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, culture and recreation, education, public improvements, planning and zoning and general administrative services.

The accounting policies of the Government conform to generally accepted accounting principles. The following is a summary of the most significant policies:

Financial reporting entity - In conformity with generally accepted accounting principles, as set forth in Government Accounting Standards Board (GASB) Statement No. 14, The Financial 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. The blended component unit, although a legally separate entity, is in substance, part of the Government's operations, so data from this unit is combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combining financial statements to emphasize it is legally separate from the Government.

The Sports Authority of the Metropolitan Government of Nashville is legally separate from the Government and is reported as if it were part of the primary government as a blended component unit. The Government would be held financially responsible if the Sports Authority were to default on any debt and would receive title to all of the Sports Authority's funds and properties in the event of a dissolution. Additionally, the Sports Authority exists solely to serve the Nashville Arena and the NFL Stadium, which directly benefit the Government. The financial activity of the Sports Authority is presented in the following funds:

Special Revenue Funds:
- Stadium Project Revenue
- Stadium Project Development
- Public Facility Arena Revenue
- Sports Authority Arena

Debt Service Funds:
- Sports Authority Stadium Revenue Bonds
- Sports Authority Arena Revenue Bonds

Capital Projects Funds:
- Public Improvement Stadium Revenue Bonds of 1996
- Public Facility Arena Revenue Bonds of 1998

The Sports Authority has land, buildings and construction in progress in the General Fixed Assets Account Group related to the Nashville Arena and the NFL Stadium totaling $409,456,858 and has $97,325,000 of debt outstanding included in the General Long-term Debt Account Group. The Sports Authority does not issue separate financial statements.

The financial statements of the following component units have been discretely presented to emphasize that they are legally separate from the Government.

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 Nashville Public Television Council, Incorporated (NPTC) was incorporated for the purpose of promoting, organizing and managing WDCN - Channel 8 and other noncommercial, educational broadcast and telecommunication facilities in cooperation with the Metropolitan Board of Education. NPTC was governed by a board of directors who were appointed and could be removed by the Metropolitan Board of Education, which is a part of the Government. The members of the Metropolitan Board of Education controlled the programming and broadcasting of the station. During the 1999 fiscal

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

year, ownership and operational control of WDCN – Channel 8 transferred to WDCN Public Television Corporation, a community not-for-profit corporation. Operations prior to the transfer are included in the general purpose financial statements. Upon completion of the transfer of operations to WDCN Public Television Corporation, NPTC transferred its assets and liabilities to WDCN Public Television Corporation, and NPTC ceased operations. The new corporation does not meet the criteria of a component unit of the Government.

The Hospital Authority operates General Hospital (a full service medical facility) and Bordeaux Hospital (a long-term care facility) for the residents of Nashville and Davidson County. The Hospital Authority was created in March 1999 to operate both hospitals, which were previously accounted for as enterprise funds 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 hospital. Hospital Authority land and buildings and improvements are in the Government's name. Both hospitals are financially dependent on contributions from the Government's General Fund. Complete financial statements for each hospital can be obtained by writing to the Hospital Authority at 1818 Albion Street, Nashville, TN 37208.

The Electric Power Board of the Metropolitan Government of Nashville and Davidson County 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 and the general manager are appointed by the Government. The Government believes the nature and significance of its relationship with the Electric Power Board is such that exclusion would cause these financial statements to be misleading. Complete financial statements of the Board can be obtained from its administrative offices at 1214 Church Street, Nashville, TN 37203.

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 Nashville Thermal Transfer Corporation is a not-for-profit corporation that provides low cost heating and cooling to the Government and downtown businesses. The Corporation is governed by a board of directors who are all appointed and can be removed by the Government. The debt of the Corporation is issued in the Government's name, all properties of the Corporation are in the name of the Government, and the Corporation is financially dependent on the Government. Complete financial statements of the Corporation can be obtained from its administrative offices at 110 First Avenue South, 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 and provide efficient emergency services to the public. The District is governed by a board of directors who are appointed by the Government. The District 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 of the Metropolitan Government of Nashville and Davidson County (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 2021 North Gallatin Road, Suite 132, Madison, TN 37115.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All of these discretely presented component units operate on a fiscal year ending June 30, 1999, except for the Metropolitan Development and Housing Agency (fiscal year end September 30, 1998) and the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (fiscal year end March 31, 1999). The financial statements of these component units with differing fiscal year ending dates are presented as of the respective dates indicated.

Basis of presentation - The general purpose financial statements are structured into three categories of fund types (governmental, proprietary and fiduciary), a fourth type of accounting entity (account groups) and component units.

The governmental fund types include:

1. General Fund - used to account for all financial resources and activities relating to the general operations of the Government which are not required to be accounted for in another fund;

2. Special revenue funds - used to account for specific revenues designated to finance the operations of the Metropolitan Board of Education and for specific revenues utilized in carrying out the special terms of statutes, ordinances, grant requirements or other governing regulations;

3. Debt service funds - used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest; and

4. Capital projects funds - used to account for financial resources used for the acquisition or construction of all major capital facilities used in governmental fund type operations.

The proprietary fund types include:

1. Enterprise funds - used to account for the operations of self-sustaining agencies rendering services to the general public on a user-charge basis; and

2. Internal service funds - used to account for the operations of self-sustaining agencies rendering services to other agencies of the Government on a cost reimbursement basis.

The fiduciary fund types include:

1. Expendable trust funds - used to account for expendable assets held by the Government in a fiduciary capacity;

2. Nonexpendable trust funds - used to account for assets held by the Government in a fiduciary capacity which have legal restrictions on the corpus;

3. Pension funds - used to account for assets and liabilities held by the Government in a fiduciary capacity for employees and former employees of the Government; and

4. Agency funds - used to account for assets held by elected officials and the Government as agents for individuals, governmental entities and others.

The account groups include:

1. General Fixed Assets Account Group - used to account for fixed assets used in governmental fund type operations; and

2. General Long-term Debt Account Group - used to account for the principal on all outstanding debt and other long-term obligations, such as compensated absences and unfunded pension costs, except obligations secured by revenues of the proprietary funds.

The component units include:

1. Governmental types - used to account for component units which derive their funding primarily from other governments or from donations; and

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary types - used to account for component units which derive their funding primarily through user fees and charges.

Basis of accounting - The General Fund, special revenue funds, debt service funds, capital projects funds and expendable trust funds are accounted for using a current financial resources measurement focus under the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statements of revenues, expenditures and changes in fund balances of these funds present increases and decreases in net current assets. Revenues are recognized when considered measurable and available as net current assets. Revenues are generally considered measurable when the amount can be determined and available if received within 45 days of fiscal year end. Grant revenue is recognized during the period when allowable expenditures are made. Grant proceeds received prior to the period when allowable expenditures are made are recorded as deferred revenue. Property tax revenues are accrued for 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include:

1. Interest on long-term debt, which is recognized when due;
2. Accumulated non-vested sick pay, which is not accrued;
3. Compensated absences, which are recorded in the General Long-term Debt Account Group;
4. Expenditures related to long-term liabilities, which are recorded in the General Long-term Debt Account Group; and
5. Expenditures related to other commitments and contingencies, including landfill closure costs, which are recorded in the General Long-term Debt Account Group.

All enterprise funds, internal service funds, nonexpendable trust funds and pension funds are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included in the balance sheet. Fund equity is segregated into contributed capital and retained earnings for the proprietary funds. The proprietary and nonexpendable trust funds' statements of revenues, expenses and changes in retained earnings/fund balance and the pension funds' statement of changes in plan net assets present increases and decreases in net total assets. Revenues are recognized when earned, and expenses are recognized when incurred.

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 to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Agency funds are accounted for under the modified accrual basis of accounting. These funds are custodial in nature and do not involve measurement of results of operations.

Interfund transfers are recognized when the related interfund receivable and payable arise.

Budgets and budgetary accounting - The Government's procedures in establishing the budget as reflected in the general purpose financial statements are as follows:

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and are reserved for subsequent year expenditures.

Budgeted amounts shown are those originally adopted, as amended by the Metropolitan Council and as adjusted pursuant to the transfer provisions of the budget ordinance. During the year, supplementary appropriations were made to the General Services District of the General Fund and to the General Purpose School Fund of $3,725,325 and $4,334,478, respectively.

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 General Purposes and School Purposes Debt Service Funds. In preparing the budgets, the Government utilizes generally accepted accounting principles (GAAP) for the General and Debt Service Funds. The encumbrance method of budgeting is used for the General Purpose School Fund, in which encumbrances are recorded as though they are expenditures, which differs from GAAP.

The operating budget treats transfers to and from all budgeted funds as revenues and expenditures of those funds.

In accordance with Article 6 of the Metropolitan Charter, the Annual Operating Budget of the Government for the fiscal year 1999-2000 was submitted to the Metropolitan Council and subsequently approved by Substitute Bill Number O99-1676. Unreserved and undesignated fund balance resources at June 30, 1999 have been appropriated to the 1999-2000 fiscal year operating budget as follows:

General Services District General Fund	$9,045,543
Urban Services District General Fund	1,968,817
General Purpose School Fund	5,826,343
General Services District General Purposes Debt Service Fund	10,186,384
General Services District School Purposes Debt Service Fund	2,971,661

Encumbrances – Effective July 1, 1998, encumbrances outstanding at year end are reported as reservations of fund balance for subsequent year expenditures. Encumbrance accounting is not utilized for budgetary control purposes for the General and Debt Service Funds. Information regarding the encumbrances of those funds is available to assist in the management of commitments against appropriations. Encumbrance accounting is utilized for budgetary control purposes for the General Purpose School Fund and is reflected in the General Fund, General

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose School Fund and Debt Service Funds Combined Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balances – Budget and Actual for that fund. Encumbrances, however, are not treated as expenditures in the general purpose financial statements, except for the General Purpose School Fund in the aforementioned statement comparing budgeted amounts to actual amounts.

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. Investment income earned on funds invested in pooled accounts is allocated to the respective funds on the basis of relative balances.

Investments - The Government conforms with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This statement establishes accounting and financial reporting standards for investments held by governmental entities and governmental external investment pools, which require recording certain investments in the balance sheet at fair value.

Investments, except in the pension funds and in the Employee Deferred Compensation Plan Fund, 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, 1999. The Employee Deferred Compensation Plan Fund investments, consisting of annuities, are stated at fair value at June 30, 1999. 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.

Inventories - Inventories, principally materials, supplies and replacement parts, are valued at cost in governmental funds and at the lower of cost or market in proprietary funds, 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.

Permanent Seat Licenses – Beginning in the 1996 fiscal year, the Government entered into contracts for the sale of permanent seat licenses for the NFL Stadium. These contracts enable the purchasers to pay for the licenses in installments. The unpaid balance under these contracts of $2,814,199 at June 30, 1999 is recorded as accounts receivable in the Stadium Project Development fund, a special revenue fund, with an offset to deferred revenue for the amounts not available at June 30, 1999.

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.

Property, plant and equipment - Property, plant and equipment of the proprietary and nonexpendable trust funds are recorded at historical cost or appraised market value at the time of acquisition. Net interest cost incurred during the construction of facilities is capitalized as part of the cost of such facilities. Depreciation is provided on 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
Office furniture and equipment	3	-	10	years
Machinery and equipment	3	-	50	years

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 on the straight-line method over the lesser of the economic useful life of the asset or the remaining lease term.

Fixed assets used in governmental fund operations and expendable trust funds are accounted for in the General Fixed Assets Account Group. No depreciation has been provided on these assets. Public domain general fixed assets (infrastructure) consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not recorded. All fixed assets used in governmental fund operations and expendable trust funds are valued at historical cost or estimated historical cost if actual historical cost is not available. Current acquisitions of donated property are recorded at appraised market value at time of receipt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims payable - Losses for claim liabilities as determined in accordance with GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, are recorded in the self-insurance funds. Claims payable include reported claims and an estimated liability for claims incurred but not reported at June 30, 1999. The claims liabilities are based on the estimated cost of settling the claim, 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 recorded in the General Long-term Debt Account Group.

Annuities - Annuities are recorded at the estimated present value of future benefits, which approximates fair value at June 30, 1999.

Grants - The Government receives grant revenues from various federal, state and non-profit agencies. Grants that are restricted by the grantor for capital construction are recorded as contributed capital as earned. Depreciation reported on fixed assets purchased or constructed with funds contributed by agencies of local, state and federal governments is recognized as a reduction of contributed capital rather than retained earnings for component unit proprietary funds.

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

Compensated absences - The liability for compensated absences has been determined in accordance with GASB Statement No. 16, Accounting for Compensated Absences, which requires that a liability be recorded when future payments for such absences have been earned by employees.

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 vacation accrual rate. Although sick pay may accumulate, no amounts are vested in the event of employee termination. Accumulated unpaid vacation pay related to governmental fund type operations is recorded in the General Long-term Debt Account Group because it is not expected to be liquidated with expendable available resources. Accumulated unpaid vacation pay related to proprietary fund type operations is recorded as a liability in the appropriate individual proprietary funds.

