

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2000 totaled \$11,667,828.

The Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. Benefits paid by the Government for dental and life insurance totaled \$1,051,579 and \$889,416, respectively, for the fiscal year ended June 30, 2000.

The post-retirement benefits for the Metro plans were authorized by the Government's charter. During the year ended June 30, 2000, 5,494 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, 2000 totaled \$4,653,414. During the year ended June 30, 2000, 2,260 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 \$3,659,975 for the year ended June 30, 2000 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, 2000, total medical benefit claims expense incurred amounted to \$302,488. Future claims cannot be estimated. At June 30, 2000, 98 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, 2000, the Metropolitan Transit Authority recognized an expense for death benefit claims totaling \$100,000. Future such claims cannot be estimated. However, at June 30, 2000, 112 retirees were covered under this plan.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2000, payments of \$256,738 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, 32 retirees are receiving benefits from the Metro Plan. During the year ended June 30, 2000, payments of \$103,496 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, 2000, \$360,234 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. Because the assets are not held in a trustee capacity by the Government, they are not included in the Government's financial statements as required by GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

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 accounts for the assets and income associated with its deferred compensation plan in accordance with 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 Benefit Fund, are reported as an expendable trust fund. Investments are managed by the deferred compensation plan under one of 23 investment options, or a combination thereof. The choice of the investment options is made by the participants.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

As of September 30, 1999, \$2,208,039 had 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. The plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the balance sheet.

Nashville Thermal Transfer Corporation Profit - Sharing 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 \$66,986 were made for the year ended June 30, 2000.

Metropolitan Nashville Airport Authority

The Metropolitan Nashville Airport Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the Authority's balance sheet. At June 30, 2000, the fair value of the plan assets was \$6,825,737.

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

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, 2000 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	\$ 51,282,736	\$ 2,173,571	\$ 9,185,688	\$ 584,507	\$ 63,226,502
Restricted assets	287,060,697	-	-	-	287,060,697
Property, plant and equipment - net	1,212,105,216	40,959,055	2,367,301	3,859,892	1,259,291,464
Other non-current assets	10,016,545	-	50,000	-	10,066,545
Total assets	\$ 1,560,465,194	\$ 43,132,626	\$ 11,602,989	\$ 4,444,399	\$ 1,619,645,208
Current liabilities (payable from current assets)	\$ 10,316,912	\$ 1,483,479	\$ 514,150	\$ 181,008	\$ 12,495,549
Current liabilities (payable from restricted assets)	49,295,455	-	-	-	49,295,455
Long-term debt-net of current maturities	589,094,795	-	-	2,465,000	591,559,795
Contributed capital	502,188,592	56,775,770	1,488,395	-	560,452,757
Retained earnings (deficit)	409,569,440	(15,126,623)	9,600,444	1,798,391	405,841,652
Total liabilities and equity	\$ 1,560,465,194	\$ 43,132,626	\$ 11,602,989	\$ 4,444,399	\$ 1,619,645,208

Statements of Income (Loss)

Operating revenues	\$ 151,101,060	\$ 4,125,863	\$ 3,456,803	\$ 799,020	\$ 159,482,746
Operating expenses	102,315,581	6,150,031	3,609,332	859,753	112,934,697
Operating income (loss)	48,785,479	(2,024,168)	(152,529)	(60,733)	46,548,049
Nonoperating revenue (expense):					
Interest income	15,788,900	91,511	451,314	32,908	16,364,633
Interest expense	(35,245,515)	-	-	(145,868)	(35,391,383)
Gain (loss) on sale of property	27,490	748	5,865	(75,181)	(41,078)
Other	383,728	-	-	-	383,728
Income (loss) before operating transfers	29,740,082	(1,931,909)	304,650	(248,874)	27,863,949
Operating transfers in	100,502	1,206,668	340	275,000	1,582,510
Operating transfers out	(863,823)	-	(20,000)	-	(883,823)
Operating transfers to component units	(79,157)	-	-	-	(79,157)
NET INCOME (LOSS)	\$ 28,897,604	\$ (725,241)	\$ 284,990	\$ 26,126	\$ 28,483,479

