471,700	21,470,893	(999,193)
<u>FISCAL ADMINISTRATION:</u>			
Department of Finance	1,359,700	1,116,581	243,119
Assessor of Property	7,433,400	7,230,729	202,671
Metropolitan Trustee	1,956,300	1,875,052	81,248
County Clerk	4,492,500	4,356,097	136,403
	<hr/>	<hr/>	<hr/>
Total Fiscal Administration	15,241,900	14,578,459	663,441
<u>ADMINISTRATION OF JUSTICE:</u>			
District Attorney	4,661,400	4,661,209	191
Public Defender	5,278,600	5,276,639	1,961
Juvenile Court Clerk	1,665,100	1,664,549	551
Circuit Court Clerk	4,180,600	10,131,436	(5,950,836)
Criminal Court Clerk	5,734,600	5,720,724	13,876
Clerk and Master	1,850,600	1,739,110	111,490
Juvenile Court	10,038,600	9,990,874	47,726
General Sessions Court	10,086,000	10,085,443	557
State Trial Courts	6,872,600	6,816,585	56,015
Justice Information System	2,391,500	2,158,898	232,602
Criminal Justice Planning	448,600	375,615	72,985
	<hr/>	<hr/>	<hr/>
Total Administration of Justice	53,208,200	58,621,082	(5,412,882)
<u>LAW ENFORCEMENT AND CARE OF PRISONERS:</u>			
Sheriff	52,095,300	52,051,961	43,339
Police Department	130,222,050	129,806,301	415,749
Emergency Communication Center	12,128,400	11,728,313	400,087
	<hr/>	<hr/>	<hr/>
Total Law Enforcement and Care of Prisoners	194,445,750	193,586,575	859,175
<u>FIRE PREVENTION AND CONTROL:</u>			
Fire Department	40,513,000	40,512,974	26
<u>REGULATION AND INSPECTION:</u>			
Department of Codes Administration	7,602,500	7,235,059	367,441
Taxicab and Wrecker Licensing Board	320,300	311,344	8,956
Beer Board	379,700	332,608	47,092
	<hr/>	<hr/>	<hr/>
Total Regulation and Inspection	8,302,500	7,879,011	423,489

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL  
GENERAL FUND - GENERAL SERVICES DISTRICT  
(CONTINUED)

For the Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<u>CONSERVATION OF NATURAL RESOURCES:</u>			
Agricultural Extension Service	\$ 378,400	\$ 334,645	\$ 43,755
Soil and Water Conservation	96,000	87,177	8,823
Total Conservation of Natural Resources	<u>474,400</u>	<u>421,822</u>	<u>52,578</u>
<u>PUBLIC WELFARE:</u>			
Social Services Commission	8,828,400	7,754,958	1,073,442
Human Relations Commission	382,900	379,573	3,327
Total Public Welfare	<u>9,211,300</u>	<u>8,134,531</u>	<u>1,076,769</u>
<u>PUBLIC HEALTH AND HOSPITALS:</u>			
Board of Health	34,799,200	34,766,650	32,550
Hospital Authority	94,322,600	94,322,600	-
Total Public Health and Hospitals	<u>129,121,800</u>	<u>129,089,250</u>	<u>32,550</u>
<u>PUBLIC LIBRARY SYSTEM:</u>			
Public Library	20,440,900	20,379,979	60,921
<u>PUBLIC WORKS, HIGHWAYS AND STREETS:</u>			
Public Works	24,997,300	23,791,094	1,206,206
<u>RECREATIONAL AND CULTURAL:</u>			
Parks and Recreation	30,682,600	30,106,673	575,927
Municipal Auditorium	200	102	98
Arts Commission	2,675,000	2,674,797	203
Sports Authority	209,000	150,215	58,785
Total Recreational and Cultural	<u>33,566,800</u>	<u>32,931,787</u>	<u>635,013</u>
<u>EMPLOYEE BENEFITS:</u>			
Contribution to Closed Pension Plans	10,402,300	10,402,300	-
Employer's Contribution for Group Health Insurance	23,651,800	23,651,787	13
Unemployment Compensation	424,700	424,666	34
Employer's Contribution for Group Life Insurance	849,800	849,795	5
Total Employee Benefits	<u>35,328,600</u>	<u>35,328,548</u>	<u>52</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL  
GENERAL FUND - GENERAL SERVICES DISTRICT  
(CONTINUED)

For the Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<u>MISCELLANEOUS:</u>			
Contributions and Community Support	\$ 4,529,700	\$ 4,489,327	\$ 40,373
Subsidies	20,034,200	20,234,783	(200,583)
Administration and Internal Support	26,312,777	20,884,675	5,428,102
Total Miscellaneous	<u>50,876,677</u>	<u>45,608,785</u>	<u>5,267,892</u>
Total Expenditures	<u>\$ 636,200,827</u>	<u>\$ 632,334,790</u>	<u>\$ 3,866,037</u>
<u>TRANSFERS IN:</u>			
USD General Fund	\$ 823,593	\$ 785,500	\$ (38,093)
General Purpose School	140,635	136,450	(4,185)
GSD General Purpose Debt Service	21,439	19,055	(2,384)
USD General Purpose Debt Service	2,831	2,516	(315)
General Purpose School Debt Service	13,298	11,819	(1,479)
Nonmajor Governmental Funds	7,730,189	7,812,396	82,207
District Energy System	10,838	9,633	(1,205)
Water and Sewerage Services	4,574,502	4,247,155	(327,347)
Nonmajor Enterprise Funds	1,110,872	1,203,137	92,265
Internal Service Funds	3,483,879	2,273,548	(1,210,331)
Fiduciary Funds	573,400	-	(573,400)
Total Transfers In	<u>18,485,476</u>	<u>16,501,209</u>	<u>(1,984,267)</u>
<u>TRANSFERS OUT:</u>			
General Purpose School Fund	(150,000)	(725)	149,275
GSD General Purpose Debt Service	(3,317,700)	(3,364,515)	(46,815)
General Fund 4% Reserve	(21,037,500)	(20,310,203)	727,297
Nonmajor Governmental Funds	(14,128,100)	(14,601,532)	(473,432)
District Energy System	(2,173,100)	(2,173,100)	-
Water and Sewerage Services	-	-	-
Nonmajor Enterprise Funds	(1,469,100)	(1,450,200)	18,900
Internal Service Funds	(7,173,500)	(7,205,222)	(31,722)
Fiduciary Funds	-	(3,148)	(3,148)
Total Transfers Out	<u>(49,449,000)</u>	<u>(49,108,645)</u>	<u>340,355</u>
Total Other Financing Sources (Uses)	<u>\$ (30,963,524)</u>	<u>\$ (32,607,436)</u>	<u>\$ (1,643,912)</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL  
GENERAL FUND - URBAN SERVICES DISTRICT

For the Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<u>FIRE PREVENTION AND CONTROL:</u>			
Fire Department	\$ 60,428,300	\$ 60,171,985	\$ 256,315
<u>PUBLIC WORKS, HIGHWAYS AND STREETS:</u>			
Public Works	7,480,500	7,308,581	171,919
<u>EMPLOYEE BENEFITS:</u>			
Contribution to Closed Pension Plans	18,890,100	18,890,100	-
Employer's Contribution for Group Health Insurance	3,212,900	2,078,276	1,134,624
Direct Pension Payments	9,900	8,850	1,050
Employer's Contribution for Group Life Insurance	63,900	63,868	32
Benefit Adjustments	367,500	-	367,500
Total Employee Benefits	22,544,300	21,041,094	1,503,206
<u>MISCELLANEOUS:</u>			
Administration and Internal Support	(275,700)	1,360,176	(1,635,876)
Total Miscellaneous	(275,700)	1,360,176	(1,635,876)
Total Expenditures	\$ 90,177,400	\$ 89,881,836	\$ 295,564
<u>TRANSFERS IN:</u>			
USD General Fund	\$ 4,672,400	\$ -	\$ (4,672,400)
Total Transfers In	4,672,400	-	(4,672,400)
<u>TRANSFERS OUT:</u>			
GSD General Fund	(481,000)	(785,500)	(304,500)
Nonmajor Governmental Funds	(10,061,000)	(10,061,000)	-
Internal Service Funds	(952,000)	(952,000)	-
Total Transfers Out	(11,494,000)	(11,798,500)	(304,500)
Total Other Financing Sources (Uses)	\$ (6,821,600)	\$ (11,798,500)	\$ (4,976,900)

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE - BY FUND

June 30, 2006

	Total Delinquent Property Taxes Receivable	General Services District				
		Total	General Fund	School Fund	Debt Service Fund	School Debt Service Fund
2005 Realty	\$ 18,333,114	\$ 16,223,960	\$ 7,810,404	\$ 5,485,062	\$ 2,227,196	\$ 701,298
2005 Personalty	3,535,313	3,067,447	1,482,099	1,033,510	419,687	132,151
2005 Public Utility	928,093	806,672	392,586	269,962	109,578	34,546
<b>Total 2005 Property Taxes</b>	<b>22,796,520</b>	<b>20,098,079</b>	<b>9,685,089</b>	<b>6,788,534</b>	<b>2,756,461</b>	<b>867,995</b>
2004 Realty	1,650,132	1,410,735	699,161	475,586	161,081	74,907
2004 Personalty	1,227,980	1,037,256	513,953	349,780	118,436	55,087
2004 Public Utility	208,179	170,452	84,090	57,726	19,545	9,091
<b>Total 2004 Property Taxes</b>	<b>3,086,291</b>	<b>2,618,443</b>	<b>1,297,204</b>	<b>883,092</b>	<b>299,062</b>	<b>139,085</b>
2003 & Prior - Realty	2,192,554	1,901,001	945,992	619,582	229,837	105,590
2003 & Prior - Personalty	7,945,143	6,757,602	3,386,055	2,109,437	893,960	368,150
2003 & Prior - Public Utility	1,485,184	1,235,120	611,481	397,736	155,688	70,215
<b>Total 2003 &amp; Prior Property Taxes</b>	<b>11,622,881</b>	<b>9,893,723</b>	<b>4,943,528</b>	<b>3,126,755</b>	<b>1,279,485</b>	<b>543,955</b>
<b>Total Delinquent Property Taxes Receivable *</b>	<b>\$ 37,505,692</b>	<b>\$ 32,610,245</b>	<b>\$ 15,925,821</b>	<b>\$ 10,798,381</b>	<b>\$ 4,335,008</b>	<b>\$ 1,551,035</b>

\* Excludes 2006 Property Tax Levy

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE - BY FUND (CONTINUED)

June 30, 2006

Urban Services District		
Total	General Fund	Debt Service Fund
\$ 2,109,154	\$ 1,849,115	\$ 260,039
467,866	410,184	57,682
121,421	106,452	14,969
2,698,441	2,365,751	332,690
239,397	210,538	28,859
190,724	167,745	22,979
37,727	33,181	4,546
467,848	411,464	56,384
291,553	256,703	34,850
1,187,541	1,049,629	137,912
250,064	220,498	29,566
1,729,158	1,526,830	202,328
\$ 4,895,447	\$ 4,304,045	\$ 591,402

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE - BY TYPE

June 30, 2006

	Year of Levy	Realty	Personalty	Public Utility	Total
General Services District	2005	\$ 16,223,960	\$ 3,067,447	\$ 806,672	\$ 20,098,079
	2004	1,410,735	1,037,256	170,452	2,618,443
	2003	639,220	1,219,148	292,952	2,151,320
	2002	473,334	1,106,135	391,605	1,971,074
	2001	424,505	667,184	133,439	1,225,128
	2000	118,643	818,659	244,503	1,181,805
	1999	110,755	535,334	13,083	659,172
	1998	46,611	586,242	42,020	674,873
	1997	73,351	466,619	21,207	561,177
	1996	9,864	862,876	55,855	928,595
	1995	4,718	495,405	40,456	540,579
Total General Services District		<u>19,535,696</u>	<u>10,862,305</u>	<u>2,212,244</u>	<u>32,610,245</u>
Urban Services District	2005	2,109,154	467,866	121,421	2,698,441
	2004	239,397	190,724	37,727	467,848
	2003	98,036	214,246	59,312	371,594
	2002	72,593	194,386	79,285	346,264
	2001	65,106	117,247	27,016	209,369
	2000	18,196	143,867	49,502	211,565
	1999	16,986	94,076	2,649	113,711
	1998	7,149	103,022	8,507	118,678
	1997	11,250	82,001	4,294	97,545
	1996	1,513	151,637	11,308	164,458
	1995	724	87,059	8,191	95,974
Total Urban Services District		<u>2,640,104</u>	<u>1,846,131</u>	<u>409,212</u>	<u>4,895,447</u>
Total Delinquent Property Taxes Receivable *		<u>\$ 22,175,800</u>	<u>\$ 12,708,436</u>	<u>\$ 2,621,456</u>	<u>\$ 37,505,692</u>

\* Excludes 2006 Property Tax Levy

See accompanying accountants' report.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF BONDS AND NOTES PAYABLE  
GENERAL SERVICES DISTRICT

June 30, 2006

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<b><u>GENERAL OBLIGATION BONDS PAYABLE</u></b>		
<u>For General Purposes:</u>		
GSD G.O. Refunding Bonds of 1993	5.25	May 15, 1993
G.O. Public Improvement Bonds of 1996	5.50 - 5.875	June 15, 1996
GSD G.O. Public Improvement Bonds, Series 1996A	5.00 - 5.375	Oct. 1, 1996
GSD G.O. Refunding Bonds of 1996	5.00 - 6.00	Dec. 1, 1996
GSD G.O. Refunding Bonds, Series 1997	4.55 - 5.125	Sep. 15, 1997
GSD G.O. Multi-purpose Improvement Bonds, Series 1997A	5.125	Oct. 15, 1997
GSD G.O. Public Improvement and Refunding Bonds of 1999	4.25 - 5.25	May 15, 1999
GSD G.O. Multi-purpose Improvement Bonds, Series 2001A	5.00 - 5.50	Feb. 15, 2001
GSD G.O. Multi-purpose Refunding Bonds, Series 2001B	5.00 - 5.50	Feb. 15, 2001
GSD G.O. Multi-purpose Refunding Bonds, Series 2002	3.00 - 5.00	Nov. 15, 2002
GSD G.O. Multi-purpose Bonds, Series 2003	2.00 - 5.00	Oct. 1, 2003
GSD G.O. Multi-purpose Bonds, Series 2004	4.00 - 5.25	Jul. 15, 2004
GSD G.O. Public Improvement and Refunding Bonds, Series 2004	3.00 - 5.00	Sep. 1, 2004
GSD G.O. Multi-purpose Bonds, Series 2005A	4.25 - 5.25	May 1, 2005
GSD G.O. Multi-purpose Refunding Bonds, Series 2005B	4.00 - 5.00	May 1, 2005
GSD G.O. Multi-purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005
GSD G.O. Refunding Bonds, Series 2006A	3.60	May 15, 2006
GSD G.O. Bonds, Series 2006B	4.00 - 5.00	June 15, 2006
Total General Obligation Bonds Payable For General Purposes		
<u>For School Purposes:</u>		
GSD G.O. Refunding Bonds of 1993	5.25	May 15, 1993
GSD G.O. Multi-purpose Improvement Bonds, Series 1996A	5.00 - 5.375	Oct. 1, 1996
GSD G.O. Refunding Bonds, Series 1997	4.60 - 5.125	Sep. 15, 1997
GSD G.O. Multi-purpose Improvement Bonds, Series 1997A	5.125	Oct. 15, 1997
GSD G.O. Public Improvement and Refunding Bonds of 1999	4.25 - 5.25	May 15, 1999
GSD G.O. Multi-purpose Improvement Bonds, Series 2001A	5.00 - 5.50	Feb. 15, 2001
GSD G.O. Multi-purpose Refunding Bonds, Series 2001B	5.00 - 5.50	Feb. 15, 2001
GSD G.O. Multi-purpose Refunding Bonds, Series 2002	3.00 - 5.00	Nov. 15, 2002
GSD G.O. Multi-purpose Bonds, Series 2003	4.00 - 5.00	Oct. 1, 2003
GSD G.O. Multi-purpose Bonds, Series 2004	4.00 - 5.25	Jul. 15, 2004
GSD G.O. Public Improvement and Refunding Bonds, Series 2004	3.00 - 5.00	Sep. 1, 2004
GSD G.O. Multi-purpose Bonds, Series 2005A	4.25 - 5.25	May 1, 2005
GSD G.O. Multi-purpose Refunding Bonds, Series 2005B	4.00 - 5.00	May 1, 2005
GSD G.O. Multi-purpose Bonds, Series 2005C	3.625 - 5.00	Nov. 1, 2005
GSD G.O. Bonds, Series 2006B	4.00 - 5.00	June 15, 2006
Total General Obligation Bonds Payable for School Purposes		
Total General Obligation Bonds Payable - General Services District		
<b><u>LIMITED OBLIGATION REVENUE BONDS PAYABLE</u></b>		
Correctional Facility Revenue Bonds	4.00 - 5.00	Feb. 1, 2002
Special Limited Obligation Revenue Refunding Bonds Payable - General Services District		
Total Bonds Payable - General Services District		