The policy of the Metropolitan Board of Education 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 Board of Education employees is recorded in the General Long-term Debt Account Group because it is not expected to be liquidated with expendable available resources.

Arbitrage rebates - Any liability for arbitrage rebates due to the federal government under the Tax Reform Act of 1986 for excess earnings on invested proceeds of tax exempt securities is recorded in the General Long-term Debt Account Group and as a reservation of fund balance in each related debt service fund.

Unbilled revenues and purchased power liability - 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 tax - The Government's property tax is levied for the current fiscal year and recorded as taxes receivable 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. 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%

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes are levied at a rate of $3.29 per $100 of assessed value for the entire metropolitan area (General Services District) with an additional tax of $.95 per $100 of assessed value levied upon properties within the Urban Services District.

Payments are due by February 28 and are delinquent on March 1 of each year. Delinquent taxes receivable have been included in the combined balance sheet with offsetting deferred revenue to reflect amounts not available at June 30, 1999. Amounts available at June 30, 1999 have been recorded as revenue. Current tax collections of $415,770,559 for the fiscal year ended June 30, 1999 were approximately 96% of the tax levy.

Accounting for 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. GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, and Tennessee Code Annotated (TCA) section 68-211-874 provide guidance on how to account for these costs. 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 operating expenditure in each period of operation. This expenditure is based on landfill capacity used at the balance sheet date. The current operations of the landfills are reported in the Solid Waste Disposal Fund in the special revenue fund section of this report. The long term liability is included in the other obligations payable for general purposes section of the General Long-term Debt Account Group for the General Services District. The total liability for landfill purposes is $3,443,114.

Bordeaux Sanitary Landfill - This landfill has stopped accepting solid waste, and closure procedures are 100% complete. Additionally, postclosure costs of $2,243,183 are included in the liability.

Metro Thermal Ash Landfill Phase II - The total remaining closure and postclosure costs of this landfill are $1,199,931. Total closure and postclosure costs have been included in the landfill liability, as the unused capacity and life of this landfill are not yet determinable. The landfill is currently accepting solid waste, while some closing procedures have been started.

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

Accounting pronouncements – The Government will adopt GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, effective for periods beginning after June 15, 2000, in fiscal year 2001. The Government will also adopt GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, effective with periods beginning after June 15, 2001, in fiscal year 2002. Management has not yet determined the effects that the adoption of these statements will have on the Government's financial statements.

Estimates - Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities, 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.

Total columns - Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – RECLASSIFICATION OF RETAINED EARNINGS/FUND BALANCE

Due to a State of Tennessee reporting requirement, the Community Education Fund, previously included in the School Activity Fund, is being reported separately in the special revenue funds.

During the fiscal year ended June 30, 1999, the Government's Employee Deferred Compensation Plan fund was reclassified from an agency fund to an expendable trust fund as a result of the implementation of GASB Statement

No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The statement necessitates that a plan meeting the requirements for inclusion in the fiduciary funds should be

NOTE 2 – RECLASSIFICATION OF RETAINED EARNINGS/FUND BALANCE (CONTINUED)

reported as an expendable trust fund in the financial statements. This reclassification increased the beginning fund balance for expendable trust funds.

In March 1999 the Hospital Authority, a component unit of the Government, was created to operate General Hospital and Bordeaux Hospital, both of which were previously accounted for as enterprise funds of the Government. The effect was a reduction of beginning retained earnings for the enterprise funds and an increase in the beginning fund balance for the proprietary component units.

These reclassifications affected beginning retained earnings/fund balances as follows:

	Special Revenue Funds	Enterprise Funds	Expendable Trust Funds	Proprietary Type Component Units
Retained earnings/fund balance, beginning of year, as previously reported	$ 121,010,530	$ 306,630,639	$ 34,570	$ 254,721,329
Effect of reporting Community Education Fund separately:				
School Activity	(148,205)	-	-	-
Community Education	148,205	-	-	-
Effect of reclassification to the Hospital Authority:				
General Hospital	-	21,741,925	-	(21,741,925)
Bordeaux Hospital	-	10,016,472	-	(10,016,472)
Effect of reclassification of the Employee Deferred Compensation Plan from agency funds	-	-	83,661,509	-
Retained earnings/fund balance, beginning of year, restated	$ 121,010,530	$ 338,389,036	$ 83,696,079	$ 222,962,932

NOTE 3 - REVENUES OVER EXPENDITURES - GAAP VERSUS BUDGET BASIS

The nature and amount of adjustments necessary to convert the GAAP basis excess (deficiency) of revenues and other sources over expenditures and other uses to the budget basis are as follows:

	General Fund	Special Revenue Funds	Debt Service Funds
Excess (deficiency) of revenues and other sources over expenditures and other uses:			
GAAP basis	$ (426,108)	$ (16,013,818)	$ 25,775,918
Less: Unbudgeted entities	-	10,618,292	(1,117,542)
Current year reserve for encumbrances	-	(2,881,621)	-
Add: Prior year reserve for encumbrances	-	2,514,695	-

Budget basis	$ (426,108)	$ (5,762,452)	$ 24,658,376

NOTE 4 - CASH AND INVESTMENTS

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; bonds issued by the Government; 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). In addition, the Joseph B. Knowles Trust fund is authorized to invest in stocks of commercial entities, and 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. The Government's banking agreement includes provisions for a $2 million compensating balance.

Deposits in financial institutions are required by State statute to be secured and collateralized by the 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. As of June 30, 1999, most of the Government's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregated balance of their public fund accounts for the Government. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. Accounts covered by the State collateral pool are classified as category A in accordance with GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

CASH AND CASH EQUIVALENTS

The Government's deposits are categorized below to give an indication of the level of risk assumed by the Government at fiscal year end. Category A includes deposits that are insured or collateralized with securities held by the Government or by its agent in the Government's name. Category B includes deposits that are uninsured and uncollateralized. Deposits represent the Government's cash balance at banks and other financial institutions, while the carrying amount of cash on deposit represents the book balance of those deposits. The difference between deposits and the carrying amount of cash on deposit is due primarily to checks outstanding and deposits in transit at June 30, 1999. Amounts included as Metro Investment Pool and Short Term Investments represent the cash equivalent portion of the MIP and other investments at June 30, 1999 classified as cash on the balance sheet. For GASB Statement No. 3 risk categorization purposes, these amounts are considered to be Category 1 investments, as explained under the investments section of this note.

	Deposits Per Bank And Other Financial Institutions			Carrying Amount Per Books			
	Category						
	A	B	Total	Cash On Deposit	Metro Investment Pool and Short Term Investments	Cash On Hand	Total
Primary Government							
General Government	$ 4,911,092	$ 75,229	$ 4,986,321	$ 10,056,452	$ 204,180,866	$ 1,233,085	$ 215,470,403
Metropolitan Board of Education (except pension funds)	14,254,705	25,497	14,280,202	8,467,752	81,996,206	102,150	90,566,108
Department of Water and Sewerage Services	21,971	-	21,971	34,600	114,357,893	97,557	114,490,050
Pension Funds	-	-	-	-	69,995,637	-	69,995,637
Elected Officials	33,456,320	10,000	33,466,320	28,597,203	-	12,375	28,609,578
Total primary government	52,644,088	110,726	52,754,814	47,156,007	470,530,602	1,445,167	519,131,776

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

	Deposits Per Bank And Other Financial Institutions			Carrying Amount Per Books			
	Category A	Category B	Total	Cash On Deposit	Metro Investment Pool and Short Term Investments	Cash On Hand	Total
Component Units - Governmental Types							
Metropolitan Development and Housing Agency	$ 8,080,482	$ -	$ 8,080,482	$ 7,340,383	$ -	$ 8,175	$ 7,348,558
Nashville Public Television Council, Incorporated	-	-	-	-	-	-	-
Total governmental types	8,080,482	-	8,080,482	7,340,383	-	8,175	7,348,558
Component Units - Proprietary Types							
Hospital Authority	95,466	-	95,466	108,046	2,616,452	16,100	2,740,598
Electric Power Board	46,585,908	-	46,585,908	43,417,435	-	16,000	43,433,435
Metropolitan Transit Authority	167,063	-	167,063	320,863	-	-	320,863
Nashville Thermal Transfer Corporation	1,988,635	-	1,988,635	1,729,243	3,998,175	515	5,727,933
Metropolitan Nashville Airport Authority	59,979,484	-	59,979,484	58,989,616	-	-	58,989,616
Emergency Communications District	1,459,544	-	1,459,544	1,459,541	-	-	1,459,541
Industrial Development Board	174,236	503,197	677,433	677,433	-	-	677,433
Total proprietary types	110,450,336	503,197	110,953,533	106,702,177	6,614,627	32,615	113,349,419
Total reporting entity	$ 171,174,906	$ 613,923	$ 171,788,829	$ 161,198,567	$ 477,145,229	$ 1,485,957	$ 639,829,753

INVESTMENTS

The Government's investments are categorized below to give an indication of the level of risk assumed by the Government at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Government or its agent in the Government's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank) or agent in the Government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty in the Government's name, or held by the counterparty's trust department (if a bank) or agent, but not in the Government's name.

The MIP is allocated to individual contributing funds based on their contributions. Because individual investments are not allocable among funds, for purposes of GASB Statement No. 3 risk categorization all MIP investments are categorized by type of investment within the general government section. The amounts of the MIP belonging to funds not included in the general government section are deducted from the general government section in total and added to the other sections, as applicable, to correctly reflect those other sections' total investment in the MIP at June 30, 1999.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

	Category 1	Category 2	Category 3	Fair Value
General government				
U. S. Treasury & Agency Securities	$ 18,559,039	$ -	$ -	$ 18,559,039
Federal Home Loan Bank Obligations	60,123,427	-	-	60,123,427
Federal Home Loan Mortgage Corporation Obligations	83,936,138	-	-	83,936,138
Federal National Mortgage Association Obligations	83,023,755	-	-	83,023,755
Bankers' Acceptances	15,063,520	-	-	15,063,520
Corporate Bonds and Notes	501,366	-	-	501,366
Common Stock	501,588	-	-	501,588
Commercial Paper	44,931,570	-	-	44,931,570
Less: MIP	(122,303,783)	-	-	(122,303,783)
Total general government	$ 184,336,620	$ -	$ -	184,336,620
Metropolitan Board of Education (except pension funds)				
MIP	$ 46,775,269	$ -	$ -	46,775,269
Certificates of Deposit				2,900,000
Total Metropolitan Board of Education (except pension funds)				49,675,269
Department of Water and Sewerage Services				
U. S. Treasury & Agency Securities	$ 31,264,609	$ -	$ -	31,264,609
Federal Home Loan Bank Obligations	26,829,241	-	-	26,829,241
Federal Home Loan Mortgage Corporation Obligations	6,369,456	-	-	6,369,456
Federal National Mortgage Association Obligations	43,294,862	-	-	43,294,862
State and Local Government Securities	2,230,500	-	-	2,230,500
MIP	68,415,028	-	-	68,415,028
Total Department of Water and Sewerage Services	$ 178,403,696	$ -	$ -	178,403,696
Pension funds				
U. S. Treasury & Agency Securities	$ 69,867,399	$ -	$ -	69,867,399
Federal Farm Credit Bank Obligations	2,143,271	-	-	2,143,271
Federal Home Loan Bank Obligation	9,722,970	-	-	9,722,970
Federal Home Loan Mortgage				

Corporation Obligations	6,515,678	-	-	6,515,678

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

	Category 1	Category 2	Category 3	Fair Value
Pension Funds (Continued)				
Federal National Mortgage Association Obligations	$ 28,462,973	$ -	$ -	$ 28,462,973
Government National Mortgage Association Obligations	5,767,786	-	-	5,767,786
Mortgage-backed Securities	21,058,361	-	-	21,058,361
Corporate Bonds and Notes	160,659,465	-	-	160,659,465
Common Stock	1,037,850,863	-	-	1,037,850,863
Preferred Stock	6,267,932	-	-	6,267,932
Foreign Currency	2,109,589	-	-	2,109,589
MIP	2,885,534	-	-	2,885,534
	$ 1,353,311,821	$ -	$ -	1,353,311,821
Mortgages and Real Estate				4,951,141
Limited Partnerships				41,327,782
Total pension funds				1,399,590,744
Elected Officials				
U. S. Treasury & Agency Securities	$ 496,605	$ -	$ -	496,605
State and Local Government Securities	179,194	-	-	179,194
Common Stock	14,797	-	-	14,797
	$ 690,596	$ -	$ -	690,596
Certificates of Deposit				20,469
Total elected officials				711,065
TOTAL PRIMARY GOVERNMENT				$ 1,812,717,394
Component Units - Governmental Types				
U. S. Treasury & Agency Securities	$ 107,963	$ -	$ -	$ 107,963
Limited Partnerships				1,000,000
Mutual Funds				1,685,332
Certificate of Deposit				34,530,219
TOTAL GOVERNMENTAL TYPES				$ 37,323,514
Component Units - Proprietary Types				
U. S. Treasury & Agency Securities	$ 138,788,174	$ -	$ -	$ 138,788,174
Commercial Paper	9,054,734	-	-	9,054,734
Repurchase Agreements	4,772,005	-	-	4,772,005
MIP	4,227,952	-	-	4,227,952
	$ 156,842,865	$ -	$ -	156,842,865
Mutual Funds				636,710
Certificates of Deposit				4,492,534
TOTAL PROPRIETARY TYPES				$ 161,972,109

TOTAL REPORTING ENTITY	$ 2,012,013,017

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

The primary government's pension plans and Employee Deferred Compensation Plan also have $1,364,685 and $101,284,802, respectively, of annuities that are classified separately from investments on the balance sheet.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following summarizes the changes in the General Fixed Assets Account Group during the year ended June 30, 1999:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	$ 92,242,096	$ 50,059,025	$ (1,656,582)	$ 140,644,539
Buildings and improvements	661,350,650	230,092,058	(12,426,672)	879,016,036
Furniture, fixtures, machinery and equipment	170,860,267	13,795,530	(3,180,563)	181,475,234
Construction in progress	75,673,575	193,253,609	(228,851,358)	40,075,826
Total	$ 1,000,126,588	$ 487,200,222	$ (246,115,175)	$ 1,241,211,635

Construction in progress includes $7,305,589 for the library project. The related land with an approximate cost of $11,750,000 is deeded to the Metropolitan Development and Housing Agency, which is managing the library construction project.