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

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

	<u>Other Data</u>				
	Department of Water and Sewerage Services	Nashville Convention Center	Board of Fair Commissioners	Farmers Market	Total Enterprise Funds
Property, plant and equipment:					
Additions	\$ 69,745,365	\$ 67,196	\$ 56,158	\$ -	\$ 69,868,719
Disposals	637,827	-	71,848	186,806	896,481
Depreciation and amortization expense	36,994,955	1,210,633	334,395	175,224	38,715,207
Net working capital	40,965,824	690,092	8,671,538	403,499	50,730,953
Capital contributions	29,605,902	-	-	-	29,605,902

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, 2000 of the major component units are as follows:

Governmental Types

Condensed Balance Sheets

	Nashville District Management Corporation	Total Governmental Types
Cash and cash equivalents	\$ 355,162	\$ 355,162
Total assets	\$ 355,162	\$ 355,162
Accounts payable	\$ 56,390	\$ 56,390
Other liabilities	239,104	239,104
Fund equity	59,668	59,668
Total liabilities and fund equity	\$ 355,162	\$ 355,162

Condensed Statements of Revenues, Expenditures and Changes in Fund Balances

Total revenues	\$ 23,820	\$ 23,820
Current expenditures	513,028	513,028
Total expenditures	513,028	513,028
Excess (deficiency) of revenues over expenditures	(489,208)	(489,208)
Operating transfers from the primary government	546,564	546,564
Excess (deficiency) of revenues and operating transfers over expenditures	\$ 57,356	\$ 57,356

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Proprietary Types

Condensed Balance Sheet

	Hospital Authority	Metropolitan Development and Housing Agency	Electric Power Board	Nashville Thermal Transfer Corporation	Metropolitan Nashville Airport Authority	Other Proprietary Types	Total Proprietary Types
Current assets	\$ 24,413,857	\$ 60,410,205	\$ 124,232,613	\$ 4,479,191	\$ 47,060,888	\$ 10,513,550	\$ 271,110,304
Due from the primary government	79,459	-	-	797,346	-	573,545	1,450,350
Restricted assets	112,489	1,590,988	57,318,921	20,455,315	57,938,594	63	137,416,370
Notes receivable	-	6,501,262	4,936,440	-	4,411,815	-	15,849,517
Property, plant and equipment - net	66,024,986	163,294,936	515,951,069	42,101,106	387,374,879	25,885,542	1,200,632,518
Other non-current assets	-	36,710,316	2,285,236	819,758	5,305,769	-	45,121,079
Total assets	\$ 90,630,791	\$ 268,507,707	\$ 704,724,279	\$ 68,652,716	\$ 502,091,945	\$ 36,972,700	\$ 1,671,580,138
Current liabilities (payable from current assets)	\$ 8,665,701	\$ 28,310,503	\$ 112,635,649	\$ 1,228,260	\$ 7,948,553	\$ 6,483,265	\$ 165,271,931
Due to the primary government	14,795,793	-	-	-	-	-	14,795,793
Current liabilities (payable from restricted assets)	119,079	151,693	1,521,959	7,409,672	22,654,742	-	31,857,145
Long-term debt - net of current maturities	44,287,285	58,523,840	285,634,582	68,549,012	318,433,460	870,469	776,298,648
Fund equity (deficit)	22,762,933	181,521,671	304,932,089	(8,534,228)	153,055,190	29,618,966	683,356,621
Total liabilities and fund equity	\$ 90,630,791	\$ 268,507,707	\$ 704,724,279	\$ 68,652,716	\$ 502,091,945	\$ 36,972,700	\$ 1,671,580,138