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF BONDS AND NOTES PAYABLE (CONTINUED)  
GENERAL SERVICES DISTRICT

June 30, 2006

<u>Date of Final Maturity</u>	<u>Amount of Issue</u>	<u>Principal Amount Outstanding June 30, 2006</u>	<u>Interest to Maturity as of June 30, 2006</u>
May 15, 2008	\$ 193,128,625	\$ 7,705,147	\$ 473,249
May 15, 2026	74,880,000	-	-
Nov. 15, 2016	90,568,118	-	-
Dec. 1, 2010	28,671,142	14,918,522	2,246,679
May 15, 2025	64,596,180	61,578,510	41,208,740
Nov. 15, 2027	119,180,124	22,002,175	14,037,206
Nov. 15, 2029	133,288,342	62,377,239	46,318,465
Oct. 15, 2020	62,065,000	49,555,000	7,711,638
Oct. 15, 2016	43,633,148	39,593,287	10,670,905
Nov. 15, 2024	41,749,303	37,455,975	20,347,419
Apr. 1, 2024	59,543,042	46,527,450	23,447,752
Jun. 1, 2024	33,825,000	33,825,000	18,480,788
Nov. 15, 2016	48,367,055	48,202,207	14,162,885
Jan. 1, 2025	49,817,419	47,535,135	26,398,465
Jan. 1, 2020	107,433,445	105,455,691	48,026,077
Feb. 1, 2026	150,292,132	150,292,132	89,054,742
May 15, 2026	60,805,000	60,805,000	41,412,060
Feb. 1, 2026	146,476,189	146,476,189	85,663,300
	<u>1,508,319,264</u>	<u>934,304,659</u>	<u>489,660,370</u>
May 15, 2008	81,490,821	6,190,759	499,719
Nov. 15, 2016	5,566,882	-	-
May 15, 2025	46,393,820	44,226,490	29,596,656
Nov. 15, 2027	30,819,876	13,597,826	12,098,501
Nov. 15, 2019	53,474,949	11,622,761	1,642,816
Oct. 15, 2020	176,640,000	72,360,000	10,669,120
Oct. 15, 2016	30,111,852	27,226,713	7,485,077
Nov. 15, 2024	60,984,934	57,003,261	28,637,044
Apr. 1, 2024	41,515,465	32,440,545	16,348,582
Jun. 1, 2024	26,170,000	26,170,000	14,232,025
Nov. 15, 2016	2,972,945	2,962,812	870,540
Jan. 1, 2025	79,503,345	75,861,060	42,129,165
Jan. 1, 2020	77,018,422	75,839,013	32,454,656
Feb. 1, 2026	43,740,078	43,740,078	25,917,933
Feb. 1, 2026	42,415,769	42,415,769	24,805,907
	<u>798,819,158</u>	<u>531,657,087</u>	<u>247,387,741</u>
	<u>2,307,138,422</u>	<u>1,465,961,746</u>	<u>737,048,111</u>
Sep. 1, 2011	<u>16,265,000</u>	<u>10,575,000</u>	<u>1,627,075</u>
	<u>16,265,000</u>	<u>10,575,000</u>	<u>1,627,075</u>
	<u>\$ 2,323,403,422</u>	<u>\$ 1,476,536,746</u>	<u>\$ 738,675,186</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF BONDS AND NOTES PAYABLE (CONTINUED)  
URBAN SERVICES DISTRICT

June 30, 2006

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<b><u>GENERAL OBLIGATION BONDS PAYABLE</u></b>		
USD G.O. Refunding Bonds of 1993	5.25	May 15, 1993
USD G.O. Refunding Bonds of 1996	5.00 - 6.00	Dec. 1, 1996
USD G.O. Multi-purpose Improvement Bonds, Series 2001A	5.00 - 5.50	Feb. 15, 2001
USD G.O. (Tax Exempt) Thermal Refunding Bonds, 2002	3.75 - 5.25	Apr. 1, 2002
USD G.O. (Taxable) Thermal Refunding Bonds, 2002	5.00 - 6.00	Apr. 1, 2002
USD G.O. Multi-purpose Refundings Bonds, Series 2002	3.00 - 5.00	Nov. 15, 2002
USD G.O. Multi-purpose Bonds, Series 2003	4.00 - 5.00	Oct. 1, 2003
USD G.O. Multi-purpose Bonds, Series 2004	4.00 - 5.25	Jul. 15, 2004
USD G.O. Multi-purpose Bonds, Series 2005A	4.25 - 5.25	May 1, 2005
USD G.O. Multi-purpose Refunding Bonds, Series 2005B	4.00 - 5.00	May 1, 2005
USD G.O. Multi-purpose Bonds, Series 2005C	3.625-5.00	Nov. 1, 2005
USD G.O. Bonds, Series 2006B	4.00-5.00	Jun. 15, 2006
Total General Obligation Bonds Payable (governmental activities)		
USD G.O. Multi-purpose Bonds, Series 2005A (District Energy System) (1)	4.25 - 5.25	May 1, 2005
Total General Obligation Bonds Payable (business-type activities)		
Total General Obligation Bonds Payable - Urban Services District		
<b><u>REVENUE BONDS PAYABLE</u></b>		
Department of Water and Sewerage Revenue Refunding Bonds of 1986	7.20 - 7.70	Oct. 1, 1986
Department of Water and Sewerage Revenue Bonds, Series 1993	5.10 - 6.50	Aug. 1, 1993
Department of Water and Sewerage Revenue Refunding Bonds of 1996	5.25 - 6.00	May 15, 1996
Department of Water and Sewerage Revenue Refunding Bonds, Series 1998A	4.625 - 5.00	Feb. 1, 1998
Department of Water and Sewerage Revenue Bonds, Series of 1998B	4.45 - 5.25	Feb. 15, 1998
Department of Water and Sewerage Revenue Refunding Bonds, Series 2002	5.125	Dec. 1, 2002
Total Revenue Bonds Payable - Department of Water and Sewerage		
District Energy System Revenue Bonds, Series 2002A	3.00 - 5.00	Oct. 1, 2002
Total Revenue Bonds Payable - Urban Services District		
Total Bonds Payable - Urban Services District		

(1) This portion of the USD G.O. Multi-purpose Bonds, Series 2005A, is directly related to the District Energy System, a proprietary fund, and intended to be repaid from resources of the District Energy System. Therefore, the liability is reported in business-type activities.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF BONDS AND NOTES PAYABLE (CONTINUED)  
URBAN SERVICES DISTRICT

June 30, 2006

<u>Date of Final Maturity</u>	<u>Amount of Issue</u>	<u>Principal Amount Outstanding June 30, 2006</u>	<u>Interest to Maturity as of June 30, 2006</u>
May 15, 2008	\$ 45,480,554	\$ 1,158,688	\$ 78,871
Dec. 1, 2010	5,633,858	2,931,478	441,471
Oct. 15, 2016	23,450,000	14,595,000	2,184,181
July 1, 2014	31,065,000	22,470,000	4,807,319
July 1, 2012	27,000,000	11,785,000	1,309,193
Nov. 15, 2024	5,955,763	5,955,763	2,124,988
Apr. 1, 2024	21,041,493	16,442,005	8,286,035
Jun. 1, 2024	5,760,000	5,760,000	3,157,675
Jan. 1, 2025	13,979,236	13,338,805	7,407,657
Jan. 1, 2020	6,008,527	5,905,683	2,621,663
Feb. 1, 2026	19,967,790	19,967,790	11,831,800
Feb. 1, 2026	14,423,042	14,423,042	8,434,991
	<u>219,765,263</u>	<u>134,733,254</u>	<u>52,685,844</u>
Jan. 1, 2025	<u>7,695,000</u>	<u>7,695,000</u>	<u>4,275,789</u>
	<u>7,695,000</u>	<u>7,695,000</u>	<u>4,275,789</u>
	<u>227,460,263</u>	<u>142,428,254</u>	<u>56,961,633</u>
Jan. 1, 2016	339,866,665	135,615,000	54,204,150
Jan. 1, 2013	157,475,000	58,585,000	13,185,770
Jan. 1, 2014	74,725,000	38,025,000	10,882,413
Jan. 1, 2022	156,315,000	145,330,000	75,886,650
Jan. 1, 2014	55,000,000	31,160,000	8,195,868
Jan. 1, 2016	<u>30,255,000</u>	<u>27,825,000</u>	<u>12,342,027</u>
	<u>813,636,665</u>	<u>436,540,000</u>	<u>174,696,878</u>
Oct. 1, 2033	<u>66,700,000</u>	<u>65,520,000</u>	<u>55,397,490</u>
	<u>880,336,665</u>	<u>502,060,000</u>	<u>230,094,368</u>
	<u>\$ 1,107,796,928</u>	<u>\$ 644,488,254</u>	<u>\$ 287,056,001</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS OF BONDS PAYABLE

General Services District

Based on Bonded Debt as of June 30, 2006

Year Ending June 30	Total Bonded Debt			General Obligation Bonds		
	Principal	Interest	Total	Total General Obligation Bonds		
				Principal	Interest	Total
2007	\$ 82,877,299	\$ 68,479,338	\$ 151,356,637	\$ 81,307,299	\$ 68,013,988	\$ 149,321,287
2008	81,499,156	68,051,326	149,550,482	79,869,156	67,649,976	147,519,132
2009	76,093,191	63,952,473	140,045,664	74,383,191	63,626,473	138,009,664
2010	75,950,133	60,200,018	136,150,151	74,155,133	59,961,643	134,116,776
2011	76,911,398	56,444,578	133,355,976	75,026,398	56,298,203	131,324,601
2012	72,264,592	52,997,425	125,262,017	70,279,592	52,947,800	123,227,392
2013	71,181,031	49,468,794	120,649,825	71,181,031	49,468,794	120,649,825
2014	72,938,554	45,975,009	118,913,563	72,938,554	45,975,009	118,913,563
2015	75,553,028	42,332,150	117,885,178	75,553,028	42,332,150	117,885,178
2016	87,082,836	38,516,576	125,599,412	87,082,836	38,516,576	125,599,412
2017	83,316,521	34,247,028	117,563,549	83,316,521	34,247,028	117,563,549
2018	66,937,114	30,608,542	97,545,656	66,937,114	30,608,542	97,545,656
2019	67,470,173	27,314,872	94,785,045	67,470,173	27,314,872	94,785,045
2020	54,332,034	23,883,007	78,215,041	54,332,034	23,883,007	78,215,041
2021	65,550,686	20,890,431	86,441,117	65,550,686	20,890,431	86,441,117
2022	68,813,011	17,600,606	86,413,617	68,813,011	17,600,606	86,413,617
2023	72,338,795	14,114,616	86,453,411	72,338,795	14,114,616	86,453,411
2024	74,879,876	10,458,207	85,338,083	74,879,876	10,458,207	85,338,083
2025	66,611,124	6,691,163	73,302,287	66,611,124	6,691,163	73,302,287
2026	41,623,981	3,557,001	45,180,982	41,623,981	3,557,001	45,180,982
2027	22,877,213	1,550,444	24,427,657	22,877,213	1,550,444	24,427,657
2028	8,935,000	783,244	9,718,244	8,935,000	783,244	9,718,244
2029	5,115,000	416,982	5,531,982	5,115,000	416,982	5,531,982
2030	5,385,000	141,356	5,526,356	5,385,000	141,356	5,526,356
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
	<u>\$ 1,476,536,746</u>	<u>\$ 738,675,186</u>	<u>\$ 2,215,211,932</u>	<u>\$ 1,465,961,746</u>	<u>\$ 737,048,111</u>	<u>\$ 2,203,009,857</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 FUTURE PRINCIPAL AND INTEREST REQUIREMENTS OF BONDS PAYABLE (CONTINUED)

General Services District

Based on Bonded Debt as of June 30, 2006

General Obligation Bonds					
For General Purposes			For School Purposes		
Principal	Interest	Total	Principal	Interest	Total
\$ 49,893,332	\$ 43,274,102	\$ 93,167,434	\$ 31,413,967	\$ 24,739,886	\$ 56,153,853
47,549,309	43,696,370	91,245,679	32,319,847	23,953,606	56,273,453
44,711,745	41,025,587	85,737,332	29,671,446	22,600,886	52,272,332
45,386,911	38,814,389	84,201,300	28,768,222	21,147,254	49,915,476
46,013,827	36,576,888	82,590,715	29,012,571	19,721,315	48,733,886
42,043,825	34,553,250	76,597,075	28,235,767	18,394,550	46,630,317
41,638,203	32,503,315	74,141,518	29,542,828	16,965,479	46,508,307
43,275,645	30,439,483	73,715,128	29,662,909	15,535,526	45,198,435
45,413,763	28,272,173	73,685,936	30,139,265	14,059,977	44,199,242
55,192,620	25,906,478	81,099,098	31,890,216	12,610,098	44,500,314
53,708,166	23,186,951	76,895,117	29,608,355	11,060,077	40,668,432
42,765,606	20,860,440	63,626,046	24,171,508	9,748,102	33,919,610
41,515,045	18,660,710	60,175,755	25,955,128	8,654,162	34,609,290
35,723,270	16,536,667	52,259,937	18,608,764	7,346,340	25,955,104
43,415,399	14,551,769	57,967,168	22,135,287	6,338,662	28,473,949
45,290,674	12,368,146	57,658,820	23,522,337	5,232,460	28,754,797
47,620,118	10,062,460	57,682,578	24,718,677	4,052,156	28,770,833
49,384,872	7,641,960	57,026,832	25,495,004	2,816,247	28,311,251
44,904,266	5,141,596	50,045,862	21,706,858	1,549,567	23,256,425
33,482,334	2,958,538	36,440,872	8,141,647	598,463	8,740,110
17,839,021	1,336,160	19,175,181	5,038,192	214,284	5,252,476
7,036,708	734,600	7,771,308	1,898,292	48,644	1,946,936
5,115,000	416,982	5,531,982	-	-	-
5,385,000	141,356	5,526,356	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 934,304,659</u>	<u>\$ 489,660,370</u>	<u>\$ 1,423,965,029</u>	<u>\$ 531,657,087</u>	<u>\$ 247,387,741</u>	<u>\$ 779,044,828</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 FUTURE PRINCIPAL AND INTEREST REQUIREMENTS OF BONDS PAYABLE (CONTINUED)