Property, plant and equipment of the proprietary and fiduciary funds of the primary government at June 30, 1999 consisted of the following:

	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds
Utility plant in service	$ 1,084,356,243	$ -	$ -
Land	21,596,764	-	138,000
Buildings and improvements	77,619,855	294,442	40,720
Improvements other than buildings	30,220,046	-	-
Office furniture and equipment	4,769,510	826,254	-
Machinery and equipment	32,798,845	22,912,880	25,694
Property under capital lease	3,645,000	-	-
Construction work in progress	312,559,516	-	-
	1,567,565,779	24,033,576	204,414
Less accumulated depreciation	(339,782,536)	(12,505,173)	(62,921)
Property, plant and equipment - net	$ 1,227,783,243	$ 11,528,403	$ 141,493

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment of the governmental and proprietary type component units at June 30, 1999 consisted of the following:

	Component Units	
	Governmental Types	Proprietary Types
Utility plant in service	$ -	$ 842,809,042
Land	101,318,826	418,729,069
Buildings and improvements	144,686,352	129,036,280
Improvements other than buildings	14,244,695	-
Machinery and equipment	10,476,830	69,089,498
Property under capital lease	-	48,000,000
Construction work in progress	17,489,460	37,376,840
	288,216,163	1,545,040,729
Less accumulated depreciation	-	(564,120,834)
Property, plant and equipment - net	$ 288,216,163	$ 980,919,895

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS

Primary Government

Transaction summary for the year ended June 30, 1999

	General Long-term Debt Account Group				
	General Obligation Bonds and Notes Payable	Limited Obligation Revenue Bonds Payable	Other Obligations Payable	Proprietary Bonds, Notes and Other Obligations Payable	Total Primary Government
Bonds, notes and other obligations Payable July 1, 1998	$ 908,095,000	$ 119,140,000	$ 88,339,110	$ 679,819,891	$ 1,795,394,001
New bonds and notes issued:					
G.O. Public Improvement and Refunding Bonds of 1999					
General Services District	133,288,342	-	-	-	133,288,342
Schools	53,474,949	-	-	-	53,474,949
Urban Services District	736,709	-	-	-	736,709
Other additions:					
Department of Water & Sewerage state Construction loans	-	-	-	7,070,863	7,070,863
Accretion of revenue bonds	-	-	-	3,510,718	3,510,718
Compensated absences	-	-	40,012,125	-	40,012,125
Claims and judgments	-	-	13,429,100	-	13,429,100
Interest arbitrage rebate	-	-	298,424	-	298,424
Bonds, notes and other obligations retired	(49,420,000)	(2,110,000)	-	(22,566,317)	(74,096,317)
Bonds defeased	(7,215,000)	-	-	-	(7,215,000)
Deferred charge	-	-	-	949,456	949,456
Other deductions:					
Unfunded pension benefit obligation	-	-	(1,114,301)	-	(1,114,301)
Compensated absences	-	-	(36,469,378)	-	(36,469,378)
Capitalized lease obligation of entity Reclassified to component units	-	-	-	(46,398,285)	(46,398,285)

Bonds, notes and other obligations payable June 30, 1999	$ 1,038,960,000	$ 117,030,000	$ 104,495,080	$ 622,386,326	$ 1,882,871,406

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Description of amounts payable at June 30, 1999

	Interest Rate	Amount
General obligation bonds and notes payable from ad valorem taxes:		
General Services District - General Purposes, due in varying amounts to November 15, 2029	1.00 - 6.60%	$ 727,353,170
General Services District - School Purposes, due in varying amounts to November 15, 2027	4.00 - 6.15%	267,623,597
Urban Services District - General Purposes, due in varying amounts to December 1, 2010	0.10 - 6.60%	43,983,233
Total general obligation bonds and notes payable from ad valorem taxes		1,038,960,000
Limited obligation revenue bonds payable:		
Correctional Facility Revenue Bonds, due in varying amounts to September 1, 2011	6.40 - 7.00%	19,705,000
Public Improvement Revenue Bonds (Stadium Project), Series 1996 due in varying amounts to July 1, 2026	4.55 - 5.875%	76,625,000
Taxable Public Facility Revenue Bonds, Series 1998, due in varying amounts to July 1, 2018	5.87 - 6.60%	20,700,000
Total limited obligation revenue bonds payable		117,030,000
Other obligations payable:		
Unfunded pension benefit obligation		38,104,608
Compensated absences		45,130,616
Claims and judgments		16,500,300
Interest arbitrage rebate		1,316,442
Landfill closure		3,443,114
Total other obligations payable		104,495,080
Total obligations included in General Long-term Debt Account Group		$ 1,260,485,080
Bonds, notes and other obligations payable-proprietary fund types:		
Department of Water and Sewerage Revenue Refunding Bonds of 1986, due in varying amounts to January 1, 2016	5.50 - 7.70%	$ 135,615,000
Department of Water and Sewerage Revenue Bonds, Series 1992, due in varying amounts to January 1, 2004	5.20 - 5.60%	13,015,000
Department of Water and Sewerage Revenue Bonds, Series 1993, due in varying amounts to January 1, 2016	4.50 - 6.50%	141,055,000
Department of Water and Sewerage Revenue Refunding Bonds of 1996, due in varying amounts to January 1, 2014	4.50 - 6.00%	65,696,531
Department of Water and Sewerage Revenue Refunding Bonds, Series 1998A, due in varying amounts to January 1, 2022	4.00 - 5.00%	145,742,489
Department of Water and Sewerage Revenue Bonds Series 1998B, due in varying amounts to January 1, 2014	3.80 - 5.25%	51,040,000
Total revenue bonds payable - proprietary fund types		552,164,020
Department of Water and Sewerage Services - state construction loans	4.36 - 5.52%	67,018,857
Total revenue bonds and notes payable		619,182,877

NOTE 6 – BONDS, NOTES AND OTHER OBLIGATGIONS (CONTINUED)

	Interest Rate	Amount
Capitalized lease obligations payable:		
Farmers Market	7.5%	$ 2,695,000
Information Systems	6.0%	508,449
Total capitalized lease obligations payable		3,203,449
Total proprietary bonds, notes and other obligations payable		$ 622,386,326

The bonds, notes and other obligations of the proprietary funds are classified in the combined balance sheet as follows:

Current portion of capital lease	$ 448,966
Current portion of long-term debt payable from restricted assets	16,003,288
Revenue bonds payable	541,534,020
Capitalized lease obligation	2,754,483
Other long-term liabilities	61,645,569
Total bonds, notes and other obligations payable	$ 622,386,326

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.

The Public Improvement Bonds (Stadium Project), Series 1996 are limited obligations of the Sports Authority of the Government 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. 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 of or interest on the bonds.

The Taxable Public Facility Revenue Bonds, Series 1998 are limited obligations of the Government 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. Neither the faith and credit nor the taxing power of the Government is pledged to the payment of the principal or interest on the bonds.

Collateral for obligations of the proprietary funds

Department of Water and Sewerage Services

All bonds are collateralized by the revenues of the Department.

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Interest rates on certain revenue bonds are subject to adjustments as follows

Certain of the Department of Water and Sewerage Revenue Refunding Bonds of 1986 will not pay interest on a periodic basis until July 1, 1999. Interest will be paid on these bonds at a rate of 7.70 percent per annum, based on the accreted value of $5,000 for each bond.

Annual debt service requirements

The annual requirements to amortize all general obligation bonds and notes and revenue bonds outstanding as of June 30, 1999, including all future interest payments of $1,132,383,596, are as follows:

Year Ending June 30	General Obligation Bonds and Notes	Limited Obligation Revenue Bonds Payable	Revenue Bonds	Total Primary Government
2000	$ 102,360,373	$ 9,587,757	$ 42,023,965	$ 153,972,095
2001	106,425,445	9,693,241	44,396,020	160,514,706
2002	106,346,196	9,683,766	44,334,920	160,364,882
2003	105,821,348	9,681,219	49,295,490	164,798,057
2004	104,874,319	9,679,263	49,302,910	163,856,492
2005-2030	1,162,249,576	171,774,892	714,857,896	2,048,882,364
Total	1,688,077,257	220,100,138	944,211,201	2,852,388,596
Deferred charge	-	-	(11,850,980)	(11,850,980)
Interest payable	(649,117,257)	(103,070,138)	(380,196,201)	(1,132,383,596)
Total principal outstanding	$ 1,038,960,000	$ 117,030,000	$ 552,164,020	$ 1,708,154,020

Advance refundings of bonds

On May 15, 1999, the Government issued $187,500,000 General Obligation Public Improvement and Refunding Bonds of 1999 at an effective interest rate of 5.01%. These bonds provided funds for various public improvement projects and refunded certain maturities of the Government's General Obligation Multi-purpose Improvement Bonds of 1977 (the 1977 Bonds), dated July 1, 1977, maturing July 1, 2000 and thereafter, and the Government's General Obligation Multi-purpose Improvement bonds of 1979 (the 1979 Bonds), dated August 1, 1979, maturing April 15, 2000 and thereafter. The net proceeds of the bonds totaled $188,100,162 (including an original issue premium, net of underwriting fees and other issuance costs).

The refunding portion of the net proceeds of $7,377,668 was used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1977 Bonds and the 1979 Bonds. As a result, certain maturities of the 1977 bonds and the 1979 bonds are considered to be defeased. The liabilities for the defeased bonds have been removed from the General Long-term Debt Account Group.

The Government advance refunded the 1977 Bonds and the 1979 Bonds to reduce its total debt service payments over the next 5 years by $206,144. By issuing the new bonds, the Government obtained an economic gain (difference between the present values of the debt service payments on the defeased and new debt) of $214,999.

The Government has defeased certain general 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, 1999, $145,095,000 of outstanding bonds are considered defeased.

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

In prior years, the Department of Water and Sewerage Services advance refunded certain revenue bonds by purchasing U.S. Government securities with the proceeds of new bonds and depositing them in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the advance refunded bonds are not included in the accounts of the Department. As of June 30, 1999, $299,842,000 of outstanding bonds are considered defeased.

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 Department of Water and Sewerage Services - state construction loans

As of June 30, 1999, the Department has entered into fifteen 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 4.36% and 5.52% at June 30, 1999). 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, 1999, eleven of the fifteen project loans have been fully funded and the Department has begun repaying the loans in accordance with the specified payment schedules. These funded loans, which total $51,610,803 at June 30, 1999, call for monthly payments of principal and interest of $643,607. Funding has begun on the remaining four project loans.

State construction loan principal maturities as of June 30, 1999 are summarized below:

Year Ending June 30	
2000	$ 5,373,288
2001	5,658,684
2002	5,782,185
2003	5,206,890
2004	3,950,508
Thereafter	25,639,248
Project loans not completed	15,408,054
Total principal outstanding	$ 67,018,857

Unissued bonds or notes

At June 30, 1999, authorized but unissued general obligation bonds totaled $9,750,000. General obligation notes authorized but not executed totaled $30,909,000.