Condensed Statement of Revenues, Expenses and Changes in Retained Earnings

Operating revenues	\$ 69,072,406	\$ 17,279,727	\$ 682,355,835	\$ 11,966,153	\$ 51,850,324	\$ 13,079,991	\$ 845,604,436
Operating expenses	106,754,632	156,029,556	659,599,236	16,884,604	47,387,035	29,963,131	1,016,618,194
Operating income (loss)	(37,682,226)	(138,749,829)	22,756,599	(4,918,451)	4,463,289	(16,883,140)	(171,013,758)
Nonoperating revenue (expense)	552,908	129,440,791	(10,190,311)	(3,695,229)	(3,992,175)	3,300,478	115,416,462
Income (loss) before operating transfers	(37,129,318)	(9,309,038)	12,566,288	(8,613,680)	471,114	(13,582,662)	(55,597,296)
Operating transfer from (to) the primary government and component units - net	36,612,837	3,157,497	-	7,751,500	534,083	3,896,819	51,952,736
Net income (loss)	\$ (516,481)	\$ (6,151,541)	\$ 12,566,288	\$ (862,180)	\$ 1,005,197	\$ (9,685,843)	\$ (3,644,560)

Other Data

Capital contributions	\$ 426,515	\$ -	\$ -	\$ -	\$ 8,748,431	\$ 7,711,487	\$ 16,886,433
Depreciation and amortization	4,496,710	7,147,635	22,163,949	5,465,801	16,833,549	9,266,866	65,374,510

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2000.

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, 2000, the leased

building is carried in the enterprise funds at \$3,645,000, less accumulated depreciation of \$372,094. A summary of future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 2000 is as follows:

Year Ending June 30,		

2001	\$	260,588
2002		259,708
2003		258,438
2004		256,892
2005		260,008
Thereafter		2,577,085

Total future minimum lease payments		3,872,719
Less:		
Amount representing interest imputed at 7.5%		1,287,719
Current portion of capital lease		120,000

Long-term capitalized lease obligation	\$	2,465,000
		=====

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, 2000 the leased equipment is carried in the internal service funds at \$1,016,897, less accumulated depreciation of \$847,414. A summary of future minimum lease payments and the present value of future lease payments for the capitalized lease as of June 30, 2000 is as follows:

Year Ending June 30,		

2001	\$	190,896
Less:		
Amount representing interest imputed at 6%		21,413

Current portion of capital lease	\$	169,483
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THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 – LEASES (CONTINUED)

Component Units

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, 2000 is as follows:

<u>Year Ending June 30,</u>		
2001	\$	4,000,000
2002		4,000,000
2003		4,000,000
2004		4,000,000
2005		4,000,000
Thereafter		<u>77,666,666</u>
Total future minimum lease payments		97,666,666
Less:		
Amount representing interest imputed at 7.5%		52,902,296
Current portion of capital lease		<u>668,144</u>
Long-term capitalized lease obligation	\$	<u><u>44,096,226</u></u>

At June 30, 2000, 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 \$4,133,333.

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, 2000 follows:

<u>Year Ending June 30,</u>		
2001	\$	129,689
2002		129,689
2003		<u>86,421</u>
Total future minimum lease payments		345,799
Less:		
Amount representing interest imputed at 14.41%		60,199
Current portion of capital lease		<u>94,541</u>
Long-term capitalized lease obligation	\$	<u><u>191,059</u></u>

The Metropolitan Development and Housing Agency leases certain office space and equipment accounted for as operating leases. Total lease expenditures for the year ended September 30, 1999 were \$127,655, and future minimum rental commitments are insignificant.

The Metropolitan Development and Housing Agency receives rental income under a building lease accounted for as an operating lease. The lease has an initial term of thirty years and provides for an option to renew for seven successive ten-year periods. The lessee is committed to pay base rents totaling \$500,000 annually through 2016,

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

with future minimum lease payments of \$8,625,000. Rental income from other cancelable operating leases amounted to \$925,927 for the year ended September 30, 1999.

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 \$641,690 for the year ended June 30, 2000.

