

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

For the Year Ended June 30, 2004

Net change in fund balances - governmental funds \$ (87,269,502)

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

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

Acquisition of capital assets	145,878,753
Depreciation expense	(35,071,324)

Donations of capital assets increase net assets for governmental activities, but do not appear in the governmental funds because they are not financial resources.	53,906,540
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Transfers of capital assets to proprietary funds decrease net assets for governmental activities, but do not appear in the governmental funds because they are not financial uses.	(4,666,432)
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The gain or loss on the sale of capital assets is reported for governmental activities, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold.	(17,084,363)
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Changes in net pension assets increase or decrease net assets for governmental activities, but do not appear in the governmental funds because they are not financial resources.	(6,091,128)
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Bond proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of bond principal is an expenditure in the governmental funds but reduces long-term liabilities for governmental activities. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities.

Issuance of bonds	(122,100,000)
Principal repayments	79,775,000
Amortization of deferred charge on refunding	(866,933)
Issuance costs	809,956
Amortization of issuance costs	(90,112)
Bond premium	(6,157,067)
Amortization of premium	562,833
Change in accrued interest	(1,274,927)

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

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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

For the Year Ended June 30, 2004

Commercial paper proceeds provide current financial resources to governmental funds, but the issuance of commercial paper increases long-term liabilities for governmental activities. Redemption of commercial paper is an expenditure in the governmental funds but reduces long-term liabilities for governmental activities.

Issuance of commercial paper	\$ (195,000,000)
Redemption of commercial paper	127,000,000

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

Issuance of swaptions	(3,800,000)
Amortization of swaptions	28,788

Some expenses reported for governmental activities do not require the use of current financial resources and therefore not reported as expenditures for governmental funds.

Net pension obligation	(1,407,823)
Compensated absences	7,289,635
Claims and judgments	(4,407,973)
Interest arbitrage rebate	701,440
Landfill closure costs	3,807,776

Some revenues for governmental activities do not provide current financial resources and are not reported as revenues for governmental funds. (10,262,276)

Internal service funds are used by management to charge the costs of certain activities to individuals funds. The net revenue (expense) of the internal service funds less those allocated to business-type activities are included in governmental activities. 23,995,140

Change in net assets - governmental activities \$ (51,793,999)

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