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Component Units

Transaction summary for the year ended June 30, 1999

	Component Units	
	Governmental Types	Proprietary Types
Bonds, notes and other liabilities payable at July 1, 1998	$ 51,692,557	$ 766,032,943
New bonds and notes issued:		
Metropolitan Development and Housing Agency:		
Housing Authority Bonds	13,032,500	-
Section 108 Loan	6,000,000	-
Other notes payable	16,518,687	-
Metropolitan Transit Authority:		
Revolving line of credit	-	6,111,899
Other additions:		
Metropolitan Development and Housing Agency:		
Compensated absences	1,132,529	-
Hospital Authority:		
Capitalized lease obligation reclassified from primary government	-	46,398,285
Electric Power Board:		
Accretion on certain bonds	-	3,747,900
Amortization of bond discount and loss on refunding	-	316,721
Other	-	84,409
Metropolitan Nashville Airport Authority:		
Amortization of loss on refunding	-	2,081,868
Synthetic advance refunding receipt	-	7,947,134
Loss on termination of debt service reserve agreement	-	1,806,216
Accretion of deferred credit	-	385,661
Nashville Thermal Transfer Corporation:		
Amortization of bond discount	-	51,107
Amortization of loss on refunding	-	809,316
Bonds, notes and other liabilities retired	(19,391,013)	(36,681,123)
Other deductions:		
Metropolitan Development and Housing Agency:		
Compensated absences	(775,487)	-
Electric Power Board:		
Principal payments to TVA	-	(1,920,897)
Amortization of deferred rental income	-	(52,542)
Deduction to deferred compensation	-	(19,592,452)
Metropolitan Nashville Airport Authority:		
Termination payment on debt service reserve agreement	-	(6,745,910)
Amortization of deferred interest income	-	(291,070)
Amortization of deferred rental income	-	(185,391)
Nashville Thermal Transfer Corporation:		
Amortization of accretion	-	(17,750)
Bonds, notes and other liabilities payable at June 30, 1999	$ 68,209,773	$ 770,286,324

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Description of amounts payable at June 30, 1999

	Interest Rates	Amount
Bonds, notes and other liabilities payable - governmental types:		
MDHA - Housing Authority Bonds - 5th Issue, due August 1, 2004	3.50%	$ 596,389
MDHA - Housing Authority Bonds - 6th Issue, due August 1, 2005	3.38%	778,631
MDHA - Housing Authority Bonds - 10th Issue, due August 1, 2008	4.25%	1,619,868
MDHA - Housing Authority Bonds - 11th Issue, due August 1, 2009	5.50%	1,175,889
MDHA - Housing Authority Bonds - 13th Issue, due August 1, 2011	5.00%	1,252,832
MDHA - Housing Authority Bonds - 16th Issue, due August 1, 2009	5.00%	4,887,197
MDHA - Revenue Bonds - Series 1998, due June 11, 2009	5.77%	12,874,400
MDHA - Section 108 loan payable		7,435,000
MDHA - Other notes payable		36,163,222
Total bonds and notes payable		66,783,428
Other liabilities payable:		
MDHA - other liabilities payable		1,426,345
Total bonds, notes and other liabilities payable - governmental types		$ 68,209,773
Bonds, notes and other liabilities payable - proprietary types:		
Electric Power Board Electric System Revenue Bonds, 1992 Series B, due in varying amounts to May 15, 2005	4.25 - 5.62%	$ 75,110,695
Electric Power Board Electric System Revenue Bonds, 1996 Series A, due in varying amounts to May 15, 2014	5.50 - 6.00%	74,210,870
Electric Power Board Electric System Revenue Bonds, 1996 Series B, due in varying amounts to May 15, 2001	3.75 - 4.625%	7,007,350
Electric Power Board Electric System Revenue Bonds, 1998 Series A, due in varying amounts to May 15, 2023	5.125 - 5.40%	86,117,623
Electric Power Board Electric System Revenue Bonds, 1998 Series B, due in varying amounts to May 15, 2017	3.80 - 5.50%	56,948,083
Metropolitan Transit Authority Revolving Credit Line, due March 5, 2000	Variable	862,142
Nashville Thermal Transfer Corporation Energy Production Facility Revenue Refunding Bonds, Series 1994, due in varying amounts to July 1, 2007	3.80 - 5.20%	28,439,808
Nashville Thermal Transfer Corporation Energy Production Facility Revenue Bonds, Series 1997 A, due in varying amounts to July 1, 2014	3.75 - 5.75%	35,971,090
Nashville Thermal Transfer Corporation Energy Production Facility Revenue Refunding Bonds, Series 1997 B, due in varying amounts to July 1, 2012	3.75 - 6.00%	14,042,612
Airport Revenue Bonds, Series 1991, due in varying amounts to July 1, 2015	5.90 - 6.75%	125,240,000
Passenger Facility Charge and Airport Revenue Bonds, Series 1992, due in varying amounts to July 1, 2012	5.30 - 6.00%	44,935,000
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1993, due in varying amounts to July 1, 2019	Adjustable	47,745,605
Airport Improvement Revenue Bonds, Adjustable Rate Refunding, Series 1995, due in varying amounts to July 1, 2015	4.38 - 5.00%	57,561,900
Airport Improvement Revenue Bonds, Series 1998, due in varying amounts to July 1, 2016	4.15 - 6.25%	50,689,927
Total revenue bonds and notes payable		704,882,705

NOTE 6 – BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

	Amount
Other liabilities payable:	
Hospital Authority:	
Capitalized lease obligation	$ 45,751,920
Electric Power Board:	
TVA Advances	5,807,637
Other	1,251,115
Metropolitan Nashville Airport Authority:	
Synthetic Advance Refunding, Series 2001	8,332,795
Other	2,256,549
Deferred interest income	2,003,603
Total other liabilities payable	65,403,619
Total bonds, notes and other liabilities payable - proprietary types	$ 770,286,324

The bonds, notes and other liabilities of the proprietary type component units are classified in the combined balance sheet as follows:

Current portion of long-term debt	$ 13,017,142
Current portion of capital lease	701,949
Current portion of long-term debt payable from restricted assets	18,520,000
Revenue bonds payable	673,345,563
Capitalized lease obligation	45,049,971
TVA advances	5,807,637
Other long-term liabilities	13,844,062
	$770,286,324

Collateral for obligations of the component units

Metropolitan Development and Housing Agency

All bond issues are secured by first pledges on the annual contribution contract payable to the Agency by the federal government, as it relates to each issue, and on rents, revenues, fees and income derived from the projects after providing for the payment of operating expenditures. The Section 108 loan payable is guaranteed by the federal government. Notes payable of $32,375,727 are collateralized by security interests in certain tax increment revenues paid by the Government and assigned to the note holders, and substantially all of the remaining notes payable are collateralized by real property.

Electric Power Board

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

Nashville Thermal Transfer Corporation

All bonds are collateralized by the revenues of the Corporation and are insured by a municipal bond insurance policy.

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.

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Advance refundings of bonds

In May 1998, the Electric Power Board issued $59,360,000 (net of original issue discount) of Electric System Revenue Bonds, 1998 Series B (the 1998 Series B Bonds) to provide funds which were used to purchase and deposit in an irrevocable trust with an escrow agent certain U.S. government securities, the principal of and interest on which, when due, will provide funds sufficient to pay all principal and interest on all 1992 Series A Bonds, at their respective maturity dates. As a result of this advance refunding, the liability for the 1992 Series A Bonds has been removed from the accounts of the Board. As of June 30, 1998, all of the 1992 Series A Bonds are considered defeased. This advance refunding resulted in a deferred loss of $4,380,656. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, the loss is reported in the accompanying financial statements as a deduction from long-term debt and is being charged to operations through the year 2017 using the effective interest method. The Board completed the advance refunding to reduce its total debt service payments over the next 19 years by $4,659,613 and to obtain an economic gain of $2,959,204.

The Series K through N Electric Power Revenue Bonds, 1985 Series A Bonds, and 1992 Series A Bonds have been defeased through advance refundings; therefore, the related balances of $27,815,000, $20,185,000, and $58,165,000, respectively, which are still outstanding at June 30, 1999, do not appear as liabilities on the Board's balance sheet.

In March 1997, the Government, on behalf of the Nashville Thermal Transfer Corporation, issued Series 1997B bonds in the principal amount of $15,370,000. The bonds were issued to provide funds to call the Series 1986A bonds prior to maturity. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $909,646. In accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2012 using the effective-interest method. The Corporation completed the advance refunding to reduce its total debt service payments over the next 18 years by $4,512,581 and to obtain an economic gain of $1,843,500.

During October 1993, the Metropolitan Nashville Airport Authority issued Series 1993 bonds in the principal amount of $53,500,000. The bonds were issued to provide funds to refund $11,400,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1989B and $36,000,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1991B. The proceeds were used to purchase direct obligations of the U.S. government which are held in an escrow fund by a trustee for the purpose of making principal, applicable redemption premium and interest payments on the Series 1989B and 1991B bonds as they become due. The Series 1989B bonds were redeemed on July 1, 1998 at a redemption price of 102% of the principal amount thereof, while the Series 1991B bonds will be redeemed on July 1, 2001 at a redemption price of 102% of the principal amount thereof. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $7,764,447. In accordance with GASB Statement No. 23, the difference, reported in the accompanying financial statements as a reduction of long-term debt, is being charged to operations through the year 2019 using the effective-interest method. The Airport Authority completed the advance refunding to reduce its total debt service payments over 25 years by $7,922,976 and to obtain an economic gain of $3,407,924.

During June 1995, the Airport Authority issued Series 1995 bonds in the principal amount of $74,810,000. The bonds were issued to provide funds to refund $74,810,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1985. The Series 1995 bonds were issued bearing interest at a weekly rate. To manage its exposure to market risks from fluctuations in interest rates, the Authority entered into a forward interest rate swap agreement (the "1995 Swap Agreement") eliminating any basis risk to the Authority, resulting in a net fixed rate of 9.29% on the Series 1995 bonds.

During January 1998, the Series 1995 bonds were remarketed with a fixed rate. In connection with the remarketing, the 1995 Swap Agreement was terminated requiring the Authority to pay a Termination Payment. The Termination Payment was funded through the issuance of the Series 1998A and Series 1998B bonds in the principal amount of $19,695,000 and $9,740,000, respectively. The remarketing of the Series 1995 bonds and termination of the 1995 Swap Agreement resulted in a difference between the remarketing price and the net carrying amount of the original debt of $19,804,773. In accordance with GASB Statement No. 23, the difference, reported in the accompanying financial statements as a reduction from long-term debt, is being charged to operations through the year 2016 using the effective-interest method. The Authority completed the remarketing and termination of the 1995 Swap Agreement to reduce its total debt service payments over the next 17 years by $681,220. No significant economic gain or loss resulted from this refunding transaction.

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

During March 1998, the Airport Authority issued Series 1998C bonds in the principal amount of $32,660,000. The bonds were issued to provide funds to refund $30,940,000 aggregate principal amount of the Airport Authority's Airport Revenue Bonds, Series 1989A. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,710,369. In accordance with GASB Statement No. 23, the difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2017 using the effective-interest method. The Authority completed the advance refunding to reduce its total debt service payments over the next 19 years by $3,511,337 and to obtain an economic gain of $2,261,103.

During September 1998, the Airport Authority completed a synthetic advance refunding of $91,930,000 of the callable Airport Revenue Bonds, Series 1991C to take advantage of significantly lower interest rates. The Airport Authority accelerated annual savings resulting from the synthetic advance refunding transaction. This was done through an off-market swap in which the fixed rate liability was set at an artificially higher interest rate such that its net debt service liability approximated that of the refunded 1991 Bonds. In exchange for the higher payments, the Airport Authority received a net upfront payment of $7,947,134 based on the increased value of the swap. The net upfront payment which will be repaid over the term of the Airport Revenue Bonds, Series 2001A, was recorded as a deferred credit upon receipt. Interest accretion began upon receipt resulting in a charge to operations, based upon the discount rate used in determining the present value of the accelerated annual savings, with a corresponding increase in the deferred credit.

Conduit debt obligations

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, 1999 for the Industrial Revenue Bonds issued after April 1, 1996 was $94,533,000. 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.

The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee, 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 $939,198,000. 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 $1,560,451,485.

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 Electric Power Board has a $3,000,000 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, 1999.

NOTE 6 - BONDS, NOTES AND OTHER OBLIGATIONS (CONTINUED)

Metropolitan Transit Authority

The Metropolitan Transit Authority has a maximum $2,900,000 revolving credit line with a local bank, which matures March 5, 2000. Interest on the outstanding principal balance is payable monthly at the bank's index rate less 1%. The outstanding principal balance under this line of credit at June 30, 1999 was $862,142.

Metropolitan Nashville Airport Authority

During October 1985, the Metropolitan Nashville Airport Authority issued $68,435,000 Special Facility Revenue Bonds on behalf of American Airlines, Inc. The bonds were issued to finance the acquisition, construction and improvement of certain airport facilities as a result of American Airlines' decision to locate a hub operation at Nashville International Airport. During the year ended June 30, 1996, the Airport Authority issued $68,435,000 Special Facility Revenue Bonds (American Airlines, Inc. Project), Refunding Series 1995A and 1995B. The bonds were issued to refund the Special Facility Revenue Bonds, Series 1985. These Special Facility Revenue Bonds and related costs are payable only with funds from American Airlines, Inc. or one of its related entities. 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.