At November 1, 1999, the Metropolitan Transit Authority entered into a capital lease obligation for new buses with a capitalized cost of \$990,591. The future minimum lease payments required under the capital lease as of June 30, 2000, are as follows:

<u>Year Ending June 30,</u>		
2001	\$	127,223
2002		127,223
2003		127,223
2004		127,223
2005		127,223
Thereafter		<u>572,506</u>
Total future minimum lease payments		1,208,621
Less:		
Amount representing interest imputed at 5.05%		257,938
Current portion of capital lease		<u>80,214</u>
Long-term capitalized lease obligation	\$	<u><u>870,469</u></u>

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 110% of debt service on all bonds outstanding. The notes receivable from tenants of \$4,411,815 at June 30, 2000 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.

Certain bond issues of the Industrial Development Board in prior years provide for lease agreements between the Board and the companies receiving public financing for the construction or improvement of their facilities. The leases require the companies to pay rent during the original period of the lease in an amount at least sufficient to pay the principal and interest due on the bonds. These leases are automatically renewable for up to four additional five year terms at specified rental amounts. The current rent associated with these leases was \$18,800 for the year ended March 31, 2000.

Certain lease agreements of the Industrial Development Board provide for the purchase of the leased facilities when all amounts due on the related bond issued have been repaid and all the renewal term rents due have been received. The purchase option amounts are fixed by the respective lease agreements. Lease agreements with purchase options that have not been exercised and remain in effect total \$300,000 at March 31, 2000.

The Industrial Development Board is obligated under a lease agreement dated April 6, 1961, with the Airport Authority to pay ground rent in the amount of \$12,000 annually for the property on which the facilities occupied by Genesco, Inc. are located. The lease term runs concurrently with the Genesco, Inc. ground rent lease which

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

NOTE 13 – LEASES (CONTINUED)

expires on April 25, 2007. During the year ended March 31, 2000, rent under the long-term lease obligation was \$12,000. Future obligations over the term of the long-term lease are as follows:

Year Ending March 31,	Amount
2001	\$ 12,000
2002	12,000
2003	12,000
2004	12,000
2005	12,000
Thereafter	25,000
	<u>\$ 85,000</u>

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, 2000 are as follows:

Fund	Receivable	Payable
Primary Government		
General Fund	\$ 24,546,495	\$ 9,523,579
Special Revenue Funds		
General Fund 4% Reserve	1,543,992	123,782
Advance Planning and Research	50,440	201,388
Park Resale Inventory	-	116,511
Metropolitan Action Commission -		
Administrative and Leasehold	145,672	526,495
Special Grant	-	12,946
Headstart	417,953	313,070
Federal/State Programs	7,410	127,532
LIHEAP	284,642	319,771
Community Services Block Grant	126,429	344,053
Summer Food Program	-	451,029
Industrial Development	-	29,065
Parks & Recreation Special Projects	-	2,168
Talking Library Service	-	1,378
Law Enforcement Block Grant of 1998	-	159,030
Law Enforcement Block Grant of 1999	123,506	132,034
Solid Waste Disposal	847,363	856,219
Solid Waste Grants	-	151,212
Solid Waste Special Projects	1,168,000	1,443
Nashville Career Advancement Center	27,845	1,398,391
Public Educational & Governmental Access	-	65,390
Library Special Projects	-	6,710
Library Services	8,751	721
Airport Noise Mitigation	-	214
Hotel Occupancy Tax	-	310,467
Sports Authority Stadium Project Development	-	1,806
General Government Grants	2,280,734	2,516,987
Metro Major Drug Enforcement Program	8,499	19,126

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District Attorney Special Operations	6,652	57,751
District Attorney Fraud & Economic Crime	322	7,001
1999 Tornado Grant	98,734	1,095,946
Stump Removal Program	-	730,826