General Services District

Based on Bonded Debt as of June 30, 2006

Year Ending June 30	Correctional Facility Revenue Bonds		
	Principal	Interest	Total
2007	\$ 1,570,000	\$ 465,350	\$ 2,035,350
2008	1,630,000	401,350	2,031,350
2009	1,710,000	326,000	2,036,000
2010	1,795,000	238,375	2,033,375
2011	1,885,000	146,375	2,031,375
2012	1,985,000	49,625	2,034,625
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
	\$ 10,575,000	\$ 1,627,075	\$ 12,202,075

See accompanying accountants' report.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 FUTURE PRINCIPAL AND INTEREST REQUIREMENTS OF BONDS PAYABLE (CONTINUED)

Urban Services District

Based on Bonded Debt as of June 30, 2006

Year Ending June 30	Total Bonded Debt			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 41,032,701	\$ 34,591,244	\$ 75,623,945	\$ 12,537,701	\$ 6,429,436	\$ 18,967,137
2008	43,135,844	32,747,805	75,883,649	13,110,844	6,076,515	19,187,359
2009	41,806,809	30,526,995	72,333,804	9,386,809	5,517,017	14,903,826
2010	44,469,867	27,836,784	72,306,651	9,829,867	5,054,166	14,884,033
2011	46,708,602	24,992,182	71,700,784	9,713,602	4,585,805	14,299,407
2012	48,555,241	22,044,524	70,599,765	9,290,241	4,126,516	13,416,757
2013	51,073,994	18,930,071	70,004,065	9,033,994	3,689,701	12,723,695
2014	51,441,483	16,313,768	67,755,251	7,711,483	3,266,971	10,978,454
2015	53,787,013	13,646,044	67,433,057	7,857,013	2,877,701	10,734,714
2016	32,637,228	10,900,452	43,537,680	3,922,228	2,590,126	6,512,354
2017	19,743,382	9,215,998	28,959,380	4,908,382	2,395,885	7,304,267
2018	20,667,932	8,240,548	28,908,480	5,067,932	2,167,172	7,235,104
2019	21,689,867	7,213,120	28,902,987	5,324,867	1,926,177	7,251,044
2020	22,127,977	6,121,007	28,248,984	5,017,977	1,658,994	6,676,971
2021	23,054,314	5,050,211	28,104,525	5,044,314	1,414,260	6,458,574
2022	24,226,988	3,935,614	28,162,602	5,436,988	1,168,932	6,605,920
2023	8,146,205	2,759,501	10,905,706	5,706,205	899,651	6,605,856
2024	7,910,124	2,364,779	10,274,903	5,760,124	617,029	6,377,153
2025	6,763,877	1,967,451	8,731,328	4,098,877	334,701	4,433,578
2026	5,366,019	1,637,114	7,003,133	2,571,019	140,864	2,711,883
2027	4,887,787	1,362,745	6,250,532	1,097,787	24,014	1,121,801
2028	3,110,000	1,179,169	4,289,169	-	-	-
2029	3,255,000	1,025,875	4,280,875	-	-	-
2030	3,420,000	859,000	4,279,000	-	-	-
2031	3,590,000	683,750	4,273,750	-	-	-
2032	3,770,000	499,750	4,269,750	-	-	-
2033	3,955,000	306,625	4,261,625	-	-	-
2034	4,155,000	103,875	4,258,875	-	-	-
	<u>\$ 644,488,254</u>	<u>\$ 287,056,001</u>	<u>\$ 931,544,255</u>	<u>\$ 142,428,254</u>	<u>\$ 56,961,633</u>	<u>\$ 199,389,887</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 FUTURE PRINCIPAL AND INTEREST REQUIREMENTS OF BONDS PAYABLE (CONTINUED)

Urban Services District

Based on Bonded Debt as of June 30, 2006

Revenue Bonds					
Department of Water and Sewerage Services			District Energy System Bonds, Series 2002A		
Principal	Interest	Total	Principal	Interest	Total
\$ 27,280,000	\$ 25,034,440	\$ 52,314,440	\$ 1,215,000	\$ 3,127,368	\$ 4,342,368
28,770,000	23,580,971	52,350,971	1,255,000	3,090,319	4,345,319
31,130,000	21,957,834	53,087,834	1,290,000	3,052,144	4,342,144
33,310,000	19,769,774	53,079,774	1,330,000	3,012,844	4,342,844
35,625,000	17,435,746	53,060,746	1,370,000	2,970,631	4,340,631
38,015,000	15,000,464	53,015,464	1,250,000	2,917,544	4,167,544
40,490,000	12,388,626	52,878,626	1,550,000	2,851,744	4,401,744
42,185,000	10,269,619	52,454,619	1,545,000	2,777,178	4,322,178
44,305,000	8,073,413	52,378,413	1,625,000	2,694,930	4,319,930
27,005,000	5,702,938	32,707,938	1,710,000	2,607,388	4,317,388
13,035,000	4,302,988	17,337,988	1,800,000	2,517,125	4,317,125
13,710,000	3,651,238	17,361,238	1,890,000	2,422,138	4,312,138
14,375,000	2,965,738	17,340,738	1,990,000	2,321,205	4,311,205
15,020,000	2,246,988	17,266,988	2,090,000	2,215,025	4,305,025
15,810,000	1,533,538	17,343,538	2,200,000	2,102,413	4,302,413
16,475,000	782,563	17,257,563	2,315,000	1,984,119	4,299,119
-	-	-	2,440,000	1,859,850	4,299,850
-	-	-	2,150,000	1,747,750	3,897,750
-	-	-	2,665,000	1,632,750	4,297,750
-	-	-	2,795,000	1,496,250	4,291,250
-	-	-	3,790,000	1,338,731	5,128,731
-	-	-	3,110,000	1,179,169	4,289,169
-	-	-	3,255,000	1,025,875	4,280,875
-	-	-	3,420,000	859,000	4,279,000
-	-	-	3,590,000	683,750	4,273,750
-	-	-	3,770,000	499,750	4,269,750
-	-	-	3,955,000	306,625	4,261,625
-	-	-	4,155,000	103,875	4,258,875
<u>\$ 436,540,000</u>	<u>\$ 174,696,878</u>	<u>\$ 611,236,878</u>	<u>\$ 65,520,000</u>	<u>\$ 55,397,490</u>	<u>\$ 120,917,490</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BUDGETARY SCHEDULE OF ESTIMATED REVENUES AND FUND BALANCES  
TO SUPPORT APPROPRIATIONS\*

GENERAL SERVICES DISTRICT

For the Year July 1, 2006 Through June 30, 2007  
(Unaudited)

<u>SOURCE OF REVENUE:</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>School Debt Service Fund</u>	<u>School Funds</u>	<u>Total</u>
Property Taxes - Current Year	\$ 307,501,000	\$ 72,096,200	\$ 25,930,100	\$ 202,864,700	\$ 608,392,000
Property Taxes - Non Current Year	37,385,200	3,081,300	4,627,700	10,414,900	55,509,100
Local Option Sales Tax	92,397,100	2,100,000	17,007,900	167,786,400	279,291,400
Other Taxes, Licenses and Permits	86,371,200	-	-	2,847,300	89,218,500
Fines, Forfeits, and Penalties	13,766,800	398,000	-	5,300	14,170,100
Revenues From Use of Money or Property	-	-	1,728,600	213,700	1,942,300
Other Agencies - Federal Direct	8,931,700	-	-	88,000	9,019,700
Other Agencies - Federal Through State	1,524,300	-	-	345,000	1,869,300
Other Agencies - Other Pass - Through	6,023,300	-	-	-	6,023,300
Other Agencies - State Direct	55,276,600	1,500,000	-	175,100,800	231,877,400
Other Agencies - Other Governments	618,700	1,400,000	-	6,200	2,024,900
Commissions and Fees	21,427,900	-	-	-	21,427,900
Charges for Current Services	29,229,900	1,400,100	-	1,179,100	31,809,100
Compensation from Property	241,700	-	-	409,500	651,200
Contributions and Gifts	532,300	-	-	665,000	1,197,300
Miscellaneous	814,500	-	-	5,200	819,700
Subtotal	662,042,200	81,975,600	49,294,300	561,931,100	1,355,243,200
Operating Transfers In	8,415,200	13,025,100	107,500	1,299,000	22,846,800
Non-Operating Transfers In	9,908,100	-	-	-	9,908,100
Subtotal	18,323,300	13,025,100	107,500	1,299,000	32,754,900
Appropriated Unreserved Fund Balances	-	-	10,035,900	-	10,035,900
Total Available for GSD Appropriations	<u>\$ 680,365,500</u>	<u>\$ 95,000,700</u>	<u>\$ 59,437,700</u>	<u>\$ 563,230,100</u>	<u>\$ 1,398,034,000</u>

\* Excerpts from the Metropolitan Council Budget Substitute Bill Number BL2006-1090 for the 2006-2007 fiscal year.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BUDGETARY SCHEDULE OF ESTIMATED REVENUES AND FUND BALANCES  
TO SUPPORT APPROPRIATIONS\* (CONTINUED)

URBAN SERVICES DISTRICT

For the Year July 1, 2006 Through June 30, 2007  
(Unaudited)

<u>SOURCE OF REVENUE:</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes - Current Year	\$ 65,355,500	\$ 9,185,000	\$ 74,540,500
Property Taxes - Non Current Year	15,892,700	631,100	16,523,800
Other Taxes, Licenses, and Permits	12,545,600	-	12,545,600
Revenues From Use of Money or Property	-	359,000	359,000
Other Agencies - Federal Direct	450,000	-	450,000
Other Agencies - State Direct	8,622,000	-	8,622,000
Charges for Current Services	688,500	-	688,500
Subtotal	103,554,300	10,175,100	113,729,400
Appropriated Unreserved Fund Balances	-	8,547,900	8,547,900
Total Available for USD Appropriations	<u>\$ 103,554,300</u>	<u>\$ 18,723,000</u>	<u>\$ 122,277,300</u>

\* Excerpts from the Metropolitan Council Budget Substitute Bill Number BL2006-1090 for the 2006-2007 fiscal year.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 BUDGETARY SCHEDULE OF APPROPRIATIONS BY FUNCTION AND/OR FUNDS \*

For the Year July 1, 2006 Through June 30, 2007  
 (Unaudited)

<u>GENERAL FUND</u>	General Services District	Urban Services District	Duplicated By Interdistrict Interfund Transfers	Appropriation By Function And/Or Fund
General Government	\$ 138,350,900	\$ 26,229,400	\$ -	\$ 164,580,300
Fiscal Administration	15,252,400	-	-	15,252,400
Administration of Justice	58,676,900	-	-	58,676,900
Law Enforcement and Care of Prisoners	186,773,400	481,000	481,000	186,773,400
Fire Prevention and Control	43,457,800	58,964,500	-	102,422,300
Regulation, Inspection, & Economic Development	22,379,400	1,241,800	-	23,621,200
Conservation of Natural Resources	498,100	-	-	498,100
Public Welfare	9,165,500	-	-	9,165,500
Public Health	84,293,800	-	-	84,293,800
Public Library System	20,267,600	-	-	20,267,600
Recreational, Cultural, & Community Support	43,480,700	135,400	-	43,616,100
Public Works, Highways and Streets	55,819,000	16,502,200	-	72,321,200
Reserves	1,950,000	-	-	1,950,000
<b>Total General Funds</b>	<b>680,365,500</b>	<b>103,554,300</b>	<b>481,000</b>	<b>783,438,800</b>
<u>DEBT SERVICE FUNDS</u> (See detail on succeeding pages)	154,438,400	18,723,000	-	173,161,400
<u>SCHOOL FUNDS</u> (See detail on succeeding pages)	563,230,100	-	-	563,230,100
<b>Total Appropriations By District</b>	<b>1,398,034,000</b>	<b>122,277,300</b>	<b>481,000</b>	<b>1,519,830,300</b>
<u>LESS GSD INTERFUND TRANSFER:</u>				
GSD General to GSD Debt Service	(12,154,000)	-	-	(12,154,000)
Schools to General Services District General	(135,000)	-	-	(135,000)
Schools to Schools Debt	(107,500)	-	-	(107,500)
<b>Net Appropriation by District</b>	<b>\$ 1,385,637,500</b>	<b>\$ 122,277,300</b>	<b>\$ 481,000</b>	<b>\$ 1,507,433,800</b>

\* Excerpts from the Metropolitan Council Budget Substitute Bill Number BL2006-1090 for the 2006-2007 fiscal year.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BUDGETARY SCHEDULE OF REQUIREMENTS OF THE DEBT SERVICE FUNDS BY FUNCTION \*

DEBT SERVICE FUNDS - GENERAL SERVICES DISTRICT

For the Year July 1, 2006 Through June 30, 2007  
(Unaudited)

	<u>Principal</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
<b><u>SCHOOL DEBT SERVICE FUND</u></b>				
Outstanding General Obligation Bonds	\$ 31,393,800	\$ 23,479,100	\$ -	\$ 54,872,900
Redemption and Cremation Fees	-	1,205,100	-	1,205,100
Internal Service Fees	-	-	329,900	329,900
Reserve for New Debt (future debt requirements)	-	-	72,300	72,300
Note Requirements	-	-	47,000	47,000
Tax Increment Payment - MDHA	-	-	2,910,500	2,910,500
	<u>31,393,800</u>	<u>24,684,200</u>	<u>3,359,700</u>	<u>59,437,700</u>
Total GSD School Purposes Debt Service Fund	<u>31,393,800</u>	<u>24,684,200</u>	<u>3,359,700</u>	<u>59,437,700</u>
<b><u>GENERAL PURPOSES DEBT SERVICE FUND</u></b>				
Outstanding General Obligation Bonds:				
Public Works	9,101,700	4,585,300	-	13,687,000
Airport	111,500	8,400	-	119,900
Auditorium	144,100	91,200	-	235,300
Hospital	909,700	393,100	-	1,302,800
Library	4,084,800	4,382,200	-	8,467,000
Parks	3,430,200	2,631,000	-	6,061,200
Social Services	37,000	28,700	-	65,700
Convention Center	1,006,400	338,300	-	1,344,700
Other Public Buildings	7,772,700	3,420,000	-	11,192,700
Gaylord Arena	4,473,200	5,813,600	-	10,286,800
Law Enforcement and Care of Prisoners	3,245,300	2,353,500	-	5,598,800
Traffic and Parking	413,600	136,400	-	550,000
Public Transportation	1,000,500	946,100	-	1,946,600
Fire Protection	175,700	120,000	-	295,700
Health	284,700	187,500	-	472,200
Nashville Coliseum	1,932,600	3,540,700	-	5,473,300
Information Technology	285,700	437,800	-	723,500
Finance	3,024,200	4,736,500	-	7,760,700
MAC	19,400	30,700	-	50,100
MDHA	191,900	297,400	-	489,300
General Services	407,300	613,700	-	1,021,000
E-911	4,323,700	1,466,800	-	5,790,500
Other	3,489,800	2,688,700	-	6,178,500
	<u>49,865,700</u>	<u>39,247,600</u>	<u>-</u>	<u>89,113,300</u>
Subtotal Outstanding General Obligation Bonds	<u>49,865,700</u>	<u>39,247,600</u>	<u>-</u>	<u>89,113,300</u>
Redemption, Cremation and Management Fees	-	-	114,800	114,800
Internal Service Fees	-	-	503,900	503,900
Reserve for New Debt (future debt requirements)	-	4,220,900	-	4,220,900
Tax Increment Payment - MDHA	-	-	1,047,800	1,047,800
	<u>-</u>	<u>4,220,900</u>	<u>1,666,500</u>	<u>5,887,400</u>
Subtotal	<u>-</u>	<u>4,220,900</u>	<u>1,666,500</u>	<u>5,887,400</u>
Total General Purposes Debt Service Fund	<u>49,865,700</u>	<u>43,468,500</u>	<u>1,666,500</u>	<u>95,000,700</u>
Total General Services District	<u>\$ 81,259,500</u>	<u>\$ 68,152,700</u>	<u>\$ 5,026,200</u>	<u>\$ 154,438,400</u>