Annual debt service requirements

The annual principal maturities of all bonds and notes payable as of June 30, 1999 for the governmental type component units are as follows:

Year Ending June 30	Bonds and Notes Payable
1999	$ 3,904,372
2000	5,362,671
2001	4,841,399
2002	4,165,657
2003	2,899,984
2004 – 2025	45,609,345
Total principal outstanding	$ 66,783,428

The annual principal maturities of all bonds and notes payable as of June 30, 1999 for the proprietary type component units are as follows:

Year Ending June 30	Bonds and Notes Payable
2000	$ 31,537,142
2001	32,240,000
2002	34,340,000
2003	36,465,000
2004	39,065,000
2005 – 2023	560,784,621
	734,431,763
Less: Unamortized deferred amount on refunding	(29,412,384)
Unamortized bond discount	(277,267)
Unaccreted bond premium	140,593

Total principal outstanding	$ 704,882,705

NOTE 7 - DEFICIT BALANCES AND EXCESS EXPENDITURES

The following funds have deficit balances at June 30, 1999:

	Accumulated Deficit/ Fund Deficit	Reserved/ Designated	Contributed Capital	Total Fund Equity (Deficit)
Primary Government				
Special Revenue Funds:				
Metropolitan Action Commission:				
Administrative and Leasehold	$ (92,985)	$ 1,750	$ -	$ (91,235)
Headstart	(662,743)	219,476	-	(443,267)
Block Grants	(87,724)	9,593	-	(78,131)
Local Law Enforcement Block Grant of 1997	(44,199)	44,199	-	-
Local Law Enforcement Block Grant of 1998	(66,712)	66,712	-	-
Solid Waste:				
Solid Waste Disposal	(654,290)	1,562,937	-	908,647
Solid Waste Grant	(106,148)	106,148	-	-
Nashville Career Advancement Center	(18,160)	85,649	-	67,489
Animal Control Donations	(4,775)	4,775	-	-
General Government Grants	(300)	300	-	-
District Attorney Special Operations	(29,193)	45,050	-	15,857
District Attorney Fraud & Economic Crime	(7,153)	-	-	(7,153)
Capital Projects Funds:				
Courthouse Renovation Capital Outlay Notes	(726,852)	547,387	-	(179,465)
Multi-purpose Capital Outlay Notes of 1998/1999	(20,133)	20,133	-	-
Arena Multi-purpose Improvement Bonds 1997A	(61,916)	74,606	-	12,690
School Multi-purpose Capital Outlay Notes of 1998	(8,015,190)	-	-	(8,015,190)
Enterprise Funds:				
Nashville Convention Center	(14,401,382)	-	56,775,770	42,374,388
Internal Service Funds:				
Information Systems	(1,376,401)	-	2,707,740	1,331,339
Component Units - Proprietary Types				
Hospital Authority	(33,692,727)	-	56,576,520	22,883,793
Nashville Thermal Transfer Corporation	(7,672,048)	-	-	(7,672,048)
Metropolitan Nashville Airport Authority	(23,730,512)	-	167,032,074	143,301,562

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

Funds with deficits	Funding responsibility
Primary Government	
Special Revenue Funds	General Fund
Capital Projects Funds	Future issuance of notes and bonds
Enterprise Funds	Future revenues
Internal Service Funds	Future user charges
Component Units - Proprietary Types	Future revenues

NOTE 7 - DEFICIT BALANCES AND EXCESS EXPENDITURES (CONTINUED)

During the year ended June 30, 1999, the Government exceeded the budgeted level of expenditures as follows:

Budgeted Unit	Budget	Actual	Excess
General Fund			
General Services District			
General Government:			
County Register of Deeds	$ 305,293	$ 1,753,657	$ 1,448,364
Department of General Services	5,925,812	6,034,431	108,619
Fiscal Administration:			
Assessor of Property	6,927,308	7,133,696	206,388
Administration of Justice:			
District Attorney	2,991,401	3,082,241	90,840
Circuit Court Clerk	2,849,457	6,462,429	3,612,972
State Trial Courts	5,569,213	5,669,144	99,931
Law Enforcement and Care of Prisoners:			
Sheriff	44,466,950	45,391,175	924,225
Employee Benefits:			
Employee In-Line-of-Duty Medical Expense	1,100,000	1,132,814	32,814
Miscellaneous:			
Contribution to Community AfterCare	380,200	382,348	2,148
Contribution to Nashville HealthCare Corporation	-	15,000	15,000
Insurance and Reserve	1,454,000	1,554,185	100,185
Surety Bonds	70,000	71,929	1,929
Bonding Firm Investigation	-	13,872	13,872
Courthouse Design	-	27,012	27,012
Fringe Benefits	-	154,604	154,604
Disparity Study	-	128,817	128,817
Interest Charges/Bank Fees	-	24,289	24,289
Operating Transfers Out:			
General Fund 4% Reserve	14,215,813	14,505,164	289,351
NCAC Disaster Relief	-	85	85
School State and Federal Special Grant	-	109,599	109,599
Operating Transfers to Component Units:			
Metropolitan Development and Housing Agency	375,200	2,412,901	2,037,701
Metropolitan Nashville Airport Authority	-	260,858	260,858
Urban Services District			
Miscellaneous:			
Insurance and Reserve	242,000	245,821	3,821
Interest Charges/Bank Fees	-	4,951	4,951
Operating Transfers Out:			
Airport Noise Mitigation	-	67,320	67,320
Operating Transfers to Component Units:			
Metropolitan Development and Housing Agency	-	624,470	624,470
Metropolitan Nashville Airport Authority	-	110,048	110,048
General Purpose School Fund			
Attendance service	1,994,523	2,028,274	33,751
Plant maintenance	10,924,997	10,998,368	73,371
Capital outlay	1,627,028	3,667,089	2,040,061

NOTE 7 – DEFICIT BALANCES AND EXCESS EXPENDITURES (CONTINUED)

Budgeted Unit	Budget	Actual	Excess
Debt Service Funds			
General Services District			
General Purposes:			
Refunding Bond Issue Costs	$ -	$ 84,056	$ 84,056
Payments to refunded bond escrow agent	-	5,482,676	5,482,676
Operating transfers out	-	2,223,118	2,223,118
Operating transfers to component units	-	793,254	793,254
School Purposes:			
Refunding Bond Issue Costs	-	4,599	4,599
Payments to refunded bond escrow agent	-	1,156,012	1,156,012
Operating transfers out	-	1,671,263	1,671,263
Operating transfers to component units	-	336,723	336,723
Urban Services District:			
General Purposes:			
Refunding Bond Issue Costs	-	2,597	2,597
Payments to refunded bond escrow agent	-	738,980	738,980
Operating transfers out	-	1,308,800	1,308,800
Operating transfers to component units	-	105,246	105,246

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. The budget overage in the Department of General Services was primarily due to increased janitorial service costs that were not included in the 1999 budget. The Assessor of Property exceeded their budget primarily due to excess costs associated with the implementation of a new tax assessment system. The District Attorney and State Trial Courts incurred additional expenditures necessary for current year operations. The Sheriff's Department exceeded its budget due to increased salaries and facilities management fees paid for the management of the DeBerry facility as a result of prison population increases.

Employee benefits are controlled as a whole and, as a whole, were under budget. The contribution to Community AfterCare was under budgeted. The contribution to Nashville HealthCare Corporation was budgeted in FY 1998 but was not paid until the current year. The Insurance and Reserve and Surety Bonds accounts were used for direct payments to vendors for coverage that was not included in the budget. The Bonding Firm Investigation and Courthouse Design were projects authorized by the Metropolitan Council, but no budget was established for these projects. Fringe Benefits are charged for the matching portion of health and life insurance when the employee portion is paid directly, rather than through payroll deduction, and a provision for these expenditures was not budgeted. The excess in the Disparity Study is due to current year expenditures that were budgeted in prior years.

The following activities are budgeted as contra revenue, but accounted for as expenditures: interest charges/bank fees; transfers to the Metropolitan Development and Housing Agency and the Metropolitan Nashville Airport Authority for tax increment payments; transfers of interest expense, such as the transfer to the NCAC Disaster Relief Fund; transfers of grant related revenues, such as the transfer to the School State & Federal Special Grant fund; and transfers to other funds for the noise mitigation program. The excess in the transfer to the General Fund 4% Reserve is due to revenue collections in excess of those budgeted.

The excesses reported by the General Purpose School Fund were caused by reimbursable activities that were not budgeted and by capital expenditures made against the reservation of fund balance, which was not budgeted. Expenditures for the debt service funds are not controlled on a line item basis, and routine debt service expenditures as a whole were under budget. Other debt service budget overages were due to refunding bonds issued during the year. In addition, the practice of budgeting transfers to component units and other funds as contra revenue rather than expenditures accounted for the excesses in other financial uses.

NOTE 8 - CONTRIBUTED CAPITAL

The following summarizes the changes in contributed capital during the year ended June 30, 1999:

	Enterprise Funds	Internal Service Funds	Total Primary Government	Proprietary Type Component Units	Total Reporting Entity
Contributed capital July 1, 1998	$ 565,763,750	$ 4,682,753	$ 570,446,503	$ 193,195,630	$ 763,642,133
Cash transactions:					
Contributions, grants and loans	15,098,549	-	15,098,549	11,323,589	26,422,138
Other sources	3,380,026	-	3,380,026	-	3,380,026
Repayment of debt	(100,000)	-	(100,000)	-	(100,000)
Non-cash transactions:					
Hospital Authority reclassification	(56,012,134)	-	(56,012,134)	56,012,134	-
Contributions, grants and loans	-	-	-	3,301,862	3,301,862
Depreciation	-	-	-	(16,056,976)	(16,056,976)
Disposition of fixed assets	-	-	-	(28,406)	(28,406)
Other sources	2,966,664	-	2,966,664	-	2,966,664
Contributed capital June 30, 1999	$ 531,096,855	$ 4,682,753	$ 535,779,608	$ 247,747,833	$ 783,527,441

Capital contributions by the Government to the Department of Water and Sewerage Services represent the proceeds of various general obligation bonds issued for the construction of the original utility plant, funds expended by other agencies of the Government for the construction of portions of the utility plant and land contributed to the Department by the Government. Funds transferred by the Department to the Government for retirement of general obligation bonds are charged against this account and are considered a return of capital. At June 30, 1999 the principal balance of such bonds to be retired in this manner, which are accounted for as a part of the General Long-term Debt Account Group of the Government, was $250,000.

NOTE 9 - PENSION PLANS

The Government accounts for and reports its pensions in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. These pronouncements established standards for financial reporting for defined benefit pension plans and for the notes to the financial statements of defined contribution plans and for the measurement, recognition and display of pension expense and related liabilities, assets, note disclosures and supplementary information in the financial report of government employers.

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 administered by the Metropolitan Employee Benefit Board, which is a department of the Government. No separate financial reports are issued for these plans.

NOTE 9 - PENSION PLANS (CONTINUED)

The Government sponsors or guarantees the following single-employer pension plans:

Name	Type	Status
Primary Government		
Fiduciary Fund Types:		
Metro - Division A	Defined Benefit	Closed 1995
Metro - Division B	Defined Benefit	Open
City	Defined Benefit	Closed 1963
County	Defined Benefit	Closed 1963
Metro Education	Defined Benefit	Closed 1969
City Education	Defined Benefit	Closed 1963
County Education	Defined Benefit	Closed 1963
Component Units		
Metropolitan Development and Housing Agency	Defined Contribution	Open
Hospital Authority	Included in primary government plans	
Electric Power Board	Defined Benefit	Open
Metropolitan Transit Authority	Defined Benefit	Open
Nashville Thermal Transfer Corporation	Defined Contribution	Open
Metropolitan Nashville Airport Authority	Defined Benefit	Open

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.

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. Amounts of unfunded actuarially determined contributions that are not expected to be liquidated with expendable available financial resources are reported in the General Long-term Debt Account Group.

Investments are reported at fair value. Common stocks, bonds and U.S. Government and other domestic and foreign securities are stated at quoted market value at June 30, 1999.

NOTE 9 - PENSION PLANS (CONTINUED)

Plan Descriptions

Primary Government

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 policemen and firemen 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 multiplied by the years of credited service, with 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 policemen and firemen 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.

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 policemen 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 for all years of credited service. Benefits fully vest on completing 10 years of service.

Normal retirement for policemen 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 10 years of service.

NOTE 9 - PENSION PLANS (CONTINUED)

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 10 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 10 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 and in accordance with the Benefit Board's policies and procedures.

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 policemen and firemen 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. The vesting of benefits in this plan occurs after 25 years of service with benefits payable at age 60.