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Fund	Receivable	Payable
Primary Government (Continued)		
Special Revenue Funds (Continued)		
Police Secondary Employment	\$ 108,701	\$ 847,393
Drug Enforcement Program	-	20,909
Metropolitan Board of Education -		
General Purpose School	3,859,609	1,051,517
School State & Federal Special Grant	44,325	3,269,419
School Central Storeroom	16,507	-
School Food Service Program	400,495	113,519
State Trial Court Drug Enforcement	36,835	14,336
State Trial Court Drug Test	-	304
Juvenile Court Accountability	-	55,794
United Way Mobile Screen	-	8,319
2000 Storm Clean Up Grant	33,003	-
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Total Special Revenue Funds	11,646,419	15,461,972
	<hr/>	<hr/>
Debt Service Funds		
General Services District – General Purposes	16,138,067	445,825
General Services District – School Purposes	16,046,510	452,026
Urban Services District - General Purposes	8,232,504	50,214
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Total Debt Service Funds	40,417,081	948,065
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Capital Projects Funds		
General Services District -		
Multi-purpose Improvement Bonds of 1985	-	5,996
Multi-purpose Improvement Bonds of 1987	-	4,587
Multi-purpose Improvement Bonds of 1988	-	9,596
Multi-purpose Improvement Bonds of 1990	105,447	428,669
Multi-purpose Improvement Bonds of 1994	-	35,464
Multi-purpose Improvement Bonds of 1999	588,419	2,154,106
Public Improvement Bonds of 1996, Series A	1,706,705	225,520
Courthouse Renovation Capital Outlay Notes	-	215,219
Multi-purpose Improvement Bonds of 1997A	44,603	845,437
Arena Public Improvement Bonds of 1996A	-	73,028
Arena Multi-purpose Improvement Bonds of 1997A	-	167,671
Capital Outlay Notes of 2000	113,668	6,415,226
Energy Plan Capital Outlay Notes	-	394,755
Redevelopment Bonds of 1999	3,236,450	7,853,642
School Improvement Bonds of 1994	-	72,813
School Multi-purpose Improvement Bonds of 1997A	-	244,842
School Capital Outlay Notes of 1993	-	39
School Multi-purpose Improvement Bonds of 1999	209,786	227,362
School Multi-Purpose Capital Outlay Notes of 1998	16,096,873	15,485,457
School Public Improvement Bonds of 2000	40,390	15,579,624
School Information Systems Bonds of 2000	-	12,330
Urban Services District -		
Multi-purpose Improvement Bonds of 1985	-	593
Multi-purpose Improvement Bonds of 1990	-	13,956
Multi-purpose Capital Outlay Notes of 1999	50,214	8,000,000
	<hr/>	<hr/>

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

Total Capital Projects Funds	<u>22,192,555</u>	<u>58,465,932</u>
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THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Fund	Receivable	Payable
Primary Government (Continued)		
Enterprise Funds		
Department of Water and Sewerage Services	\$ 243,626	\$ 366,466
Nashville Convention Center	-	70,948
Board of Fair Commissioners	1,440	4,791
Farmers Market	-	6,162
	245,066	448,367
Total Enterprise Funds		
Internal Service Funds		
Central Printing	55,376	2,891
Motor Pool	679,993	5,622
Information Systems	1,024,061	117,241
Radio Shop	109,894	8,507
School Self-Insurance	-	1,667
General Government Self Insurance	191,667	9,722
Employees' Medical Benefit	1,297,970	259
Office Supply Storeroom	117,371	4,374
Metro Postal Service	57,893	508
	3,534,225	150,791
Total Internal Service Funds		
Fiduciary Funds		
Flexible Benefits Plan	22,075	-
Joseph B. Knowles Trust	3,563	-
Davidson County Employees' Retirement	734	-
Metropolitan Employees' Benefit Trust	435,231	227,650
Teachers' Retirement Plan	39	317,216
Closed City Plan	8,556	8,556
Richard R. Rooker, Circuit Court Clerk	-	29,900
Claudia Bonnyman, Clerk and Master	-	3,400
Bill Covington, County Clerk	-	18,600
David Torrence, Criminal Court Clerk	-	137,232
Bill Garrett, County Register	-	317,768
Kenny Norman, Juvenile Court Clerk	-	132,526
Transit Authority Revenue	-	42,837
	470,198	1,235,685
Total Fiduciary Funds		
Total Primary Government	103,052,039	86,234,391