\* Excerpts from the Metropolitan Council Budget Substitute Bill Number BL2006-1090 for the 2006-2007 fiscal year.  
See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 BUDGETARY SCHEDULE OF REQUIREMENTS OF THE DEBT SERVICE FUNDS BY FUNCTION \*

DEBT SERVICE FUNDS - URBAN SERVICES DISTRICT

For the Year July 1, 2006 Through June 30, 2007  
 (Unaudited)

<u>URBAN SERVICES DISTRICT DEBT SERVICE FUND</u>	<u>Principal</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
Outstanding General Obligation Bonds:				
Fire Protection	\$ 1,333,800	\$ 760,800	\$ -	\$ 2,094,600
Public Works	10,544,500	4,605,700	-	15,150,200
Finance	88,500	138,900	-	227,400
General Services	7,300	11,700	-	19,000
MDHA	33,400	53,600	-	87,000
Law Enforcement and Care of Prisoners	64,400	7,300	-	71,700
Traffic and Parking	101,400	7,600	-	109,000
Other	<u>112,300</u>	<u>60,900</u>	<u>-</u>	<u>173,200</u>
Subtotal Outstanding General Obligation Bonds	12,285,600	5,646,500	-	17,932,100
Redemption and Cremation Fees	-	-	28,300	28,300
Internal Service Fees	-	-	18,400	18,400
Reserve for New Debt (future debt requirements)	-	569,600	-	569,600
Tax Increment Payment - MDHA	<u>-</u>	<u>-</u>	<u>174,600</u>	<u>174,600</u>
Subtotal	<u>-</u>	<u>569,600</u>	<u>221,300</u>	<u>790,900</u>
Total Urban Services District Debt Service Fund	<u>\$ 12,285,600</u>	<u>\$ 6,216,100</u>	<u>\$ 221,300</u>	<u>\$ 18,723,000</u>

\* Excerpts from the Metropolitan Council Budget Substitute Bill Number BL2006-1090 for the 2006-2007 fiscal year.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BUDGETARY SCHEDULE OF APPROPRIATIONS\*

SCHOOL FUNDS - GENERAL SERVICES DISTRICT

For the Year July 1, 2006 Through June 30, 2007  
(Unaudited)

GENERAL PURPOSE SCHOOL FUND:

General Purpose School Fund: Operational	<u>\$ 563,230,100</u>
Total General Purpose School Fund	<u><u>\$ 563,230,100</u></u>

\* Excerpts from the Metropolitan Council Budget Substitute Bill Number BL2006-1090 for the 2006-2007 fiscal year.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED SCHEDULE OF ASSETS AND LIABILITIES  
CONSTITUTIONAL OFFICERS

June 30, 2006

	Richard R. Rooker, Circuit Court Clerk (1)	Cristi Scott, Clerk and Master (1)	Bill Covington, County Clerk (1)	David Torrence, Criminal Court Clerk (1)
<u>ASSETS</u>				
Cash and cash equivalents	\$ 19,952,524	\$ 9,166,619	\$ -	\$ 9,026,482
Investments	-	14,797	-	675,618
Other assets	10,228	-	-	-
Total assets	<u>\$ 19,962,752</u>	<u>\$ 9,181,416</u>	<u>\$ -</u>	<u>\$ 9,702,100</u>
<u>LIABILITIES</u>				
Due to other funds of the primary government:				
Imprest cash	\$ -	\$ -	\$ -	\$ -
Expense reimbursement	-	-	-	-
Total due to other funds of the primary government	-	-	-	-
Funds held in trust	15,410,772	9,174,523	-	8,509,960
Other liabilities:				
Due to the State of Tennessee	-	6,859	-	-
Due to individuals	-	-	-	-
Excess fees for future operations	4,551,980	-	-	-
Miscellaneous	-	34	-	-
Escrow	-	-	-	1,192,140
Total other liabilities	4,551,980	6,893	-	1,192,140
Total liabilities	<u>\$ 19,962,752</u>	<u>\$ 9,181,416</u>	<u>\$ -</u>	<u>\$ 9,702,100</u>

(1) The information provided is required by the State of Tennessee.

(2) These operations are included in the General Fund and Fiduciary Funds.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED SCHEDULE OF ASSETS AND LIABILITIES  
CONSTITUTIONAL OFFICERS (CONTINUED)

June 30, 2006

Bill Garrett, County Register (1)	Vic Lineweaver, Juvenile Court Clerk (1)	Sheriff Work Release and Inmate Trust (1), (2)	Charles Cardwell, Trustee (1), (2)	Total (Memorandum Only)
\$ 3,894,835	\$ 2,341,655	\$ 645,455	\$ 1,160,650	\$ 46,188,220
-	-	-	-	690,415
<u>63,952</u>	<u>2,046</u>	<u>-</u>	<u>-</u>	<u>76,226</u>
<u>\$ 3,958,787</u>	<u>\$ 2,343,701</u>	<u>\$ 645,455</u>	<u>\$ 1,160,650</u>	<u>\$ 46,954,861</u>
\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500
-	-	-	1,159,150	1,159,150
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,160,650</u>	<u>1,160,650</u>
<u>-</u>	<u>1,949,537</u>	<u>645,455</u>	<u>-</u>	<u>35,690,247</u>
3,676,887	126,780	-	-	3,810,526
-	169,789	-	-	169,789
124,160	97,595	-	-	4,773,735
-	-	-	-	34
<u>157,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,349,880</u>
<u>3,958,787</u>	<u>394,164</u>	<u>-</u>	<u>-</u>	<u>10,103,964</u>
<u>\$ 3,958,787</u>	<u>\$ 2,343,701</u>	<u>\$ 645,455</u>	<u>\$ 1,160,650</u>	<u>\$ 46,954,861</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 COMBINED SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND BALANCES  
 CONSTITUTIONAL OFFICERS

For the Year Ended June 30, 2006

	<u>Richard R. Rooker, Circuit Court Clerk (1)</u>	<u>Cristi Scott, Clerk and Master (1)</u>	<u>Bill Covington, County Clerk (1)</u>	<u>David Torrence, Criminal Court Clerk (1)</u>
<u>Revenues and other receipts</u>				
Transfer and mortgage taxes	\$ -	\$ -	\$ -	\$ -
Judgments	15,658,397	-	-	-
Child support	1,425,849	-	-	-
Agency cash receipts	3,996,783	13,263,085	-	2,226,390
Automobile, truck and trailer tags and titles	-	-	16,405,662	-
Metropolitan automobile stickers	-	-	25,245,669	-
Business, occupation, and use tax	-	1,734,779	89,303,767	-
Property tax payments	-	5,326,128	-	-
Litigation tax payments	5,365,709	129,431	-	-
Fees and commissions	11,601,652	766,303	5,100,428	6,523,968
Fees collected for others	1,270,134	8,885	-	1,801,768
Fines and penalties	13,348,366	-	-	-
Interest	68,850	13,359	94,536	-
Other revenues	1,539,751	670,702	1,606,462	151,947
	<u>54,275,491</u>	<u>21,912,672</u>	<u>137,756,524</u>	<u>10,704,073</u>
<u>Expenditures and other uses</u>				
Judgments	15,033,493	-	-	-
Child support	1,427,833	-	-	-
Agency cash disbursements	6,503,338	11,820,543	-	1,559,112
Payments to State of Tennessee	4,977,423	72,461	46,202,955	1,401,151
Funds transferred to Metropolitan Government	19,773,405	7,746,941	91,547,690	6,523,968
Other fees and commissions	100,711	786,187	-	-
Payroll and personnel expenses	4,886,505	-	-	-
Other expenditures	1,567,820	40,113	5,879	561,544
	<u>54,270,528</u>	<u>20,466,245</u>	<u>137,756,524</u>	<u>10,045,775</u>
Excess of revenues and other receipts over (under) expenditures and other uses	4,963	1,446,427	-	658,298
Cash and cash equivalents - July 1, 2005	<u>19,947,561</u>	<u>7,720,192</u>	-	<u>8,368,184</u>
Cash and cash equivalents - June 30, 2006	<u>\$ 19,952,524</u>	<u>\$ 9,166,619</u>	<u>\$ -</u>	<u>\$ 9,026,482</u>

(1) The information provided is required by the State of Tennessee.

(2) These operations are included in the General Fund and Fiduciary Funds.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 COMBINED SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND BALANCES  
 CONSTITUTIONAL OFFICERS (CONTINUED)

For the Year Ended June 30, 2006

Bill Garrett, County Register (1)	Vic Lineweaver, Juvenile Court Clerk (1)	Sheriff Work Release and Inmate Trust (1), (2)	Charles Cardwell, Trustee (1), (2)	Total (Memorandum Only)
\$ 31,659,796	\$ -	\$ -	\$ -	\$ 31,659,796
-	42,206	-	-	15,700,603
-	6,130,429	-	-	7,556,278
-	586,961	2,575,299	-	22,648,518
-	-	-	-	16,405,662
-	-	-	-	25,245,669
-	8,138	-	-	91,046,684
-	-	-	664,518,663	669,844,791
-	1,627	-	-	5,496,767
5,878,206	334,098	-	-	30,204,655
318,200	-	-	-	3,398,987
-	31,682	-	-	13,380,048
142,583	198	-	161,520	481,046
200	-	-	-	3,969,062
<u>37,998,985</u>	<u>7,135,339</u>	<u>2,575,299</u>	<u>664,680,183</u>	<u>937,038,566</u>
-	37,237	-	-	15,070,730
-	6,180,135	-	-	7,607,968
-	503,867	2,485,243	-	22,872,103
30,764,492	-	-	-	83,418,482
3,989,486	347,107	-	664,499,625	794,428,222
318,200	29,019	-	-	1,234,117
1,991,596	-	-	-	6,878,101
39,906	328	-	-	2,215,590
<u>37,103,680</u>	<u>7,097,693</u>	<u>2,485,243</u>	<u>664,499,625</u>	<u>933,725,313</u>
895,305	37,646	90,056	180,558	3,313,253
<u>2,999,530</u>	<u>2,304,009</u>	<u>555,399</u>	<u>980,092</u>	<u>42,874,967</u>
<u>\$ 3,894,835</u>	<u>\$ 2,341,655</u>	<u>\$ 645,455</u>	<u>\$ 1,160,650</u>	<u>\$ 46,188,220</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED SCHEDULE OF CHANGES IN FEE AND COMMISSION ACCOUNTS  
CONSTITUTIONAL OFFICERS

For the Year Ended June 30, 2006

	Richard R. Rooker, Circuit Court Clerk (1)	Cristi Scott, Clerk and Master (1)	Bill Covington, County Clerk (1)	David Torrence, Criminal Court Clerk (1)
<u>Revenues</u>				
Fees and commissions	\$ 11,601,652	\$ 766,303	\$ 5,100,428	\$ 6,523,968
Other	68,850	13,359	94,536	-
Total revenues	<u>11,670,502</u>	<u>779,662</u>	<u>5,194,964</u>	<u>6,523,968</u>
<u>Expenditures and other uses</u>				
Expenditures:				
Payroll - staff	3,621,728	-	-	-
Payroll taxes/benefits	1,264,777	-	-	-
Office supplies/expenditures	1,241,968	-	-	-
Total expenditures	<u>6,128,473</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Uses:				
Fees and commissions to county (General Fund)	<u>3,653,431</u>	<u>786,187</u>	<u>5,240,969</u>	<u>6,514,334</u>
Total expenditures and other uses	<u>9,781,904</u>	<u>786,187</u>	<u>5,240,969</u>	<u>6,514,334</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	1,888,598	(6,525)	(46,005)	9,634
Balances, July 1, 2005	<u>2,663,382</u>	<u>9,026</u>	<u>991,380</u>	<u>95,710</u>
Balances, June 30, 2006	<u>\$ 4,551,980</u>	<u>\$ 2,501</u>	<u>\$ 945,375</u>	<u>\$ 105,344</u>

(1) The information provided is required by the State of Tennessee.

(2) These operations are included in the General Fund and Fiduciary Funds.

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMBINED SCHEDULE OF CHANGES IN FEE AND COMMISSION ACCOUNTS  
CONSTITUTIONAL OFFICERS (CONTINUED)

For the Year Ended June 30, 2006

Bill Garrett, County Register (1)	Vic Lineweaver, Juvenile Court Clerk (1)	Sheriff Work Release and Inmate Trust (1), (2)	Charles Cardwell, Trustee (1), (2)	Total (Memorandum Only)
\$ 5,878,206	\$ 334,098	\$ -	\$ -	\$ 30,204,655
142,783	198	-	-	319,726
<u>6,020,989</u>	<u>334,296</u>	<u>-</u>	<u>-</u>	<u>30,524,381</u>
1,480,436	-	-	-	5,102,164
511,160	-	-	-	1,775,937
39,906	-	-	-	1,281,874
<u>2,031,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,159,975</u>
<u>4,050,000</u>	<u>335,028</u>	<u>-</u>	<u>-</u>	<u>20,579,949</u>
<u>6,081,502</u>	<u>335,028</u>	<u>-</u>	<u>-</u>	<u>28,739,924</u>
(60,513)	(732)	-	-	1,784,457
<u>487,685</u>	<u>116,750</u>	<u>-</u>	<u>-</u>	<u>4,363,933</u>
<u>\$ 427,172</u>	<u>\$ 116,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,148,390</u>

See accompanying accountants' report.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
STATISTICAL SECTION  
TABLE OF CONTENTS

This section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Government's overall financial health.