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 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. Benefits fully vest on completing 15 years of service under Division A and 10 years of service under Division B.

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 Board of Education professional employees 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 2% of the highest average earnings multiplied by the years of service, with cost-of-living adjustments. Highest average earnings is the average earnings for the 36 consecutive months in which earnings were highest. Benefits fully vest on completing 15 years of service.

NOTE 9 - PENSION PLANS (CONTINUED)

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, 10th 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.

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.

Component Units

Metropolitan Development and Housing Agency

The Agency participates in the Housing-Renewal and Local Agency Retirement Plan with several other housing authorities. The plan was established and can be amended by the Board of Trustees of the plan, and certain actuarial assumptions can be amended by the Agency's Board of Commissioners. The plan is administered by William M. Mercer, Inc. This plan is open to all full time employees, beginning the first day of the month following employment and requires the Agency to contribute 13% of covered payroll. This plan, principally a defined contribution plan, also provides certain minimum defined benefits for employees reaching early or normal retirement age. Early retirement may be elected by employees at age 55 who have at least ten years of service. Pension expense for the year ended September 30, 1998 amounted to $1,485,715. The Agency's payroll for employees covered by this plan was $11,428,577, and total payroll amounted to $14,320,893 during the fiscal year ended September 30, 1998.

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.

NOTE 9 - PENSION PLANS (CONTINUED)

Electric Power Board

The plan provides retirement and survivors benefits to members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries at the discretion of the Board. The Metropolitan Charter assigns the authority to establish and amend benefit provisions to the Board. The plan is administered by the Electric Power Board.

This plan is open to all full-time regular employees under age 65. Employees who retire at or after age 65 and not later than age 70 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 up to 30 years. Early retirement is an option at age 55 with 15 years of credited service or at age 50 with 30 years of credited service with a reduced monthly benefit. Final average compensation is the average compensation in the 36 consecutive months in which earnings were highest. Unused sick leave may be used to increase credited service under certain circumstances. The plan calls for five year cliff vesting.

The plan does not issue a separate financial report; however, complete financial statements of the Board can be obtained from its administrative offices at 1214 Church Street, Nashville, TN 37203.

In 1994 the Electric Power Board established a nonqualified supplemental executive retirement plan limited to certain employees. Benefits accrue at the rate of 5 percent for each year of credited service not to exceed 12 years and vest at the rate of 20% for each year of service, minus the percentage accrued and vested under the Board's qualified plan. The actuarial assumptions of this plan are the same as those of the Board's qualified plan. Plan assets will be accumulated in a trust fund; however, such assets will be subject to the claims of the Board's creditors. The Board's policy is to fund the plan in accordance with sound actuarial practices and all required contributions have been made.

At April 1, 1999 (the latest amounts available), the actuarial value of assets was $141,475,401, the actuarial accrued liability was $188,074,173, and the unfunded actuarial accrued liability was $46,598,772. Covered payroll was $39,970,855.

Metropolitan Transit Authority

This plan 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. The plan can be amended by a committee consisting of two union employees and two Davidson Transit Authority employees. The plan is administered jointly by the Union and the Davidson Transit Authority. In accordance with Article XII, monthly benefits will increase 2.6% effective July 1, 1997, 2.8% effective July 1, 1998, and 2.9% effective July 1, 1999. The plan is guaranteed by the Metropolitan Transit Authority which contracts with McDonald Transit Associates to provide management advisory services. 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.

Nashville Thermal Transfer Corporation

The Nashville Thermal Transfer Corporation adopted a defined contribution pension plan covering all employees after 6 months of service whereby the Corporation contributes a specified percentage of 5% of the compensation of the employees. The plan was established and can be amended by the Corporation's board, and the plan is administered by Pan American Life Insurance. Pension expense for the year ended June 30, 1999 amounted to $140,401. Total covered payroll was $2,742,731, and total payroll for all employees was $2,779,251 for the year ended June 30, 1999.

The plan does not issue a separate financial report; however, complete financial statements of the Corporation can be obtained from its administrative offices at 110 First Avenue South, Nashville, TN 37210.

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 (the "Plan"). Certain Airport Authority employees continue to participate in the pension system of the Metropolitan Government. New employees of the Airport Authority and those previously selecting the new Metropolitan Nashville Airport Authority's single-employer PERS are not eligible for participation in the Metropolitan Government's pension system. 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, Tennessee, or by calling (615) 275-1600.

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. Only participating Metro Board of Education employees contribute to the Metro Plan. All other funding is provided by the Government.

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. Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

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. Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

Metro Education Plan

The Metro Education Plan is financed by contributions from the Metro Board of Education, 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 the Metro Board of Education 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 percent of their salary, and by the Metro Board of Education, which contributes at an actuarially determined rate (5.47 percent of covered payroll for the fiscal year ending June 30, 1999). 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, 1999, 1998, and 1997 were $11,798,474, $8,108,602, and $12,443,428, 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). Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

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). Actuarially required employer contributions are not computed because this plan is closed and there are few active employees.

Component Units

Electric Power Board

The contribution requirements of plan members and 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 30 year funding level. The current rate is 17.3% of annual covered payroll. The total contribution requirement for the year ended June 30, 1999 was $6,930,524, and the actual amount contributed was $6,930,524. The frozen initial liability method has been used to compute the annual contribution requirement.

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 (7.6% in 1999). 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. The total contribution requirement for the year ended June 30, 1999 was $759,000, and the actual amount contributed was $759,000. The entry age normal method has been used to compute the annual contribution requirement.

Metropolitan Nashville Airport Authority

The total contribution rate is established by the Authority through consultation with actuaries. The total contribution requirement for the year ended June 30, 1999 was $797,440, and the actual amount contributed was $799,998. Both amounts represent 9.2% of covered payroll. The Authority's policy is to fund benefits in the period in which they are earned according to actuarially determined contribution requirements intended to cover normal cost. The aggregate actuarial cost method has been used to compute the annual contribution to the plan.

Selected Pension Information

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 Metro Board of Education plans 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.

Required Supplementary Information

A Schedule of Funding Progress and a Schedule of Employer Contributions as required by GASB Statement No. 25 are included following the Selected Pension Information.

Other

No plans have investments which exceed 5% of plan assets at June 30, 1999.

The categorization of pension investments by asset type is included in Note 4 – Cash and Investments.

NOTE 9 - PENSION PLANS (CONTINUED)

Post - Retirement 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, 1999 totaled $10,686,677.

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 $940,270 and $856,502, respectively, for the fiscal year ended June 30, 1999.

The post-retirement benefits for the Metro plans were authorized by the Government's charter. During the year ended June 30, 1999, 4,193 participants were eligible to receive post-retirement benefits.

Metro Board of Education

For any retiree in the Metro, City or County Education Plans who elects to participate in the Board of Education medical and dental insurance plans, the Board contributes 67% of all premium payments with the retiree contributing the remaining 33%. Funding is on a pay-as-you go basis under which payments are made in amounts sufficient to cover benefits paid. Benefits paid by the Board of Education for the fiscal year ended June 30, 1999 totaled $4,312,447. During the year ended June 30, 1999, 2,427 participants were eligible to receive post-retirement benefits. The post-retirement benefits for teachers of the Metro Board of Education were authorized by the Government's charter.

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, 605 retirees meet those eligibility requirements. Expenditures for post-retirement health care benefits are recognized as retirees report claims. Expenditures of $3,864,060 for the year ended June 30, 1999 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, 1999, total medical benefit claims expense incurred amounted to $368,195. Future claims cannot be estimated. At June 30, 1999, 95 retirees were covered under this plan.

Life insurance benefits for retirees and their spouses are also self-insured. Life insurance coverage is $7,500 on each retired employee and $2,500 on the spouse of the retired employee, except for one former Class I employee who is entitled to an $11,250 benefit. During the year ended June 30, 1999, the Metropolitan Transit Authority recognized an expense for death benefit claims totaling $42,500. Future such claims cannot be estimated. However, at June 30, 1999, 113 retirees were covered under this plan.

NOTE 9 - PENSION PLANS (CONTINUED)

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, 51 retirees are receiving benefits under this PERS. During the year ended June 30, 1999, payments of $276,966 were made by the Authority for post-retirement benefits under this PERS. The post-retirement benefits for the Airport Authority were authorized by the Airport Authority's corporate by-laws.

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, 36 retirees are receiving benefits from the Metro Plan. During the year ended June 30, 1999, payments of $92,793 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, 1999, $369,759 of post-retirement benefits were recognized as expense.

NOTE 10 - 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.

During 1999 the Government adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement stipulates that all assets and income from the 457 plan are to be held in trust for the exclusive benefit of the participants and their beneficiaries and that GASB Statement No. 31 be applied in the valuation of assets. Due to the above accounting and financial reporting changes, the financial position and results of operations of the 457 plan, the Employee Deferred Compensation Plan, are reported as an expendable trust fund. Investments are managed by the deferred compensation plan under one of three investment options. The choice of the investment options is made by the participants.

As of June 30, 1999, $101,284,802 has been invested for employees in the Government's deferred compensation plan.

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 deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Agency adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans in fiscal year 1998. This statement stipulates that all assets and income from the 457 plan are to be held in trust for the exclusive benefit of the participants and their beneficiaries and that GASB Statement No. 31 be applied in the valuation of assets. Due to the above accounting and financial reporting changes, the financial position and results of operations of the 457 plan, the Employee Benefit Fund, are reported as an expendable trust fund. Investments are managed by the deferred compensation plan under one of 17 investment options, or a combination thereof. The choice of the investment options is made by the participants.

NOTE 10 - DEFERRED COMPENSATION AND PROFIT SHARING PLANS (CONTINUED)

As of September 30, 1998, $1,685,332 has been invested by employees in the Agency's deferred compensation plan.

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.

During 1999, the Electric Power Board adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This pronouncement rescinds GASB Statement No. 2, Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457 and amends GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and establishes accounting and financial reporting standards for Internal Revenue Code (IRC) Section 457 deferred compensation plans of state and local governmental employers. The provisions of this Statement are effective for financial statements for periods beginning after December 31, 1998 or when plan assets are held in trust under the requirements of IRC Section 457, subsection (g), if sooner. Since the assets of the amended 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 1999 balance sheet. There was no cumulative effect of adopting this pronouncement on beginning fund balance, since the assets of the Plan at June 30, 1998, were offset by an equivalent liability.

Nashville Thermal Transfer Corporation Savings Plan

The Nashville Thermal Transfer Corporation has a profit-sharing plan pursuant to Section 401 of the Internal Revenue Code, whereby after six months of service employees may elect to participate and contribute from 1% to 15% of their annual compensation, but not in excess of the maximum allowed. The plan provides for a matching contribution by the Corporation equal to 50% of salary deferrals up to 7%. Matching contributions of $61,545 were made for the year ended June 30, 1999, which represented 2.2% of covered payroll. Total covered payroll was $2,742,731, and total payroll for all employees was $2,779,251 for the year ended June 30, 1999.

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Government maintains various enterprise funds which provide water, sewer and other services. Segment information for the year ended June 30, 1999 is summarized as follows:

Balance Sheets

	Department of Water and Sewerage Services	Nashville Convention Center	Board of Fair Commissioners	Farmers Market	Total Enterprise Funds
Current assets	$ 68,537,836	$ 1,876,407	$ 8,571,671	$ 437,508	$ 79,423,422
Restricted assets	257,847,887	-	-	-	257,847,887
Property, plant and equipment - net	1,178,920,291	42,101,744	2,639,673	4,121,535	1,227,783,243
Other non-current assets	10,669,232	-	50,000	-	10,719,232
Total assets	$ 1,515,975,246	$ 43,978,151	$ 11,261,344	$ 4,559,043	$ 1,575,773,784
Current liabilities (payable from current assets)	$ 10,285,142	$ 1,603,763	$ 457,495	$ 201,778	$ 12,548,178
Current liabilities (payable from restricted assets)	49,005,989	-	-	-	49,005,989
Long-term debt-net of current maturities	603,179,589	-	-	2,585,000	605,764,589
Contributed capital	472,832,690	56,775,770	1,488,395	-	531,096,855
Retained earnings (deficit)	380,671,836	(14,401,382)	9,315,454	1,772,265	377,358,173
Total liabilities and equity	$ 1,515,975,246	$ 43,978,151	$ 11,261,344	$ 4,559,043	$ 1,575,773,784

Statements of Income (Loss)