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

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Fund	Receivable	Payable
Component Units		
General Hospital	\$ 141,115	\$ 14,756,782
Bordeaux Hospital	895	101,562
Metropolitan Transit Authority	43,545	-
Nashville Thermal Transfer Corporation	797,346	-
Industrial Development Board	530,000	-
	<hr/>	<hr/>
Total Proprietary Types	1,512,901	14,858,344
	<hr/>	<hr/>
Total Reporting Entity before reconciling items	104,564,940	101,092,735
	<hr/>	<hr/>
Metropolitan Development and Housing Authority (1)	-	2,942,205
Industrial Development Board (2)	(530,000)	-
	<hr/>	<hr/>
Total Reporting Entity	\$ 104,034,940	\$ 104,034,940

(1) Liability incurred by the Metropolitan Development and Housing Agency after September 30, 1999, date of MDHA financial statements, and before June 30, 2000.

(2) Receivable incurred by the Industrial Development Board before March 31, 2000, date of IDB financial statements.

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, 2000 are as follows:

	Carrying Amount	Fair Value
Primary government:		
Cash and cash equivalents	\$ 123,587,838	\$ 123,587,838
Investments	240,829,602	240,829,602
Revenue bonds and notes payable	608,399,210	630,530,024

Certain proprietary type component units have elected, under GASB Statement 20, not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, and thus do not present the estimated fair value of their financial instruments. The component units which are presented below are the Nashville Thermal Transfer Corporation and the Metropolitan Nashville Airport Authority.

Component units:		
Cash and cash equivalents	30,006,231	30,006,231
Investments	88,682,143	88,682,143
Notes receivable	4,411,815	4,001,750
Revenue bonds and notes payable	389,125,866	392,332,449

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

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.

Primary Government

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

	<u>Non-automobile Accidents</u>	<u>Automobile Accidents</u>
Bodily injury	\$ 130,000 per person 350,000 per accident	\$ 130,000 per person 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. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Government is also self-insured with respect to medical benefits and employee blanket bond coverage. Estimated losses for all self-insured risks of \$16,118,644 are recorded as liabilities in internal service funds.

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The following summarizes the changes in the estimated claims payable in the respective internal service funds for the years ended June 30, 1999 and 2000:

	School Self Insurance	General Government Self Insurance	School Professional Employees' Insurance	Employees' Medical Benefit	Total Internal Service Fund Types
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	<u>568,841</u>	<u>1,452,631</u>	<u>20,274,426</u>	<u>27,731,139</u>	<u>50,027,037</u>
Claims payable June 30, 1999	1,549,422	8,906,655	3,538,678	4,450,000	18,444,755
Add: Provision for events of the current fiscal year	-	800,488	21,479,689	26,027,354	48,307,531
Deduct: Payments on claims during the fiscal year	<u>722,136</u>	<u>2,453,744</u>	<u>21,052,408</u>	<u>26,405,354</u>	<u>50,633,642</u>
Claims payable June 30, 2000	<u>\$ 827,286</u>	<u>\$ 7,253,399</u>	<u>\$ 3,965,959</u>	<u>\$ 4,072,000</u>	<u>\$ 16,118,644</u>

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.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2000.

The Metropolitan Transit Authority has purchased reinsurance which provides for reimbursement of paid medical claims in excess of \$50,000 per covered participant per agreement year, with the exception of two employees who have a \$100,000 specific deductible. The policy also provides a specified maximum of \$950,000 during the lifetime of a covered participant, and an aggregate maximum for total claims paid per agreement year. The aggregate maximum each year fluctuates based on the number of employees under single or family coverage contracts. The maximum amount that the reinsurance carrier will pay out in a plan year is \$1,000,000. Total claims paid in 2000 did not exceed the aggregate maximum.

As required by a collective bargaining labor agreement, the Davidson Transit Organization Employee Benefit Trust was established to pay all medical claims for Metropolitan Transit Authority employees. The accrued medical claims and re-insurance amounts are recorded by the Trust. The Metropolitan Transit Authority funds the Trust on a break-even basis. At June 30, 2000, the Metropolitan Transit Authority owed the Trust \$348,909.