	<u>Page Numbers</u>
FINANCIAL TRENDS	H - 3
These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.	
REVENUE CAPACITY	H - 14
These schedules contain information to help the reader assess the Government's most significant local revenue source, the property tax.	
DEBT CAPACITY	H - 22
These schedules present information to help the reader assess the affordability of the Government's current levels of outstanding debt and the Government's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	H - 30
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Government's financial activities take place.	
OPERATING INFORMATION	H - 34
These schedules contain service and infrastructure data to help the reader understand how the information in the Government's financial report relates to the services the Government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Government implemented GASB Statement No. 34 effective for the fiscal year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NET ASSETS BY COMPONENT  
 LAST FIVE FISCAL YEARS  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

Unaudited - See Accompanying Accountants' Report

	<u>2002</u>	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 857,993	\$ 1,009,271	\$ 1,120,156	\$ 1,018,806	\$ 1,030,056
Restricted	79,462	131,272	114,155	97,629	67,840
Unrestricted (2)	<u>351,753</u>	<u>224,192</u>	<u>78,630</u>	<u>162,068</u>	<u>142,056</u>
Total governmental activities net assets	<u>1,289,208</u>	<u>1,364,735</u>	<u>1,312,941</u>	<u>1,278,503</u>	<u>1,239,952</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	699,546	748,195	815,902	993,216	1,010,626
Restricted (3)	281,313	269,111	238,071	69,305	70,023
Unrestricted	<u>69,982</u>	<u>67,552</u>	<u>37,319</u>	<u>33,223</u>	<u>24,569</u>
Total business-type activities net assets	<u>1,050,841</u>	<u>1,084,858</u>	<u>1,091,292</u>	<u>1,095,744</u>	<u>1,105,218</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	1,557,539	1,757,466	1,936,058	2,012,022	2,040,682
Restricted	360,775	400,383	352,226	166,934	137,863
Unrestricted	<u>421,735</u>	<u>291,744</u>	<u>115,949</u>	<u>195,291</u>	<u>166,625</u>
Total primary government net assets	<u>\$ 2,340,049</u>	<u>\$ 2,449,593</u>	<u>\$ 2,404,233</u>	<u>\$ 2,374,247</u>	<u>\$ 2,345,170</u>

(1) In 2003, governmental activities net assets were restated to reflect the inclusion of net pension assets previously excluded from the financial statements. Also, business activities net assets were restated to reflect the acquisition of a utility district. Prior years were not restated for either item.

(2) Variances in governmental activities unrestricted net asset are primarily due to the Government's historical budget pattern of increasing property tax rates approximately every three years.

(3) The decrease in business-type activities restricted from 2004 to 2005 resulted from the expenditure of funds previously restricted for construction.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CHANGES IN NET ASSETS  
LAST FIVE FISCAL YEARS  
(accrual basis of accounting)  
(amounts expressed in thousands)

Unaudited - See Accompanying Accountants' Report

	2002	2003 (1)	2004	2005	2006
<b>Expenses</b>					
<b>Governmental activities</b>					
General government	\$ 66,207	\$ 70,884	\$ 94,175	\$ 80,425	\$ 64,844
Fiscal administration	25,006	34,840	22,063	31,182	44,110
Administration of justice	55,740	57,535	65,069	66,879	73,025
Law enforcement and care of prisoners	180,267	203,351	215,912	231,516	241,487
Fire prevention and control	89,799	99,895	97,965	120,679	130,416
Regulation and inspection	7,800	7,772	8,465	8,711	8,770
Conservation of natural resources	355	335	426	396	457
Public welfare	42,568	54,875	53,435	51,636	47,150
Public health and hospitals	70,580	75,401	80,730	76,115	151,706
Public library system	24,044	23,926	25,448	26,165	26,757
Public works, highways and streets	85,901	94,482	105,618	93,785	128,171
Recreational and cultural	46,790	49,770	54,459	51,336	67,284
Education	543,635	575,834	620,518	640,655	654,801
Interest and other debt related costs	58,343	57,289	62,492	57,819	62,460
Total governmental activities	<u>1,297,035</u>	<u>1,406,189</u>	<u>1,506,775</u>	<u>1,537,299</u>	<u>1,701,438</u>
<b>Business-type activities</b>					
Department of Water and Sewerage Services	149,242	143,526	148,814	150,091	155,647
District Energy System	-	40	8,078	18,565	19,253
Nashville Convention Center	6,567	6,319	6,384	7,131	7,068
Board of Fair Commissioners	3,733	4,175	4,055	3,580	4,110
Farmers Market	1,136	1,112	1,159	1,216	1,136
Police Secondary Employment	2,526	1,679	1,017	1,153	1,063
Surplus Property Auction	-	9	3,252	2,554	788
Municipal Auditorium	-	-	-	-	1,885
Police Impound	-	-	-	-	1,919
School Community Education	-	-	-	-	912
Total business-type activities	<u>163,204</u>	<u>156,860</u>	<u>172,759</u>	<u>184,290</u>	<u>193,781</u>
Total primary government	<u>\$ 1,460,239</u>	<u>\$ 1,563,049</u>	<u>\$ 1,679,534</u>	<u>\$ 1,721,589</u>	<u>\$ 1,895,219</u>
<b>Program Revenues</b>					
<b>Governmental activities</b>					
Charges for services:					
General government	\$ 7,209	\$ 11,604	\$ 12,769	\$ 10,132	\$ 7,367
Fiscal administration	3,755	3,703	4,082	4,640	3,994
Administration of justice	19,788	23,255	23,559	28,589	30,664
Law enforcement and care of prisoners	23,554	25,524	25,240	25,213	26,572
Fire prevention and control	7,472	7,955	8,737	11,710	11,401
Regulation and inspection	7,054	6,712	7,944	10,535	11,933
Public welfare	2,127	1,934	2,029	1,523	1,257
Public health and hospitals	3,779	4,457	9,265	9,429	9,646
Public library system	489	570	732	684	705
Public works, highways and streets	7,515	6,397	5,518	8,682	7,717
Recreational and cultural	9,822	9,729	9,931	11,087	8,471
Education	20,720	17,474	18,420	18,551	19,253
Operating grants and contributions	251,234	267,904	272,414	291,220	299,203
Capital grants and contributions (2)	6,635	24,487	58,451	25,954	16,268
Total governmental activities	<u>371,153</u>	<u>411,705</u>	<u>459,091</u>	<u>457,949</u>	<u>454,451</u>

(1) In 2003, governmental activities net assets were restated to reflect the inclusion of net pension assets previously excluded from the financial statements. Also, business activities net assets were restated to reflect the acquisition of a utility district. Prior years were not restated for either item.

(2) Capital grants and contributions primarily represent the value of roads and other infrastructure by outside developers that are donated to the Government. The amounts vary based on the timing of completed projects within the metropolitan area.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CHANGES IN NET ASSETS  
LAST FIVE FISCAL YEARS (CONTINUED)  
(accrual basis of accounting)  
(amounts expressed in thousands)

Unaudited - See Accompanying Accountants' Report

	2002	2003 (1)	2004	2005	2006
<b>Program Revenues (Continued)</b>					
Business-type activities					
Charges for services:					
Department of Water and Sewerage Services	\$ 152,943	\$ 146,847	\$ 152,786	\$ 151,971	\$ 155,827
District Energy System	-	-	8,302	15,347	17,298
Nashville Convention Center	3,819	4,187	3,561	4,680	4,551
Board of Fair Commissioners	3,329	3,113	3,653	3,619	3,728
Farmers Market	935	940	961	994	997
Police Secondary Employment	2,922	2,016	1,380	1,643	1,424
Surplus Property Auction	-	-	2,386	2,518	703
Municipal Auditorium	-	-	-	-	1,062
Police Impound	-	-	-	-	1,729
School Community Education	-	-	-	-	176
Capital grants and contributions	25,576	17,687	16,473	22,155	25,610
Total business-type activities	<u>189,524</u>	<u>174,790</u>	<u>189,502</u>	<u>202,927</u>	<u>213,105</u>
Total primary government	<u>\$ 560,677</u>	<u>\$ 586,495</u>	<u>\$ 648,593</u>	<u>\$ 660,876</u>	<u>\$ 667,556</u>
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (925,882)	\$ (994,484)	\$ (1,047,684)	\$ (1,079,350)	\$ (1,246,987)
Business-type activities	26,320	17,930	16,743	18,637	19,324
Total primary government	<u>\$ (899,562)</u>	<u>\$ (976,554)</u>	<u>\$ (1,030,941)</u>	<u>\$ (1,060,713)</u>	<u>\$ (1,227,663)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities					
Property taxes	\$ 587,143	\$ 606,681	\$ 592,385	\$ 612,734	\$ 725,199
Local option sales tax	231,627	230,686	239,779	249,610	271,119
Other taxes	83,152	86,078	90,583	97,807	116,664
Revenue from the use of money or property	18,002	9,152	4,326	10,060	15,097
Revenue from other governmental agencies	55,364	53,749	50,870	54,542	60,220
Compensation for loss, sale or damage to property	1,500	7,581	5,589	1,297	3,476
Transfers	865	10,711	12,358	18,862	16,661
Special items (3)	(56,785)	737	-	-	-
Total governmental activities	<u>920,868</u>	<u>1,005,375</u>	<u>995,890</u>	<u>1,044,912</u>	<u>1,208,436</u>
Business-type activities					
Revenue from the use of money or property	13,786	8,911	2,049	4,544	6,530
Compensation for loss, sale or damage to property	-	-	-	133	281
Transfers	(865)	(10,711)	(12,358)	(18,862)	(16,661)
Total business-type activities	<u>12,921</u>	<u>(1,800)</u>	<u>(10,309)</u>	<u>(14,185)</u>	<u>(9,850)</u>
Total primary government	<u>\$ 933,789</u>	<u>\$ 1,003,575</u>	<u>\$ 985,581</u>	<u>\$ 1,030,727</u>	<u>\$ 1,198,586</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (5,014)	\$ 10,891	\$ (51,794)	\$ (34,438)	\$ (38,551)
Business-type activities	39,241	16,130	6,434	4,452	9,474
Total primary government	<u>\$ 34,227</u>	<u>\$ 27,021</u>	<u>\$ (45,360)</u>	<u>\$ (29,986)</u>	<u>\$ (29,077)</u>

(3) Special items consist of: In 2002, the Government assumed responsibility for debt related to Nashville Thermal Transfer Corporation, a component unit, which has subsequently ceased operations. In 2003, certain capital assets of the Hospital Authority, a component unit, were contributed to the Metropolitan Government.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General fund					
Reserved	\$ 29,782,976	\$ 12,171,430	\$ 12,094,680	\$ 9,056,517	\$ 11,109,879
Unreserved	<u>41,234,630</u>	<u>46,224,349</u>	<u>45,874,991</u>	<u>58,016,207</u>	<u>88,940,775</u>
Total general fund	<u>71,017,606</u>	<u>58,395,779</u>	<u>57,969,671</u>	<u>67,072,724</u>	<u>100,050,654</u>
All other governmental funds					
Reserved	116,204,249	151,662,711	160,842,557	175,707,218	208,924,140
Unreserved, reported in:					
Special revenue funds	77,696,533	91,021,552	66,980,449	93,202,914	93,301,520
Capital projects funds	155,387,257	163,500,458	231,679,884	74,735,551	185,969,415
Permanent funds	<u>516,024</u>	<u>532,063</u>	<u>935,866</u>	<u>458,929</u>	<u>458,020</u>
Total all other governmental funds	<u>349,804,063</u>	<u>406,716,784</u>	<u>460,438,756</u>	<u>344,104,612</u>	<u>488,653,095</u>
Total governmental funds	<u>\$ 420,821,669</u>	<u>\$ 465,112,563</u>	<u>\$ 518,408,427</u>	<u>\$ 411,177,336</u>	<u>\$ 588,703,749</u>

Note: For the years prior to the implementation of GASB Statement No. 34, certain funds previously reported as expendable and nonexpendable trust funds were reclassified to special revenue and permanent funds.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS (CONTINUED)  
 (modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 45,630,102	\$ 47,945,698	\$ 2,367,797	\$ 2,007,829	\$ 3,474,380
<u>63,858,137</u>	<u>31,159,554</u>	<u>33,817,982</u>	<u>35,268,998</u>	<u>43,459,698</u>
<u>109,488,239</u>	<u>79,105,252</u>	<u>36,185,779</u>	<u>37,276,827</u>	<u>46,934,078</u>
227,227,510	273,822,202	213,106,244	188,479,608	139,629,359
106,757,090	99,212,279	87,222,751	77,328,365	97,564,077
81,218,512	(92,058,780)	(63,694,669)	(107,305,574)	55,722,834
<u>212,945</u>	<u>203,379</u>	<u>194,725</u>	<u>178,616</u>	<u>191,671</u>
<u>415,416,057</u>	<u>281,179,080</u>	<u>236,829,051</u>	<u>158,681,015</u>	<u>293,107,941</u>
<u>\$ 524,904,296</u>	<u>\$ 360,284,332</u>	<u>\$ 273,014,830</u>	<u>\$ 195,957,842</u>	<u>\$ 340,042,019</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 FUND BALANCES OF GOVERNMENTAL FUNDS SUPPORTED BY PROPERTY TAXES  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General fund					
Reserved	\$ 29,782,976	\$ 12,171,430	\$ 12,094,680	\$ 9,056,517	\$ 11,109,879
Unreserved	<u>41,234,630</u>	<u>46,224,349</u>	<u>45,874,991</u>	<u>58,016,207</u>	<u>88,940,775</u>
Total general fund	<u>71,017,606</u>	<u>58,395,779</u>	<u>57,969,671</u>	<u>67,072,724</u>	<u>100,050,654</u>
General purpose school fund					
Reserved	13,194,822	12,916,320	10,608,102	3,830,532	5,827,218
Unreserved	<u>25,796,892</u>	<u>24,587,165</u>	<u>17,165,379</u>	<u>22,665,482</u>	<u>37,127,728</u>
Total general purpose school fund	<u>38,991,714</u>	<u>37,503,485</u>	<u>27,773,481</u>	<u>26,496,014</u>	<u>42,954,946</u>
GSD general purposes debt service fund					
Reserved	<u>43,056,380</u>	<u>47,598,270</u>	<u>53,183,556</u>	<u>55,432,440</u>	<u>70,508,258</u>
GSD school purposes debt services fund					
Reserved	<u>19,995,810</u>	<u>24,691,004</u>	<u>44,123,880</u>	<u>58,482,912</u>	<u>78,036,243</u>
USD general purposes debt services fund					
Reserved	<u>7,500,546</u>	<u>7,610,077</u>	<u>7,518,805</u>	<u>9,209,833</u>	<u>10,937,838</u>
Total governmental funds supported by property taxes	<u>\$ 180,562,056</u>	<u>\$ 175,798,615</u>	<u>\$ 190,569,393</u>	<u>\$ 216,693,923</u>	<u>\$ 302,487,939</u>

Note: The schedule above reflects fund balances for those funds primarily supported by property taxes. The general purpose school fund is reported as a special revenue fund. The three debt service funds are reported as debt service funds. All of the funds primarily supported by property taxes are considered major funds of the Government.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 FUND BALANCES OF GOVERNMENTAL FUNDS SUPPORTED BY PROPERTY TAXES  
 LAST TEN FISCAL YEARS (CONTINUED)  
 (modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 45,630,102	\$ 47,945,698	\$ 2,367,797	\$ 2,007,829	\$ 3,474,380
<u>63,858,137</u>	<u>31,159,554</u>	<u>33,817,982</u>	<u>35,268,998</u>	<u>43,459,698</u>
<u>109,488,239</u>	<u>79,105,252</u>	<u>36,185,779</u>	<u>37,276,827</u>	<u>46,934,078</u>
7,292,939	25,892,422	12,192,087	875,953	678,513
<u>53,181,388</u>	<u>38,771,091</u>	<u>25,250,424</u>	<u>17,566,775</u>	<u>37,753,270</u>
<u>60,474,327</u>	<u>64,663,513</u>	<u>37,442,511</u>	<u>18,442,728</u>	<u>38,431,783</u>
<u>72,002,906</u>	<u>70,087,356</u>	<u>59,430,520</u>	<u>47,766,674</u>	<u>4,506,155</u>
<u>80,823,039</u>	<u>81,300,372</u>	<u>78,148,782</u>	<u>75,330,810</u>	<u>66,092,796</u>
<u>12,062,613</u>	<u>13,304,996</u>	<u>14,064,796</u>	<u>14,092,731</u>	<u>12,996,611</u>
<u><u>\$ 334,851,124</u></u>	<u><u>\$ 308,461,489</u></u>	<u><u>\$ 225,272,388</u></u>	<u><u>\$ 192,909,770</u></u>	<u><u>\$ 168,961,423</u></u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