	Department of Water and Sewerage Services	Nashville Convention Center	Board of Fair Commissioners	Farmers Market	Total Enterprise Funds
Operating revenues	$ 158,697,805	$ 3,981,215	$ 3,832,341	$ 834,099	$ 167,345,460
Operating expenses	95,277,883	6,374,176	3,965,595	826,133	106,443,787
Operating income (loss)	63,419,922	(2,392,961)	(133,254)	7,966	60,901,673
Nonoperating revenue (expense):					
Interest on investments	14,554,859	64,840	396,834	14,477	15,031,010
Interest expense	(35,684,094)	-	-	(150,803)	(35,834,897)
Gain (loss) on sale of property	(3,357,876)	(650)	(62,134)	-	(3,420,660)
Other	949,942	-	-	-	949,942
Income (loss) before operating transfers	39,882,753	(2,328,771)	201,446	(128,360)	37,627,068
Operating transfers in	125,000	1,414,379	-	350,000	1,889,379
Operating transfers out	(454,318)	-	(16,624)	-	(470,942)
Operating transfers to component units	(76,368)	-	-	-	(76,368)
NET INCOME (LOSS)	$ 39,477,067	$ (914,392)	$ 184,822	$ 221,640	$ 38,969,137

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

Other Data

	Department of Water and Sewerage Services	Nashville Convention Center	Board of Fair Commissioners	Farmers Market	Total Enterprise Funds
Property, plant and equipment:					
Additions	$ 64,757,075	$ 88,369	$ 84,990	$ 15,438	$ 64,945,872
Disposals	15,545,301	13,000	92,724	-	15,651,025
Depreciation and amortization expense	30,573,515	1,193,287	331,643	174,985	32,273,430
Net working capital	58,252,694	272,644	8,114,176	235,730	66,875,244
Capital contributions	21,445,239	-	-	-	21,445,239

NOTE 12 - CONDENSED FINANCIAL STATEMENTS FOR COMPONENT UNITS

The financial statements of the Government include various component units which provide housing, health care, electric, heating, transportation and other services. Condensed financial statements for the year ended June 30, 1999 of the major component units are as follows:

Governmental Types

Condensed Balance Sheets

	Metropolitan Development and Housing Agency	Nashville Public Television Council, Incorporated	Total Governmental Types
Property, plant and equipment (including general fixed assets) - net	$ 288,216,163	$ -	$ 288,216,163
Amount available in debt service funds	1,552,595	-	1,552,595
Amount to be provided for retirement of long-term debt	66,657,178	-	66,657,178
Other assets	86,294,586	-	86,294,586
Total assets	$ 442,720,522	$ -	$ 442,720,522
General obligation bonds and other liabilities payable	$ 68,209,773	$ -	$ 68,209,773
Other liabilities	44,934,906	-	44,934,906
Fund equity	329,575,843	-	329,575,843
Total liabilities and fund equity	$ 442,720,522	$ -	$ 442,720,522

NOTE 12 - CONDENSED FINANCIAL STATEMENTS FOR COMPONENT UNITS (CONTINUED)

Governmental Types (Continued)

Condensed Statements of Revenues, Expenditures and Changes in Fund Balances

	Metropolitan Development And Housing Agency	Nashville Public Television Council, Incorporated	Total Governmental Types
Total revenues	$ 223,132,132	$ 3,070,960	$ 226,203,092
Current expenditures	196,735,891	2,574,451	199,310,342
Capital outlay expenditures	41,966,607	-	41,966,607
Debt service expenditures	22,236,895	-	22,236,895
Total expenditures	260,939,393	2,574,451	263,513,844
Excess (deficiency) of revenues over expenditures	(37,807,261)	496,509	(37,310,752)
Total other financing sources (uses)	45,038,779	(206,069)	44,832,710
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 7,231,518	$ 290,440	$ 7,521,958

Other Data

Operating transfers from the primary government	$ 5,366,115	$ -	$ 5,366,115
Operating transfers to the primary government	(1,392,391)	(206,069)	(1,598,460)

Proprietary Types

Condensed Balance Sheets

	Hospital Authority	Electric Power Board	Nashville Thermal Transfer Corporation	Metropolitan Nashville Airport Authority	Other Proprietary Types	Total Proprietary Types
Current assets	$ 22,887,667	$ 130,240,968	$ 5,514,289	$ 60,323,140	$ 11,254,545	$ 230,220,609
Due from the primary government	1,941,843	-	14,085	-	547,769	2,503,697
Restricted assets	107,910	85,549,423	22,845,162	60,164,579	64	168,667,138
Notes receivable	-	5,904,274	-	5,285,092	-	11,189,366
Property, plant and equipment - net	68,206,299	473,548,766	44,685,339	368,511,935	25,967,556	980,919,895
Other non-current assets	-	3,244,588	931,735	5,818,719	-	9,995,042
Total assets	$ 93,143,719	$ 698,488,019	$ 73,990,610	$ 500,103,465	$ 37,769,934	$ 1,403,495,747
Current liabilities (payable from current assets)	$ 25,102,045	$ 110,225,977	$ 1,143,332	$ 9,187,919	$ 6,073,336	$ 151,732,609
Current liabilities (payable from restricted assets)	107,910	1,597,868	7,270,816	22,163,605	-	31,140,199
Long-term debt - net of current maturities	45,049,971	294,298,373	73,248,510	325,450,379	-	738,047,233
Fund equity (deficit)	22,883,793	292,365,801	(7,672,048)	143,301,562	31,696,598	482,575,706
Total liabilities and fund equity	$ 93,143,719	$ 698,488,019	$ 73,990,610	$ 500,103,465	$ 37,769,934	$ 1,403,495,747

NOTE 12 - CONDENSED FINANCIAL STATEMENTS FOR COMPONENT UNITS (CONTINUED)

Proprietary Types (Continued)

Condensed Statements of Revenues, Expenses and Changes in Retained Earnings

	Hospital Authority	Electric Power Board	Nashville Thermal Transfer Corporation	Metropolitan Nashville Airport Authority	Other Proprietary Types	Total Proprietary Types
Operating revenues	$ 69,179,368	$ 674,053,460	$ 11,331,213	$ 47,837,472	$ 11,844,362	$ 814,245,875
Operating expenses	108,462,335	653,274,313	15,456,314	48,057,260	26,847,543	852,097,765
Operating income (loss)	(39,282,967)	20,779,147	(4,125,101)	(219,788)	(15,003,181)	(37,851,890)
Nonoperating revenue (expense)	316,219	(8,252,248)	(4,528,139)	(4,946,461)	2,293,384	(15,117,245)
Income (loss) before operating transfers	(38,966,748)	12,526,899	(8,653,240)	(5,166,249)	(12,709,797)	(52,969,135)
Operating transfers from (to) the primary government and component units - net	37,032,418	(387,022)	7,636,275	653,880	3,841,549	48,777,100
Net income (loss)	$ (1,934,330)	$ 12,139,877	$ (1,016,965)	$ (4,512,369)	$ (8,868,248)	$ (4,192,035)

Other Data

	Hospital Authority	Electric Power Board	Nashville Thermal Transfer Corporation	Metropolitan Nashville Airport Authority	Other Proprietary Types	Total Proprietary Types
Capital contributions	$ 592,792	$ -	$ -	$ 5,279,219	$ 8,753,440	$ 14,625,451
Depreciation and amortization	4,297,351	22,551,568	4,529,679	20,050,834	8,328,134	59,757,566

NOTE 13 - LEASES

Primary Government

The Government leases certain facilities from various lessors under operating lease agreements. Total rental expenditures under these leases are nominal for the year ended June 30, 1999.

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, 1999, the leased

NOTE 13 – LEASES (CONTINUED

building is carried in the enterprise funds at $3,645,000, less accumulated depreciation of $280,969. A summary of
future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 1999 is as follows:

Year Ending June 30,		
2000	$	255,868
2001		260,588
2002		259,708
2003		258,438
2004		256,892
Thereafter		2,837,113
Total future minimum lease payments		4,128,607
Less:		
Amount representing interest imputed at 7.5%		1,433,607
Current portion of capital lease		110,000
Long-term capitalized lease obligation	$	2,585,000

Information Systems leases an IBM integrated computer and software system under a capitalized lease agreement with monthly payments of $55,491, including interest, for thirty-six months. The related equipment secures this lease. At June 30, 1999 the leased equipment is carried in the internal service funds at $1,016,897, less accumulated depreciation of $508,446. A summary of future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 1999 is as follows:

Year Ending June 30,		
2000	$	381,792
2001		190,896
Total future minimum lease payments		572,688
Less:		
Amount representing interest imputed at 6%		64,239
Current portion of capital lease		338,966
Long-term capitalized lease obligation	$	169,483

Component Units

The Metropolitan Development and Housing Agency leases certain office space under an operating lease. Total lease expenditures for the year ended September 30, 1998 were $120,873, and future minimum rental is insignificant.

NOTE 13 – LEASES (CONTINUED)

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 $8,625,000. Rental income from other cancelable operating leases amounted to $1,263,417 for the year ended September 30, 1998.

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.

A summary of future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 1999 is as follows:

Year Ending June 30,		
2000	$	4,000,000
2001		4,000,000
2002		4,000,000
2003		4,000,000
2004		4,000,000
Thereafter		81,666,666
Total future minimum lease payments		101,666,666
Less:		
Amount representing interest imputed at 7.5%		56,282,245
Current portion of capital lease		620,051
Long-term capitalized lease obligation	$	44,764,370

At June 30, 1999, 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 $2,533,333.

General Hospital also has a capital lease agreement with United Telephone – Southeast, Inc., doing business as Sprint, for a telephone system. Under the terms of the Sprint lease agreement, the Hospital will lease the telephone equipment for 5 years at a cost of $10,807 per month. Lease payments began in February of 1998. A summary of future minimum lease payments required under the agreements as of June 30, 1999 follows:

Year Ending June 30,		
2000	$	129,688
2001		129,688
2002		129,688
2003		86,423
Total future minimum lease payments		475,487
Less:		
Amount representing interest imputed at 14.4%		107,988
Current portion of capital lease		81,898
Long-term capitalized lease obligation	$	285,601

NOTE 13 – LEASES (CONTINUED)

The Electric Power Board’s rent expense, consisting primarily of payments for facilities rental and leasing arrangements for software licensing, amounted to $716,507 for the year ended June 30, 1999.

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 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 125% of debt service on all senior lien bonds outstanding and 110% of debt service on all bonds outstanding. The notes receivable from tenants of $5,285,092 at June 30, 1999 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.

The Industrial Development Board rents facilities constructed or improved with bonds approved by the Board in prior years. The lease agreement expires in 2007 and has an annual rent of $135,634. Certain other bond issues require companies financing to pay rent in amounts sufficient to pay the principal and interest due on the bonds. The current rent associated with these leases was $18,800 for the year ended June 30, 1999. Certain of these leases provide for the purchase at the related facilities when the bonds have been repaid. The fixed purchase option amounts under these agreements total $300,000.

The Industrial Development Board is obligated under a lease agreement to pay ground rent of $12,000 for the property where the facilities related to the leases are located. The ground lease expires in 2007. Future obligations under this lease are as follows:

Year Ending March 31,	Amount
2000	$ 12,000
2001	12,000
2002	12,000
2003	12,000
2004	12,000
Thereafter	37,000
	$ 97,000

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances and amounts due to and due from component units at June 30, 1999 are as follows:

Fund	Receivable	Payable
Primary Government		
General Fund	$ 29,612,846	$ 10,276,045
Special Revenue Funds		
General Fund 4% Reserve	1,657,932	471,304
Advance Planning and Research	-	200,000
Park Resale Inventory	-	281,580
Metropolitan Action Commission -		
Administrative and Leasehold	490,591	554,385
Special Grant	2,231	13,082
Headstart	387,856	754,550
Block Grants	13,000	430,371
Summer Food Program	-	411,004
Industrial Development	-	546,807
Parks and Recreation Special Projects	37,972	-
Talking Library Service	-	1,654
Local Law Enforcement Block Grant of 1997	118,730	17,786
Local Law Enforcement Block Grant of 1998	29,666	169,202
Local Law Enforcement Block Grant of 1996	8,645	1,132
Nashville Port Authority	-	20,305
Solid Waste -		
Solid Waste Disposal	774,449	76,297
Solid Waste Grant	-	403,452
Solid Waste Transportation	7	83,758
Solid Waste Special Projects	-	4,933
Nashville Career Advancement Center	105,192	73,351
NCAC Disaster Relief	904	824
DUI Offender Education Treatment	-	1,893
Library Special Projects	1,228	14,896
Library Services	-	202,456
Airport Noise Mitigation	-	6,077
Animal Control Donations	7,217	-
Hotel Occupancy Tax	-	6,142,276
Sports Authority -		
Stadium Project Development	-	7,608,576
Public Facility Arena Revenue	-	51,820
Sports Authority Arena	-	202,568
General Government Grants	-	33,558
Metro Major Drug Enforcement Program	8,206	13,143
District Attorney Special Operations	8,496	20,385
District Attorney Fraud & Economic Crime	1,523	8,669
1999 Tornado Grant	-	57,980
Stump Removal Program	53,160	740,425
Drug Enforcement Program	860,427	247,877
Register's Computer	-	1,963
Metropolitan Board of Education -		
General Purpose School	6,590,554	1,198,509
School State & Federal Special Grant	73,357	1,452,887
School Unemployment Compensation	620	-
School Central Storeroom	119,379	-
School Food Service Program	200,114	42,032
Total Special Revenue Funds	11,551,456	22,563,767