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, 2000, no deficiencies existed. The amount to be recovered from user fees is \$50,461,476 at June 30, 2000 and is recorded as contributed capital by the Department of Water and Sewerage Services.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

Primary Government

Capital projects funds of \$114,962,121 are designated for specific capital projects at June 30, 2000.

Total construction commitments at June 30, 2000 for library projects were \$44,281,035.

At June 30, 2000, the Department of Water and Sewerage Services had commitments of \$26,969,515 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 \$112,152,000 through the year 2005. 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, 2000. Proposed plans to fund capital expenditures for the next few years include internally generated cash and Tennessee Local Development Authority Loans.

Component Units

The Metropolitan Nashville Airport Authority estimates the cost of completion of various construction projects at June 30, 2000 to be \$13,933,326, of which \$2,225,661 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.

The Government and the Sports Authority are obligated to pay a franchise relocation fee of \$20,000,000 to the Tennessee Titans or National Football League (NFL). The NFL earlier conditioned its approval of the relocation of the Tennessee Titans (formerly known as the "Houston Oilers") to Nashville, Tennessee upon payment of the relocation fee and the Government, the Sports Authority, the Titans and the NFL furnishing general litigation releases in form satisfactory to all parties.

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 expired July 6, 2000 but may be renewed for an additional one year term. Fees paid to the Contractor for the year ended June 30, 2000 totaled \$577,945.

As of June 30, 2000, 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 \$1,239,773 as of June 30, 2000 but is subject to change pursuant to computations undertaken up to and including the last day of the applicable bond year.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Component Units

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. The surplus payable to Vanderbilt is \$137,150 at June 30, 2000.

At September 30, 1999, the Metropolitan Development and Housing Agency has outstanding purchase commitments totaling \$93,306,905. The Agency is also obligated to purchase any delinquent mortgage loans to individuals under the Home Rehabilitation Challenge Program. As of September 30, 1999, the Agency is contingently liable for such loans.

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

The Electric Power Board has entered into agreements with outside firms to provide information and data processing system support through 2003. The total commitment remaining under these agreements is \$9,928,964 through 2003.

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

The Metropolitan Transit Authority has a five-year contract, expiring August 2003, with a management company for advisory and management services. Under the contract, the Metropolitan Transit Authority is provided a one-member local management team, non-resident staff and overall supervision. Compensation for these services was approximately \$153,000 for the year ended June 30, 2000.

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

In August 1997, the Emergency Communication District's board of directors approved an Interlocal Agreement with the Government to assist in the financing of an 800 MHz radio system. The total cost of this equipment is estimated to be \$28 million, of which the District will be responsible for \$2.8 million per year, payable in semi-annual installments, over a ten-year period. To fund its portion of the acquisition, the District increased the monthly emergency telephone service subscriber fees. The Emergency Communications District also has annual maintenance contracts totaling approximately \$37,700.

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

The Nashville District Management Corporation has entered into an agreement with a service provider to provide a "Clean Team" for the District. Under the arrangement, the Clean Team serves primarily as a litter control and prevention service and secondarily as a resource of public information for downtown visitors, workers, shoppers and residents. The term of the agreement extends through June 30, 2001 and will not exceed \$356,652 annually.

The Nashville District Management Corporation receives personnel and administrative services from the Nashville Area Chamber of Commerce. In addition, the corporation pays the Chamber a monthly management services fee

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of \$2,879. Substantially all management and general expense included in the financial statements was paid to the Chamber during fiscal 2000.

NOTE 17 – RELATED PARTY TRANSACTIONS

During the fiscal year ended March 31, 1999, 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. At March 31, 2000, both revenue bonds are still outstanding at the amount of issuance.

NOTE 18 – SUBSEQUENT EVENTS

On October 17, 2000, the Government approved an initial resolution to issue General Obligation Bonds in an amount not to exceed \$179,500,000. The bonds are to provide funds for various public improvement projects in the General Services District, Schools and Urban Services District. The Government is developing plans to issue bonds during the first quarter of calendar year 2001.