	1997 (1)	1998	1999	2000
<b>Revenues</b>				
Property taxes	\$ 363,429,441	\$ 425,993,174	\$ 446,996,907	\$ 456,036,292
Local option sales tax	211,799,837	217,151,318	224,998,258	237,192,630
Other taxes, licenses and permits	115,316,944	105,667,871	99,700,346	111,986,041
Fines, forfeits and penalties	10,474,077	13,523,251	14,752,409	15,912,954
Revenues from the use of money or property	23,787,917	26,280,980	22,623,097	24,677,391
Revenues from other governmental agencies	271,867,371	310,329,195	341,395,159	312,900,425
Commissions and fees	13,250,103	14,416,683	14,577,828	13,806,439
Charges for current services	47,920,666	46,727,304	46,838,049	49,821,310
Compensation for loss, sale or damage to property	10,709,896	2,660,938	2,904,571	2,784,053
Contributions and gifts	5,649,372	6,714,936	7,216,453	9,645,750
Miscellaneous	1,475,319	1,556,168	5,803,847	3,951,728
<b>Total revenues</b>	<b>1,075,680,943</b>	<b>1,171,021,818</b>	<b>1,227,806,924</b>	<b>1,238,715,013</b>
<b>Expenditures</b>				
General government	33,809,503	35,714,454	50,053,893	60,528,182
Fiscal administration	14,785,153	16,244,469	20,235,148	18,318,406
Administration of justice	34,801,632	40,884,239	42,859,936	47,733,052
Law enforcement and care of prisoners	132,809,580	145,905,520	154,869,248	152,536,593
Fire prevention and control	64,118,707	68,643,324	71,655,387	73,015,390
Regulation and inspection	6,025,183	6,300,051	7,003,716	6,319,556
Conservation of natural resources	247,155	300,958	298,214	314,608
Public welfare	25,243,640	31,561,102	34,475,041	36,764,665
Public health and hospitals (2)	26,146,411	34,551,916	28,399,247	66,604,476
Public library system	10,504,287	25,259,012	62,627,410	56,030,960
Public works, highways and streets	50,673,574	73,401,395	67,821,524	62,551,859
Recreational and cultural (3)	138,825,707	162,926,450	155,300,834	58,713,824
Education	442,415,128	450,384,992	477,752,961	514,964,875
Employee benefits	39,917,068	41,318,534	41,326,087	43,186,268
Miscellaneous	60,125,104	31,753,293	34,542,430	39,426,131
Debt service:				
Principal retirement	39,235,000	46,990,000	51,530,000	51,925,000
Interest	45,005,772	49,423,775	53,182,744	59,563,984
Fiscal charges	178,953	40,309	28,286	427,424
Bond issue costs	211,036	847,014	91,252	-
Arbitrage rebate	-	-	-	-
<b>Total expenditures</b>	<b>1,165,078,593</b>	<b>1,262,450,807</b>	<b>1,354,053,358</b>	<b>1,348,925,253</b>
<b>Excess of revenue over (under) expenditures</b>	<b>(89,397,650)</b>	<b>(91,428,989)</b>	<b>(126,246,434)</b>	<b>(110,210,240)</b>

Note: For the years prior to the implementation of GASB Statement No. 34, certain funds previously reported as expendable and nonexpendable trust funds were reclassified to special revenue and permanent funds. Also, certain amounts have been reclassified for comparability. Unless otherwise noted, significant variances in expenditures are primarily due to the construction of various capital facilities such as a new main library, jail expansion, a judicial office building and courthouse renovations. Significant variances in revenues primarily relate to increases in property tax and sales tax rates.

(1) For 1997, information was unavailable to reclassify certain expenditures to be consistent with the presentation of future years. Therefore, some amounts supporting various functions are included in miscellaneous.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS (CONTINUED)  
(modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

2001	2002	2003	2004	2005	2006
\$ 470,862,466	\$ 598,399,975	\$ 601,123,598	\$ 601,825,390	\$ 609,091,452	\$ 719,820,461
237,202,797	231,707,353	230,579,654	239,779,471	249,701,966	271,311,435
97,697,363	93,770,480	93,740,577	99,324,601	107,541,797	126,826,832
12,746,125	11,623,733	14,191,298	14,036,202	16,280,190	19,733,750
21,167,002	16,970,802	8,350,984	2,015,987	6,512,905	9,470,818
318,499,173	345,844,660	350,106,028	358,602,784	383,725,517	391,034,345
14,414,164	16,676,399	18,953,278	19,637,940	21,072,982	21,261,179
47,195,450	48,068,592	43,764,068	46,134,585	48,990,928	47,396,269
4,415,442	2,489,468	7,501,643	2,227,502	1,315,393	3,490,427
9,451,915	9,328,613	8,156,874	7,711,533	7,544,472	10,900,634
1,012,932	615,098	723,794	1,261,667	1,248,953	1,744,055
<u>1,234,664,829</u>	<u>1,375,495,173</u>	<u>1,377,191,796</u>	<u>1,392,557,662</u>	<u>1,453,026,555</u>	<u>1,622,990,205</u>
47,783,083	56,030,409	77,013,907	69,171,148	70,400,932	96,865,865
17,886,955	20,405,742	22,092,009	25,397,588	22,645,586	41,756,481
42,771,047	44,984,870	48,455,589	53,359,639	78,671,648	81,923,923
150,880,858	162,295,183	184,868,063	209,400,166	224,518,640	226,150,205
69,868,894	80,580,169	88,271,838	94,666,315	95,847,556	103,050,012
5,920,310	7,199,779	7,012,740	7,421,050	7,420,007	7,979,672
360,706	320,864	311,037	398,925	352,566	421,822
38,613,926	40,762,136	43,422,749	42,667,069	41,489,490	39,175,561
68,838,515	68,836,854	72,690,694	76,586,447	73,552,797	149,058,307
52,980,402	22,954,044	21,275,474	21,981,331	21,966,641	23,752,135
65,999,976	80,368,589	79,200,441	98,023,062	94,247,731	97,615,257
41,495,021	39,807,838	44,218,072	53,520,664	47,465,312	70,154,538
523,560,616	571,895,581	615,103,028	690,299,232	651,279,598	693,906,586
44,796,706	46,876,942	51,520,203	54,892,819	55,012,329	56,369,642
50,798,676	51,126,811	52,716,188	50,681,386	50,242,066	70,691,041
56,825,000	68,255,000	77,865,000	79,775,000	86,315,000	99,000,000
49,834,336	63,676,350	58,207,564	59,120,667	57,783,125	65,621,896
457,179	1,820,928	303,552	330,766	1,520,826	973,475
1,004,837	223,339	829,906	689,127	1,024,215	1,859,351
-	-	825,742	400,849	-	272,023
<u>1,330,677,043</u>	<u>1,428,421,428</u>	<u>1,546,203,796</u>	<u>1,688,783,250</u>	<u>1,681,756,065</u>	<u>1,926,597,792</u>
<u>(96,012,214)</u>	<u>(52,926,255)</u>	<u>(169,012,000)</u>	<u>(296,225,588)</u>	<u>(228,729,510)</u>	<u>(303,607,587)</u>

(2) In 2000, the operations of the Hospital Authority were removed from the enterprise funds and reported as a component unit. Public health and hospitals include operating subsidies to the Hospital Authority for the years 2000 and subsequent.

(3) In 2001, the operations of the Sports Authority were removed from the governmental funds and reported as a component unit. Recreation and cultural includes expenditures related to stadium development and construction prior to 2001.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS (CONTINUED)  
 (modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>Other Financing Sources (Uses)</b>				
Payments to refunded bond escrow agent	\$ (35,707,001)	\$ (107,695,881)	\$ (7,377,668)	\$ -
Issuance of refunding bonds	34,305,000	110,990,000	7,355,000	-
Issuance of new bond	175,105,000	170,700,000	180,145,000	-
Issuance of QZAB notes	-	-	-	-
Bond issue premium (discount)	(385,695)	(1,129,412)	1,587,036	-
Commercial paper proceeds	-	-	-	-
Commercial paper redeemed	-	-	-	-
Swaption proceeds	-	-	-	-
Distribution of net assets	-	-	-	-
Transfers in	88,156,718	73,415,622	80,984,333	90,960,196
Transfers out	(109,951,331)	(110,560,446)	(78,816,925)	(88,002,517)
	<u>151,522,691</u>	<u>135,719,883</u>	<u>183,876,776</u>	<u>2,957,679</u>
	<u>\$ 62,125,041</u>	<u>\$ 44,290,894</u>	<u>\$ 57,630,342</u>	<u>\$ (107,252,561)</u>
Debt service as a percentage of noncapital expenditures	9.19 %	9.48 %	10.06 %	10.50 %

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS (CONTINUED)  
 (modified accrual basis of accounting)

Unaudited - See Accompanying Accountants' Report

2001	2002	2003	2004	2005	2006
\$ (77,885,410)	\$ (87,228,769)	\$ (112,805,846)	\$ -	\$ (262,859,309)	\$ (60,463,650)
73,745,000	74,330,000	108,690,000	-	241,800,000	60,805,000
262,155,000	-	-	122,100,000	209,055,000	417,315,000
-	-	-	-	-	6,218,000
19,779,006	1,323,046	5,608,303	6,157,067	34,513,827	20,310,047
-	-	-	195,000,000	150,000,000	-
-	-	-	(127,000,000)	(218,000,000)	-
-	-	-	3,800,000	-	-
-	-	(1,027,530)	-	-	-
72,939,523	93,231,089	114,037,906	106,933,088	100,801,076	195,467,499
(72,899,830)	(92,390,564)	(110,110,797)	(98,034,069)	(103,638,072)	(191,960,632)
<u>277,833,289</u>	<u>(10,735,198)</u>	<u>4,392,036</u>	<u>208,956,086</u>	<u>151,672,522</u>	<u>447,691,264</u>
<u>\$ 181,821,075</u>	<u>\$ (63,661,453)</u>	<u>\$ (164,619,964)</u>	<u>\$ (87,269,502)</u>	<u>\$ (77,056,988)</u>	<u>\$ 144,083,677</u>
9.84 %	11.32 %	10.53 %	9.90 %	10.42 %	10.67 %

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF GENERAL SERVICES DISTRICT TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Unaudited - See Accompanying Accountants' Report

Fiscal Year	Realty	Personalty	Public Utility	Total Taxable Assessed Value
1996-97	\$ 7,050,026,895	\$ 668,743,347	\$ 473,816,457	\$ 8,192,586,699
1997-98	9,360,046,370	813,501,653	474,385,766	10,647,933,789
1998-99	9,483,759,205	873,944,396	538,014,258	10,895,717,859
1999-00	9,625,554,203	954,014,066	507,768,277	11,087,336,546
2000-01	9,878,827,579	953,834,854	557,537,258	11,390,199,691
2001-02	11,649,748,674	1,059,163,097	664,461,669	13,373,373,440
2002-03	11,792,547,023	1,025,692,548	645,179,869	13,463,419,440
2003-04	11,809,121,866	917,401,480	553,940,253	13,280,463,599
2004-05	11,933,712,504	907,818,023	590,493,038	13,432,023,565
2005-06	13,962,265,146	963,153,348	608,300,242	15,533,718,736

Assessment date: January 1 (Pick-up assessments and cancellations for each year in minor amounts are not reflected in above figures).

Tax levy: General Services District tax is levied on the entire Metropolitan area. Urban Services District tax is an additional tax levied on properties within the Urban Services District. Personalty and public utility taxes are levied on September 1st of each year, based upon assessed valuation at January 1st of that year. Real property taxes are levied on September 1st of each year, based upon assessed valuation through January 1st of that year. In addition, for the period January 1st through September 1st, supplemental assessments are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with T.C.A. Section 67-607.

Ratio of assessed value

to appraised value: Commercial and industrial properties - 40% for real property and 30%  
for tangible personal property  
Farm and residential properties - 25%  
Public utilities - 55%

Note: The State mandates a reappraisal valuation of property within Davidson County every four years.

(1) All properties within the General Services District are taxed at the GSD tax rate. Only those properties within the Urban Services District are taxed the additional USD tax rate. See schedule on page H-17.

(2) Source: Tax Aggregate Reports for Tennessee State Board of Equalization

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF GENERAL SERVICES DISTRICT TAXABLE PROPERTY  
LAST TEN FISCAL YEARS (CONTINUED)

Unaudited - See Accompanying Accountants' Report

<u>Total GSD Tax Rate (1)</u>	<u>Total Estimated Actual Property Value (2)</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 3.50	\$ 27,908,069,594	29.36 %
3.27	33,706,470,792	31.59
3.39	34,408,511,843	31.67
3.39	38,576,009,345	28.74
3.39	39,576,025,308	28.78
3.84	42,634,022,131	31.37
3.84	42,988,853,105	31.32
3.84	45,150,830,802	29.41
3.84	45,746,447,359	29.36
4.04	50,477,218,642	30.77

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

ASSESSED VALUE OF URBAN SERVICES DISTRICT TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Unaudited - See Accompanying Accountants' Report

<u>Fiscal Year</u>	<u>Realty</u>	<u>Personalty</u>	<u>Public Utility</u>	<u>Total USD Taxable Assessed Value</u>	<u>Total USD Tax Rate</u>
1996-97	\$ 4,784,362,948	\$ 515,583,782	\$ 391,593,295	\$ 5,691,540,025	\$ 1.00
1997-98	6,280,076,965	634,766,710	388,294,985	7,303,138,660	0.85
1998-99	6,372,341,408	681,039,272	438,156,409	7,491,537,089	0.85
1999-00	6,420,180,086	747,640,155	411,270,056	7,579,090,297	0.85
2000-01	6,544,802,327	745,794,683	462,282,505	7,752,879,515	0.85
2001-02	7,681,717,993	794,416,879	553,090,149	9,029,225,021	0.74
2002-03	7,722,115,933	765,147,395	535,610,099	9,022,873,427	0.74
2003-04	7,667,951,606	680,464,904	443,772,979	8,792,189,489	0.74
2004-05	7,996,403,388	699,060,182	472,283,935	9,167,747,505	0.74
2005-06	9,293,334,373	736,566,609	484,073,719	10,513,974,701	0.65

Note: The Urban Services District lies within the General Services District. The above schedule reflects the assessed value of the properties within the Urban Services District.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PROPERTY TAX RATES  
LAST TEN FISCAL YEARS

Unaudited - See Accompanying Accountants' Report

Fiscal Year	General Services District					Urban Services District			Total Direct Tax Rate
	GSD General Fund (1)	General Purpose School Fund	GSD Debt Service Fund	School Debt Service Fund	Total GSD Rate	USD General Fund (1)	USD Debt Service Fund	Total USD Rate	
1996-97	\$ 1.91	\$ 1.01	\$ 0.47	\$ 0.11	\$ 3.50	\$ 0.88	\$ 0.12	\$ 1.00	\$ 4.50
1997-98 (2)	1.69	0.96	0.49	0.13	3.27	0.74	0.11	0.85	4.12
1998-99 (3)	1.68	0.96	0.50	0.25	3.39	0.74	0.11	0.85	4.24
1999-00	1.68	0.96	0.50	0.25	3.39	0.74	0.11	0.85	4.24
2000-01	1.68	0.96	0.50	0.25	3.39	0.74	0.11	0.85	4.24
2001-02 (2)	1.97	1.24	0.43	0.20	3.84	0.64	0.10	0.74	4.58
2002-03 (3)	1.94	1.27	0.43	0.20	3.84	0.64	0.10	0.74	4.58
2003-04	1.94	1.27	0.43	0.20	3.84	0.64	0.10	0.74	4.58
2004-05	1.94	1.27	0.43	0.20	3.84	0.64	0.10	0.74	4.58
2005-06 (2)	2.00	1.33	0.54	0.17	4.04	0.56	0.09	0.65	4.69

Tax rates are per \$100 of assessed valuation. Payments may be made in two equal installments, the first not later than October 31st in the year of assessment and levy, the second by February 28th of the following year without penalty.