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES(CONTINUED)

Fund	Receivable	Payable
Primary Government (Continued)		
Debt Service Funds		
General Services District - General Purposes	$ 10,321,241	$ 1,150,684
General Services District - School Purposes	7,880,008	4,841
Urban Services District - General Purposes	30,955	63,358
Total Debt Service Funds	18,232,204	1,218,883
Capital Projects Funds		
Multi-purpose Improvement Bonds of 1985 - GSD	-	732,194
Multi-purpose Improvement Bonds of 1987 - GSD	-	5,375
Multi-purpose Improvement Bonds of 1988 - GSD	-	35,384
Multi-purpose Improvement Bonds of 1990 - GSD	335,295	190,423
Multi-purpose Improvement Bonds of 1994 - GSD	-	3,039,633
Multi-purpose Improvement Bonds of 1999 - GSD	8,392	262,543
Public Improvement Bonds of 1996, Series A - GSD	-	1,776,081
Convention Center Multi-purpose Improvement Bonds of 1997A	-	258,314
Courthouse Renovation Capital Outlay Notes	-	79,055
Multi-purpose Improvement Bonds of 1997A - GSD	217,312	552,410
Police Capital Outlay Notes of 1997	127,268	91
Storage Facility Capital Outlay Notes of 1997	775,000	775,000
Multi-purpose Capital Outlay Notes of 1998/1999 - GSD	40,204	-
Public Improvement Stadium Revenue Bonds, Series 1996	3,358,319	-
Public Improvement Stadium Bonds of 1996	1,500,000	527,932
Arena Public Improvement Bonds of 1996A	-	169,743
Arena Multi-purpose Improvement Bonds of 1997A	-	71,995
School Improvement Bonds of 1994	-	253,963
School Public Improvement Bonds of 1996, Series A	255	15,320
School Multi-purpose Improvement Bonds 1997A	-	186,268
School Capital Outlay Notes of 1993	4,942	697
School Multi-purpose Improvement Bonds 1999	9,620	188,937
School Capital Outlay Notes of 1997	14	-
School Improvement Capital Outlay Notes of 1997	8,301	-
School Bus Capital Outlay Notes of 1997B	53	-
School Multi-purpose Capital Outlay Notes of 1998	222,178	7,212,307
Multi-purpose Improvement Bonds of 1985 - USD	-	113,663
Multi-purpose Improvement Bonds of 1990 - USD	-	13,698
Total Capital Projects Funds	6,607,153	16,461,026
Enterprise Funds		
Department of Water and Sewerage Services	144,484	151,170
Nashville Convention Center	-	13,883
Board of Fair Commissioners	483	13,865
Farmers Market	-	5,631
Total Enterprise Funds	144,967	184,549
Internal Service Funds		
Central Printing	59,264	1,567
Motor Pool	1,096,123	6,892
Information Systems	933,686	577,556
Radio Shop	149,208	8,305

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES(CONTINUED)

Fund	Receivable	Payable
Primary Government (Continued)		
Internal Service Funds (Continued)		
School Self Insurance	$ -	$ 1,667
General Government Self Insurance	201,667	777,311
Employees' Medical Benefit	3,969,926	696,028
Office Supply Storeroom	152,565	-
Metro Postal Service	56,072	570
Total Internal Service Funds	6,618,511	2,069,896
Fiduciary Funds		
Davidson County Employees' Retirement	-	13,478
Metropolitan Employees' Benefit Trust	413,571	514,298
Employees' Pension and Insurance	6	560,104
Teachers' Retirement Plan	-	4,697,501
Closed City Plan	-	15,388
Teachers' Civil Service and Pension	1,906	480,423
Richard R. Rooker, Circuit Court Clerk	-	29,100
Claudia Bonnyman, Clerk and Master	-	3,400
Bill Covington, County Clerk	-	18,600
David Torrence, Criminal Court Clerk	-	74,223
Bill Garrett, County Register	-	299,550
Kenny Norman, Juvenile Court Clerk	-	260,709
Transit Authority Revenue	-	17,769
Total Fiduciary Funds	415,483	6,984,543
Total Primary Government	73,182,620	59,758,709
Component Units		
Hospital Authority - General Hospital	2,332,394	15,541,821
Hospital Authority - Bordeaux Hospital	734,989	1,173,827
Metropolitan Transit Authority	17,769	330,387
Nashville Thermal Transfer Corporation	14,085	7,113
Industrial Development Board	530,000	-
Total Proprietary Types	3,629,237	17,053,148
Total Reporting Entity	$ 76,811,857	$ 76,811,857

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Government's financial instruments within the proprietary fund types at June 30, 1999 are as follows:

	Carrying Amount	Fair Value
Primary government:		
Cash and cash equivalents	$ 149,927,161	$ 149,927,161
Investments	199,410,296	199,410,296
Revenue bonds and notes payable	619,182,877	637,301,621
Component units:		
Cash and cash equivalents	113,349,419	113,349,419
Investments	161,972,109	161,972,109
Notes receivable	11,189,366	11,029,391
Revenue bonds and notes payable	704,882,705	725,265,402
TVA advances	5,807,637	5,807,637

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - The carrying amount approximates fair value because of the short maturities of those instruments.

Investments - The fair value of investments is estimated based on quoted market prices for those or similar investments.

Notes receivable - The fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Revenue bonds and notes payable - The fair value of revenue bonds and notes payable is estimated based on the quoted market prices for the same or similar issues.

TVA advances - Represents advances made to the Electric Power Board by the Tennessee Valley Authority (TVA) to fund loans to the Board's customers in connection with TVA's Residential Energy Services Program. The carrying amount approximates fair value.

It was not practicable to estimate the fair value of the Metropolitan Nashville Airport Authority 1993 Swap Agreement or the deferred credit resulting from the Synthetic Advance Refunding, Series 2001.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

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 General Long-term Debt Account Group. Any estimated liabilities attributable to proprietary funds and component units are recorded in those funds and units.

Many of the component units of the Government are parties to various litigation filed in the normal course of business. It is believed that the outcome of these cases will not have a material effect on the financial position of the component units.

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; injuries to employees; and natural disasters.

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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:

	Non-automobile Accidents	Automobile Accidents
Bodily injury	$ 130,000 per person	$ 130,000 per person
	350,000 per accident	350,000 per accident
Property damage	50,000 per accident	50,000 per accident

The Government is also self-insured with respect to casualty losses on real and personal property for the first $2,000,000 of loss in any one year. Claims above this amount are covered by commercial insurance provided by independent insurers. The Government is also self-insured with respect to medical benefits and employee blanket bond coverage. Estimated losses for all self-insured risks of $18,444,755 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, 1998 and 1999:

	School Self Insurance	General Government Self Insurance	School Professional Employees' Insurance	Employees' Medical Benefit	Total Internal Service Fund Types
Claims payable June 30, 1997	$ 913,766	$ 4,813,249	$ 4,652,059	$ 3,951,000	$ 14,330,074
Add: Provision for events of the current fiscal year	460,203	5,844,877	19,006,436	24,982,946	50,294,462
Deduct: Payments on claims during the fiscal year	198,894	1,527,297	19,479,336	25,003,946	46,209,473
Claims payable June 30, 1998	1,175,075	9,130,829	4,179,159	3,930,000	18,415,063
Add: Provision for events of the current fiscal year	943,188	1,228,457	19,633,945	28,251,139	50,056,729
Deduct: Payments on claims during the fiscal year	568,841	1,452,631	20,274,426	27,731,139	50,027,037
Claims payable June 30, 1999	$ 1,549,422	$ 8,906,655	$ 3,538,678	$ 4,450,000	$ 18,444,755

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 any of the past three fiscal years.

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 also a participant with the primary government in the General Government Self-Insurance Fund. 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 three fiscal years.

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Metropolitan Transit Authority is self-insured for all vehicle accident losses up to $500,000 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, 1999. The Authority is also self-insured for medical claims up to $50,000 per participant, and has purchased insurance that provides for a specific maximum of $950,000 and an aggregate maximum for total claims paid of $1,000,000 per agreement year.

The Nashville Thermal Transfer Corporation is a participant in the Government's Self Insurance fund for coverage of all property losses. The Corporation carries commercial insurance for all other risks of loss including general liability, automobile, workers' compensation, business interruption, boiler and machinery, directors' and officers' liability, and umbrella liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees; and natural disasters. Self-insured employee medical benefit claims are accrued in accordance with GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. 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. 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 $165,000 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.

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, it is believed that any required reimbursements would not be material to the general purpose and individual fund and component unit financial statements. Accordingly, no provision has been made for any potential reimbursements to the grantor agencies.

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 53-2023 through 53-2028). 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, 1999, no deficiencies existed. The amount to be recovered from user fees is $43,696,208 at June 30, 1999 and is recorded as contributed capital by the Department of Water and Sewerage Services.

Construction Commitments

Primary Government

Capital projects funds of $240,503,975 are designated for specific capital projects at June 30, 1999.

Total construction commitments at June 30, 1999 for the Stadium and Library projects were $10,458,402 and $58,791,000, respectively.

At June 30, 1999, the Department of Water and Sewerage Services had commitments of $39,091,935 for construction contracts. 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. The related capital expenditures are expected to total approximately $125,000,000 through the year

2004. 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, 1999.

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Units

The Metropolitan Nashville Airport Authority estimates the cost of completion of various construction projects at June 30, 1999 to be $30,180,207, of which $358,094 is expected to be reimbursed by other governmental agencies.

Other Commitments

Primary Government

In May 1999, the Government entered into a memorandum of understanding with Dell Computer Corporation (Dell), where 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 will begin after the 2000 fiscal year.

In May 1999, the Department of Water and Sewerage Services entered into a contract with Brown and Caldwell (the Contractor) in which the Department agreed to pay the Contractor for change management services to enable and assist the Department to achieve specified verifiable and sustainable operating expenses of $60 million or less by June 30, 2004. The services are to be delivered by the Contractor in three phases. Fixed fees to be paid under the contract total $1,200,000 - $400,000 for Phase I and $800,000 for Phase II. The contract also provides that whenever the Department attains a level of actual verifiable and sustainable expenses of $64 million or less, the Contractor and the Department's employees shall receive a share of the additional savings (15% to 20%) according to the formula specified in the contract for each year the additional savings are attained for the term of the contract, which is currently expected to end on April 30, 2004.

The Department of Water and Sewerage Services has also entered into a contract with Utility Revenue Management Company, Inc. (the Contractor) in which the Department has agreed to pay the Contractor for situations identified by the Contractor where water and sewer services are unbilled or misbilled and corrective actions are recommended. Compensation to the Contractor under the contract is 45% of the gross increased revenues as defined in the contract. The contract expires July 6, 2000 but may be renewed for an additional one year term. Fees paid to the Contractor for the year ended June 30, 1999 totaled $618,052.

As of June 30, 1999, the Department of Water and Sewerage Services has a potential cumulative rebate liability on three of the six bond issues outstanding. The liability is approximately $1,250,000 as of June 30, 1999 but is subject to change pursuant to computations undertaken up to and including the last day of the applicable bond year.

Component Units

At September 30, 1998, the Metropolitan Development and Housing Agency has outstanding purchase commitments totaling $1,638,399. The Agency is also obligated to purchase any delinquent mortgage loans to individuals under the Home Rehabilitation Challenge Program. As of September 30, 1998, the Agency is contingently liable for such loans.

The Hospital Authority has entered into a agreement with Vanderbilt University Medical Center (Vanderbilt) to provide certain management services for General Hospital. The agreement ends on June 30, 2002 and requires annual payments to Vanderbilt of $395,000, which will increase by 5% annually. The agreement also stipulates that 50% of any annual operating surpluses, as defined by the agreement, will be paid to Vanderbilt to be used to benefit General Hospital. No such operating surplus existed at June 30, 1999.

The Electric Power Board has entered into agreements with outside firms to provide information and data processing system support and tree trimming services through 2003. The total commitment remaining under these agreements is $42,413,120 through 2003.

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Metropolitan Transit Authority has a five year contract with a management company for advisory and management services. Compensation for these services was approximately $153,000 for the year ended June 30, 1999.

At its August, 1997 meeting, 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 Emergency Communications District also has annual maintenance contracts totaling approximately $36,000.

NOTE 17 – RELATED PARTY TRANSACTIONS

During the fiscal year ended March 31, 1998, the Industrial Development Board issued revenue bonds in the amounts of $3,425,000 and $2,270,000 to Nashville Maplecrest, Inc. and Nashville Thompson Place, Inc., respectively. The funds were issued to these non-profit corporations in order to acquire apartment projects in the Nashville area. The board of these non-profit corporations is currently comprised of members of the Industrial Development Board. The members of the Industrial Development Board are currently in the process of removing themselves from serving on the related boards.