On November 7, 2006, voters approved a ballot initiative prohibiting the Metropolitan Council from raising real property taxes from their current and future levels without the approval of the voters in a referendum. Prior to the adoption of the November 7 ballot proposal, the Metropolitan Council was authorized to set the real property tax rate without any requirement of voter approval. The Government's legal department has issued a memo stating that the approved initiative violates the Tennessee Constitution because it places the power to set property tax rates with voters, rather than with the Metropolitan Council, as prescribed by the Constitution. However, the Government cannot predict whether there will be a court challenge as to the constitutionality of the approved initiative. If there is a challenge, the Government cannot predict the timing or be certain of the outcome of any court challenge as to the constitutionality of the approved initiative.

- (1) A portion of the revenue of the GSD General Fund generated from the tax levy collected for the area of the USD is recorded in the USD General Fund. Referred to as the levy for fire protection service, this amount of the levy has ranged from \$.12 to \$.08 over the last ten years.
- (2) The State mandates a reappraisal valuation of property within Davidson County every four years resulting in a reduction of the combined GSD-USD tax rate. Also, the combined GSD-USD tax rate was increased by the Metropolitan Council and reallocated between the funds receiving property tax revenue. The rates above reflect the net change of the reappraisal valuation and the increase and reallocation by the Metropolitan Council.
- (3) In fiscal year 1998-99 the combined GSD-USD tax rate increased \$0.12 per \$100 of assessed value, to be applied toward school debt service. Also \$0.01 was reallocated from GSD General Fund to GSD Debt Service. In fiscal year 2002-2003, the GSD property tax rate was reallocated among the funds receiving property tax revenue.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Unaudited - See Accompanying Accountants' Report

Taxpayer	December 31, 2005				December 31, 1996			
	2005 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy	1996 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy
Electric Power Board (1)	\$ N/A	\$ 21,534,703	1	3.09 %	\$ N/A	\$ 11,828,370	1	3.44 %
Gaylord	232,907,220	10,915,052	2	1.57	179,579,001	6,649,594	3	1.93
BellSouth	162,773,940	7,480,425	3	1.07	196,819,793	7,448,681	2	2.17
Columbia/HCA	126,129,877	6,001,425	4	0.86	97,060,176	4,356,106	4	1.27
Piedmont Natural Gas Company	94,485,157	4,280,317	5	0.62	62,678,580	2,652,024	5	0.77
Opry Mills Co.	70,260,942	3,804,362	6	0.55	-	-	-	-
CBL & Associates	74,558,746	3,212,292	7	0.46	-	-	-	-
Vanderbilt	65,900,299	3,090,724	8	0.44	-	-	-	-
PREFCO XIV Ltd	57,611,347	2,792,710	9	0.40	55,726,330	2,507,685	7	0.73
E. I. Dupont	50,026,873	2,021,086	10	0.29	51,454,051	1,800,892	9	0.52
Nashland Associates	-	-	-	-	66,040,520	2,649,845	6	0.77
Baptist Hospital	-	-	-	-	47,616,466	2,142,741	8	0.62
SunTrust Bank	-	-	-	-	38,106,278	1,746,591	10	0.51
	<u>\$ 934,654,401</u>	<u>\$ 65,133,096</u>		<u>9.35 %</u>	<u>\$ 795,081,195</u>	<u>\$ 43,782,529</u>		<u>12.73 %</u>

Source: Tax Assessor's Office, Trustee's Office

(1) The amount of tax for the Electric Power Board represents a payment in lieu of taxes and is not based on an assessed valuation.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Unaudited - See Accompanying Accountants' Report

Fiscal Year	Amount GSD Levy	Amount USD Levy	Total Tax Levy	Collections Within the Fiscal Year of the Levy	
				Current Tax Amount	Percent of Levy
1996-97	\$ 279,911,056	\$ 63,745,322	\$ 343,656,378	\$ 329,319,681	95.83 %
1997-98	340,884,594	69,379,882	410,264,476	392,783,558	95.74
1998-99	361,873,598	71,169,667	433,043,265	415,770,559	96.01
1999-00	368,281,927	72,001,424	440,283,351	419,550,370	95.29
2000-01	378,375,194	73,652,420	452,027,614	432,592,562	95.70
2001-02	504,508,539	75,845,541	580,354,080	554,792,713	95.60
2002-03	508,874,943	74,889,899	583,764,842	557,508,632	95.50
2003-04	502,057,059	72,975,223	575,032,282	555,507,839	96.60
2004-05	507,538,957	76,092,355	583,631,312	565,446,465	96.88
2005-06	619,151,100	76,752,024	695,903,124	671,768,730	96.53

Source: Metropolitan Trustee's Office

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS (CONTINUED)

Unaudited - See Accompanying Accountants' Report

Adjustment to Levy	Total Levy After Adjustment	Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percentage Uncollected
			Amount	Percent of Levy After Adjustment		
\$ (4,436,214)	\$ 339,220,164	\$ 8,807,428	\$ 338,127,109	99.68 %	\$ 1,093,055	0.32 %
(5,350,160)	404,914,316	11,472,036	404,255,594	99.84	658,722	0.16
(3,643,924)	429,399,341	12,835,230	428,605,789	99.82	793,552	0.18
(6,490,603)	433,792,748	13,469,495	433,019,865	99.82	772,883	0.18
(4,324,121)	447,703,493	13,717,562	446,310,124	99.69	1,393,369	0.31
(6,580,192)	573,773,888	17,546,678	572,339,391	99.75	1,434,497	0.25
(5,862,778)	577,902,064	18,076,094	575,584,726	99.60	2,317,338	0.40
(1,841,897)	573,190,385	15,159,633	570,667,472	99.56	2,522,913	0.44
(1,567,067)	582,064,245	13,531,490	578,977,955	99.47	3,086,290	0.53
(1,337,874)	694,565,250	-	671,768,730	96.72	22,796,520	3.28

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RATIOS OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS  
 (amounts expressed in thousands, except per capita amount)

Unaudited - See Accompanying Accountants' Report

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds and Notes	Limited Obligation Revenue Bonds	Qualified Zone Academy Bond Notes	Total Governmental Activities	Revenue Bonds	General Obligation Bonds
1996-97	\$ 792,420	\$ 21,480	\$ -	\$ 813,900	\$ 571,733	\$ -
1997-98	908,095	20,620	-	928,715	564,724	-
1998-99	1,038,960	19,705	-	1,058,665	552,164	-
1999-00	989,705	18,725	-	1,008,430	542,440	-
2000-01	1,196,320	17,680	-	1,214,000	529,852	-
2001-02	1,187,245	16,265	-	1,203,510	525,855	-
2002-03	1,114,990	14,925	-	1,129,915	571,070	-
2003-04	1,158,710	13,530	-	1,172,240	550,880	-
2004-05	1,279,935	12,080	-	1,292,015	529,200	7,695
2005-06	1,600,695	10,575	6,219	1,617,489	502,060	7,695

Note: Details regarding the Government's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedules of Demographic and Economic Statistics on page H-30 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

(2) Per Capita Personal Income statistics for calendar year 2005 were not available at the reporting date.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RATIOS OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS (CONTINUED)  
 (amounts expressed in thousands, except per capita amount)

Unaudited - See Accompanying Accountants' Report

<u>Business-type Activities (Continued)</u>						
<u>State</u>	<u>Capitalized</u>	<u>Total</u>	<u>Total</u>	<u>Percentage of</u>		<u>Per</u>
<u>Construction</u>	<u>Lease</u>	<u>Business-type</u>	<u>Primary</u>	<u>Personal</u>		<u>Capita (1)</u>
<u>Loans</u>	<u>Obligations</u>	<u>Activities</u>	<u>Government</u>	<u>Income (1)</u>		
\$ 61,567	\$ 2,918	\$ 636,218	\$ 1,450,118	9.48 %		\$ 2,566.56
65,050	3,648	633,422	1,562,137	9.97		2,759.23
67,019	3,203	622,386	1,681,051	9.88		2,963.50
65,959	2,754	611,153	1,619,583	9.02		2,841.92
64,233	2,465	596,550	1,810,550	9.51		3,169.11
57,659	2,340	585,854	1,789,364	8.94		3,143.79
51,623	2,210	624,903	1,754,818	8.37		3,077.89
46,803	2,075	599,758	1,771,998	8.08		3,095.33
47,404	1,930	586,229	1,878,244	8.01		3,235.81
62,638	1,780	574,173	2,191,662	N/A (2)		3,802.45

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RATIOS OF GENERAL BONDED DEBT OUSTANDING  
 GENERAL AND URBAN SERVICES DISTRICTS  
 LAST TEN FISCAL YEARS  
 (amounts expressed in thousands, except per capita amount)

Unaudited - See Accompanying Accountants' Report

Fiscal Year	General Obligation Bonds and Notes	Less: Amounts Available in Debt Service Funds	Less: Amounts Payable from Sources Other Than Property Taxes	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
1996-97	\$ 792,420	\$ 70,553	\$ 36,979	\$ 684,888	2.45 %	\$ 1,212.18
1997-98	908,095	79,899	39,816	788,380	2.34	1,392.53
1998-99	1,038,960	103,510	35,729	899,721	2.61	1,586.11
1999-00	989,705	120,991	31,507	837,207	2.17	1,469.07
2000-01	1,196,320	156,402	26,939	1,012,979	2.56	1,773.07
2001-02	1,187,245	162,066	22,360	1,002,819	2.35	1,761.88
2002-03	1,114,990	163,737	17,563	933,690	2.17	1,637.66
2003-04	1,158,710	151,390	12,519	994,801	2.20	1,737.72
2004-05	1,279,935	136,955	7,220	1,135,760	2.48	1,956.67
2005-06	1,600,695	83,596	1,655	1,515,444	3.00	2,629.24

Note: Details regarding the Government's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on pages H-14 and H-15 for property value data.
- (2) See the Schedules of Demographic and Economic Statistics on page H-30 for personal income and population data. This ratio is calculated using population for the prior calendar year.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RATIOS OF GENERAL BONDED DEBT OUSTANDING  
 URBAN SERVICES DISTRICT  
 LAST TEN FISCAL YEARS  
 (amounts expressed in thousands, except per capita amount)

Unaudited - See Accompanying Accountants' Report

Fiscal Year	General Obligation Bonds and Notes	Less: Amounts Available in Debt Service Funds	Less: Amounts Payable from Sources Other Than Property Taxes	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
1996-97	\$ 54,917	\$ 7,501	\$ 625	\$ 46,791	N/A %	\$ N/A
1997-98	49,244	7,610	350	41,284	N/A	N/A
1998-99	43,983	7,519	250	36,214	N/A	N/A
1999-00	38,925	9,210	200	29,515	N/A	N/A
2000-01	57,124	10,915	-	46,209	N/A	N/A
2001-02	109,695	11,770	-	97,925	N/A	N/A
2002-03	97,897	13,230	-	84,667	N/A	N/A
2003-04	107,357	13,900	-	93,457	N/A	N/A
2004-05	114,326	13,857	-	100,469	N/A	N/A
2005-06	134,733	12,997	-	121,736	N/A	N/A

Note: The above computation is an excerpt from the Ratios of General Bonded Debt Outstanding on page H-24 and reflects ratios of general bonded debt for the Urban Services District only. Details regarding the Government's outstanding debt can be found in the notes to the financial statements.

(1) The actual taxable value of property is not available for the Urban Services District.

(2) Population estimates are not available for the Urban Services District.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

LEGAL DEBT MARGIN INFORMATION  
 URBAN SERVICES DISTRICT  
 LAST TEN FISCAL YEARS  
 (amounts expressed in thousands)

Unaudited - See Accompanying Accountants' Report

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Amount of Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Total Amount of Debt Applicable to Debt Limit as a Percentage of Debt Limit</u>
1996-97	\$ 853,731	\$ 46,791	\$ 806,940	5.48 %
1997-98	1,095,471	41,284	1,054,187	3.77
1998-99	1,123,731	36,214	1,087,517	3.22
1999-00	1,136,864	29,515	1,107,349	2.60
2000-01	1,162,932	46,209	1,116,723	3.97
2001-02	1,354,384	97,925	1,256,459	7.23
2002-03	1,353,431	84,666	1,268,765	6.26
2003-04	1,318,828	93,457	1,225,371	7.09
2004-05	1,375,162	100,468	1,274,694	7.31
2005-06	1,577,096	121,737	1,455,359	7.72

Note: There is no legal debt margin for the General Services District. Therefore, the calculation is presented for the Urban Services District only.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

COMPUTATION OF LEGAL DEBT MARGIN  
URBAN SERVICES DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2006

Unaudited - See Accompanying Accountants' Report

Assessed valuation of taxable property - Urban Services District		<u>\$ 10,513,974,701</u>
Debt limit - 15 percent of assessed valuation		\$ 1,577,096,205
Amount of debt applicable to debt limit:		
Total bonded debt	\$ 134,733,254	
Less:		
Amounts available in debt service funds	<u>12,996,611</u>	
Total amount of debt applicable to debt limit		<u>121,736,643</u>
Legal debt margin		<u>\$ 1,455,359,562</u>

Note: There is no legal debt margin for the General Services District. Therefore, the calculation is presented for the Urban Services District only.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
LAST TEN FISCAL YEARS  
(amounts expressed in thousands)

Unaudited - See Accompanying Accountants' Report

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Expenditures (1)	Percentage of Debt Service to Total General Expenditures
1996-97 (2)	\$ 38,425	\$ 41,921	\$ 80,346	\$ 992,121	8.1 %
1997-98	44,980	43,641	88,621	1,074,880	8.3
1998-99 (2)	49,420	46,717	96,137	1,134,887	8.5
1999-00	49,255	53,069	102,324	1,103,726	9.2
2000-01	55,780	49,030	104,810	1,110,942	9.4
2001-02	67,140	65,859	132,999	1,307,461	10.0
2002-03 (3)	76,525	59,109	135,634	1,379,369	9.8
2003-04 (3)	78,380	60,128	138,508	1,473,754	9.4
2004-05 (3)	84,865	60,019	144,884	1,482,009	9.8
2005-06 (3)	97,495	66,069	163,564	1,637,637	10.0

Note: Details regarding the Government's outstanding debt can be found in the notes to the financial statements.

(1) Includes General, Special Revenue and Debt Service Funds, excluding the Correctional Facility Revenue Bonds.

(2) For comparability, amounts do not include refunding bond issue costs.

(3) For comparability, amounts do not include refunding bond issue costs. Amounts include contractual services.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PLEDGED REVENUE COVERAGE  
 DEPARTMENT OF WATER AND SEWERAGE SERVICES REVENUE BONDS  
 LAST TEN FISCAL YEARS  
 (amounts expressed in thousands)

Unaudited - See Accompanying Accountants' Report

Fiscal Year	Gross Revenue (1)	Direct Operating Expense (2)	Net Revenue Available For Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1996-97	\$ 177,596	\$ 68,315	\$ 109,281	\$ 14,595	\$ 28,177	\$ 42,772	2.56
1997-98	172,653	68,203	104,450	17,020	23,922	40,942	2.55
1998-99	174,203	64,704	109,499	10,630	31,394	42,024	2.61
1999-00	167,301	65,321	101,980	13,480	30,916	44,396	2.30
2000-01	172,445	65,853	106,592	14,050	30,285	44,335	2.40
2001-02	166,435	68,006	98,429	19,680	29,615	49,295	2.00
2002-03	155,560	65,398	90,162	20,190	28,621	48,811	1.85
2003-04	154,638	71,273	83,365	21,680	27,531	49,211	1.69
2004-05	156,158	71,410	84,748	25,960	26,407	52,367	1.62
2005-06	161,727	78,293	83,434	27,280	25,034	52,314	1.59

Note: Details regarding the Government's outstanding debt can be found in the notes to the financial statements.

(1) Includes interest on investments and other income.

(2) Excludes depreciation and amortization expense.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS

Unaudited - See Accompanying Accountants' Report

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Unemployment Rate (3)</u>
1996	565,004	\$ 27,062	\$ 15,290,138	3.2 %
1997	566,150	27,672	15,666,503	3.4
1998	567,251	30,005	17,020,366	2.6
1999	569,891	31,494	17,948,147	2.9
2000	571,312	33,338	19,046,399	3.2
2001	569,174	35,183	20,025,249	3.5
2002	570,136	36,768	20,962,760	4.4
2003	572,475	38,297	21,924,075	4.6
2004	580,455	40,393	23,446,319	4.4
2005 (4)	576,382	N/A	N/A	4.6

(1) Source: U.S. Department of Commerce, Bureau of the Census and Labor

(2) Source: Bureau of Economic Analysis

(3) Source: Tennessee Department of Labor & Workforce Development

(4) Per Capita personal income statistics for calendar year 2005 were not available at the reporting date.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Unaudited - See Accompanying Accountants' Report

Employer	June 30, 2006			June 30, 1997		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
State of Tennessee	20,029	1	2.70 %	24,500	1	3.77 %
Metro Nashville-Davidson Co. Government and Public Schools	19,188	2	2.58	18,990	2	2.92
Vanderbilt University and Medical Center (1)	17,158	3	2.31	12,187	3	1.88
U.S. Government	11,146	4	1.50	11,000	4 (2)	1.69
HCA (including Tri-Star Health System)	8,742	5	1.18	8,100	7	1.25
Nissan North America Inc.	8,100	6	1.09	6,000	8	0.92
St. Thomas Health Services	6,300	7	0.85	-	-	-
Saturn Corporation	5,800	8	0.78	8,350	6	1.29
Bridgestone Americas Holding Inc. (1)	4,900	9	0.66	-	-	-
Gaylord Entertainment Co. (1)	4,150	10	0.56	11,000	4 (2)	1.69
Kroger Corporation	-	-	-	5,750	9	0.89
United Parcel Service	-	-	-	4,500	10	0.69
	<u>105,513</u>		<u>14.20 %</u>	<u>110,377</u>		<u>16.99 %</u>

Sources:

Principal Employers and Number of Employees - Nashville Area Chamber of Commerce, Nashville Business Journal  
Total Employment - US Department of Labor Bureau of Labor Statistics

(1) National, State or Corporate Headquarters.

(2) Tie ranking.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

Unaudited - See Accompanying Accountants' Report

	1997	1998	1999	2000
Governmental activities:				
General government	257	261	271	269
Fiscal administration	192	190	187	188
Administration of justice	610	618	665	703
Law enforcement and care of prisoners	2,370	2,467	2,547	2,574
Fire prevention and control	1,176	1,201	1,211	1,211
Regulation and inspection	113	115	118	118
Conservation of natural resources	9	9	9	9
Public welfare	488	579	618	625
Public health and hospitals	459	448	475	466
Public library system	250	227	235	267
Public works, highways and streets	539	540	538	538
Recreational and cultural	446	464	479	488
Education	7,374	7,562	7,699	7,607
Total governmental activities	<u>14,283</u>	<u>14,681</u>	<u>15,052</u>	<u>15,063</u>
Internal service activities:				
Central Printing	9	9	9	9
Motor Pool	47	47	47	47
Office of Fleet Management	-	-	-	-
Information Systems	92	88	90	90
Radio Shop	19	19	20	20
School Central Storeroom	-	-	-	-
Metro Postal Service	6	6	6	6
Office Supply Storeroom	2	3	3	3
Facilities Planning and Construction	-	-	-	2
Treasury Management	7	7	7	7
Human Resources	38	37	37	38
Finance Services	76	84	84	82
General Services	40	41	41	41
Total internal service activities	<u>336</u>	<u>341</u>	<u>344</u>	<u>345</u>
Business-type activities:				
Department of Water and Sewerage Services	912	868	823	760
Nashville Convention Center	44	44	43	46
Board of Fair Commissioners	17	15	15	18
Farmers Market	9	8	8	8
Police Secondary Employment	-	-	-	-
Surplus Property Auction	-	-	-	-
Police Impound	-	-	-	-
Municipal Auditorium	-	-	-	-
School Community Education	-	-	-	-
Total business-type activities	<u>982</u>	<u>935</u>	<u>889</u>	<u>832</u>
Total primary government	<u>15,601</u>	<u>15,957</u>	<u>16,285</u>	<u>16,240</u>

Source: Department of Finance, Office of Management and Budgets, "Budget Book" for each fiscal year.

Note: Although the financial balances and operations of the internal service activities are allocated to the various governmental and business-type activities in the government-wide financial statements, the full-time equivalents are reported separately in the above schedule. Also, certain functions previously included in governmental activities were reclassified to internal service activities for consistency in presentation.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS (CONTINUED)

Unaudited - See Accompanying Accountants' Report

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
268	265	280	277	259	273
189	200	214	215	216	216
715	735	785	800	798	812
2,649	2,496	2,504	2,544	2,695	2,716
1,210	1,258	1,258	1,217	1,178	1,181
108	109	109	109	108	111
9	11	11	11	10	10
602	706	729	689	678	487
453	535	530	525	308	308
364	365	365	363	336	330
537	536	568	544	543	546
456	461	682	679	592	639
<u>7,558</u>	<u>7,891</u>	<u>7,780</u>	<u>8,201</u>	<u>8,285</u>	<u>8,382</u>
<u>15,118</u>	<u>15,568</u>	<u>15,815</u>	<u>16,174</u>	<u>16,006</u>	<u>16,011</u>
9	9	9	9	4	-
48	41	41	-	-	-
-	-	-	105	97	88
91	95	103	108	136	130
26	24	24	24	23	18
-	-	-	-	-	-
6	6	6	6	5	5
2	-	-	-	-	-
2	13	14	19	19	18
7	10	11	14	14	12
36	61	63	62	66	67
98	118	129	116	94	100
45	52	55	55	52	94
<u>370</u>	<u>429</u>	<u>455</u>	<u>518</u>	<u>510</u>	<u>532</u>
738	781	718	658	668	668
52	54	53	53	47	47
19	19	19	19	17	17
7	7	8	8	8	8
-	-	5	5	5	5
-	-	-	7	7	7
-	-	-	7	29	29
-	-	-	-	-	12
-	-	-	-	-	1
<u>816</u>	<u>861</u>	<u>803</u>	<u>757</u>	<u>781</u>	<u>794</u>
<u>16,304</u>	<u>16,858</u>	<u>17,073</u>	<u>17,449</u>	<u>17,297</u>	<u>17,337</u>

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Unaudited - See Accompanying Accountants' Report

	1997	1998	1999	2000
Governmental activities:				
General government:				
Election Commission - registered voters	306,037	320,310	302,583	337,313
Administration of justice:				
Public Defender - caseload	24,383	26,550	27,837	35,229
Law enforcement and care of prisoners:				
Sheriff - inmate days jails	N/A	553,492	608,373	612,343
Sheriff - inmate days detention facility	N/A	356,476	423,877	424,023
Police - total calls received	1,150,197	1,119,263	1,115,910	1,194,180
Police - incident numbers issued	588,290	638,821	634,860	628,951
Fire prevention and control:				
Fire - life threatening responses	N/A	N/A	N/A	N/A
Fire - non life threatening responses	N/A	N/A	N/A	N/A
Regulation and inspection:				
Codes - construction/land use permits	10,123	10,297	10,672	9,856
Public welfare:				
Social Services - clients served	536	519	541	563
Public health and hospitals:				
Health - clinic visits	164,280	164,273	168,107	180,081
Public library system:				
Library - circulating materials check-outs	2,277,177	2,517,671	2,554,678	2,566,170
Public works, highways and streets:				
Public Works - scheduled garbage collections	6,447,792	6,381,700	6,603,532	6,632,964
Public Works - tons of disposed waste	679,362	681,085	579,657	552,739
Public Works - rehabilitated street lane miles	132	115	100	90
Recreational and cultural:				
Parks - Sportsplex attendance	265,000	416,362	356,590	423,000
Parks - cultural enrichment class attendance	5,995	5,530	4,743	4,980
Parks - senior citizen program attendance	22,000	20,681	14,735	20,471
Education:				
Public Schools - students (average daily attendance)	71,062	71,313	70,308	69,850

Source: Department of Finance, Office of Management and Budgets; Various departments of the Government

Note: Certain amounts are excluded because (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent with the current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS (CONTINUED)

Unaudited - See Accompanying Accountants' Report

2001	2002	2003	2004	2005	2006
316,414	335,357	337,392	366,326	358,119	359,806
31,157	32,485	36,068	38,920	41,017	N/A
530,094	583,807	610,640	637,243	674,254	806,361
413,174	436,679	451,182	467,371	431,421	354,799
1,324,019	1,170,705	1,156,932	1,142,514	1,090,591	N/A
556,427	564,448	577,377	658,387	709,915	N/A
N/A	33,495	33,812	36,328	38,766	N/A
N/A	16,771	15,539	13,715	17,240	N/A
9,102	9,346	9,123	10,151	10,245	10,534
2,844	2,543	3,971	2,922	2,734	5,016
166,000	185,221	168,616	174,745	187,465	191,016
2,957,664	3,825,465	3,988,212	4,203,335	4,087,080	4,212,037
6,625,476	6,625,476	6,604,000	6,402,310	6,406,309	6,552,000
547,439	547,439	425,234	862,895	839,779	850,000
90	75	90	312	419	145
450,000	424,080	368,700	385,700	400,000	385,000
4,674	4,615	4,372	4,479	4,940	4,724
20,277	21,578	23,557	29,850	25,000	30,000
69,764	69,700	70,028	70,759	72,458	73,109

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS (CONTINUED)

Unaudited - See Accompanying Accountants' Report

	1997	1998	1999	2000
Business-type activities:				
Department of Water and Sewerage Services:				
Customers - water	133,377	133,859	135,585	136,468
Water treatment capacity (millions of gallons per day)	83	83	85	90
Customers - wastewater	152,064	154,306	156,762	158,652
Waste water system capacity (millions of gallons per day)	147	140	128	122
Nashville Convention Center - events	336	313	357	300
Board of Fair Commissioners:				
Flea market booth rentals	N/A	N/A	N/A	N/A
State fair attendance	348,915	379,785	350,000	168,100
Municipal Auditorium - events held	125	127	121	97

Source: Department of Finance, Office of Management and Budgets; Various departments of the Government

Note: Certain amounts are excluded because (1) the data is not available for some older years, (2) the data available for some years was not accumulated in a manner consistent with the current years, or (3) the data has yet to be accumulated for the current year. Some amounts are estimated.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS (CONTINUED)

Unaudited - See Accompanying Accountants' Report

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
151,097	143,540	155,712	158,613	159,506	162,834
90	84	88	95	94	97
159,810	163,048	166,417	169,533	171,341	173,149
119	143	150	146	143	125
276	221	186	190	193	193
N/A	19,457	18,955	19,619	18,611	18,513
181,000	171,000	182,500	226,400	204,485	227,478
94	80	91	92	92	91

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

Unaudited - See Accompanying Accountants' Report

	1997	1998	1999	2000
Governmental activities:				
General government				
General government vehicles (1)	N/A	N/A	3,648	3,814
Law enforcement and care of prisoners:				
Sheriff inmate capacity - jails	1,762	1,762	1,762	1,762
Sheriff inmate capacity - detention facility	892	892	892	892
Police stations	4	4	4	4
Fire prevention and control:				
Fire stations	38	38	38	38
Public library system:				
Libraries	21	21	21	22
Public works, highways and streets:				
Streets and roads (lane miles)	5,400	5,500	5,500	5,500
Recreational and cultural:				
Parks (number)	85	89	90	92
Parks (acreage)	9,368	9,418	9,387	9,345
Miles of completed greenways	-	2.5	5.5	8.5
Education:				
Schools	129	131	131	131
School buses	N/A	515	517	575
Business-type activities:				
Department of Water and Sewerage Services:				
Water mains (miles)	2,559	2,560	2,566	2,571
Maximum daily water capacity (thousands of gallons)	162,000	162,000	162,000	162,000
Sewers (miles)	2,339	2,339	2,385	2,426
Maximum daily treatment capacity (thousands of gallons)	459,000	459,000	459,000	459,000
Nashville Convention Center:				
Exhibition space (square footage)	118,675	118,675	118,675	118,675
Board of Fair Commissioners:				
Exhibition space (square footage)	156,000	156,000	156,000	156,000
Livestock barns (square footage)	50,400	50,400	50,400	50,400
Livestock show arena (square footage)	7,800	7,800	7,800	7,800

Source: Department of Finance, Division of Accounts; Various departments of the Government

Note: Certain amounts are excluded because the data is not available for some older years.

(1) General government vehicles include vehicles that are used in various other functions of the Government.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS (CONTINUED)

Unaudited - See Accompanying Accountants' Report

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
3,868	3,883	3,625	3,676	3,620	3,425
1,762	1,762	1,762	1,762	2,587	2,587
892	892	892	892	892	1,092
5	5	5	6	6	6
39	39	39	39	39	40
22	22	22	22	22	24
5,500	5,500	5,600	5,600	5,600	5,600
93	100	99	102	102	107
9,387	10,238	10,200	10,303	10,241	10,355
13.5	16.5	19.5	23.5	28.0	29.5
129	129	128	130	133	136
512	515	558	594	633	657
2,619	2,634	2,718	2,746	2,749	2,771
180,000	180,000	180,000	186,300	180,000	180,000
2,674	2,699	2,726	2,753	2,867	2,901
459,000	459,000	459,000	459,000	465,000	465,000
118,675	118,675	118,675	118,675	118,675	118,675
156,000	156,000	156,000	156,000	156,000	156,000
50,400	50,400	50,400	50,400	50,400	50,400
7,800	7,800	7,800	7,800	7,800	7,800